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# Facts, figures and questions on digitalisation in Europe and Worldwide

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Secretary General, MEDIA Salles

30 August 2012, Amsterdam

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# 2004
# MEDIA Salles organizes the first DigiTraining Plus course

**1st Jan 2004**
**Digital screens**
***North America 80***
***Asia and Pacific 61***
***Europe 30***
***Latin America 10***

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# And now?

# Europe has started 2012 with over half of its screens digitalised

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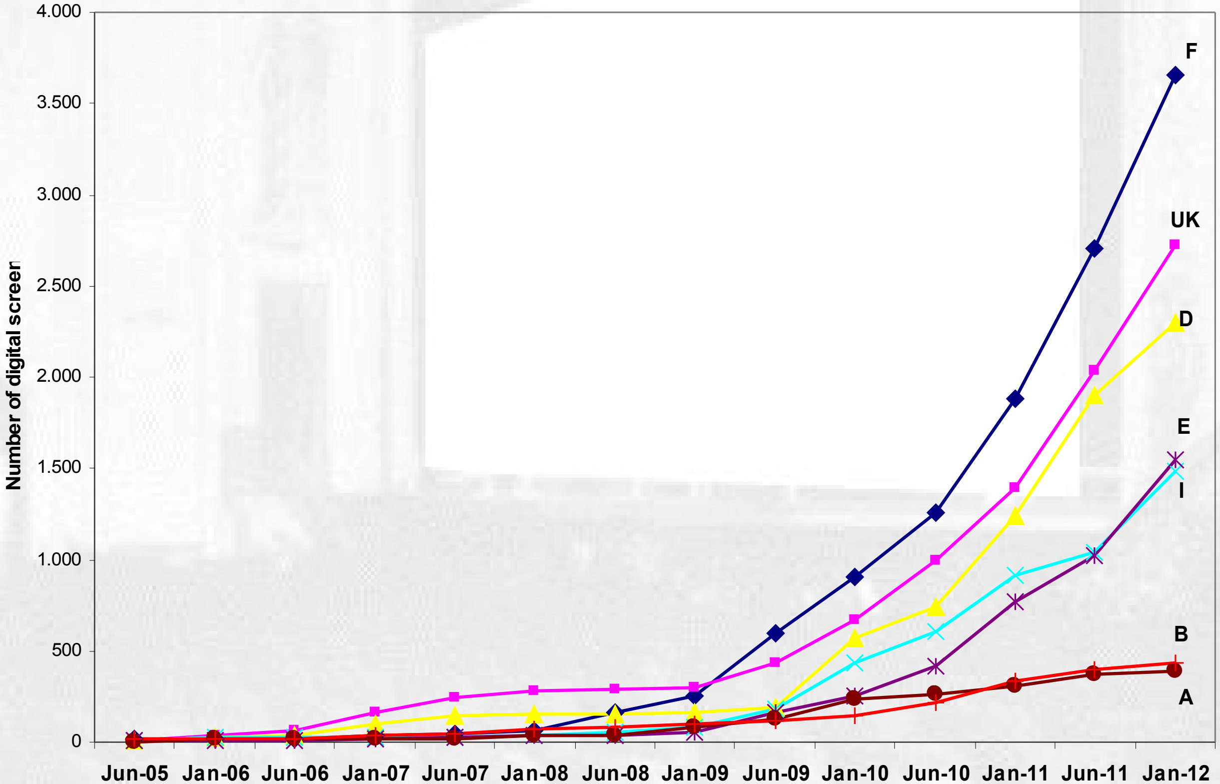
# Half-year trends in the number of digital screens Western Europe

