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**POUR FAIRE UN FILM D'ANIMATION,
CHAQUE MÉTIER COMPTE**

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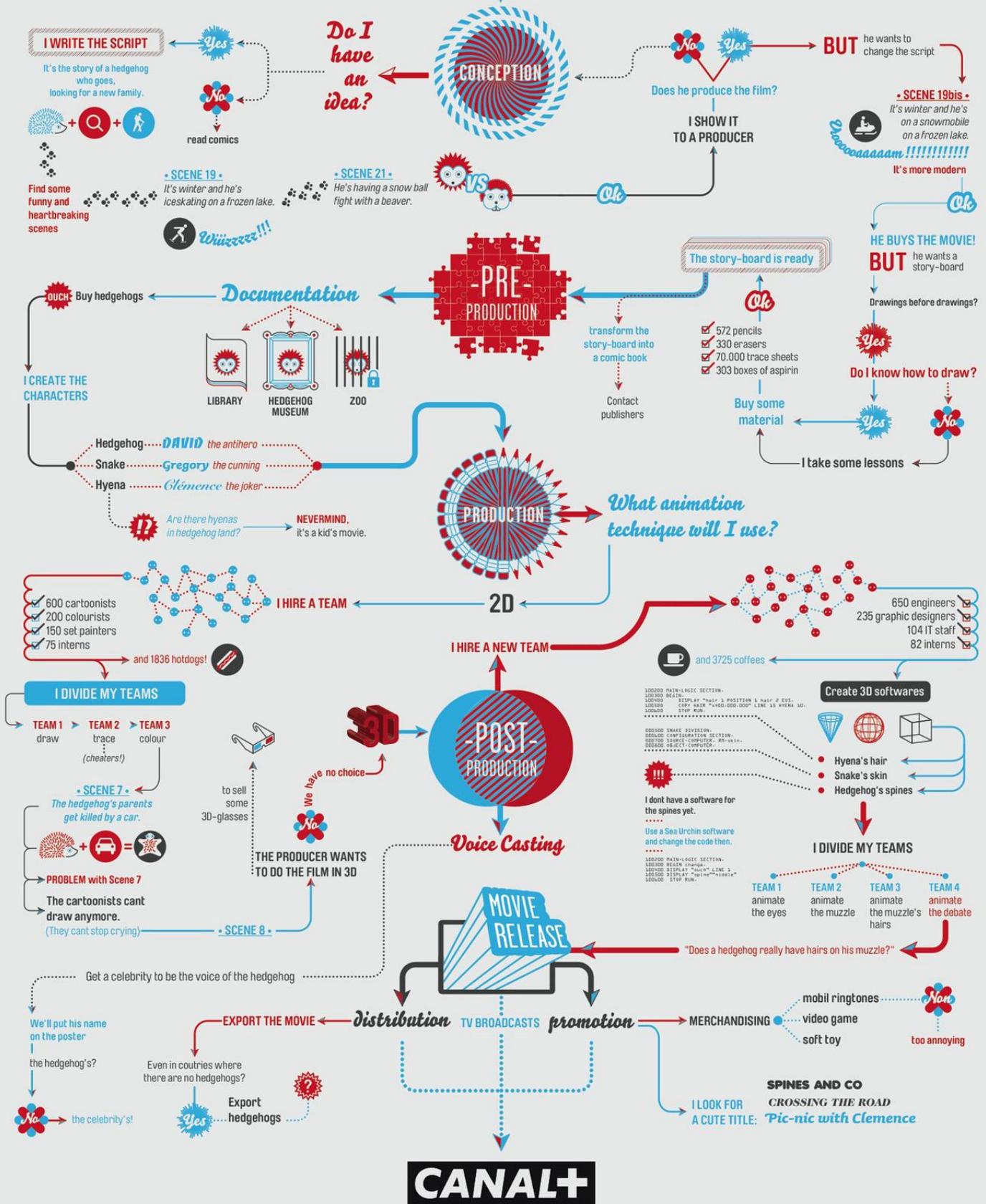
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Facing the challenges of European animation movies in 2015: Production models, distribution channels and alternative strategies

Introduction

It is recognised today that the movie industry generates revenues in terms of gross domestic product or GDP (4.5% of the European Union GDP) and job creation (3.8% of the working population that is 8.5 million people)¹. “The creative industries are now recognised as an important part of the economy in developed countries, creating jobs and wealth.”² The cinema is an art intrinsically linked with economic considerations as Malraux highlighted it: “the cinema is an art, and otherwise an industry.”³ In 1998, Europe was joining the United States (US) in producing hit animation features with the release of *Kirikou* by Les Armateurs, a milestone in Europe as the film reached 1 million admissions in France.⁴ 1 second of an animated movie consists of 24 images. On average, an animator produces 7 seconds of animation per day. Each movie is a prototype, even though the learning curve allows the teams to refine the production pipeline to a certain extent (Fig.1). This is why animation movies take much time to produce, taking between 1.5 to 5 years (Fig.2), they cost around 8 million Euros. This is comparably more expensive than fiction movies which amount to 3 million Euros⁵. The current difficulty for Europe is to continue promoting through appropriate help schemes. The so-called “films of the middle”, have a budget between 7 and 15 million Euros. Indeed the recent trend is to see the development of large budget movies. Four French feature films will be released in 2015 with budgets of 25-60 million Euros. On the other side of the picture, there are small films with limited budgets and ambitions.

Each film industry has its own purposes in terms of story and audience. Intrinsically the entertainment refers to the culture and therefore is linked with the concept of identity. A central question when discussing financing and production models is what type of movie each national industry is set to produce and for what type of audience. American films gather a large international audience above genders and ages. Japanese films first cater for their domestic market with both films for adults and films for children and are now reaching the international audience being perceived as art-house films. Finally European films are largely targeted to children only for a domestic or European market. The originality of European content is paramount if Europe is to preserve its cultural diversity. Most movies produced outside the American majors’ system are perceived by the American audience as independent movies, and consequently as difficult movies, far from the easy-to-access entertainment provided by calibrated American productions. “The trade domination of American major animated features is an invitation to promote diversified filmmaking, which will find its audience”.⁶

The different models are the expression of the cultural systems they develop in. The financing models are settled in a specific culture that will favour either public funds (subsidies or tax incentives) or private funds (equity, licensing, crowdfunding, etc.). Furthermore the decision

¹ European Commission, “Impact Assessment: establishing a Creative Europe Framework Programme”, November 23, 2011 in eur-lex.europa.eu/legal-content/EN/TXT/?uri=CELEX:52011PC0785

² Scoffier, Axel, “Cinema: the double-edged power of the European Union”, October 29, 2014 in www.inaglobal.fr/en/cinema/article/cinema-double-edged-power-european-union-7686

³ André Malraux, 1939, *Esquisse d'une psychologie de cinéma*

⁴ Deleau, Quentin, “Rapport : 1999-2013 : 15 ans de films français à l'international”, Unifrance 2014

⁵ Lépine-Karnik, Valérie, former director for the cinema branch of the Centre National du Cinéma et de l'Image Animée (CNC), French national film fund, intervention at the Marché International du Film d'Animation d'Annecy (MIFA) 2012

⁶ Roelants, Stephan, CEO of Studio 352, Luxembourg, intervention at the MIFA 2012

related to the production model (producing in-house, outsourcing or coproducing) is the result of political and economic considerations.

Bearing in mind these preliminary remarks, we will explore in the first chapter the challenges facing European producers, while we will examine in the second part how coproduction is often seen as a solution. Nonetheless alternative models exist as we will discuss it in the last chapter.

I. Europe – a complex market for animated film

The European Union (EU) is comprised of 28 very diverse cultures in terms of languages, ways to tell stories and types of characters. Consequently the audiences do not share the same expectations from a movie. Moreover in the last 15 years the number of movies released every year has increased dramatically further enhancing competition (Fig.3). 307 European films were released in the 2000s against 72 in the 90s⁸. Finally distributing a film in the EU is a real challenge as the channels are fragmented making it hard for films to make their way to the screens.

A. Animation – a complex and competitive market

Before focusing on the EU, we need to have a first perspective on the animation market around the world, from the type of films produced to the different kinds of audiences. Europe is amongst the largest animation markets with the US and Japan.⁹ 993 million tickets were sold in the EU.¹⁰ In Japan animated films represented 20% of the 2012 box office that is to say 41 million yens (312,798 Euros).¹¹ These figures are highly political for producers whose image depend on the success of their films at the box-office, therefore it tends to be difficult to find aggregated figures of national results. Furthermore the compiling of such data depends on the strength of the national film agencies. For example the French National Film Agency, the CNC, publishes each year thorough data thanks to the requirements for the theatre owners to report on their individual box-office. Such system does not exist in every country.

1. *The big picture – the animation market worldwide*

The production of animated features worldwide has increased drastically over the last 20 years (Fig.3). At first glance, the market seems rather mature or even saturated. But behind these figures we must not forget the diversity among these animated movies. Moreover film market sizes worldwide (Fig.4 & Fig.5) hide a vast cultural diversity. Some markets that look promising at first, for lack of a cartoon culture, end up not being as interesting as it would seem. In addition, more and more countries are getting interested in producing animation, thus fostering the competition with incumbent producers.

a) *Focus on the Asian leaders*

Japan

Japan has a strong domestic market (Fig.6). One of the specificities of the Japanese animation industry is the strength of its adult animes such as *Knights of the Zodiac*, *Yu-Gi-Oh!*, *One Piece* (TOEI Animation) *Ghost in the shell* (Production IG) to name a few.

