

Understanding Netflix's Global Cinema Strategy

Report produced for The Big Picture (Cinema Advisers) Ltd
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Image Source: Variety

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THE BIG PICTURE

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Warranty

This report is prepared on the instructions of the party to whom or which it is addressed and is thus not suitable for use other than for that party. As the report involves future forecasts, it can be affected by a number of unforeseen variables. Information within this report should not be relied upon by parties outside of the party to whom or which it is addressed. The report contains views and assumptions by The Big Picture based upon their existing knowledge of the market. The Big Picture has used its best general knowledge to assemble data and templates to assist the client in assessing various options. These numbers are indicative only and are to be used as guides only. The purpose of this report is to open debate and investigate various options that could be considered as part of a wider leisure initiative. Note: we have used our database and best estimates on current admission numbers, and we are open to correction from significant multiplex operators if these estimates are widely incorrect. Our database has been built from various sources and relates back to over twenty years the partners of The Big Picture have been in the UK cinema business. Our report is based on the best expertise of the partners who have been instrumental in numerous cinema developments throughout the UK and internationally.

1. Summary

In 2010 former Time Warner CEO Jeffrey Bewkes was quoted likening the possibility of Netflix dominating the entertainment industry to “the Albanian army taking over the world.” Today, the Albanian army is at your door.

The key thing to understand about Netflix's global cinema strategy is that it does not have one.

The best way to understand the power play between the streaming giant and global cinema operators is to consider it as a story of the Elephant and the Monkeys. The monkeys cannot help or harm the elephant in any meaningful way, at most they can hinder its path. The elephant has marched into the monkeys' part of the jungle, making them angry and fearful, so they throw coconuts at the elephant and scream a lot. This irritates the elephant, so it cannot completely ignore the monkeys. That is where we find ourselves in early 2019.

This report will attempt to explain what is driving Netflix, its relationship with Hollywood, its motivation in the recent “Roma” controversy”, how it is ‘dividing and conquering’ on national levels and what cinemas can do to counter-balance the growing power of Netflix.

The Netflix Vision is to:

- Become the best global entertainment distribution service
- Licensing content around the world
- Creating markets that are accessible to filmmakers
- Helping content creators around the world to find a global audience

With a culture to “avoid rules”.

2. Netflix is not a Movie Company

The most important thing to understand about Netflix is that it is not a movie company, it is not a film or television studio, it is not a traditional distributor. Netflix is a technology company. It is an online platform and as such it is best understood in the framework of other internet companies and ‘disruptors’. Dealing with Netflix and formulating strategies vis-a-vis will not work if it is not properly understood and approached accordingly. As such Netflix has more in common with Uber and Airbnb than with Disney or HBO.

The second thing to remember is that Netflix is a truly global company, while most of the conflicts and issues around it have been national or regional. Nobody has challenged Netflix on a global scale, apart from its true competitors, which might not be who you think they are.

Here are some of the hallmarks of Internet companies that apply to Netflix as much as Facebook or other tech giants.

- Its competitors are not legacy companies in its industry (Hollywood studios and cinemas), but Internet rivals (Uber vs Lyft, Instagram vs. Snapchat, etc.), which in Netflix's case is Amazon Prime Video and the likes of HBO and Hulu. (But even these are not who Netflix sees as its biggest rivals, instead Reed Hastings considers “sleep” and ‘Fortnite’ to be Netflix's biggest competition!);
- It is not required to be profitable as long as it is growing and growing fast (known as ‘Blitzgrowth’). In fact, Wall St sees it as a sign of not been aggressive enough at acquiring

customers if you are not losing money initially, with profitability only expected once it is dominant and mature. (Netflix raised \$2 billion in financing through debt securities in 2018. As of Sept. 30, 2018, Netflix reported \$8.34 billion in long-term debt, up 71% from \$4.89 billion a year prior. Reed Hastings has promised it will lose money for “many years.”);