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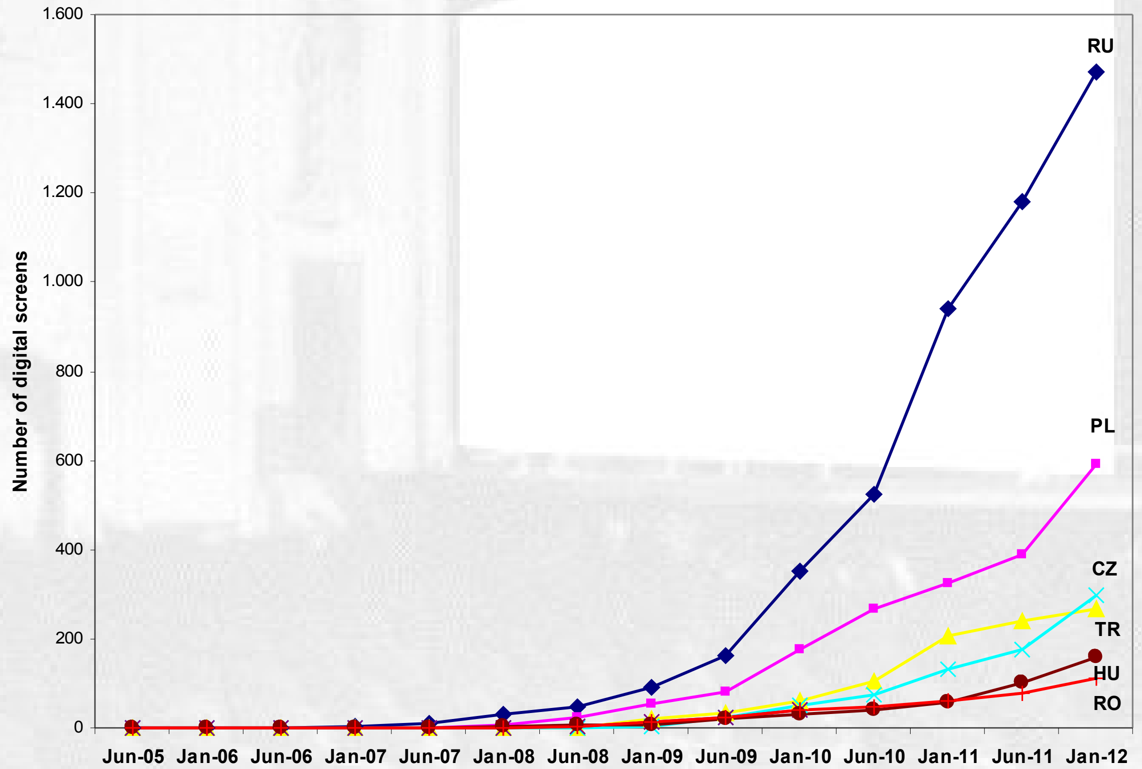
# Half-year trends in the number of digital screens Central and Eastern Europe and the Mediterranean Rim

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# Digital screens in Europe as at 1.1.2012:

**18,527**

**+ 79.3% compared to 1.1.2011 (10,335)**

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# Digital screens worldwide as at 1st January:

| | 2004 | 2005 | 2006 | 2007 | 2008 | 2009 | 2010 | 2011 | 2012 |
|---|---|---|---|---|---|---|---|---|---|
| Africa + M. East | - | 1 | 1 | 3 | 3 | 27 | 75 | 289 | *400* |
| Asia + Pacific | 61 | 138 | 207 | 354 | 786 | 1,458 | 3,469 | 8,237 | *15,450* |
| Europe | 30 | 55 | 204 | 527 | 897 | 1,535 | 4,684 | 10,335 | 18,527 |
| Latin America | 10 | 11 | 16 | 21 | 26 | 48 | 485 | 1,670 | *2,600* |
| North America | 80 | 86 | 173 | 1,957 | 4,576 | 5,660 | 7,934 | 15,654 | *26,500* |
| Total | 181 | 291 | 601 | 2,862 | 6,288 | 8,728 | 16,647 | 36,185 | *63,477* |