“The genius of the Japanese was to use animation almost immediately for adults. Animation is not just for children since in the Japanese frame of mind (...) what is generally considered regressive in the West (dreaming about monsters,

⁸ Cartoon, Study of Cartoon Movie's results, June 2014 (sample based on all the movies pitched at Cartoon Movie from 1999 to 2014)

⁹ UniJapan, intervention at the MIFA 2013. The animation market represents \$1.6 billion in Japan and \$270 million in France in 2012

¹⁰ INA Global, aggregated figures, 2012

¹¹ The Motion Pictures Producers Association of Japan, "Information Media trends" 2014 in

https://books.google.fr/books?id=rFiaBAAAQBAJ&pg=PA18&lpg=PA18&dq=number+of+films+produced+in+Japan+in+2014&source=bl&ots=5v_W2iVW4I&sig=9BT4X5iQVpsx1_c4FHZGZXaQWe8&hl=fr&sa=X&ei=ZWIIVZSdHtHgaOvEgOgl&ved=0CFIQ6AEwBg#v=onepage&q=number%20of%20films%20produced%20in%20Japan%20in%202014&f=false

expressing one's imagination, making reality crazy) is natural in the context of animism stemmed from Shinto."¹²

Moreover Japanese features appeal to international audiences. "Hirochi Okawa, president of Japan's major postwar cartoon studio, Toei Doga, emphasized the possibilities of animation to traverse cultural and linguistic barriers in a way that live action film couldn't."¹³ However Japanese TV series had boomed in the 1970s both in the domestic market and abroad. Japanese producers faced cultural differences when negotiating deals with Westerners and only a few managed to sell abroad.

*"Japanese production houses that have been able to bargain over joint productions on equal terms with American counterparts have been the exception up to now. While they have been relatively successful with their subcontracting arrangements, it would help if they possessed stronger planning and negotiating abilities. Production IG, whose productions Ghost in the Shell and other titles have won overseas fans, has a U.S. subsidiary that retains lawyers and accountants familiar with local business practices and legal affairs when the Japanese headquarters negotiates sales and joint production contracts with American distributors."*¹⁴

Similarly Ghibli gained global awareness thanks to an agreement with Disney for its worldwide distribution.

*"Princess Mononoke's success outside Japan was partly due to a deal with Disney that saw the film widely distributed on video, and, briefly, in cinemas, albeit dubbed. The film was distributed under the Miramax label – a film as violent as Princess Mononoke would not be released as a Disney film until Pirates of the Caribbean (2003). (...) Spirited Away is Japan's highest-grossing film. Internationally, partly due to the distribution deal with Disney's Buena Vista, the film cemented Ghibli's position in the consciousness of the mainstream filmgoer. For many this was the first exposure to anime."*¹⁵

Nonetheless for feature films the production remained dominated by a few "masters" such as Tezuka (who died in 1989), Rintaro, Hayo Miyazaki or Takahata Isao, the two latter having both retired in 2014. A new generation needs to replace the former masters.

South Korea

In Asia, South Korea long stood in the shadow of Japan, often being used as a subcontractor. In the context of globalisation there has been a transfer of subcontracting work toward Vietnam, China, India and the South-Asian countries such as Singapore or Malaysia.¹⁶ This was triggered by increasing South Korean wages as well as a greater quality of the animation produced.

*"In recent years, South Korea's animation industry has evolved from being largely reliant on subcontracted production for foreign animation industries to becoming a fledgling creator of original content in its own right. According to the ministry of Culture, Sports and Tourism, home-grown South Korean content accounted for 70% of the animation industry's revenues in 2013."*¹⁷

Nonetheless the South Korean film industry seems not to have produced many features (Fig.7, Fig.8 & Fig.9) and the 70% previously mentioned relates to TV series.

¹² Denis, Sebastien, 2011, *Le cinéma d'animation*, Armand Colin (2nd Edition)

¹³ Cavallero Dani, 2007, *Anime Intersections: Tradition and Innovation in Theme and Technique*, McFarland & Co Inc Pub

¹⁴ Japan Export Trade Research Organization, "Japan Economic Monthly" , June 2005 in http://www.jetro.go.jp/en/reports/market/pdf/2005_35_r.pdf

¹⁵ Lebland, Michelle & Odell, Colin, 2009, *Studio Ghibli: The Films of Hayao Miyazaki & Isao Takahata*, Kamera Books

¹⁶ Interview with Michael Lim, Board Member of the Singapore International Film Festival, at the MIFA 2014

¹⁷ King, Darryng, "South Korean Government to Pump \$338 Million Into Animation Industry" , March 12, 2015 in <http://www.cartoonbrew.com/business/south-korean-government-to-pump-338-million-into-animation-industry-110320.html>

Finally the South Korean model is partly similar to the French model as the State is getting involved with the industry through subsidies. The next 5 year plan consists in a \$338 million investment in local production, which is half of what the French government spends annually.¹⁸

b) An overview of the emerging markets

India

India has a massive cinema culture, that gathers 15 million spectators daily¹⁹, but it is restricted to Bollywood films that represent up to 80% of the box office.²⁰ It is a market hard to access. First of all “the distribution market is split in 14 different zones, making it difficult for foreign distributors to have a national reach on Indian screens.” One of the requirement is to make the film in English so as to target the young, educated and westernised emerging class.

“The market for foreign language films was and is very niche-oriented on TV or Home Video (DVD) and it is very, very small for theatrical” according to Jesal Doshi, Alliance Media’s acquisition and sales manager.²¹ Furthermore it seems that distributors are not willing to invest, considering animation as a children’s entertainment and as such reserved to TV. “The distributors, who release the 1,000 Bollywood movies every year, don’t believe in animation. Because an Indian household, a family of four, if they go out for a weekend spending 50\$ for one animated film, they think let them watch it on television for no cost and they will go watch a Bollywood movie instead.”²² As a consequence very few animated films are produced each year compared to the volume of Bollywood films. In 2009, 1288 features were released against 1 animated film (Fig.10).²³

However India shares with South Korea a common will to transfer from a “fee model” where the studio is hired to do a specific task, to a “royalty model” where the studio gets a return on sales as one of the IP owner.

“[South Korean and some Indian studios] are not just looking to do some subcontracting work, they are actually looking for coproduction partnerships where they would put in a share of the coproduction budget and also keep a share of the rights. There has been quite a change on the part of the Indian studios in particular from being much more aggressive moving to a proprietary model. One example is DQ Entertainment which does a lot of coproductions with studios in Europe.”²⁴

China

The Chinese market can be perceived as an Eldorado by film producers because of its vast population who represents potential movie goers. Moreover 18 new screens are built every day²⁵. We need to qualify the Chinese screen growth as there are only 1 screen for 100,000 inhabitants in China against 1 screen for 12,000 French inhabitants.²⁶ In addition, the Chinese audience goes to see American productions while Chinese producers struggle to create their own content. A

¹⁸ King, Darryng, “South Korean Government to Pump \$338 Million Into Animation Industry”, March 12, 2015 in <http://www.cartoonbrew.com/business/south-korean-government-to-pump-338-million-into-animation-industry-110320.html>

¹⁹ Lecuyer, Hélène, “Social networks, a new way of financing independent cinema in India”, April, 2, 2012 in www.inaglobal.fr/en/cinema/article/social-networks-new-way-financing-independent-cinema-india

²⁰ Pham, Annika, “The BRIC report”, October 2012 in <http://www.ndpculture.org/media/W1siZiIsIjIwMTQvMDcvMzAvNGMyenl5YWVual9icmljLnBkZiIdXQ?sha=8b7f423d7b8c3c7b>

²¹ Idem

²² Interview with Anand Gurnani, representing India and South-East Asia at the MIFA 2013

²³ Bendjebbour, Mohamed, “Le marché du film indien, impénétrable pour le cinéma international?” March 30, 2011 in www.inaglobal.fr/cinema/article/le-marche-du-film-indien-impénétrable-pour-le-cinema-international

²⁴ Wescott, Tim, “The global animation industry”, October 3, 2011 in <http://cineuropa.org/dd.aspx?t=dossier&l=en&tid=1437&did=201387>

²⁵ Coonan, Clifford, “China’s Box Office Surges 30 Percent in First Quarter, Expected to Hit \$4.64 Billion for 2014” March 3, 2014 in www.hollywoodreporter.com/news/chinas-box-office-surges-30-693212

²⁶ Xu, Jialong & Le Guay, Olivier, “La Chine sera-t-elle l’eldorado du cinéma mondial ?” April 9, 2014 in <http://www.forum-avignon.org/fr/la-chine-sera-t-elle-l-eldorado-du-cinema-mondial>

report released in December 2013 by the Beijing Normal University “found that imported animated films saw average box-office revenue of 80.4 million yuan in 2012, or about four times more than domestic animated films.”²⁷

Furthermore the Chinese government is pushing Chinese animation with on the one hand a support to local producers through subsidies and on the other hand a limitation of foreign productions through blockades and quotas (Fig.11). The State Administration of Radio, Film and Television (SARFT) is the governmental body in charge of controlling the audiovisual industry. To favour Chinese productions, the SARFT heavily taxes foreign content²⁸ and bans foreign films during “domestic film production” periods (Fig.12). The Chinese government is pushing for Chinese content while the theatre owners want to earn money by releasing the latest American blockbusters.

“Paradoxically these quotas favour the most lucrative blockbusters. “The studios promote what will yield the most money because they want to maximize their chances.” According to Jon T. Green, former CEO of Warner Bros China³¹

As a result in 2012, Hollywood produced films represented 52% of the admissions.³³ For instance in 2012 out of the 8 animated foreign films that were allowed by the Chinese quotas only 2 were not produced by an American studio, *Happy Feet 2* and *Pirates! Band of misfits* (Fig.13 & Fig.14). However both these films were distributed by distribution giants, Warner for the former and Sony for the latter.