- As of March 2019 Netflix signs up 150m subscribers worldwide - <https://www.theguardian.com/media/2019/apr/14/netflix-to-pass-150m-global-subscriber-mark-as-domination-goes-on>
- 'It is easier to seek forgiveness than to ask for permission', is the guiding principle of international expansion. Laws are often not clearly formulated for new technology, so unless it is breaking the law openly (say, by hosting terrorist material!) Internet companies will move in to establish themselves rather than wait for regulatory acceptance;
- 'Win over customers before you win over politicians', is the second mantra. If a company can grow fast enough and become an indispensable part of people's lives, the company will gamble that politicians will be afraid to block it in the future. This has been seen most clearly internationally by operators such as Lyft and Airbnb, who further have its drivers and landlords to advocate for it;
- Internet companies are data-driven. If they do something it is because they believe that the numbers are telling them that this is the most optimal path forward. To get the numbers they do A-B testing, to see which results in the best returns. This can even be seen on a macro scale where experiences in two different markets (countries) determines how it acts in all other markets;
- It will minimise paying tax to nations in which it operates by channelling revenue and profits through a regional tax haven and through complicated ownership, operation and licence structure. In the case of Europe this is typically Ireland, Luxembourg or (in Netflix's case) The Netherlands;

Netflix has already occupied the space previously dominated by film/TV producers and distributors and in doing so it has already killed off one distribution platform (Blockbuster) and is seriously hurting another one (cable television). It is not actively looking to put cinemas out of business (unlike Blockbuster - which was given the opportunity to buy Netflix for USD \$50 million in 2000, and turned it down!), but it will not let them get in its way. This is also why studios like Disney and Warner Bros are beefing up (by buying 20th Century Fox and having AT&T as parent company) and launching their own streaming services.



Image Source: New Yorker Magazine

3. Netflix and Hollywood

Netflix was long a dumping ground for Hollywood's unwanted feature films. Film that Hollywood did not believe were commercially viable for theatrical release became premium exclusive content for the streamer. Examples of this were "The God Particle", "Cloverfield Paradox" and "Annihilation" (both Paramount), "Shaft" (New Line) and Warner Bros' "Mowgli". Several of these had a theatrical release in US and did not perform well with audiences or critics, so instead of risking the cost of and international cinema release it was cheaper to sell them on an exclusive basis to Netflix.

Netflix thus has a complicated relationship with Hollywood studios, because it is also increasingly trying to attract talent directly, that would previously have worked with studios. Initially it had more success with television shows, with the likes of "House of Cards" and "Stranger Things" becoming popular culture touchstones.

<https://www.publishersweekly.com/pw/by-topic/industry-news/page-to-screen/article/79793-the-netflix-literary-connection.html>

It took longer for Netflix to have a similar hit film, with Sandra Bullock's "Birdbox" released in late 2018 the first such hit. Why do we know it was a hit? Because it was the first time that Netflix released audience figures, whereas it normally guards them with absolute secrecy. 45 million accounts were said to have watched it in the first seven days (meaning they had seen at least 70% of the full film, including the credits). That number increased to 80 million in the first four weeks. From this we can deduce that previous Netflix films were not such significant hits, or it would have released figures there too. This indicates that Netflix film slate has been relatively weak to-date.

Peter Bart, noted in his Deadline column that he, "was chatting with industry colleagues when it struck me that virtually everyone around me was either working on a Netflix project or had a consulting link of some kind. It was an instant reminder of the formidable ubiquity of this secretive young company — one that seems to be undergoing something of an identity crisis: It either knows exactly where it's heading and doesn't want to tell anyone, or it's simply spreading largesse in the hope of discovering its hidden strategy".

Rethink Research Report, "Will Netflix keep a tight grip on streaming?" notes that, "despite moves by major studio conglomerates, come 2024 Netflix will remain the dominant force in streaming, earning more streaming revenue than the big three (Disney, AT&T, Comcast) put together. Its market share will dilute from 63% last year to 52% by 2024, but Rethink forecasts show that Netflix cannot be shifted from the number one spot.

"The digitization of the movie and TV industries has led to the acquisition of almost every major Hollywood Studio, with the exception of Disney (and Sony Pictures), and to the rise of Netflix under a formula of advertising-free SVoD.

"Those same forces are in evidence as Disney, AT&T and Comcast set out to harness the ingredients that made Netflix a success.

"The extraordinary success of Netflix has got it lined up in the sights of the big studios and content houses and the big question now is how well it will stand up to that assault on multiple fronts".

Michael Ovitz interview:

<https://www.cnbc.com/2018/09/25/michael-ovitz-netflix-has-killed-the-hollywood-star-culture.html>

4. Netflix and “Roma”

Netflix has been obsessed about winning an Oscar for several years. While it had success with documentaries such as “The White Helmets”, it was not one of the main awards, with Amazon Studios instead winning for films like “Manchester by the Sea”. For Netflix it is an issue of prestige and credibility as a content producer and/or distributor.