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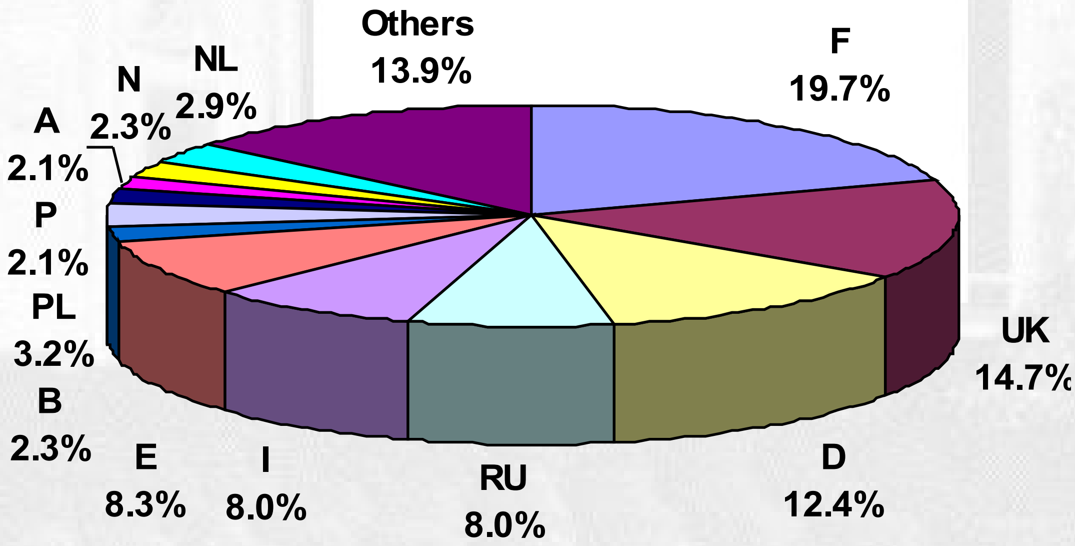
# PERCENTAGE OF DIGITAL SCREENS IN INDIVIDUAL COUNTRIES COMPARED TO THE EUROPEAN TOTAL

As at 1st January 2012

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# Digital screens as at 1.1.2012: Focus on the 6 major markets

| Country | 2005 | 2006 | 2007 | 2008 | 2009 | 2010 | 2011 | 2012 |
|---|---|---|---|---|---|---|---|---|
| Germany | 2 | 31 | 96 | 151 | 162 | 566 | 1,238 | 2,303 |
| Spain | 1 | 7 | 21 | 33 | 50 | 252 | 770 | 1,545 |
| France | 6 | 21 | 34 | 66 | 253 | 904 | 1,885 | 3,656 |
| Italy | 4 | 25 | 31 | 38 | 80 | 434 | 912 | 1,485 |
| Russia | 1 | 1 | 3 | 31 | 90 | 351 | 941 | 1,473 |
| United Kingdom | 10 | 33 | 159 | 284 | 303 | 667 | 1,397 | 2,724 |
| Tot. 6 markets | 24 | 118 | 344 | 603 | 938 | 3,174 | 7,143 | 13,186 |
| Total Europe | 55 | 205 | 527 | 897 | 1,535 | 4,684 | 10,335 | 18,527 |
| % of 6 leading markets out of European total | 43.64% | 57.56% | 65.28% | 67.22% | 61.11% | 67.76% | 69.11% | 71.17% |