The selection of European animated films in the quotas seems to be a one-off success as the producers are often outweighed by the American lobbies. Only a few European movies manage to be selected. The French movie *Minuscule* was released in 2014 on 1,000 screens and grossed \$4.2 million at the box office, but it is an exception.³⁴

Recently Chinese web companies started investing in animation. Robin Liu, founder of Baidu, invested in the \$40-million Chinese-Korean feature film *Kong* by the studio Aquamen.³⁵ Gary Wang, founder of Tudou, invested in the creation of an animation studio, Light Chaser Animation, which is producing the \$12-million feature film *Door guardians*³⁶.

Russia

Amongst the BRICS countries, Russia tries to re-emerge. In animation there is only one studio seeking for international audience with releases in more than 10 countries.³⁷ Wizart has produced without any coproducer 3 features, a trilogy rooted in the story by Hans Christian Andersen called *Snow Queen*. The problem for partners of Russian studios is the uncertainty they face, as “non-transparent business practices still prevail among some areas of Russia’s gigantic media and entertainment market.”³⁸ For example in February 2013, the national film fund Kino decided to cancel all the bilateral agreements signed in the two previous years.³⁹

²⁷ Lin, Lilian, “Minion Madness Descends on China With Release of ‘Despicable Me 2’” January 8, 2014 in <http://blogs.wsj.com/chinarealtime/2014/01/08/minion-madness-descends-on-china-with-release-of-despicable-me-2>

²⁸ Vlassis, Antonio, “La Chine s’ouvre à Hollywood au détriment de la diversité culturelle”, June, 22, 2012 in www.inaglobal.fr/cinema/article/la-chine-s-ouvre-hollywood-au-detriment-de-la-diversite-culturelle

³¹ Thibault, Harold, “Les productions américaines ne sont pas les bienvenues” January 31, 2015 in http://www.lemonde.fr/economie/article/2015/01/31/en-chine-les-productions-americaines-ne-sont-pas-les-bienvenues_4567329_3234.html

³³ Thuibault Harold, “Le grand bond des entrées” May 18, 2013 in http://www.lemonde.fr/culture/article/2013/05/17/chine-le-grand-bond-des-entrees_3259519_3246.html

³⁴ BoxOffice Mojo

³⁵ Lockett, Hudson, “China’s animation industry tries to find its feet” January 26, 2015 in <http://www.chinaeconomicreview.com/one-frame-time>

³⁶ Amidi, Amid, “Door Guardians’ Teaser Shows Off China’s CGI Capabilities” March 11, 2015 in <http://www.cartoonbrew.com/cgi/door-guardians-teaser-shows-off-chinas-cgi-capabilities-110242.html>

³⁷ Wolfe, Jennifer, “Wizart sets Snow Queen 2 for December release” September 10, 2014 in <http://www.awn.com/news/wizart-sets-snow-queen-2-december-release>

³⁸ Pham, Annika, “The BRIC report” October 2012 in <http://www.ndpculture.org/media/W1siZiIsIjIwMTQvMDcvMzAvNGMyenl5YWVnual9icmljLnBkZiIldXQ?sha=8b7f423d7b8c3c7b>

³⁹ Demyttenaere, Karl, “Russian cinema cuts ties with other countries” May 27, 2013 in <http://www.inaglobal.fr/en/cinema/article/russian-cinema-cuts-ties-other-countries>

Moreover “piracy [represents] 70-80% of the entire film market”.⁴⁰ The Russian are mainly interested in American blockbusters. For example out of the top 10 grossing films 8 were American among which 3 animated films that represented 29% of the top 10 box office in 2011.⁴¹

Brazil

To some extent Brazil has a lot in common with Russia since all the top 10 grossing films in Brazil are American and among those animation represents 40% of the box-office in 2011.⁴² Moreover the business practices are difficult for partners to understand and sustain in the long term.

However the quality of Brazilian films have been noticed in film festivals such as the Annecy International Film Festival. *The boy and the world* received the Cristal for a feature film and the Audience award in 2014, *Rio 2096: A Story of Love and Fury* was awarded the Cristal for a feature film in 2013.

*As long as the quality of the films produced by emerging producers will not equal the standards set by Pixar and the other American studios, this competition will not be a threat. On the other hand trying to reach these audiences can be a fruitful strategy for European producers, as these countries have large population. For example China accounted for 367 million children in 2010.*⁴³

2. An increased competition in Europe

The animation landscape has evolved drastically in the last 15 years with more players both from within Europe and from an increased number of American majors. This increased supply of movies is also worsen as the time slots for movie releases are getting more crowded and less lucrative with the increase of both piracy and the VOD offers.

*“The same admission figures for animated features are not possible today as they were 10 years ago when there was a real shortage of the offer. Since, all the American studios started producing animation. The French and the European production has taken off.” According to Marc Bonny, president of Gebeka Films, independent producer of animated films*⁴⁴

First and foremost there is a general saturation in the movie industry with 650 films released in France. In most European countries this saturation goes hand in hand with the supremacy of American blockbusters, with on average 63% of market share followed by 33% of European films including the local films.⁴⁵ In the EU, the local market share is around 30% in only 4 countries, France, Italy, Germany and Denmark. The smaller a country, the less developed its film industry, the more represented US films are (Fig.15).

Regarding animation, there is a competition coming from the US. American majors’ films represent nearly half of the animated films released each year in most European countries, even in France (Fig.16) where diversity is insured through quotas.

⁴⁰ Pham, Annika, “The BRIC report” October 2012 in

www.ndpculture.org/media/W1siZiIsIjIwMTQvMDcvMzAvNGMyenl5YWwNual9icmljLnBkZiIjIjDlXQ?sha=8b7f423d7b8c3c7b

⁴¹ Idem

⁴² Idem

⁴³ Miquel, Arnaud, “Essor et dérives du marché de l’animation en Chine” November 3, 2011 in

www.inaglobal.fr/cinema/article/essor-et-derives-du-marche-de-lanimation-en-chine

⁴⁴ Caradec, Patrick & Bobeau Anthony, “Marc Bonny, president de Gebeka Films” February 8, 2013 in Le Film Français,

⁴⁵ Scoffier, Axel, “Cinema: the double-edged power of the European Union” October 29, 2014 in

www.inaglobal.fr/en/cinema/article/cinema-double-edged-power-european-union-7686,

In addition in the past few years, there were more American majors releasing more movies, increasing the competition amongst themselves. “DreamWorks Animation has released 28 animated movies in 16 years, the most that any studio has ever released in such a brief span of time.”⁴⁶ This strategy backlashed in 2014 as the studio faced financial hardship. “DreamWorks has taken a write-down on four of its last six films.”⁴⁷ They announced that they would reduce their releases to one a year. At the same time live-action film majors such as Paramount or Warner Bros have decided to increase their supply of animated features. In the summer of 2012, Paramount re-opened its division (closed in 1967) and released in 2014 a sequel to the first *SpongeBob Square Pants* movie, thus exploiting the Intellectual Property (IP) of its sister company the TV channel Nickelodeon.⁴⁸ Warner Bros following the success of the *Lego Movie* in 2014 decided to release a sequel and to cash on the popular TV series by Cartoon Network, *Adventure Time*⁴⁹ (Fig.17).

As a result the windows to release a movie are saturated. For instance in February 2014 two features were released in a week interval in France, *The boy and the cuckoo clock heart* by Europacorp (France) and *Walking the dog* (Belgium) and *Minuscule* by Futurikon (France), *Entre chien et loup* (Belgique), *Nozon* (Belgique) et *2D3D Animations* (France). This saturation was highlighted by Anne Sanchez, associate director of the Agence Mercredi: “Whatever dates the distributor picks, the film will face strong competition. For example, only in December 2005, there was: Harry Potter, Kirikou & the wild beasts, Chicken Little, Narnia and King Kong.”⁵⁰ A symptom of the phenomenon is the fact that the American studios DreamWorks and Sony Pictures keep on pushing movies to future dates so as to avoid competition with other expected box office successes not to harm their properties.

The saturation of the available theatrical windows, the increased number of films offered to the audience on any platform fosters competition among more numerous producers. It is less expensive today to set up a studio producing CGI as the technology has matured, which brings new players and new countries in the competition for audience. The offer has now exceeded the demand.

⁴⁶ Amidi, Amid, ““Movies Are Not A Growth Business,” Admits Movie Studio Owner Jeffrey Katzenberg” April 29, 2014 in www.cartoonbrew.com/business/movie-are-not-a-growth-business-admits-movie-studio-owner-jeffrey-katzenberg-98855.html

⁴⁷ Amidi, Amid, “DreamWorks Loses \$263 Million in Fourth Quarter and Will Sell Glendale Campus” February 27, 2015 in www.cartoonbrew.com/business/dreamworks-loses-263-million-in-fourth-quarter-and-will-sell-glendale-campus-109660.html

⁴⁸ Graser, Mark, “Paramount ramping up animation slate” August 16, 2012 in variety.com/2012/film/news/paramount-ramping-up-animation-slate-1118057934

⁴⁹ Amidi Amid, “Warner Bros. Will Release 3 Animated Features in 2017-’18” May 7, 2014 in www.cartoonbrew.com/feature-film/warner-bros-will-release-3-animated-features-in-2017-18-99222.html

⁵⁰ Cartoon, “Marketing, promoting and licensing a feature film” January 16, 2008 in cineuropa.org/dd.aspx?t=dossier&l=en&tid=1366&did=81862

B. Complex positioning

The 4 Ps of the marketing mix are Price, Promotion, Product and Placement. For a film the Price is set by the distributor, therefore the producer cannot modify this variable. The Promotion of the film consists in an advertising campaign prior to the release as well as targeting the relevant audience. The majority of the European producers interviewed had only gathered a budget for the production of the film, delegating it to the distributor, while American producers tend to have marketing budgets as important as their production budgets. The Product is the film itself, the type of story, its rhythm and graphic style. Finally the Placement, which we will explore in C., consists of the distribution channel, the number of screens, the release on DVD and the possible release on VOD. We will discuss the complex positioning of European films through the concepts of Promotion and Product.