Netflix got 15 nominations in the 2018/19 Academy Awards, the majority of them for “Roma”. In the end it won three awards for Best Director, Best Foreign Language Film and Best Cinematography, but not Best Picture (interesting it went to “Green Book” a film produced by another Internet film company - China's Alibaba Pictures). This is despite the fact that it is estimated that Netflix spent around \$50 million in terms of ‘For Your Consideration’ campaigning for “Roma”, whereas most Hollywood films would get around \$5 million or just over.

In addition to “Roma” it should be remembered that Netflix produced or acquired many other films it thought had a chance at the top prize: Coen Brother's “The Ballad of Buster Scruggs”, “Outlaw King”; “July 22”, “Operation Finale” and “Bird Box”, none of which were hits with the critics, though the last one became a ratings hit for Netflix.

The limited theatrical release of “Roma” became a bone of contention between Netflix, cinemas plus their trade bodies (UNIC and NATO) and award bodies (BAFTA, AMPAS/Oscars'), as indeed it had been earlier between the Netflix, cinema/trade bodies and film festivals (Cannes, Venice and Berlin). Cinemas argued that in order to qualify for awards the award bodies had stipulated that films should have a “meaningful theatrical release”, as well as respecting release windows, or otherwise be considered ‘Television films’, with their own separate festivals and awards ceremonies (Emmys and TV BAFTAs).

Some argued that Netflix was ‘leaving money on the table’ (i.e. not earning all the potential revenue) by not having a wider or longer theatrical release of their films (including “Roma”), but this is to fundamentally misunderstand Netflix's motivation.

It is not a traditional distributor and doesn't even allow its cinema box office figures to be published. Its goal is to a) gain subscribers, b) keep those subscribers. Those are the only metrics that Netflix (and Wall St.) cares about.

The money Netflix makes from cinema distribution is a by-product and also a rounding-error in Netflix's annual takings. It could even afford to lose money distributing films to cinemas on a small scale (remember that it spent \$50m promoting “Roma” to AMPAS voters, but only made a few million from the few screens showing it), because it is a way of pushing people to its online platforms. In fact, if too many people watched “Roma” or any other Netflix film in cinemas they would have less incentive to subscribe to Netflix.

It is worth remembering that Netflix only goal is to be the dominant online video platform. As the former Amazon Studios Head of Strategy Matthew Ball told Redef: “Netflix's goal is to have more subscribers than any other video service in the world, and to be the primary source of video content for each of these subscribers. The company doesn't want to be a leader in video, or even the leader in video — it wants to monopolise the consumption of video; to become TV.”

It doesn't want to be a cinema distributor - cinema and Oscar awards are just another way of achieving the goal of becoming the dominant leader in video.

The big test for Netflix will come later this year when Netflix releases the high-prestige project "The Irishman". Starring Al Pacino, Robert DeNiro and Joe Pesci it is a gangster film rumoured to have cost between \$150m and \$200m.

Deadline's Peter Bart points out that, "Movies, of course, still account for the flashiest news from Netflix, with the upcoming release of Martin Scorsese's mob film The Irishman – its reported final cost exceeds \$200 million — and news of a reported \$30 million pay check for Ryan Reynolds to star in Six Underground, directed by Michael Bay. In preparation are high-profile films from Greg Russo and David Ayer.

He continued," Scott Stuber, the Netflix film chief, started his reign with a more modest agenda, but agents say he's now in the market for Lord of the Rings-level fantasy and even superhero fare. One studio chief complains that the Netflix impact on his company has been disruptive. Demands on star salaries have increased, with several moving up to the \$20 million-\$25 million range. Stars are so busy making Netflix product they don't have time to promote their studio films," says one studio chief".



5. Economic Impact - stay at home to watch a film v go to cinema

While Netflix makes much of supporting domestic content production in the larger markets where it is established (UK, India, France, Germany), it is worth noting that it is not creating the types of jobs that the cinema sector does through direct employment. It can be compared to the small amount of people that an internet 'imaging' company like Instagram employs, which had 13 people working for it when it was sold to Facebook in 2012 for \$1 billion, compared to the tens of thousands that were employed by Kodak or whose job indirectly depend on it (film processing, photographers, etc.). If Netflix thus grows at the expense of domestic cinemas in any country it would mean a net loss of jobs.