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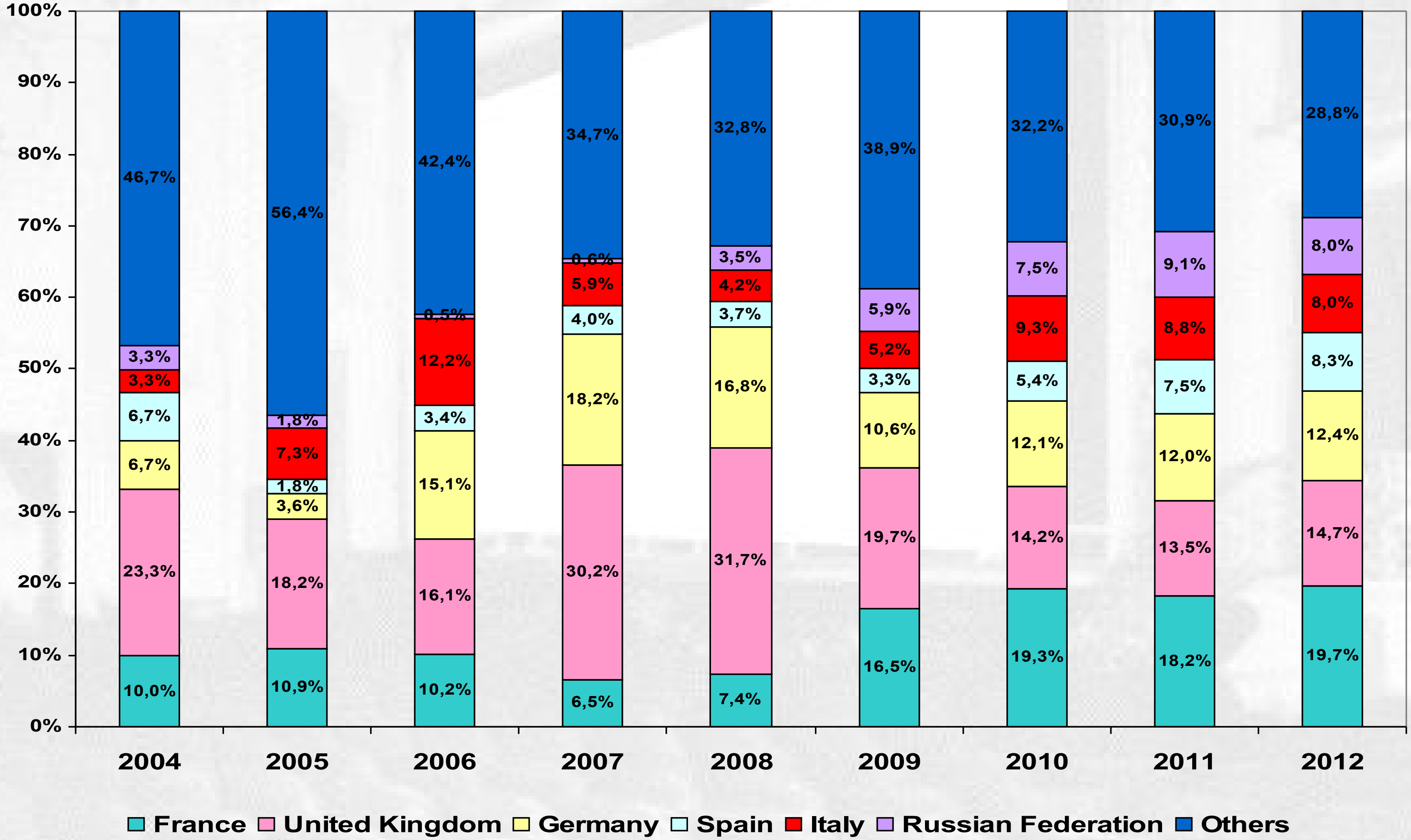
# Digital screens in the 6 leading European markets (as at 1st January of each year)

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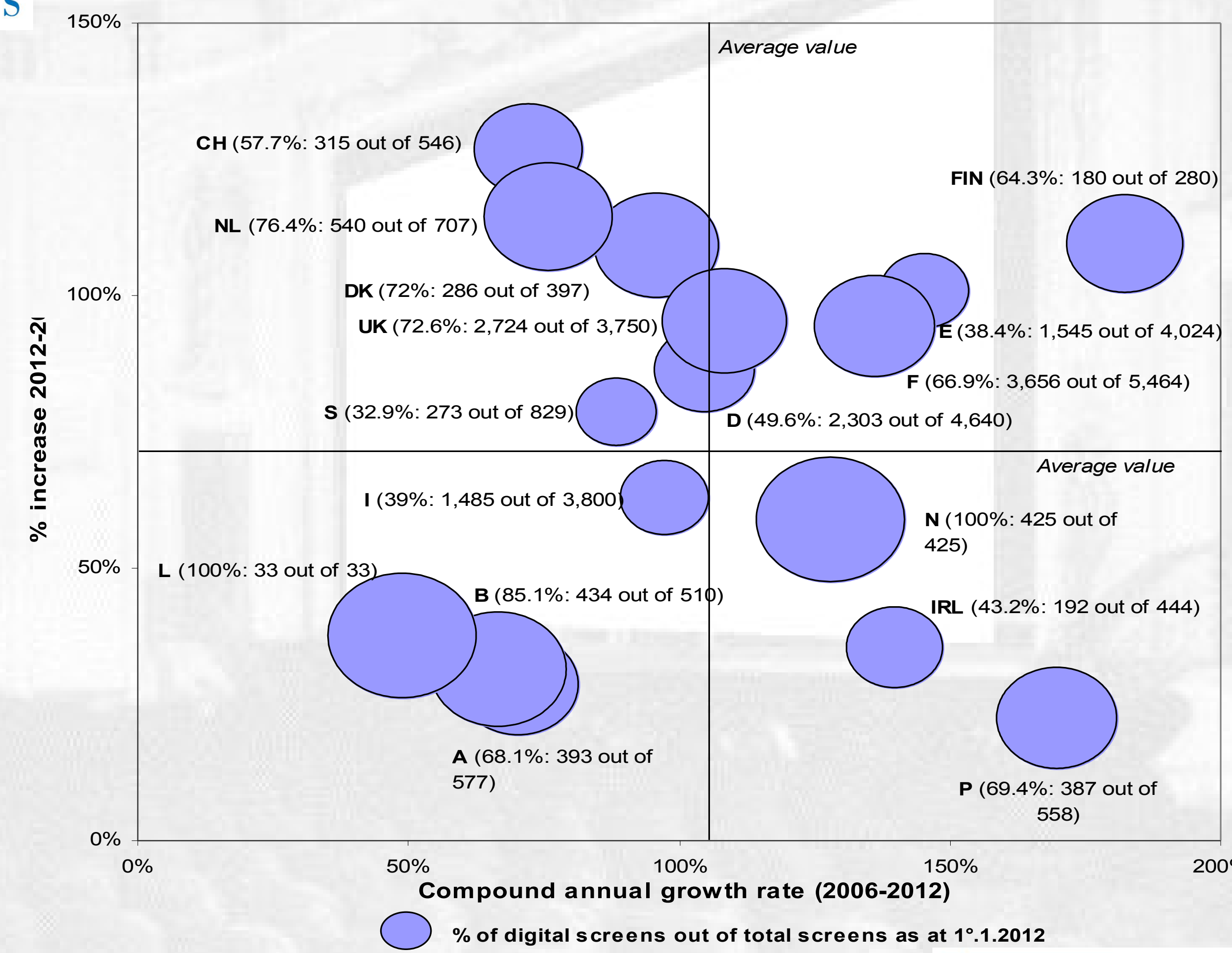
# Digital growth in Western Europe (as at 1st January 2012)