1. *The European market – not a unified cultural entity*

The EU is a fragmented territory in terms of languages (24 languages spoken, excluding regional languages of the count) and cultures. Moreover some countries prefer animation when it comes to producing entertainment for children like France or Spain, while others prefer live action such as Italy, the UK Germany or Scandinavian countries (Fig.18).

Out of the 28 EU members, 5 stand out as the main markets to target for animation features, due to their large population among other criteria explained below. France, the United Kingdom (UK), Germany, Spain and Italy are what can be called the “big 5”, the main markets in term of admissions for animation films (Fig.19). “They capture 81% of the total admissions in the sample [both fiction and animation]” of the study carried out by the European Audiovisual Observatory⁵¹ and 62% of the screens in 2012.⁵² Nonetheless some countries on the periphery of these markets are reshaping the classic map of European audience, such as Belgium, Ireland or Scandinavian countries (Fig.20). In the rest of Europe, for example in Poland or Czech Republic, animation is often a matter of a few dispersed talents that drive the attention of animation lovers.

a) *The big 5*

France

French audiences have a long history of comic books and graphic novels. As children, French people watched the films adapted from the “bandes dessinées” such as *Asterix*, *Lucky Luke* or *Spirou*, and later *Persepolis*. There is a visual culture widely spread amongst the population, regardless of age, which is a strong point for the development of animation.

Moreover, the French audience benefits from the diversity offered by the vast number of small art-house theatres, which encourages theatres to try and differentiate their offer. It is the only country where foreign films, outside of US films are as numerous in the theatres.

The French market is very specific in Europe, partly because of the CNC policy, which helps filmmakers “from concept to can” through subsidies for development, production, distribution and exportation, as well as a tax credit. “France is a surprising country, since today it is one of the only countries to maintain a market economy through State helps (South Korea follows the same

⁵¹ Kanzler, Martin, Report “The circulation of European co-productions and entirely national films in Europe 2001 to 2007” August 2008 in www.coe.int/t/dg4/cultureheritage/culture/film/paperEAO_en.pdf

⁵² Westcott, Tim, IHS Screen Digest, “The European market for animated films”, Cartoon Connection Seoul, March 21, 2013

principle).⁵³ The principle of the “cultural exception” underpins this unique cultural policy that can be defined as follows by the French National Assembly:

“The cultural exception [is the] principle according to which culture and goods and services related thereto, cannot be considered to be a commodity like any other.”⁵⁴

The production of cultural goods and services is intrinsically linked with the identity of the inhabitants of one country and therefore should be protected against the supply and demand rules. The idea is to promote cultural diversity by giving a protected space for artists’ expression. This French specificity has been taken up by the 14 European organisations similar to the CNC, in particular during the last round of trade agreement negotiation between the EU and the US called the Transatlantic Trade and Investment Partnership.⁵⁵

Germany

Germany has a long history of storytelling, but lacks the visual culture mentioned above. Animation is seen as being for children and at best as a family entertainment. “There is no existing animation market for grown-ups in Germany. We are happy to watch those films but we are still not prepared to release them in the cinema”⁵⁶. Moreover there are few animated films being released each year or they need to be “video games licenses or clearly identified products with a strong support from the audience. This limits coproductions.”⁵⁷

If fewer features are produced it is because the TV channels no longer invest in animated films and distributors prefer to invest in North American movies. Indeed both the federal fund and the lander funds do not have any requirement when granting funds to have a local producer involved. Therefore the German producers are weakened, as confirmed by Arne Lohmann, in charge of the international coproduction for the ZDF group:

“The funding system is not the same for ZDF [TV channel] in Germany as it is for France Télévisions in France. We do not have the same commitment towards German producers as France does. If you go into coproduction, we do not have to have a German studio involved, which can be tough for the German producers of course, but good for the international producers. But of course we try to help the German producers.”⁵⁸

Germany being a federal State, there are two levels of subsidies both from the federal State, the Filmförderungsanstalt (FFA) and from each Lander. Some landers are more generous than other and depending on its political line can try and attract more production houses on its sole. This both increases the funds available for films as well as increasing the complexity in the elements to consider by a producer.

The United Kingdom

The British audience is accustomed to consuming content from the US, as they share the same language. American cinema dominates the box-office with over 80% of ticket sales, followed by the British cinema with 15% of the box office and only 2% of the box office for films in a foreign language.⁶⁰ “From a British point of view, films in French, Italian or Spanish are language movies! There is a real linguistic barrier” according to Bertrand Faivre, founder of the British company

⁵³ Ibid Denis, Sebastien, 2011

⁵⁴ Bloche Patrick, “Rapport n°943 de l’Assemblée Nationale fait au nom de la commission des affaires culturelles et de l’éducation sur la proposition de résolution européenne relative au respect de l’exception culturelle”, France, April 17, 2013 in www.assemblee-nationale.fr/14/rapports/r0943.asp

⁵⁵ CNC, “Les CNC européens soutiennent l’exception culturelle” April 23, 2013 in www.cnc.fr/web/fr/actualites/-/liste/18/3496311

⁵⁶ Interview with Jana Varna, head of theatrical entertainment at Universum, Germany, at Cartoon Cine 2013

⁵⁷ Röthemeyer, Gabriele, CEO of Medien-und Filmgesellschaft Baden-Württemberg, Filmförderung, Germany, intervention at the MIFA 2012

⁵⁸ Lohmann, Arne, “Animation leading broadcasters: ZDF Enterprises” April 18, 2011 in cineuropa.org/dd.aspx?t=dossier&l=en&tid=1437&did=201655

⁶⁰ Scoffier, Axel, “British cinema: somewhere between European model and American empire” May 31, 2014 in <http://www.inaglobal.fr/en/cinema/article/british-cinema-somewhere-between-european-model-and-american-empire-7567>

The Bureau.⁶¹ European animated films are considered as independent films and see their potential box office limited. "Subtitled films can hope to reach a maximum of (...) 160,000 admissions."⁶²

There is a cultural lack of awareness regarding European animation in the public as most of the growth of the animated films box office (Fig.21) is driven by American blockbusters. According to a British Film Institute 2013 report, animation represents the first-grossing genre in the UK and Ireland with 21.4% of the box office that is to say \$414.9 million generated by 33 films. The top grossing features were all American movies (in order of box office results): *Despicable me 2*, *Frozen*, *Monsters University*, *The Croods* and *Wreck-it Ralph*.

*"British cinema, which is highly international in nature, adds complexity to the European equation. It is very close to the American market, and is able to produce truly British films while attracting Hollywood projects where the entire film is made in the United Kingdom."*⁶³

On the other hand, British animation studios tend to produce more TV animation than feature films (10%) or even TV commercials and games (10%),⁶⁴ thus limiting their potential market share for animated features.

The theatres in the UK are highly concentrated: 70% are owned by 3 companies (Fig.22) and diversification is not seen as a competitive advantage.

*"Cinema screens are highly concentrated in the United Kingdom (few cinemas, lots of screens), which means that cinemas mainly show commercial films – and therefore American – while elsewhere (such as in France), the large number of cinemas with few screens (the network of arthouse cinemas) encourages cinema operators to opt for differentiation and diversity."*⁶⁵

Italy

In Italy audiences only go to the cinema for fiction movies and mainly to Italian productions (31% of the tickets sold in 2013⁶⁷). It is thus difficult to export a European animated film to Italy. 2013 saw a 6.95% increase in the number of tickets sold after two years of decrease due to radical budget restrictions of public funds. But the cinema in Italy remains fragile as admissions dropped from 97.4 million to 91.4 million in 2014⁶⁸. According to Riccardo Tozzi, president of the Association for cinema, audiovisual and multimedia industries, the investment in multiplex was not followed by a similar effort in the city centres, an explanatory factor to the lack of moviegoing culture in Italy.

Moreover a change of political strategy has been taking place in 2013 with the confirmation of the 90 million Euros set aside for tax incentives⁶⁹. Its impact is yet to be perceived.

Spain

Like in Italy, the Spanish movie industry was seriously hit by the economic crisis, leading to fewer people attending the cinema. The number of tickets sold dropped from 140 million in the 2000s

⁶¹ Scoffier, Axel, "British cinema: somewhere between European model and American empire" May 31, 2014 in

www.inaglobal.fr/en/cinema/article/british-cinema-somewhere-between-european-model-and-american-empire-7567

⁶² Godet, Aurélie, "Quel avenir pour la distribution art et essai au Royaume-Uni ?" March 2013 in Les Cahiers du Cinéma

⁶³ Idem Scoffier, Axel

⁶⁴ Animation UK, "Industry report: Securing the future of UK animation" September 2011 in www.animationuk.org/files/report-pdfs/docs/4I6KD5YW2I.pdf

⁶⁵ Scoffier, Axel, "How can we see more European films in Europe?" April 9, 2014 in www.inaglobal.fr/en/cinema/article/how-can-we-see-more-european-films-europe-7535

⁶⁷ Cinetel, study on 90% of the Italian cinemas, January 2014 in www.cineuropa.org/Files/2015/01/15/1421331475928.pdf

⁶⁸ De Gasquet, Pierre, "Le regain de santé du cinéma italien reste précaire" May 5, 2015 in www.lesechos.fr/tech-medias/medias/02150326202-le-regain-de-sante-du-cinema-italien-reste-precaire-1116969.php?Lu3R4Xtvg7ZLz|Wg.99

⁶⁹ De Marco, Camille, "Government gives tax credit renewal the greenlight" August 2, 2013 in cineuropa.org/nw.aspx?t=newsdetail&l=en&did=242379

to 77 million in 2013⁷⁰. This phenomenon can be explained by an increase in the ticket VAT from 8% to 21%⁷¹ and a 49% decrease in subsidies from the Fondo de Protección a la Cinematografía in 2012, proving that cinema was not a priority of the Spanish government.⁷²