6. Employment and Training Capacity - Cinema v Home Entertainment

The film and television ecosystem in any country or market depends on the ready availability of creative and craft talent from a local employment pool. This consist of everything from actors and editors to on-set caterers and VFX artists. These enter the profession either through education and training (vocation school), apprenticeships or from a related profession (theatre for costumes for example). In order for this talent pool to be replenished there needs to be a steady demand for the skills and services offered.

Traditionally in most countries this demand has primarily come from television, due to higher output of hours of content per year, than cinema. Some countries have compulsory training or levy on content or tax on audio-visual organisations that are used to pay for skills-based education. While it is unfair to expect Netflix to contribute in the same way as a domestic broadcaster or studio does in, say Poland, it is worth noting that at the moment Netflix is contributing nothing in many territories.

7. Taxation - what do Netflix contribute to the tax system in a country?

Similarly, to other Internet technology companies, Netflix channels regional and global incomes through the country in the greater geographical market where it can pay the least in taxation. This is not to say that it is avoiding taxation or breaking any laws, but that it seeks to minimise any tax, levy or other contribution it is forced to pay through clever use of differences in corporate taxation rates between different countries.

In May 2018 Netflix lost an appeal on behalf of its Dutch subsidiary Netflix International BV, whereby a German levy was imposed on video-on-demand services to help fund German film and television production. Netflix had tried to get out of the levy by pointing to "principle of origin rules" but did not win support for this interpretation. This was the analysis of Bloomberg:

- "The ECJ ruling has huge significance for not only Netflix but for all European foreign video-on-demand services and EU cross-border broadcasters. Pending revisions to the EU Audio-visual Media Services (AVMS) Directive would give EU countries expanded rights to impose a tax similar to the one contested by Netflix in Germany.
- "From the point of view of the pending legislation this ruling is very important," European Commission spokeswoman Nathalie Vandystadt told Bloomberg Tax. "The new rules clarify the possibility for member states to impose financial contributions such as levies upon media service providers including those established in a different member state".

- Recognizing the overall impact that the ECJ ruling has including the implications for the new pending legislation, Netflix said “our appeal to the ECJ challenged how the European Commission has interpreted the country-of-origin principle in the AVMS directive. It is important that the country-of-origin principle is upheld so that services like Netflix do not face different regulations in every country in Europe.”

The European Commission is thus clamping down on what is perceived as attempts to “free ride” on local talent pool without contributing. This battle has continued into early 2019, with Netflix agreeing in late 2018 to pay a 2% tax/levy in France and has already signed the first check, even as it was still resisting doing the same in Germany and elsewhere.

Many smaller countries lack the means to take on Netflix as comprehensively as France and Germany have.

8. Access to Content and Culture

The content on Netflix's platforms changes from country to country, depending on what rights it has been able to secure that have not previously been sold to other operators. When Netflix first rolled out in Europe it meant that it did not have or have exclusive rights even to some 'Netflix' shows like “House of Cards” or “Orange is the New Black” because they had been sold to satellite and cable operators in the absence of Netflix.

While Netflix has bought up premium shows from and for local markets (BBC's “Blue Planet” in UK or France 2's “Call MY Agent” in France - and Amazon has even bought the talent to re-make local hits like UK's “Grand Tour” car show) the majority of the content is from the US. There is thus a paucity of local content, particularly when compared to local SVoD and TVoD platforms, such as SF Anytime in Sweden.

9. Impact on Local Production and Distribution Facilities

Netflix is being forced to produce more local content in Europe, as noted by Variety:

“Looming large over the U.S. streamers is a new requirement that 30% of their content be sourced from within Europe. The quota was approved in October [2018] by the European Parliament amid fears over the level of investment in European fare as American players gain ground.

“The rule does not come into force for at least a year and a half [i.e. 2020], but both Netflix and Amazon have work to do to meet it. Data compiled by London-based Ampere Analysis and shared with Variety show that, as of July, Netflix was behind Amazon in France and Germany in the race to 30% European titles. The situation is reversed in Italy, and in Spain and the U.K., the two rivals are neck and neck. In real terms, Ampere calculates that Netflix needs, for example, more than 3,000 additional hours of European content in France, while Amazon needs more than 1,800 additional hours in the U.K”.

Netflix is thus stepping up local production, as is Amazon, but it remains to be seen whether it/they will achieve it and what the net impact on local film and TV production will be.

It has already been the case in UK and US that Netflix is seen as having driven up prices by paying “over the odds” for top talent (actors, directors, producers, writers, etc.), making it harder for local operators to compete on a level playing field.