# The digital roll-out in Europe

**In 2011 Europe entered the second phase of mainstream roll-out in digital transition**

First phase (2009/2010): 3D as the key driver

Second phase (from 2011): new key factors

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# The digital roll-out in Europe

## The new key drivers from 2011

**full conversion of larger 2D circuits:**
**5,300 new digital 2D screens installed in 2011 (compared to 710 in 2010)**

**public support schemes for digitalisation**
**launched In Europe at the end of 2010 and in 2011**
**legislation (France),**
**support for industry-wide conversion schemes (Norway and The Netherlands),**
**direct public funding**

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# Some key challenges for small exhibitors

- Significantly lower access to digital cinema
(they represent 64% of exhibitors, but only 15% of them had digital cinema by the end of 2010)

- Financing seems to be the most pressing issue in the short term as time is running quickly now
(Europe has reached the "tipping point" with more than 50% digital screens)

# Some key challenges for small exhibitors

- How long will 35mm cinemas be able to survive?
- Increasing competitive disadvantage for smaller cinemas, as digital cinema seems to increase economies of scale
- How to deal with permanent increase in capital expenditures?

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# Some key challenges for independent distribution specialized in the distribution of European films

- If exhibitors shift programming to “premium“ content (e.g. 3D content), will European independent films find sufficient “screen time“?

- To which extent do independent distributors depend on smaller cinemas who face major difficulties to digitise their screens?

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# Some key challenges for independent distribution specialized in the distribution of European films

- Independent distributors may have to support 35mm distribution longer than majors, which could cause serious financial strain

- While all majors releases are digital, many European producers are apparently still reluctant to invest in digital masters

**Increasing competitive disadvantages against larger distributors**

# Challenges for monoscreens

Only 11% of monoscreens
(which account for 60% of total European cinemas)
had digitised by the end of 2010

The end of 35mm distribution is approaching
and these cinemas risk closure

2010/2011: public initiatives were made available
supporting digitisation of small cinemas

**But public support cannot cover all small exhibitors:**

**the best solution: collective schemes based on mutualisation**

# Business models to adjust during costly transition process

**The conversion period is expensive for the whole cinema chain: it should be as short as possible**

**SOLUTIONS?**
**Collective schemes for transition (Norway, the Netherlands) or legislation (France)**

Business models have to adjust and to develop
the VPF has to be replaced by
new schemes, more suitable for monoscreens and independent exhibitors