Nonetheless in the past few years, Spain managed to release successful CGI stories mixing Spanish culture and American pop culture. In 2012 Lighbox Entertainment generated \$24 million at the Spanish box office with *Tad the lost explorer*, more than that year American animated blockbusters. The story is similar for *Mortadelo y Filemon contra Jimmy el Cachondo* that was produced by Ilium studio in 2014.⁷³

“Meanwhile, Hollywood youth-orientated titles almost entirely underperformed, ravaged by rampant piracy and the parlous state of Spain’s crisis-hit youth, often without the money to go to cinema theatres. As big Hollywood titles under-index in Spain, nearly all the major studios have moved into local pic distribution, even co-production. Hollywood majors distributed all Spain’s seven highest-grossers of 2014 [including Mortadelo y Filemon].”⁷⁴

The recent crisis resulted in a 15-20% decrease in production costs. Therefore “Spain is becoming an increasingly attractive investment option” argues Sergi Reigt, co-founder of Imira Entertainment.⁷⁵

b) Rising countries in Europe

Belgium

Wallonia shares with France the same comic books culture. For example the author of *Tintin*, Hergé, was Belgian. There, animation represents 15% of the audiovisual production and 25% of the turnover.⁷⁶ Culturally speaking, Belgium is favourable to animation as highlighted by Ben Stassen, CEO of nWave:

“Belgium is a birthplace for visual arts, with ‘bandes dessinées’ and historically traditional animated cartoons that were drawn plate by plate. It was a fertile ground for this industry to develop.”⁷⁷

After the creation of the regional support system Wallimage and the tax shelter in the beginning of the 2000s, new studios were created following the dynamism of Dreamwall, a branch of Dupuis Audiovisuel.⁷⁸

Ireland

The country benefits from supporting structures such as the Irish Film Board, as well as an attractive tax credit called “Section 481” for 28% of the production budget. Partnering with Ireland is even more interesting that they share an Anglo-Saxon culture while being interested by animated feature films, as opposed to the UK which is mainly focused on TV series (the main target for subsidies and tax incentives). There are also subsidies that require a broadcasters to present the project.

“The broadcaster situation for television in Ireland is not very strong at all; we have one public broadcaster that looks more at live action into their

⁷⁰ De Marco, Camille, ““Market comparison” takes place in Riccione” July 3, 2014 in www.cineuropa.org/nw.aspx?t=newsdetail&l=en&did=259518

⁷¹ News, “La chute d’Alta Films” in Les Cahiers du Cinéma, May 2013

⁷² Picciau, Kevin, “Spanish cinema will be international, or will cease to be” June 12, 2013 in www.inaglobal.fr/en/cinema/article/spanish-cinema-will-be-international-or-will-cease-be

⁷³ Amidi, Amid, “Paramount Makes A Bet on Spanish Feature Animation” January 1, 2015 in www.cartoonbrew.com/feature-film/paramount-makes-a-bet-on-spanish-feature-animation-107249.html

⁷⁴ Hopewell, John, “Spanish Films Hit Modern Box Office Highs” December 16, 2014 in variety.com/2014/film/box-office/spanish-films-hit-modern-box-office-highs-1201380500

⁷⁵ Reigt, Sergi, “Spain Relief” July 8, 2014 in www.c21media.net/perspective/spain-relief

⁷⁶ Albin Mis, Didier, “Dreamwall, moteur du cinéma d’animation wallon” January 28, 2014 in www.lesoir.be/412428/article/actualite/2014-01-27/dreamwall-moteur-du-cinema-d-animation-wallon

⁷⁷ RTBF, “Focus: d’où vient le succès du cinéma d’animation belge?” January 20, 2014 in www.rtbf.be/info/article/detail_focus-d-ou-vient-le-succes-du-cinema-d-animation-belge?id=8180434

⁷⁸ Interview with Philippe Reynaert, director of Wallimage, Belgium, at Cartoon Movie 2014

commissioning. When it comes to animation the broadcasters may give a small minimum guaranteed, but in general they pre-buy. "According to Moe Honan, Magma Films⁷⁹

According to the Irish Film Board, there are 25 companies producing animation among which 8 companies have developed or are developing 19 feature films as of 2014.⁸⁰

Scandinavia

With only 24 million inhabitants, Denmark, Sweden, Finland and Norway consist in a narrow market, therefore each country's films tend to cater for Scandinavia as a whole.

"Denmark being a small country, we always have to seek for partners. If we want to make movies that have larger budgets with more distribution possibilities, we will need to negotiate with international partners."⁸¹

Since the movie *Terkel in trouble* in 2004, there has been an increased in the number of films produced in the region⁸² with a few franchises being developed in coproduction with regional studios such as *Olsen Banden*, *Pettson & Findus* or *Hugo*. All these stories are deeply rooted in the Nordic culture, therefore making it harder for Southern Europe to adhere.

The biggest producers in Europe are the big 5. France is the biggest stable producer, followed by Germany, when Italy, Spain and the UK are not as dynamic. (Fig.23). It can be explained by the size of their population (more than 50 million inhabitants compared to less than 40 million in the rest of Europe) as well as a developed culture for animated content and cinema.

To summarize, we can draw a map of Europe (Fig.24) with 4 different stages for the animation industry in Europe according to the 3 following criteria: the strength of the local industrial fabric of production houses, the audience interest in animation and the movies availability in theatres and on TV.

- **Mature industries:** countries with numerous studios and a stable audience for animation movies: France, Germany, Belgium, the UK and Ireland;
- **Industries in difficulty:** countries hit by the crisis which led to a decrease in state funding and studios closing down: Italy and Spain⁸³;
- **Only a few studios:** countries with no industrial fabric, but having dynamic isolated studios: Czech Republic, Poland, Denmark and Sweden;
- **No animation industry:** countries with very rare studios and no audience appeal for animated movies.

⁷⁹ Cartoon, "Financing Plans and Budget Management" July 19, 2010 in www.cineuropa.org/dd.aspx?t=dossier&l=en&tid=1364&did=148721

⁸⁰ Irish Film Board, "Animated in Ireland: Irish Animation Industry Directory" 2014 in www.irishfilmboard.ie/files/reports/Animated%20in%20Ireland%20Brochure%20for%20web.pdf

⁸¹ Cartoon, "A case study: Jungo goes bananas" March 19, 2008 in www.cineuropa.org/dd.aspx?t=dossier&l=en&tid=1437&did=83111

⁸² Interview with Anders Mastrup, CEO of A.Film, Denmark, at Cartoon Movie 2014

⁸³ Scoffier, Axel, "Cinema: the double-edged power of the European Union" October 29, 2014 in www.inaglobal.fr/en/cinema/article/cinema-double-edged-power-european-union-7686

2. *Adapting to the European market*

In order for European films to appeal to such a diverse audience, the positioning is key. We will explore the various strategies available for European producers in terms of Promotion and Product.

a) *Promotion – what budget for what type of movie?*

Behind the figures of movies produced in Europe, lays a very diverse spectrum of films. The budget of *Asterix: the land of the Gods* was 37 million Euros when *Beyond beyond* had a budget of 2.7 million Euros⁸⁴. These movies do not necessarily have the same goals, though every producer wishes to see their movies at the top of the box office. European movies can be categorised in two: the movies successful in theatres and the movies successful in festivals. Some movies manage to do both, meaning that they appeal to both the animation specialists who attend festivals and the mass market, but they are a handful. *The triplets of Belleville* is highly praised by animation lovers (box office: \$14,776,760) when *Chicken Run* reached the mass audience (\$224,834,564)⁸⁵.

For some European studios producing under tight budgets is part of their strategy. By refusing to increase the budget of the film thanks to the money brought by a coproducer, Copenhagen Bombay controls the whole value stream from production to distribution. The goal is to retain the ownership of the IP undiluted by external investments. Copenhagen Bombay works on limited budgets – comparable to series budgets (Fig.25).

Nonetheless that strategy has its own drawbacks, the main flaw being the lack of funds raised that can entail artistic restrictions. For instance the rabbit fur in *Beyond Beyond* does not move along the characters. Petter Lindlab admits that they had to “add unanimated elements in the background to reduce the cost, to re-write the script because the creative wishes exceeded feasibility.”⁸⁶ Furthermore after their first pitch at Cartoon Movie, the producers decided to change the project from human characters to animal characters. Indeed as seen in the *Great Bear*, the studio did not master yet the modelling of humans, such a capability would have required a large investment that is made impossible due to tight budgets.

Moreover the lack of marketing budget can harm the project by restricting its reach. On the movie *Nocturna* that failed to attract the expected audience, “the promotion investment was too low, only 500,000 €. Nowadays if you do not put at least 1.5 million € in marketing, you are nothing, you are nobody on the Spanish market. In France, it was more or less the same situation.”⁸⁷ The marketing budget was comparatively low when the overall budget to produce the film was 8 million Euros. The marketing plan for the movie *Despicable me 2* was the exact opposite with a wide media outreach as well as multiple promotional partners such as McDonald, Oasis, the Tour de France, Photomaton, Toys’r’Us, Nestlé, Danone, the glue brand Uhu.⁸⁸

Even among the top box office films made in Europe, the revenues generated remain relatively modest compared to those of American blockbuster cartoons (Fig.26). The common factor between all the top 7 grossing European movies is that they have adopted an American model for the marketing through partnerships with either American majors (*Happily N’ever after*/Lions Gate, *Pirates!*/Sony, *Planet 51*/Sony, *Tad the lost explorer*/Paramount) or European majors (*Sammy*/StudioCanal). In the current landscape Aardman’s plasticine stop-motion films are rather an exception and 3D CGI is the dominant technique in animation films. This category of films tries to compete directly with US blockbusters with large budgets compared to the European average

⁸⁴ Cartoon database

⁸⁵ Box Office Mojo

⁸⁶ Lindlab, Petter, producer at Copenhagen Bombay, Denmark, intervention at the MIFA 2011

⁸⁷ Cartoon, “Case study: Nocturna” March 19, 2008 in cineuropa.org/dd.aspx?t=dossier&l=en&tid=1437&did=83112

⁸⁸ Deleva, Emma, “Moi, moche et méchant 2” June 12, 2013 in Ecran Total n°952

(8 million Euros) that are still a fraction of the American budgets (100 million Euros). These movies perform as well as the American blockbusters in their domestic market. *Tadeo Jones* generated 17 million Euros at the Spanish box office in 2012, *Animals United* 10 million in Germany in 2010 and *Niko* 2.5 million in Finland in 2008 (Fig.27 & Fig.28).

b) Product – what story for what market to aim for?

