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77 MOSTRA INTERNAZIONALE D'ARTE CINEMATOGRAFICA LA BIENNALE DI VENEZIA 2020 VENICE PRODUCTION BRIDGE

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TRAINING REPORT

INTRODUCTION

EUROVOD was extremely active during the Venice Film Festival in 2020, with the organisation of the first European VoD Meetings after the pandemic, during the Venice Film Festival, that partnered with EUROVOD for the organisation of the 2nd edition of the VoD Market Day, including a conference and a market event, all day long.

But also launching its Eurovodpro.org web service and presenting a major study of the emerging European VOD sector.

The Venice International Film Festival 2020 was the first A-list event to reopen to visitors and marked a moment of optimism about an industry restart. In subsequent weeks, a harsher reality kicked in, as a second wave of pandemic forced another round of cinemas closures.

The EUROVOD study shared in Venice – *Diverse, Dynamic and Sustainable : Evolution of a European Independent VOD sector* – highlighted rapid growth in the European VOD industry and demonstrated how services had adapted to dramatic changes.

The workshop European VoD Meetings, held in Venice, on San Servolo Island, from the 1st to the 4th September, offered the opportunity to look beyond the immediate disruption of the Covid crisis and to examine the opportunities and obstacles of new audience realities and a changing audiovisual ecosystem.

With industry heading towards a second restart, and much of the art form and business of film facing a still more serious threat, the findings of those workshops now seem prescient and essential.

EUROVOD here offers 10 core themes raised by workshop participants for developing the sector.

1. VOD NEEDS A CLEARER MESSAGE

At the beginning of 2020 Video On Demand was still in its infancy in much of Europe.

While Netflix and Amazon were household names, an understanding of the market was at best limited.

Certainly, the difference between SVOD (subscription VOD), TVOD (transactional VOD) and AVOD (Advertising-based VOD) is not widely known by consumers and not understood by all inside the film and television industries, just to name the main business models.

Delegates recognised that perceptions of VOD were often defined from two separate perspectives:

- VOD was seen by some as a replacement for another existing but declining area of business, such as DVD.
- Or it was overwhelmingly about the US streaming giants

Both those definitions were misleading and frustrating to overcome.

The workshop suggested that an independent European sector needed to promote its value and importance more strongly and clearly.

EUROVOD has a serious role to play and the workshops recognised that it will not be easy. VOD services need to be seen as much more than retailers at the end of the exhibition phase of the audiovisual industries. They were fast becoming an essential engine of cultural diversity and a means of connecting culture to audiences.

2. INDEPENDENT VOD IS IN THE DEMAND CREATION BUSINESS

Much of the development in VOD, particularly among the US streaming giants, has been about efficiently giving the audience what it thinks it wants, or what Big Data suggests it wants. Algorithms, Artificial Intelligence and a wide range of Big Data tools are all aimed at more accurately servicing known demand.

Those tools are generally the preserve of the biggest streaming companies.

For independent VOD services, the task is more challenging: leading the audience towards content it does not know it wants. Any aspirations to diversity in content and talent, requires that platforms encourage discovery and experimentation.

Indie services do not, of course, often share that task with other parts of the value chain. Success in cinemas or at festivals do create buzz, which can give a film a valuable launch.

But EUROVOD services recognised that audience recognition based on arthouse and festival release could be limited. For them, the task of *demand creation* was critical.

They recognised the need for VOD services to have their own dynamic for developing audiences.

Again, the biggest US companies with the deepest pockets had significant advantages - not least in being able to commission original content, which could then be heavily promoted through their own sites and recommendation engines.

The workshops showed how independent services are also able to create their own demand, using a range of skills, including:

1. Community building – creating an active community of like-minded people and encouraging participation and communication between audience and platform and among community members.
2. Analysis and tracking – While independent VOD services lack access to really Big Data on the scale of the US services, they have acquired, or are fast acquiring the skills and technologies to capture audience sentiment, taste and expectations.
3. Curation – organising content in compelling ways that drive usage and loyalty.

One area of demand creation raised during the workshops was pricing. Expectations of VOD price have been shaped by the aggressive expansion of US streaming services, such as Netflix and, to an extent, particularly among young people, by piracy.

Subscription costs are low, which as some advantages in increasing the numbers of people trying services. During lockdown, many services also offered free trials or films and discounts to newcomers. Pricing can create demand, but it is a challenge in building a viable business and offering serious recoupment for rights-holders.

3. VOD IS ABOUT EXPANDING NICHES

There is a degree of frustration attached to the term 'niche' when applied to VOD services. It suggests natural limitations to a market that may not actually exist.

The participants of the European VoD Meetings recognise that some of their value may come from *specialisation* and *differentiation,* particularly in comparison to the US streaming giants.