# The end of 35mm distribution is approaching (2013-2014)

Once the leading markets (France, United Kingdom) have completed digitalisation

- demand for 35mm will drop

- distributors will provide limited 35mm content

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# Medium and long term perspectives

## Increase in economies of scale

Growing competitive advantage for major cinemas and exhibition companies

Increasing gap between commercial and publicly funded sector

Wider releases, shorter runs

Less “screen time" for European quality cinema

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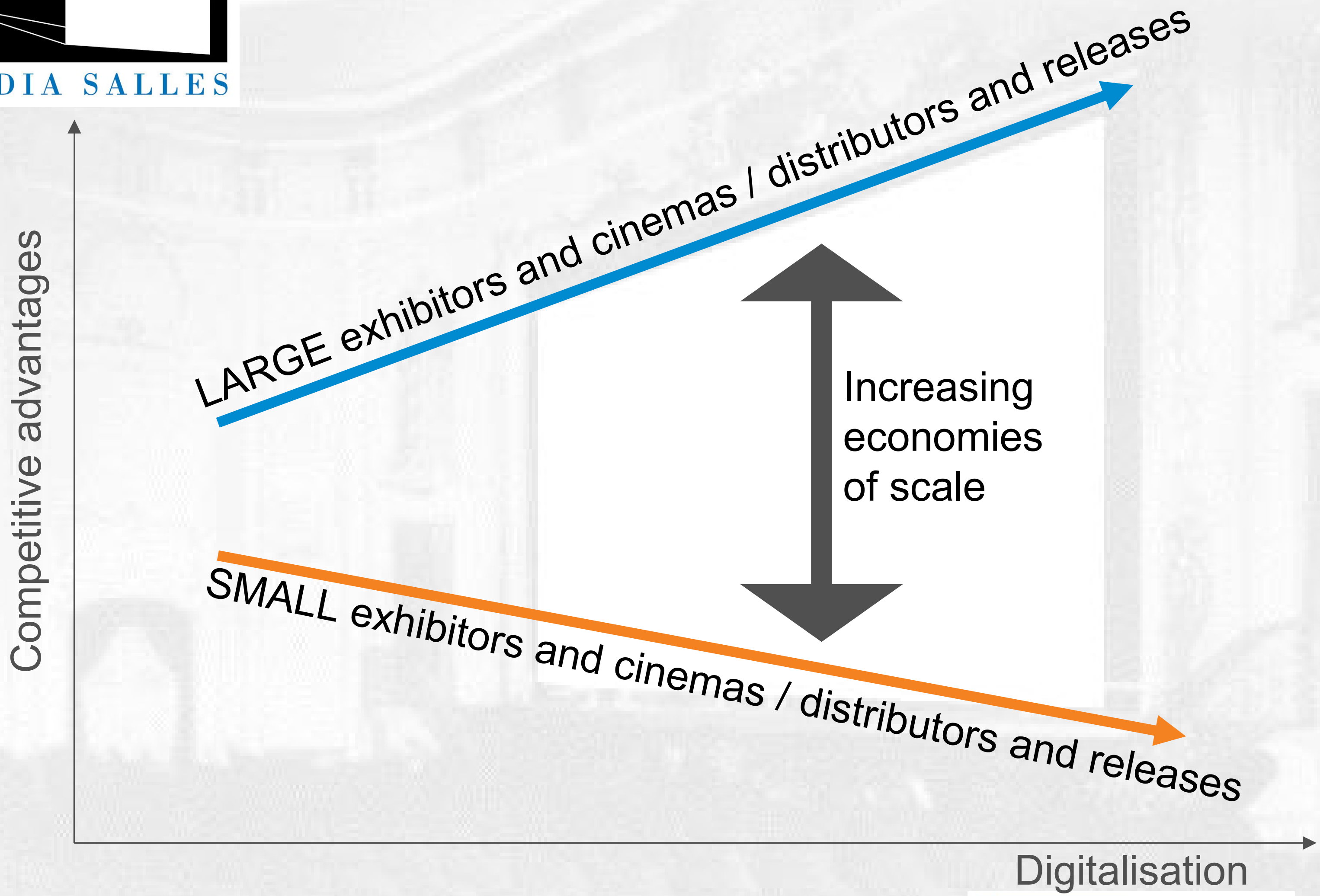


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# Has digitisation an impact on admissions?