American and European movies do not cater for the same markets. While American movies commonly have international careers, European movies tend to cater for either the domestic markets and/or other EU countries. That is a position clearly stated by Marc du Pontavice regarding the movie *Go West, a Lucky Luck adventure*: “we recorded the voices in French. Our market is continental Europe, France, Germany, Italy, Spain; territories for which English is useless after all.”⁸⁹ In France reaching 1 million spectators is considered a success for an animated film,⁹⁰ a target that widely differs from the US major’s target. After all the expectations in terms of admissions are proportional to the budget involved in producing a given film.

This difference in terms of international careers is a reflection of the business structural differences of the two markets. The US produces fewer movies, on average one or two per major animation studio each year for bigger budgets and a larger domestic market (Fig.29 & Fig.30). American animated films are announced at least a year in advance worldwide and 6 months prior to release trailers are broadcasted in movie theatres as well as aggressive billboard campaigns. The audience goes to see the latest Pixar movie for example, the studio behind the film is a recognised brand.

On the other hand, EU producers make films for narrower markets that pushes them to ally they do not benefit from a recognised mind share in the audience. Europe is a fragmented market unlike the American market. American producers can rely on a large united domestic market of 52,426,908 people under 15 years old⁹¹ while the youth of the 28 member states of the EU account for 78,783,386⁹² in 2013. In addition, language is a key component in defining different territories for EU members. Most European countries benefit from partly sharing the same language and culture with countries around the world. For example France will ally with Belgium, Luxembourg and Quebec and subsequently distribute its movies in those markets. For example *Avril et le monde truqué* was coproduced by a French and a Canadian producers and is based on the work of a French comic book artist, Tardi. Likewise Spain coproduces with Latin America. For example the \$21 million budget Argentinian movie *Metegol* (also known as *Underdogs*) was coproduced with Spain and drew more than 2 million people in the Argentinian theatres.⁹³

Finally the movies tell various stories for different age groups, depending on the country that produces them. European movies are often one-offs and the characters are almost never exploited as a brand to cash on. The rhythm and stories evolve at a slow pace and there is no one type of story structure. For example “the visual quality of French animation stands out. (...) What is striking is the tone, the drawing style, the slow pace.”⁹⁴ This structurally means that they appeal to distinct audiences, either preschool or adults (Fig.31). On the other hand, US animated blockbusters are largely unified in terms of storytelling. Their stories are organised according to the model of the Campbell Arc of storytelling in most cases and the rhythm is fast-paced

⁸⁹ Cartoon, “Etude de cas: Go West, une aventure de Lucky Luke” March 19, 2008 in www.cineuropa.org/dd.aspx?t=dossier&l=fr&did=83101&tid=1437

⁹⁰ Interviews with 21 French producers and distributors from June 2013 to June 2014

⁹¹ United States Census Bureau, “Annual Estimates of the Resident Population for Selected Age Groups by Sex for the United States: April 1, 2010 to July 1, 2013” in factfinder.census.gov/faces/tableservices/jsf/pages/productview.xhtml?src=bkmk

⁹² Statista, “European Union: Age distribution of inhabitants from 2001 to 2013” in www.statista.com/statistics/253408/age-distribution-in-the-european-union-eu/ and “European Union: total population from 2003 to 2013 (in million inhabitants)” in www.statista.com/statistics/253372/total-population-of-the-european-union-eu

⁹³ Amidi, Amid, “Weinstein Co.’s ‘Underdogs’ Trailer is Predictably Cringeworthy” January 16, 2015 in

www.cartoonbrew.com/feature-film/weinstein-co-s-underdogs-trailer-is-predictably-cringeworthy-108014.html

⁹⁴ Ibid Denis, Sebastien, 2011

throughout the film, there is no down-time. This trend is rooted in the American cartoons such as the Looney Tunes of Popeye, where gags and slap-stick are the rules.⁹⁵

The concept of target age group can be tricky as broadcasters in the UK might assess a movie to be suitable for 8-0 years old, when a French broadcaster will define the age group as 6-10.⁹⁷ Likewise the concept of movies targeted to adults or to children can be unclear. For example *Persepolis* by Marjane Strapi can be seen by both adults and children with different types of interpretation. The 2D-features produced by Disney before the arrival of CGI animation at the end of the 90s were only aimed at children. Studios like Pixar or DreamWorks changed the perception on animation by working on two levels of meaning with jokes for both segments. These movies are called “four-quadrant films” as they appeal to both women and men, above and below 25 years old with multiple levels of understanding for both children and adults to enjoy.

Furthermore it is critical for a film to be optimally positioned as it can deter the audience from going. For example the positioning of *Metegol* could have yielded more revenues in the US if targeted to a family audience.⁹⁸ During the promotion campaign for *Shaun the sheep – the movie* the filmmakers from Aardman emphasized on the fact that it could appeal for both children and adults with different levels of understanding.⁹⁹

Adult movies find an audience in France. These movies that deal with serious issues despite not being massively popular, still benefit from a certain awareness in France. For example *Renaissance* is an animated detective film, which gathered 263,034 people, *Waltz with Bachir* is an animated documentary about the Lebanon war in 1982 that reached 616,806 admissions¹⁰⁰. However the main target audience remains children. The number of movies distributed are higher during school holidays (Fig.32). Distributors compete on these time slots based on their knowledge of the market.

Ever since the first Toy Story in 1995, hitting the four-quadrant market has been seen as the most profitable target. This requires a specific storytelling expertise. European films, although more modest in terms of budget and outreach, bring diversity and cater for specific audiences such as preschool and adults.

⁹⁵ Ibid Denis, Sebastien, 2011

⁹⁷ Wheeler, Maurice, partner at The little big partnership, UK, intervention at Cartoon 360 2014

⁹⁸ Amidi, Amid, “Weinstein Co.’s ‘Underdogs’ Trailer is Predictably Cringeworthy” January 16, 2015 in www.cartoonbrew.com/feature-film/weinstein-co-s-underdogs-trailer-is-predictably-cringeworthy-108014.html

⁹⁹ Hubert, Fanny, “Shaun le mouton n’est définitivement pas réservé aux enfants” April 4, 2015 in <http://www.konbini.com/fr/entertainment-2/entretien-realisateurs-shaun-le-mouton>

¹⁰⁰ Admission figures: www.allocine.fr/film/fichefilm_gen_cfilm=125077.html and www.allocine.fr/film/fichefilm_gen_cfilm=17344.html

C. Fragmented distribution

Distribution in Europe has always been difficult due to the diversity of audiences. Each country requires a specific distribution strategy with new partnerships to establish in each territory and for each broadcasting channel (theatres, TV, DVD and Video on Demand, VOD). The Internet brought further complexity by modifying the weight of the classic supports of distribution. New ways of consuming films emerged that are either free (piracy) or inexpensive (VOD).

1. Overview of the distribution system in Europe

Any animation production incurs the same types of costs and revenues (Fig.33). Today no film can break even only based on its box office revenues in the domestic market, hence the will to distribute the film outside of the national boundaries. “For films such as *The boy with the cuckoo clock heart*, millions of spectators need to see the film in order to make a profit with a 25 million Euro budget.”¹⁰² This implies extra cost: finding a distribution channel in the targeted country or a distributor able to distribute in multiple countries, dubbing the film (as most animated films are for children, they require dubbing and not only subtitles), advertising (new posters culturally adapted, translated trailers, etc.).

Indeed the EU remains a fragmented market. Each country has its own language, with only a few countries sharing a common language. For example Belgium will have two distributors, one for Wallonia, the French-speaking part, and one for Flanders, the Dutch-speaking part. Moreover some countries require dubbing such as France or Italy, while others are used to subtitles such as the Eastern European. The marketing campaign material needs to be adapted to each culture. Finally the time frame for releasing movies might not be the same in each country, with different holiday schedules for example.

In Europe the biggest markets consist of France, Germany, the UK, Spain and Italy. “These countries represent quite well the [European] market.”¹⁰³ Therefore producers tend to focus on these territories regarding distribution. They can hope to yield greater revenues in these countries because of their large population relatively to other European countries and where the people remain moviegoers.