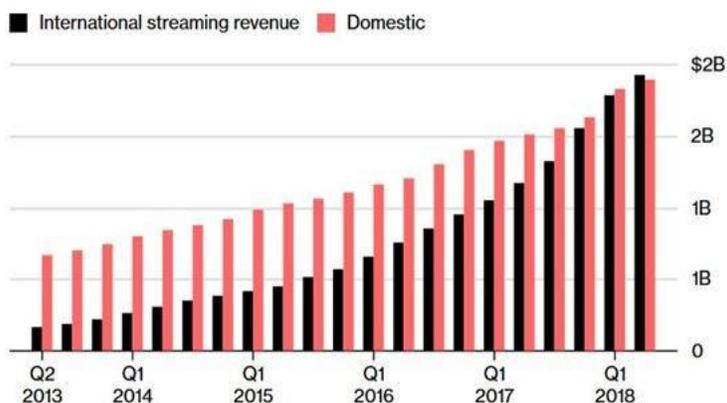
10. Soft Power through Language

Netflix genius comes through its ability to use machine learning to personalise the feed of content to suit the tastes of each viewer. The first step towards this once it went global was for versioning of its content, through subtitling and/or dubbing. Anyone who sits through a Netflix series to the end (disabling the 'Next Episode Starts in 5, 4, 3...') will see a long list of languages that actors were dubbed into, including both Portuguese and Brazilian Portuguese versions. If nothing else, Netflix has been a boon for dubbing and versioning studios and talent. This, together with everything from on-screen menus to billing being done in the local language means that Netflix is perceived as 'local'.

Netflix is also taking the adaptation further to pricing, with a subscription in India costing just \$7.27 per month, or just \$3.63 for mobile-only. Despite thus charging less in many international markets, revenue from Netflix's international operation has overtaken that of the US domestic market as of 2018. This is a watershed moment from Netflix, and it knows that if it is to keep growing, there is not much room for new subscribers in USA, but plenty more to win over in the rest of the world.

Global Giant

Netflix now derives most of its streaming revenue from outside the U.S.



Source – Bloomberg

The single most important market for Netflix (which is banned in China) is not Europe but India, reflected in the amount of local content it produces there - in more than one Indian language, as noted by Yourstory:

“After the critical success of its first-ever Indian original series Sacred Games that premiered in July, Netflix is ramping up its India content in a bid to capitalise on the growth in the OTT industry, where it competes with Amazon Prime Video, Hotstar, Voot, ALTBalaji, and others.

“The new originals are spread across languages including English, Hindi and Marathi signalling Netflix’s intent on capturing the fastest-growing segment on the Indian internet - the vernacular video audience”.

International growth is a numbers game for Netflix and no market offers a bigger number of potential clients than India.

11. Netflix and Film Festivals

Things have come to a head between Netflix and individual countries cinemas at local film festivals, where Netflix has produced or acquired films screening in competition. It has been awkward for the festival, who are keen to attract top talent that Netflix is increasingly funding, but do not want to upset local film and cinema industry professionals. This has prompted interventions from local cinema trade bodies and also UNIC (its US counterpart NATO has mostly been conspicuously silent) from 2015 through to 2019.

In September 2015 UNIC fired a warning salvo during the San Sebastian Film Festival:

“The International Union of Cinemas (UNIC) would like to take this opportunity to lay out the views of European cinema exhibitors on how EU public policy can best promote a diverse – as well as competitive – European cinema landscape. UNIC members strongly believe that European leaders should revisit the current direction of EU audio-visual policy, placing cinemas at the centre of Europe’s strategy for film. Only in this way will it be ensured that the strategy benefits the entire cinema eco-system”.

UNIC recognised the role and financial contribution of the VoD market, but it felt that cinemas were perceived as “old” and VoD as “new and exciting”. In May 2017 during the Cannes Film Festival UNIC issued a statement that included the paragraph:

“As its 70th edition comes to a close, we would like to express our support for the action of French cinema exhibition colleagues in pressing to ensure that only films intended for theatrical release are in future selected in competition for the Cannes International Film Festival”.

This point was stressed further in a press release in September 2018 after “Roma” was awarded the main prize at the Venice Film Festival.

“Respect for the life-cycle of a film not only supports a model that has proven successful in terms of cultural diversity, but also offers the opportunity for the widest possible audience to discover and enjoy as broad a range of film content as possible. Leading film festivals should encourage practices that benefit the audience as a whole, through the inclusion of films in their official selection that are within everyone’s reach and not just that of streaming platform subscribers. Should films be available solely on these platforms or receive only a “technical” release in another window - yet still benefit from festival selection as a marketing tool in addition to their considerable resources - the vast majority of their potential audience would be denied access to great content”.

