

Desperately seeking ABMFE

*Thierry Henkinet, Independant Consultant
Kuurne, March 28th*

A Business Model For Europe

- USA is rushing for digital conversion
 - 10% of market already digital (with AIX)
 - DCIP to follow shortly
- What is Europe waiting for ?
 - More fragmented market place
 - Each country in Europe is specific
 - Acceptance of US standards still an issue (?)
 - Cultural and political issues

Why do we need ABM?

- Digital technology very expensive
 - More expensive *-for small players*
 - Uncertainties on life span *-technology & standards*
 - Additive to 35mm *-during transition*
- Savings for distributors & other users
 - Shared with exhibitors during transition (VPF)
 - Significant savings after transition

Why do we need ABMFE?

- Business issue
 - US distributors more competitive...in Europe
 - Competition favorable to big players
- Cultural & Political issue
 - Concentration could damage diversity, identity
 - Small players outside of digital transition
 - Small countries outside of digital world

What kind of business model?

- **Isolated**

- More revenues :

- Give more to audience
 - Increase flexibility on programming
 - Find new customers, new markets

- Reduce workload, learn by experience

- However, still very few digital contents available

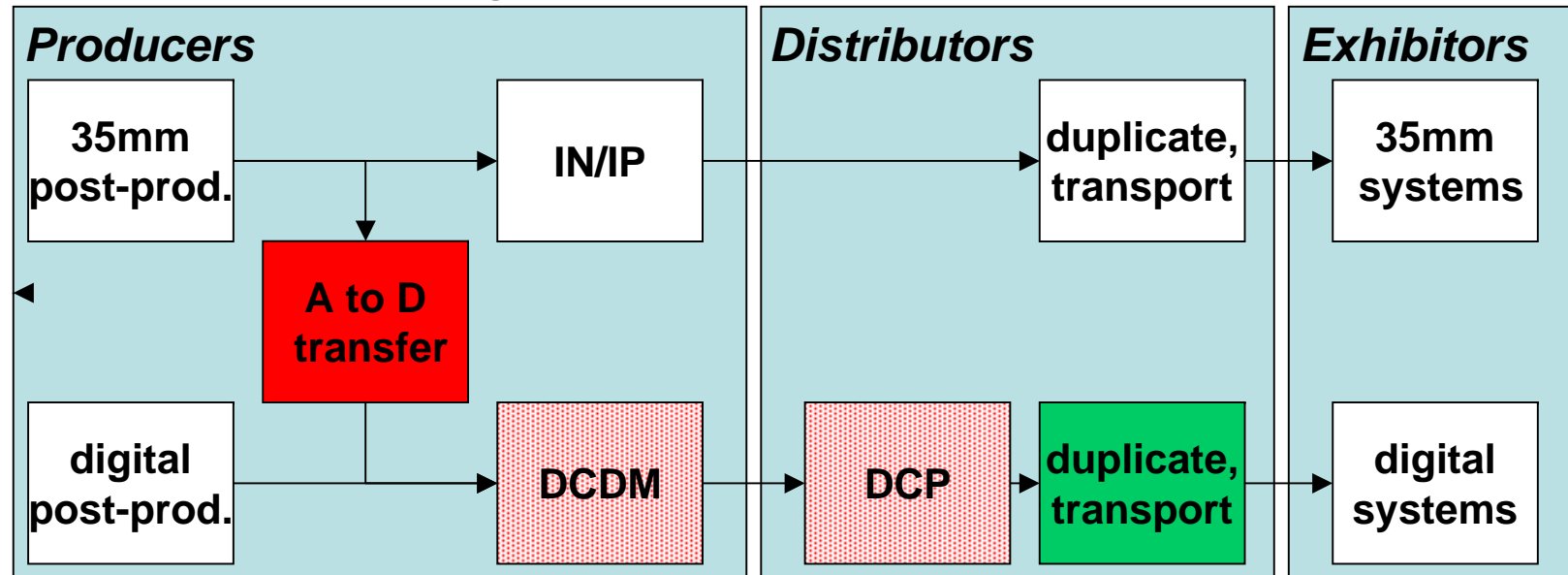
- **Collaborative (« VPF »)**

- Savings in distribution shared with exhibitors

- Facilitate having all contents available in digital

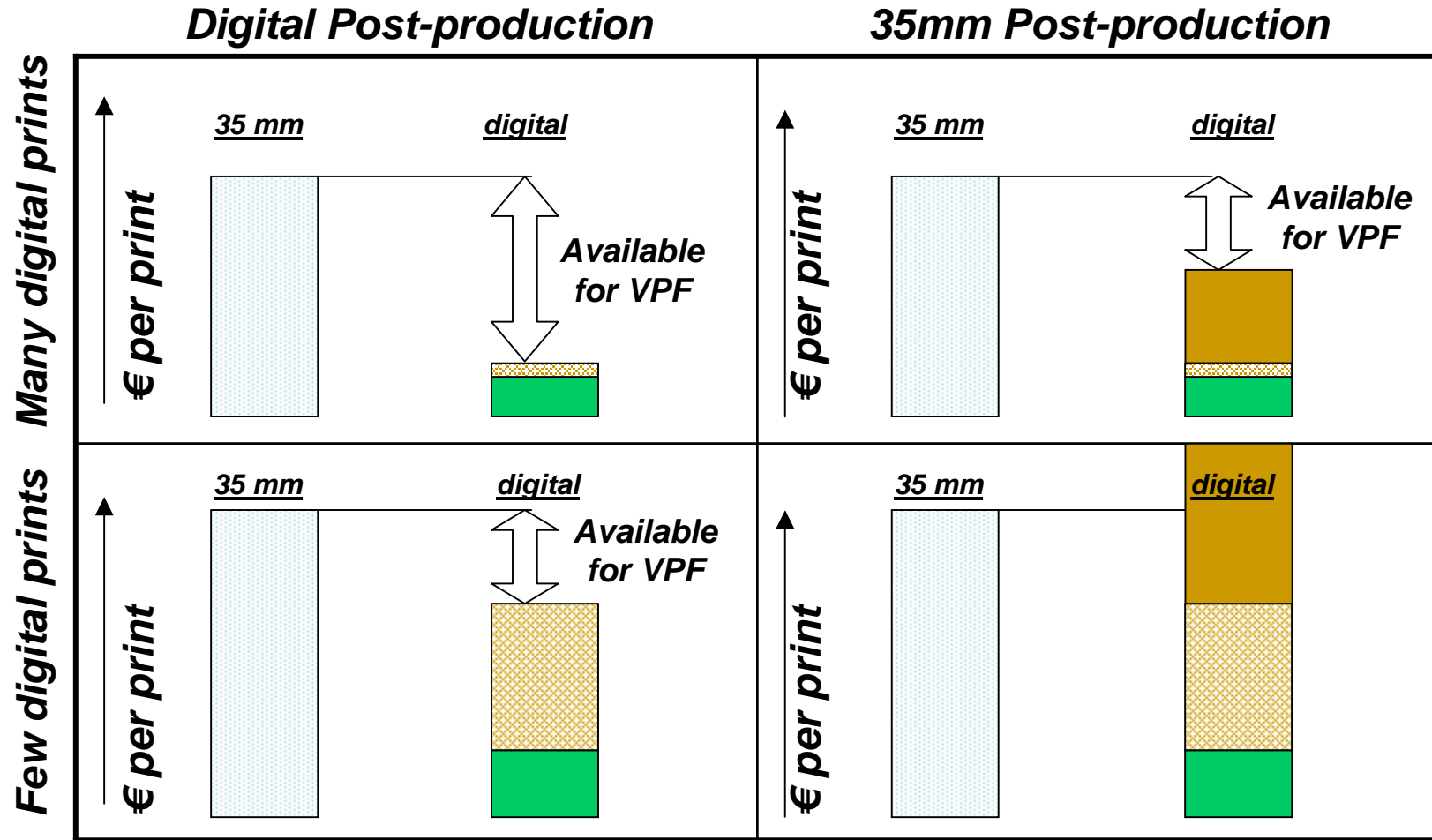
Do distributors make savings?

- 35mm vs. digital process



- Key issues ?
 - Universal standard for DCDM & DCP ?
 - How many digital prints to amortize fixed costs ?
 - Is post-production digital ?