# The case of Norway the first European country fully digitalised since 2011

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# Focus on Norway

Admissions in 2011:
11.65 million

+5.8% compared to 2010
(11.0 million)

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# Focus on Norway

According to Brigitte Langballe (Film&Kino)

the record in admissions was
to a great extent due to
DIGITALISATION

# Focus on Norway

**Film & Kino:** The engine of digital transition

It allocated to this project important resources deriving from the levy on the cinema sector and negotiated a VPF with the majors and the Norwegian distributors.

This allowed Norway's cinemas – almost all of which are managed by the Municipalities – to make a sustainable investment to take part in a VPF scheme including all types of cinemas.

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# Focus on Norway

Brigitte Langballe (Film&Kino):

"Digital projection has, in fact, allowed small and medium sized theatres to improve their offer and programme more titles"

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# Focus on Norway

## Jørgen Stensland (Film & Kino):

“The number of cinemas has stayed more or less the same as it was before digitalisation.
Some cinemas have closed and some new cinemas, and above all new screens, have been planned.
We are probably talking of around 30 new screens in just a few years…

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# Focus on Norway

## Jørgen Stensland (Film & Kino):

... There has been considerable growth in the number of spectators in small cinemas.
The smallest theatres saw a 50% increase in admissions between 2010 and 2011.
The category right after this experienced 30% growth.
Larger cinemas have not recorded any increase: they already have the content they're looking for..."

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# Cinema Digitisation: what for?

"Today there are enormous opportunities for creation. My dream is that in this century communication tools will increasingly be in the hands of the people rather than in those of the old powers."

Wim Wenders, Interview by Hans Ulrich Obrist,

Biennale Architettura 2010

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# Let’s keep in touch!

## The MEDIA Salles’ information tools on digitisation

- the website: www.mediasalles.it
- the DGT online informer
- the European Cinema Journal

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# Let's keep in touch!

# The MEDIA Salles' information tools

# on digitisation

# - the publications

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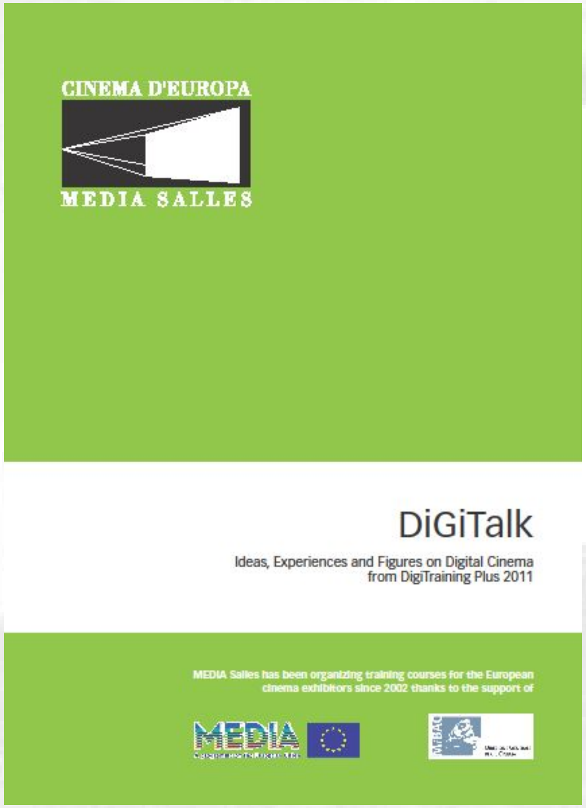


***DiGiTalk***
**the easy to consult booklet summarizing the DigiTraining Plus 2011 (Helsinki – Tallinn)**

**It hosts a section rich in tables and graphs on digital cinema roll-out in Europe and worldwide**

(http://www.mediasalles.it/digitalk2011/)

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***DiGiTalk***

***Pretty soon after the course***

***the “turquoise” edition from Amsterdam 2012!***

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***Rapporto 2011.***
***Il Mercato e l'Industria del Cinema in Italia***

***by Ente dello Spettacolo***

***It includes a***

***Focus on digitalisation in Italy and Europe***

***by MEDIA Salles***

***Soon downloadable in English***

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**Order**

**"The European Digital Cinema Report"**

**by MEDIA Salles and**

**the European Audiovisual Observatory**

**(http://www.obs.coe.int/oea_publ/market/european_digital_cinema.html)**

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## For further information

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