Most recently UNIC issued a strongly worded statement in February of this year in response to the inclusion of a Netflix-funded film at the Berlin Film Festival.

“Giving films theatrical runs should not only be about meeting qualification criteria for festival awards. A balance should be struck between benefitting from the prestige of festivals and respecting established industry practices that are crucial in ensuring the future prosperity and diversity of the entire film sector.

“In addition, we ask that festivals should undertake stronger checks on whether films in their official selection would receive proper theatrical releases. As a rule, the Berlinale clearly states that only films “intended for theatrical release” are eligible for competition. We are concerned that there seems to be no such plan for Elisa y Marcela”.

The Berlin festival in its last year under Dieter Kosselick issued a weak reply in defence and the film did not win any major prizes, unlike "Roma" before it.

While NATO has not spoken out in similarly strong and frequent terms, mainly as it is a more free-market led organisation and representation, it has joined in through the comments by the Global Cinema Federation, which has also gone on the record in defending the windows system. The 'POSITION PAPER: THEATRICAL EXCLUSIVITY' affirms that "Exclusivity is of Vital Importance to Exhibition" and opens with the paragraph:

"Motion picture exhibitors around the world believe that a period of exclusivity for theatrical exhibition (the release window) is vital for the health of the cinema industry and the motion picture industry in general".

It is clear that UNIC and GCF will not let film festivals get away with including Netflix films in competition unless they have a meaningful theatrical release and respect the windows. For the 2019 Cannes Film Festival it has already been announced that no Netflix films will screen in competition. Chalk it up as a victory for cinema and their trade bodies.

Below we look briefly at some of the interactions between Netflix, cinemas and trade bodies in individual countries, primarily in Europe.

11.1. Netflix France

The biggest conflict between Netflix and similar on-line VoD platforms (called 'e-cinema') on one hand and cinemas and their representatives on the other has been in France. This is because France has the longest release window gaps, which are furthermore legislated and policed by audio-visual body CST. It can thus be over two years between a film's release in cinemas and its availability on SVoD platforms. For Netflix, such a long gap is simply unacceptable and has led to a breakdown in relations between Netflix and the Cannes Film Festival, where it had previously screened films. While France is proposing to shorten the windows, it will not be short enough to satisfy Netflix, which believes in weeks at most, not months or years.

Film Consumption patterns in France: <http://www.leparisien.fr/culture-loisirs/cinema/un-tiers-des-spectateurs-de-cinema-sont-abonnes-a-des-plateformes-de-vod-05-04-2019-8047452.php>

11.2. Netflix Germany

In Germany CineStar had a limited release of Netflix's "July 22", but since being taken over by Vue International the cinema chain is unlikely to continue these kind of special releases. HDF Kino has been vocal in its criticism of Netflix, in particular in relation to Netflix films screening at the Berlin International Film Festival. It was also Germany that took Netflix to court for not contributing to funds to support the local audio-visual industry and won.

Many in the film industry in Europe have pointed the finger at Netflix, claiming the streaming service is cannibalizing the theater-going audience as reported in THR:

<https://www.hollywoodreporter.com/news/german-box-office-fell-1-billion-2018-1200903>

11.3. Netflix Turkey

Netflix made enemies in Turkey when it released the local comedy “Organize İşler 2: Sazan Sarmalı” on its platform just two weeks after it started showing in Turkish cinemas on over 1,400 copies and regarded as a blockbuster hit, according to a statement from the Film Producers’ Professional Association (FIYAB) of Turkey.

The situation also led to the CEO of a major Turkish movie theater chain being fired amid row with producers. “This catastrophic situation means to deceive well-intentioned moviegoers by destroying the tradition that movies meet audiences in movie theaters first. It also prevents the goals of the new cinema law. We harshly condemn this trick that will never be acceptable in the commercial life and which will cause severe destruction in the development, future, distribution system and theater management of our cinema and the entire film sector,” FIYAB said.

New legislation will come into effect in July 2019 to better regulate the film and cinema market:

<http://www.mondaq.com/turkey/x/792712/broadcasting+film+television+radio/Turkey+Announces+N ew+Rules+Regarding+Cinema+Films>

11.4. Netflix U.K.

Nowhere have cinemas reacted so swiftly and decisively in the battle with Netflix as in the UK. After “Roma” won the BAFTA for Best Picture and several other awards, Vue issued a stern letter to BAFTA but Cineworld went one step further and severed its ties with the awards body completely.