Competition among distributors



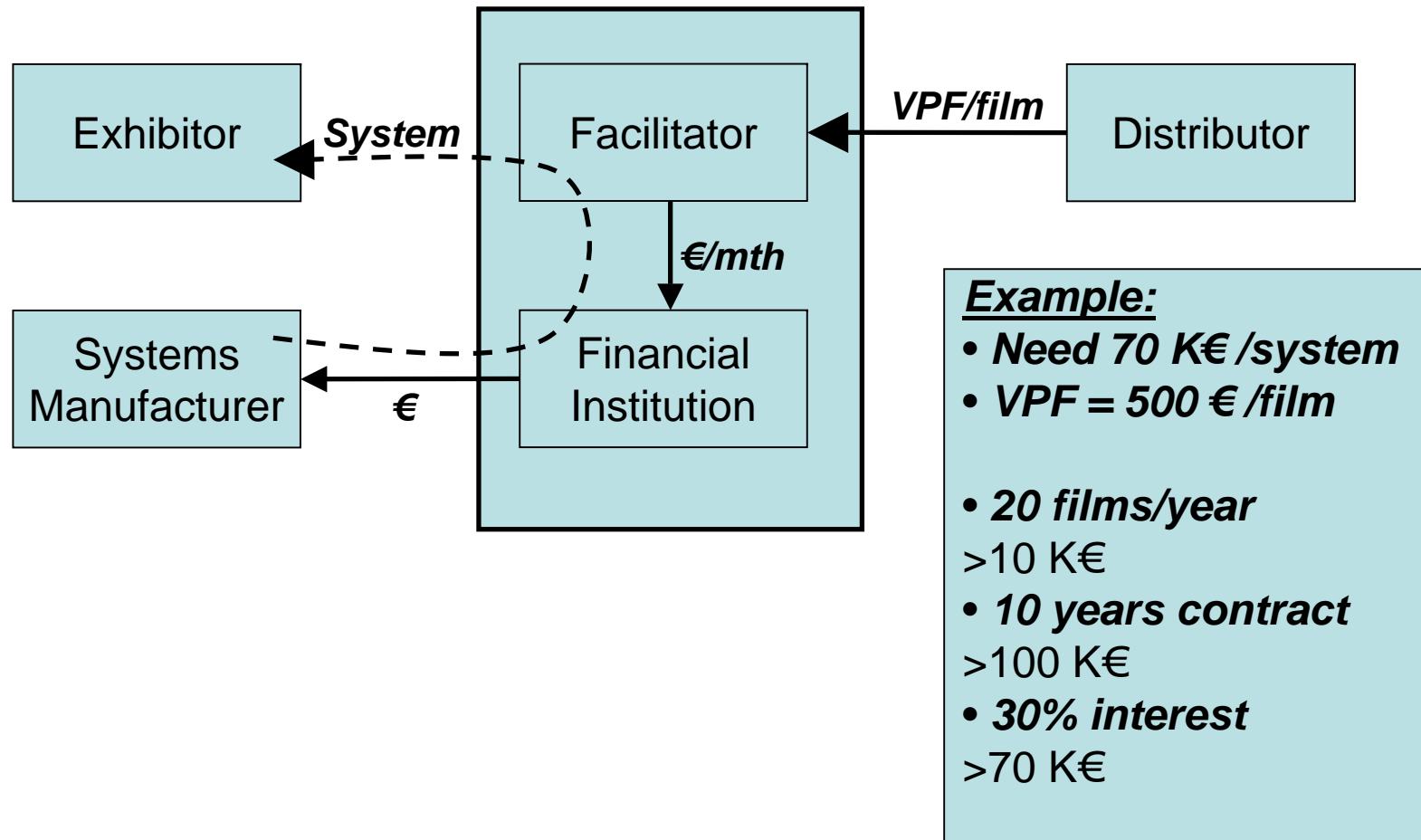
Competition among distributors

	<i>Digital Post-production</i>	<i>35mm Post-production</i>
<i>Many digital prints</i>	OK	OUT, unless <ul style="list-style-type: none">• <i>competitive Labs services</i>• <i>help from public regulation</i>
<i>Few digital prints</i>	OUT, unless <ul style="list-style-type: none">• <i>competitive Labs services</i>• <i>help from public regulation</i>	OUT, really !

How to redistribute VPF?

- No additional cost
- Do not change current practices
- Universal and simple
- Distributors
 - VPF payments stop when systems repaid
 - No gatekeepers
- Exhibitors
 - Flow of digital contents guaranteed
 - Keep control on programming (ownership preferred)

VPF: the global scheme



Why facilitators are necessary ?

- Negotiate, manage, stop VPF collection
- Federate exhibitors
 - better deals with manufacturers
 - better deals with financial institutions
- Packaged deals (i.e. pay for systems)
 - do not disturb business relations
 - do not interfere on programming
 - mutualise risks
 - offer additional services (optional/compulsory)

Issues with facilitators

- Who play this role?
 - Private ventures, groups of exhibitors, others
- Why play this role?
 - Medium term interest in keeping % of VPF
 - Long term interest in additional services
- What mission?
 - Address all distributors/exhibitors, countries?
 - Change competition among distributors/exhibitors?

Advices for exhibitors

- Adopt international standards
- Acquire 1 system on your own
 - Test the technology and learn to prepare the roll-out
 - Offer a larger installed base for distributors
 - Work on your own business model
 - EU subsidies available for 1st system
- Discuss with other exhibitors
 - Address issues and understand business models
- Discuss with distributors
 - Get ready for negotiations with facilitators
 - Launch your own initiative if no facilitator available

Advices for distributors

- Adopt International standards
- Offer 1 film in digital to exhibitors
 - Test the technology and learn to prepare the roll-out
 - Get more competitive services from labs
- Discuss with producers
 - Promote digital post-production
 - Ask for DCDM (and services to get them)
- Discuss with exhibitors
 - As explained

Advices for public regulation

- **Help transition to digital cinema**
 - Promote International standards
 - Communication and trainings for the industry
 - Tests and platforms
- **Facilitate VPF models**
 - Very efficient models in most of EU countries
 - Legal & regulatory preparation work
- **Subsidy players outside VPF models**
 - All producers to move to digital post-production
 - 2nd runned cinemas

Thank you for your attention!

thierry.henkinet@yahoo.fr