However the key partner in Europe for both financing and broadcasting remains the TV channels. Their role is to help producers make content that they will later broadcast on their channel. This virtuous circle is even written in the law in France. TV channels are required to invest a certain percentage of their revenues in producing content. “Animation is heavily supported by public broadcasters.”¹⁰⁴ A producer and a broadcaster can get involved in different types of partnership, a coproduction agreement, a minimum guaranteed or a sale and at different times in the production pipeline. The three biggest American children TV channels, Disney Channel, Nickelodeon and Cartoon Network are the most international channels in term of the audience they reach. Nonetheless in each of the Big 5 we find a strong domestic channel with large share of the audience: in France Gulli (11.3%), in Germany Super RTL (20.4%), in Italy Boing (6.9%), in Spain Clan (15.4%) and in the UK CBeebies (8.4%).¹⁰⁵

This model based on broadcasters has been disrupted by the arrival of the digital terrestrial television in the mid-2000s in Europe. These new TV channels scattered the once captive audience.¹⁰⁶ Consequently TV channels are gathering less eyeballs, yet the advertisers’ willingness

¹⁰² Interview of Eric Goossens, founder of Walking the Dog, Brussels, Belgium, February 19, 2014

¹⁰³ Wescott, Tim, “The global animation industry” October 3, 2011 in cineuropa.org/dd.aspx?t=dossier&l=en&tid=1437&did=201387

¹⁰⁴ Idem

¹⁰⁵ Eurodata TV worldwide “Kids TV Report”, Share of children audience, July-December 2013

¹⁰⁶ Renault, Enguerand, “Dans toute l’Europe, la TNT a changé la donne” January 1, 2010 in www.lefigaro.fr/medias/2010/01/02/04002-20100102ARTFIG00135-dans-toute-l-europe-la-tnt-a-change-la-donne.php

to pay to be broadcasted is correlated with the size of the viewership. “The purpose of television broadcasters is to attract the maximum possible audience to tell its advertisers: come and spend money with us.”¹⁰⁷ Therefore the indirect revenue generated by TV channels through advertising is depleting and they do not have enough money to keep on supporting the creation of content as they used to, further weakening the financing system of movie producers. The virtuous cycle is broken. For example the major French TV channels decrease in investment was not compensated by the TNT channels have smaller amounts, resulting in a 74 million Euro deficit in 2010 of the production branch of the movie industry.¹⁰⁸

This virtuous circle has been further disrupted by the Internet. This technology offered the possibility to broadcast content regardless of national boundaries to an unlimited audience with near-to-zero shelf space cost.

Piracy can be defined as making content available online regardless of copyright law. This modified the audience habits in terms of consuming entertainment. Available for free at any time, films lost in perceived value. In the UK 30% of the population is “active in some form of piracy, either through streaming content online or buying counterfeit DVDs. Such theft costs the UK audiovisual industries about £500m a year.”¹⁰⁹ In Spain 36% of the Internet users access films illegally, while only 9% do it legally. That represents a total value of 6.139 million Euros in 2014.¹¹⁰ Finally in France 28.7% of the Web users have been at least once a month on a piracy website in 2013.¹¹¹ European users have not been used as early as the Americans to legal digital offers and behaviours once settled are hard to change. Furthermore a free version of Netflix has started spreading in Europe since 2014, called PopCorn Time, which won over untouched audiences with its wide free catalogue that only requires to download once the software.¹¹² According to the Association de Lutte contre la Piraterie Audiovisuelle (Association to fight audiovisual piracy, ALPA), Popcorn Time gathers 200,000 unique visitors each month in France.

Nonetheless piracy is a practice more common amongst young adults aged 16 to 25 who represent a third of the streamers in France¹¹³. On the other hand parents and children when watching animation will turn to legal offers.

There is a wider gap between “paying a lot” or “paying close to zero” and “paying” or “free”. A price will start the psychological process of cost opportunity, even for 1 cent. The consumer on illegal streaming sites or downloading sites such as Bittorent has an endless offer of free movies (although he pays indirectly through the ads displayed all over the website) and therefore do not hesitate before clicking. It is called the “penny gap”.¹¹⁴ This issue was overcome by Netflix through a subscription model, while on top of the subscription to a Prime Account, Amazon puts a price mark on most of its films for rent or sell on its platform.

Today a producer will struggle to yield revenues out of the exploitation of his movie as the traditional distribution channels, both theatres and home entertainment (TV and DVD) have been largely challenged by shifting consumption habits.

¹⁰⁷ Cartoon, “Marketing models for producers and TV channels” January 16, 2008 in www.cineuropa.org/dd.aspx?t=dossier&l=en&tid=1366&did=81864

¹⁰⁸ “Les points forts du rapport Bonnell” January 10, 2014 in Le Film Français

¹⁰⁹ Lodderhose, Diana, “Movie piracy: threat to the future of films intensifies” July 17, 2014 in www.theguardian.com/film/2014/jul/17/digital-piracy-film-online-counterfeit-dvds

¹¹⁰ Coalición de Creadores e Industrias de Contenidos, “Report 2014 : Observatory of piracy” March 10, 2015 in lacoalicion.es/wp-content/uploads/ndp-observatorio-2014.pdf

¹¹¹ Agence France Presse (AFP), “Téléchargement et streaming ont bondi en France” in July 3, 2014

www.lemonde.fr/pixels/article/2014/07/03/telechargement-et-streaming-de-films-et-series-ont-bondi-en-france-en-2013-4449792-4408996.html

¹¹² Marin, Jérôme, “Après son lancement en Europe, Netflix s’inquiète à nouveau du piratage”, in January 21, 2015

<http://siliconvalley.blog.lemonde.fr/2015/01/21/apres-son-lancement-en-europe-netflix-sinquiete-a-nouveau-du-piratage>

¹¹³ Idem AFP

¹¹⁴ Anderson, Chris, 2009, *Free: The Future of a Radical Price*, Hyperion

2. *The window system – a disrupted framework for distribution*

Any European producer will try to sell his/her movie to any possible distribution channel. Indeed these channels are not supposed to be competing against each other, but to succeed one another. “Before digitalization made replication inexpensive, Hollywood had released movies into different markets sequentially during so-called “window””¹¹⁸ This agreement on a releasing time frame meant a window of 4 months to a year to maximize the revenue on one market before releasing the movie to the next market: theatrical release, then video, DVD, VOD, pay TV and finally free TV (Fig.34). This structure, also called “media chronology” is similar in the majority of countries whether it is a tacit agreement like in the US or the UK, or written in the law like in France (Fig.35).

In that window system, TV channels play a central role as in Europe it is deemed impossible to fund a feature film without an investment from a TV channel. Yet, the revenues generated by broadcasting commercials is diminishing. With a revenue stream decreasing, TV channels tend to be more risk-averse when deciding to invest in a new film. They want to be sure to invest on a film with high chances of success. Moreover the growth in VOD offered by both TV channels and external providers such as Netflix, created an increased competition as the consumer has more channels to choose from to enjoy entertainment. External VOD providers are perceived as a threat by TV channels. Indeed VOD offers a multi-platform viewing offer and a time flexibility for watching a movie. This phenomenon further triggers the risk aversion of the TV channels, at the expense of the film producer.

As a result TV channels will rather turn to the adaptation of a best-seller book or TV series than to an original story that has not proven yet its appeal to the audience. Therefore instead of getting involved early on in the project they will wait to see the finalized film to buy it instead of investing in the whole development of the project as a coproducer. This IP investment strategy is detrimental to the project initiators who bear the risk on their own during the development of the project, and sometimes the production phase as well. Moreover the National Film funds tend to require when attributing subsidies that the project should be backed by a channel as a proof of its commercial viability, thus further compromising the chances of the project to be funded. This lack of funds is not compensated by the VOD as the fees received are negligible compared to the cost of producing a film. “Revenues from Netflix and other streaming services are still a fraction of what they were before, and may never reach the \$18 billion banner year that home media had in 2004.”¹¹⁹

This phenomenon cannot be compensated by DVD sales. For 10 years, DVD sales were the main source of revenues for producers and were the second most important moment after the release in theatres. Yet, the DVD sales rose to a peak in the mid-2000s before drastically decreasing (Fig.36). To an extent animation is better off than non-animated features as children are keen on DVDs that enable them to watch and re-watch their favourite films, an option also available on legal VOD platforms though.

These windows have been disturbed by the surge of piracy that got the viewers accustomed to enjoying movies for free. Now movies are available easily on streaming platform at the same time as the theatrical release in decent quality. However the “window chronology is disappearing, but it is not all because of Netflix, there is a better understanding of the market and the audiences.”¹²⁰

The current issue with the window system is its lack of flexibility and that it is no longer adapted to the new consumption patterns. Most movies do not last more than three weeks in the theatres and generate 95-98% of their box-office in that span of time. But they are required to be on hold

¹¹⁸ Epstein, Edward Jay, 2005, *The Big Picture – money and power in Hollywood*, Random House

¹¹⁹ Kenny, Charles, “DreamWorks’ Strategy Was Right, But Its Execution Was Wrong” January 26, 2015 in blogs.indiewire.com/animationscoop/dreamworks-strategy-was-right-but-its-execution-was-wrong-20150126

¹²⁰ Forgues, Joanne, “Netflix, vu par des créateurs de séries déjà concernées par Netflix” April 22, 2014 in www.slate.fr/story/86241/netflix-vu-par-createurs-deja-concernees-par-plateforme

for three months afterward before the DVD or VOD release. This “dark zone” is a period of time when the marketing investment goes to waste as the awareness around the movie decreases during these three months.¹²¹ Indeed re-building this level of awareness requires the studio to pay for a new marketing campaign. Both the Lescure report¹²² in May 2013 and the Bonnell report in January 2014 recommend a structural change in the window system to allow more flexibility. M.Bonnell recommends to “release directly a film on physical or digital video, with a supporting promotion effort through the CNC fund for distribution. That would relieve the congestion in theatres.”¹²³

In the end, the trade-off facing producers is whether to cash on availability of the movies at a lower fee so as to create a buzz to sell merchandise or to refuse to sell to VOD platforms and intending on cashing on traditional channels.

3. *Seeking strategic alliances to overcome market fragmentation*

Distributing a movie means exchanging the right to project the movie in exchange for money (minimum guaranteed) or a share of the IP (coproductions). Each medium is subject to a negotiation on the right ownership (Fig.37). Producers have multiple options when deciding how to distribute their movie.

The distributor is the intermediary between the producer and the owner of the movie theatre. He takes care of the promotion and collects the revenue generated by the release. Stephan Schesch delegated the German distribution of *Moon Man* in 2012. He faced resistance from the theatre owners who categorized the movie as a young kid movie thus restricting potential viewership¹²⁴. In France the movie was branded very differently and the box-office results mirror these different strategies. Having to deal with individual distributors in each county is a risk of dilution of the identity of the movie. Moreover it is time consuming and it can take longer to recoup the revenue generated by the film.