Cineworld’s Picturehouse subsidiary also announced that it would no longer show films by Artificial Eye, the sister company of Curzon Cinemas and Curzon on Demand, which screened arthouse films (“Cold War”, “Disobedience”) on-line through TVoD day and date with their theatrical release. Curzon was also the only cinema chain to have shown “Roma” in a limited release.

- Vue letter to BAFTA with their response: <https://www.screendaily.com/news/vue-boss-threatens-to-pull-bafta-support-over-netflix-roma-eligibility-row/5137091.article>
- Curzon response to Vue: <https://www.screendaily.com/news/curzon-ceo-responds-to-vue/bafta-row-calls-for-end-to-strict-limitations-of-theatrical-windows/5137136.article>
- Cineworld withdraws support for BATA: <https://www.screendaily.com/news/cineworld-withdraws-support-from-bafta/5137322.article>

Marking their disdain for day-and-date, Odeon, Cineworld and Vue had all also refused to screen original films from Sky Cinema (“Anon”, “Hurricane Heist”, “Monster Family”) as these were also made available to the pay-TV operators’ customers on the same day.

12. CinemaCon 2019

In Variety's summing up of CinemaCon 2019, they noted that, "Everyone's Scared About Streaming". <https://variety.com/2019/film/news/cinemacon-takeaways-disney-streaming-netflix-1203180705/amp/>

"Nobody wanted to acknowledge the elephant in the room. So, leave it to the blunt spoken Helen Mirren to drop a well-placed bit of profanity... "I love Netflix, but f— Netflix," the acting legend said while on-stage teasing her upcoming film "The Good Liar." The roars that greeted Mirren's comment demonstrated just how much theater owners resent the ways that Netflix is disrupting the media landscape.

"The streaming giant was a hot topic as studios and exhibitors spent four days in Vegas rhapsodizing about the magic of the big screen... The anxiety is palpable. At the close of an annual press conference with the National Association of Theater Owners and the MPAA, John Fithian of NATO scolded press for their interest in streaming, disappointed that the record box office was not bigger point of discussion in a room that included MPAA chief Charlie Rivkin.

"You get the sense that theater owners needed to puff themselves up. They need to believe that what they're offering customers is so unique and so compelling that they will be able to withstand all the change that's roiling their industry. And while the box office was up in 2018, they're staring ahead towards an uncertain future. Netflix keeps growing, studios are gearing up to press theaters to let them release their movies on home entertainment platforms earlier, and media companies are investing more of their resources in building their own streaming services. With Disney, Apple and Warner Media launching direct-to-consumer offerings in the coming months, and Comcast set to debut its platform in 2020, it's safe to say this debate will continue to heat up. Even Dame Helen would have to admit that".

From The Hollywood Reporter, "The streaming giant has been a huge topic of discussion so far at the annual gathering of theater owners and Hollywood studios that got underway Monday in Las Vegas. Helen Mirren on Tuesday gave an outspoken tribute to movie theaters at the CinemaCon presentation for her upcoming film The Good Liar".

<https://www.hollywoodreporter.com/news/helen-mirren-says-f-netflix-thanks-theater-owners-at-cinemacon-1199086>

Indiewire's headline read, "At CinemaCon, Exhibitors Side With Spielberg Over Netflix — No Matter What - There's no question theater owners are threatened by Netflix. The question is what they're going to do about it". <https://www.indiewire.com/2019/04/cinemacon-exhibitors-spielberg-vs-netflix-1202055064/>

Digital Cinema Report Roundup - http://www.digitalcinemareport.com/article/cinemacon-2019-netflix-and-plf-theatres#.XLL_A1RKiM8

Netflix Isn't killing Theaters - <https://www.cNBC.com/2019/04/08/netflix-isnt-killing-theaters-people-who-steam-more-see-movies-more.html>

Box Office Pro: Life in the New Normal: <https://www.boxofficepro.com/cinemacon-2019-evolution-of-moviegoing-experience/>

Deadline interviewed the CEO of Cineworld regarding The Irishman / Netflix / Unlimited:

<https://deadline.com/2019/04/mooky-greidinger-interview-regal-cineworld-netflix-the-irishman-windows-international-cinemacon-1202585694/>

13. Conclusions

In dealing with the elephant (Netflix) it is clear from the above that there are three strategies that monkeys (local cinemas) can employ to have an impact.