Differentiation is important particularly in a market where audiences may choose to take a number of VOD services – subscription stacking, but differentiation does not mean taking a narrow view of the potential of their specialisations. Rather, it suggests the task for services is to expand niches.

Presentations in Venice and case studies in the EUROVOD Report 2020 show that services are employing a number of techniques to widen audiences:

- Thematic curation (promoting 'specialist' films within a generalist theme)
- Recommendation
- Online festivals and events

The workshops recognised that a key issue for VOD services was understanding the audiences they were serving.

While small services cannot generate the Big Data, they did have access to audience development tools through analytics, social media and analysis of their own transactional data. As smaller services, there was also considerable potential for direct interaction with communities of viewers and subscribers.

Successful VOD services needed to be integrated into the lifestyles of their customers, it was suggested. Those goals could better be achieved by pooling knowledge and sharing resources as a network of VOD businesses.

4. VOD IS NOT A REPLACEMENT FOR OLD MEDIA BUT A PARTNER IN A NEW AV ECOSYSTEM

Questions about the viability of VOD tend to focus on the supposed competition with cinemas on one side, and the streaming giants on the other.

The lockdown offered powerful evidence that independent VOD services are not in a zero-sum game battle with any other part of industry. In many ways, it is a complementary service, filling vast gaps in audience demand between what the cinema market is able or willing to offer; and servicing desires and demand that the US streamers will never fill.

The workshops showed that the business model and mission of independent services is focused on the Demand part of VOD: in other words, they are centred on people as much as product.

The Covid crisis showed that audiences are not satisfied by one streaming platform. Instead, they "stack" subscriptions, creating a portfolio of services that might include Netflix, Amazon, or Disney, but also perhaps a national film channel, or a service dedicated to a particular interest or identity.

The workshops also suggested there is considerable room for independents, if they concentrate on building a strong community of interest.

These themes are still not fully understood by many in the audiovisual industry value chain. The pandemic has perhaps understandably led some parts of industry to focus on their own survival.

The workshops show that VOD services want to be partners in a constructive dialogue about the cultural, economic and social value of the audiovisual sector…

5. VOD IS AN ENGINE OF DIVERSITY

The training course also suggested that any genuine aspirations to a truly diverse industry, reflective of the societies in which content is made and consumed, requires VOD to succeed.

There are two elements to the diversity discussion for VOD:

1. A place where new diverse and emerging talent can find a home, and serious and committed champions.
2. A diverse audience with less of the geographic and demographic restrictions that can be an issue for traditional theatrical release.

Among the most promising aspects of the lockdown period of the Covid crisis was that it provided evidence that audience taste was far broader and more diverse than the traditional industry value chain had fully understood.

The EUROVOD report 2020, based on a survey among Eurovod members, reported downloads and streams of content that would once have been confined to a narrow 'arthouse niche.' Curation and community building have encouraged and nurtured such expansion of taste and it offers considerable promise for European cultural diversity.

The theatrical network, it was suggested, could not realistically fulfil the dream of a diverse and participatory European film-making culture. VOD offers the only realistic path for a new, and overlooked, generation of creative talent. That simple reality could be greatly boosted with public funding.

The workshop suggested it was important to ensure that independent platforms had access to a broad range of content to build on its mission of cultural diversity. Indie services are good at using more mainstream content as a gateway to new talent.

At the moment independent buying power is vastly inferior to that of the US giants and the gap is growing.

From the workshops came up also an industry discussion, involving public funds to consider how to ensure that VOD services are not forced into tiny niches, while the US services are allowed to dominate the mainstream…

6. COLLABORATION AND PARTNERSHIP ARE AT THE CENTRE OF THE VOD MISSION

The film industry value chain was forced to cooperate in unprecedented ways during the Covid crisis. In the absence of festivals and cinemas, the industry looked to VOD to keep the business alive. It was, of course, a marriage of convenience but one which revealed considerable areas of long-term mutual benefit.

Among the most promising were relationships between festivals and services. While physical events were forced to postpone, they worked closely with platforms to keep themselves relevant.

What they discovered was a major increase in participation from those who would not have considered flying to a festival. That new, enthusiastic audience provided helped dramatically increase the number of people watching new film, and often reaching beyond the established demographics. While the buzz of the physical event cannot be replicated, future events may retain many of the hybrid features.

Similarly, platforms were able to increase interest in a new film by showcasing works by the same director, featuring the same talent or touching on similar themes. The ability to create programmes to complement and promote new work could and should play a big role in future releases.

7. TERRIORIALITY IS A COMPLEX CHALLENGE, REQUIRING OPEN DIALOGUE

The issue of territorial rights is an emotional as well as a practical business issue for the audiovisual industries.

Rights sold to individual countries or groups of neighbouring countries is an essential part of the European cultural and economic model for film and television. Sales of territorial rights finances a significant part of independent production in Europe. And of course, part of the appeal of independent European VOD services is their appeal to the audiences of the countries in which they are based. They also have a role in sustaining national and regional culture, and either are, or have ambitions to, support local independent production.

The national and regional character of some services offers an important contrast to US streamers. Independent VOD service still belong somewhere and have a clear sense of place and cultural identity. And, it was pointed out, they can reach national and regional audiences beyond the physical limitations of cinemas, and particularly arthouse cinemas.

On the other hand, VOD services fully understand that the Internet was designed specifically NOT to have borders.

Their business model is also constrained by the artificial imposition of national boundaries through geo-blocking. The irony that the EU insistence on free movement of people but not on the free access to the media content they want to watch (and have paid for in their home countries) was strongly felt by some.

There is perhaps a bigger cultural point too. People are defined to an extent by their nationality, but they have many other identities and cultural affinities much more global. Ethnic, linguistic and cultural identities cross boundaries.

These are not easy issues to resolve, but the workshop suggested it was time for a serious debate about how international opportunities could be grasped without losing the advantages of territoriality.

8. RELEASE WINDOW REQUIRES FLEXILIBITY AND DIALOGUE

Media chronology may remain a hotly controversial issue in the audiovisual industries as a whole, but workshop participants generally felt it was over-hyped.

Participants recognised that there were times when a major cinematic release for a film was valuable. Their argument was not for a blanket abolition of all windows but rather common-sense flexibility.

The choice of release should be a matter for rights-holders and the best interests of a film to decide, rather than restrictive industry practice or law.

The consensus was that cultural diversity, opportunities for new talent and audience development were all best served by market flexibility. It was a matter of mathematics: challenging new and diverse films from fresh talent had little chance of making an impact on the limited release it could expect in the current theatrical business.

EUROVOD services said windows issues should be resolved through partnership and dialogue. Some VOD services have interests in distribution to cinemas as well as platforms and most have formal and informal relationships with theatres and festivals, which were only strengthened during the pandemic.

9. PIRACY REMAINS A THREAT

Piracy is a serious factor for emerging independent VOD services.

The threat grows stronger as services develop, when they acquire more popular and desirable content and can have a serious effect on the often-narrow profit margins of independent VOD services.

Copyright theft can represent an existential threat to independent services and Controlling piracy is a priority.

Services spend money to protect the content they show and many actively try to educate their audience about the cultural and economic threat of copyright theft, but piracy is constantly evolving and finding ways to overcome all forms of protection and enforcement.

Workshop participants pointed out that national, European and international anti-piracy strategies in recent years had two components: offer legal alternatives on one side and educational, technical and legal action on the other.

Services pointed out that they were fulfilling the first part of that mission. The workshops stressed that pressure needed to be applied by industry bodies, including EUROVOD, to ensure that public policy lived up to its promises.

10. TECHNOLOGY OPENS UP NEW POSSIBILITIES

The technological development of the sector never stands still, and delegates anticipated another period of rapid evolutionary change.

Digital developments look promising in a number of core areas:

- User experience, navigation and recommendation
- Audience building and data analysis
- Payment systems and customer relationship management.

Perhaps the main focus of the workshops was the potential of platform, and particularly mobile platform development.

The Covid crisis actually represented a temporary obstacle to the growth of streaming on phones and tablets. While people were confined to their homes televisions often returned as the focal point of VOD consumption.

The long-term prognosis, however, looks very healthy.

The EUROVOD report showed that viewing on smartphones and tablets already represented a third of views of films on independent platforms, and laptops another third. A series of huge developments may put mobile at the heart of VOD strategy. The first is the ever-improving capabilities of devices. A new generation of smartphones and tablets are enhancing the watching experience, while their mass market take-up is driving down prices.

The workshops also recognised that 5G might become a serious factor in boosting VOD on mobile platforms, allowing high-definition viewing on the move and potentially enabling breakthroughs in areas such as VR and AR that may be valuable to VOD in future.

Workshop participants recognised that further growth came with some responsibilities, particularly in terms of the environment. VOD offers some environmental advantages that were accentuated during the COVID shutdown, particularly reducing flights to festivals and drives to cinemas. But there has been growing recognition that there was a very significant environmental cost to streaming with a major increase in server farms to cope with the vast increased demand for data.

The workshops suggested that VOD services would be willing and active participants in discussions and actions to limit the harmful effects of increased online viewing. EUROVOD could play an important role in that process.

Delegates took part in two participatory workshops, run by Marc Putnam, of OUTtv and now President of EuroVoD, and Michael Gubbins, founder of SampoMedia.