- a. Deny it the access to the oxygen of publicity by restricting ability to screen its films at local film festivals, particularly those of international standing;
- b. Group together by utilising the power of local cinema and other trade associations, which in turn can escalate the issues to international trade bodies (UNIC, GCF);
- c. Recognise that big internet companies can only effectively be 'tamed' by trans-national centres of power such as the European Commission;

Netflix's ability to tailor marketing to individuals - as cinemas gather data and have tools to programme and market to individuals e.g. algorithmic film programming; Movio they need to rethink their teams – more analysts and CRM. Cinemas are still too blunt an instrument with centralised marketing in an age of social media and personalisation etc

In the meantime cinemas must continue to keep educating lawmakers and the public about the value that having a window brings in terms of generating revenue for film makers, but also in terms of creating a sustainable ecosystem of talent and providing employment and life for city centres in a way that streaming at home alone never can.

14. Appendix – Press Statement

Understanding Netflix Global Cinema Strategy – Report

As leading cinema exhibitors, technology companies and industry experts converge on CinemaCon to explore innovations, opportunities and challenges for cinema development what is the impact of Netflix to the industry?

With so much debate, confusion and conflict in the market place as a result of Netflix impact on the market, The Big Picture has commissioned a report, “Understanding Netflix's Global Cinema Strategy”.

Netflix is a truly global company, while most of the conflicts and issues around it have been national or regional. Nobody has challenged Netflix on a global scale, apart from its true competitors, which might not be who you think they are.

This report will explain what is driving Netflix, its relationship with Hollywood, its motivation in the recent “Roma” controversy”, how it is ‘dividing and conquering’ on national levels and what cinemas can do to counterbalance the growing power of Netflix.

As Deadline’s Peter Bart noted, “Netflix either knows exactly where it’s heading and doesn’t want to tell anyone, or it’s simply spreading largesse in the hope of discovering its hidden strategy”.

Rob Arthur, Senior Consultant at The Big Picture says, “The impact and strategy of Netflix is very much at the fore-front of cinema exhibitors and film distributors minds. Never before have we seen the traditional exhibitor and distributor relationship so aligned, as disruptive streaming technology makes an impact! It comes at a time when global box office is on the ascendancy; at a time when we are in a golden age of technology options and opportunities; and when the diversity of audience and of cinema offers is increasingly broad.”

The Report is available free on request from **The Big Picture:**

<https://the-bigpicture.com/contactus.php>

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Rob Arthur is a Senior Consultant at The Big Picture (formerly CinemaNext Consulting). Rob was Managing Director of Apollo Cinemas, overseeing an estate of 14 cinemas and 83 screens until its sale in 2012.

Rob has extensive cinema business development experience in Taiwan, Portugal, Romania, Kazakhstan, United Kingdom and Ireland and he continues to work on many cinema and leisure projects on behalf of local government and private sector property interests.

Recently Rob was appointed as an Advisor to the European Bank of Reconstruction and Development as well as co-founding and directing the Emerging Cinema Markets Conference based in Istanbul, Turkey – www.dcs.events



More about The Big Picture

TBP is an international management consultancy and services business, specialising in Cinema Exhibition and the wider leisure market.

Core activities include:

- Advising property organisations, investors, developers and cinema exhibitors in leisure developments; particularly where a cinema forms a key component
- Advice on locations, demographics and market potential
- All aspects of marketing including brand creation and positioning
- Advice on acquisitions, disposals and property management
- Viability studies and market appraisals
- Financial appraisals
- Commercial strategy including pricing, screen advertising
- Advising on current and future best practice, cinema trends and product offers (VIP screens, IMAX, Boutique Cinemas etc.)
- Cinema design and layouts
- Fit out procurement and project management
- Cinema and Leisure operational management function
- Procurement and supply arrangements

www.the-bigpicture.com

Patrick von Sychowski Editor, Celluloid Junkie

Patrick von Sychowski is Editor and co-Founder of Celluloid Junkie, the leading online publication for cinema industry news and analysis. Patrick began his work as an analyst for Screen Digest and helped bring digital cinema to Europe for Deluxe and India for Adlabs/Reliance.

He is a frequent public speaker and conference moderator, which is why he travels way too much.

Having spent the last five years in Asia, he now calls Berlin and London home."

www.celluloidjunkie.com