Distribution can be taken care in-house by the producer. They can decide to integrate that function within their company. For instance Studio 100 media decided to control the whole value chain and has different divisions from merchandising to distribution. This way they are sure to brand the movie exactly how they wanted to position their movie.

Another possibility is to partner with a sales agent. The sales agent is hired by the producer to sale a feature film in exchange for a minimum guaranteed. The agent will contact local distributors on behalf of the producer. Minimizing the number of people involved in the distribution of a film is strategic. It is a way to overcome European market fragmentation through specialists of the distribution industry.

Finally another strategy is to outsource the distribution either through coproduction (see II.) or through partnering with a strong distributor. Some European producers decided to ally with European majors for the distribution of their movie thus minimising the number of persons to talk to regarding distribution. By doing so the film will also reach a larger audience and benefit from the distributor’s understanding of the European market.

¹²¹ Thompson, Anne, 2014, *The \$11 billion year - From Sundance to the Oscars, an Inside Look at the Changing Hollywood System*, Harper Collins

¹²² Lescure, Pierre, « Mission Culture ‘Acte II de l’exception culturelle’ : Contribution aux politiques culturelle à l’ère numérique » May 2013 in www.culturecommunication.gouv.fr/var/culture/storage/culture_mag/rapport_lescore/index.htm#

¹²³ “Les points forts du rapport Bonnell” January 10, 2014 in Le Film Français

¹²⁴ Interview with Stephan Schesch, CEO of Schesch Filmproduktion, Germany, March, 20, 2014

*"[On The boy with the cuckoo clock heart] Europacorp managed the whole campaign, which was 85% taken up by UDream [the Belgian distributor]: the release date on February 5, 2014, the poster, the partnership with Swatch, the advertising around Valentine's Day. It is the advantage of working with a distributor who is stronger than the others and who has experience, rather than working with five equal-sized distributors. We return to models such as Universal or Warner, who have a more advanced control and know-how. They know if it makes sense to release a film like Pinocchio in Sweden or Denmark. It is interesting in order to bring consistency to the campaign on a European level."*¹²⁵

Europacorp once qualified as a European major. The studio produced a number of big animation hits between 2006 and 2013, for instance the *Arthur's* trilogy directed by Luc Besson (Fig.38). However the studio has closed since to focus on live-action films¹²⁶. StudioCanal has taken up as a European major and is becoming more and more animation-friendly¹²⁷ with several children movies such as *A Case for Friends, How It All Began* (2009), a Germany-France-Luxembourg coproduction, *The Storytelling Show* (2010), a film by French producer Les Armateurs, *Sammy 2* (2012) by Belgian producer nWave or lately *Shaun the Sheep* (2015) with British studio Aardman Animations. The business model is less integrated than EuropaCorp and favours independent movie coproductions. It can be a key ally as the company shares a common European culture as well as being a strong player internationally.

Each strategy aims at overcoming the inherent difficulties of a non-unified market. No European producer has the power to impose a distribution plan throughout Europe. Yet it is of paramount importance to be relevant when marketing to the audience so as not to dilute the nature of the film. This depends on the channel chosen by the producer as well as the partner.

European producers face many challenges: an international competition, narrow domestic markets, a non-unified EU market, drastic evolution of the distribution channels. However there is a strong political interest to safeguard a certain level of cultural diversity at both the EU and the national institutions levels.

¹²⁵ Interview with Eric Goossens, founder of Walking the dog, Brussels, Belgium, February 19, 2014

¹²⁶ Picciau, Kevin, "EuropaCorp sort de l'animation et recentre ses forces" June 7, 2012 in www.inaglobal.fr/cinema/article/europacorp-sort-de-lanimation-et-recentre-ses-forces

¹²⁷ Scoffier, Axel, "StudioCanal, la première major européenne ?" April, 22, 2014 in www.inaglobal.fr/cinema/article/studiocanal-la-premiere-major-europeenne-7544

II. Coproducing - the key to the European market?

Coproduction historically emerged from Europe in the 1990s and we can hypothesise that this is because it structurally caters to the needs of the European market, fragmented both in terms of culture and economical structures. Alongside the push towards a united Europe, animation was seen as a vector of cultural collaboration.

A. Overcoming funds scarcity

Any European producer will answer pragmatically when asked about his/her reasons to coproduce. It is the only way to finalize a budget today.

"It is often complicated for a production company to afford on its own the production of a film in terms of financing and workload. A co-production generates a pool of creative and technical expertise, at the time it allows sharing risks and could bring more financial resources to the project."¹²⁸

1. Coproduction - a legal framework to benefit from public money

a) What is coproduction?

Firstly, coproduction can be defined as "the collaboration of several producers, through their mutual resources (financial, human and material) and the allocation of risks, in order to produce a film or audio-visual product. The producers carry the legal and economic responsibility for the production and hold the IP, while the executive producer ensures that the project goes into production."¹²⁹

The interest in a story can be the start of a project when the IP is owned by another producer who developed the property before looking for partners. "There are only two valid motivations to coproduce: either you do not have enough money or you want to take part in a project which quality is exceptional but that you did not create."¹³⁰

First of all, we need to highlight the distinction between a producer and a studio. A studio will be making the film, while the producer will gather the money required and be in charge of the film as a project management level. The confusion arises because some studios are also production companies. The vocabulary is also confusing as "production" can mean either the fabrication process or the financing of the film depending on the context in which it is used.

"The executive producers take on the legal and business responsibility for the production and own the intellectual property rights, while the line producer is in charge of making the product. There may also be simple financial co-producers, who do not own the intellectual property of the film made."¹³¹

The coproducers will have different levels of involvement in the given project according to their share of investment. Major coproducers who bring the majority of the budget will have a greater say in the decision making process than minor producers working on a given set of tasks. Similarly the producer who developed the IP will have a greater involvement with the project.

¹²⁸ Talavera Milla, Julio, "Co-production in Europe. Multinational and bi-national cinema treaties" September 24, 2011 in www.cineuropa.org/dd.aspx?t=dossier&l=en&tid=1364&did=144475

¹²⁹ Scoffier, Axel, Industry report: "Co-production in Europe, economic solution or artistic choice?" March 19, 2014 in <http://www.cineuropa.org/dd.aspx?t=dossier&l=en&tid=253854&tid=1364>

¹³⁰ Interview with Roch Lenner, CEO of Millimages, France, February 25, 2014

¹³¹ Idem Scoffier, Axel

The work split needs to respond to the needs of the project. The selection of a partner on the film should be based primarily on criteria such as the expertise on a given task of the making of the film, the layout, the animation, the post production and so on. Moreover a coproducer will have a share of the IP and of the territories and will thus become an ambassador to the project in his country with regards to the funding (subsidies, broadcasters, distributors) as well as for the promotion. The choice of partner will be influenced by the support offered in a given country.

Other forms of coproductions are possible depending on the type of partner involved in the project (Fig.39). A producer will bring to the contract both financial and industry assets, while a subcontractor will work for hire and provide extra production capacities. Finally a distributor can be considered as a financial partner and will not take part in the making of the film.

Nonetheless coproductions are of many sorts and there tends to be confusion between what is a “true” coproduction and a coproduction only on paper. The status of coproducer usually comes from the financial input an investor is willing to contribute. To limit potential downward slide, Eurimages, the European Cinema support fund, asks for a contribution of a minimum of 10% to have this status, while bilateral coproduction treaties require 20-30%. Furthermore the European Convention (Art. 9a.) states that the contribution of a financial coproducer cannot exceed 25%. For instance, the beneficiaries who own the rights of the adapted book can be represented in a company that will be on paper a coproducer when in fact they do not take part in the making of the film.

b) Treaties – the keystone of coproduction

Coproduction contracts cover all the aspects of the collaboration, as in the event of a breach, no legislation specific to coproduction in animation exists. The only legal frameworks existing are the bilateral treaties on coproduction between two states and the European Convention on coproduction.

These bilateral treaties are of the utmost importance as they allow a Spanish-Russian coproduction for instance to be recognized as Spanish in Spain and as Russian in Russia. The question of the nationality of the film is key as the national funding criteria are based on nationality.

“The concept¹³² of co-production is directly linked to the idea of nationality of the film. A producer needs to obtain a certificate of nationality for his film, issued by the correspondent administrative body in his country, in order to have access to most of the national public incentives, as well as to qualify for the screen and television quota for national films existing in many European countries.”

The number of treaties a country has signed is a sign of political will from the State. It shows both an interest in the development of an animation industry as well as encouraging the producers to collaborate with foreign countries (Fig.40). For example France has signed 45 bilateral agreements, the UK signed treaties with France and Commonwealth countries, Germany is engaged in 18 coproduction treaties and Spain in 17 treaties, among which 7 in Latin America.¹³³ The attitude of governments about signing coproduction treaties is therefore significant of the type of partnership the industry players want to get involved in.

A coventure is a partnership on a given project of two producers when their two countries have not signed any coproduction treaty. On the movie Yona Yona Penguin there was no coproduction treaty between Japan and France and it was complicated because of the lack of frame for the

¹³² Talavera Milla, Julio, “Co-production in Europe. Multinational and bi-national cinema treaties” September 24, 2011 in <http://www.cineuropa.org/dd.aspx?t=dossier&l=en&tid=1364&did=144475>

¹³³ Idem

partners' contributions both in terms of financial and industrial inputs. Moreover the project was not granted automatic double nationality for lack of a legal framework.

In Japan there are two types of animation companies, according to Takeo Yoshio, executive director at Kinema Junpo Film Institute: "Major film companies are showing a more conservative stance as they maintain a stable share in the domestic market and do not have much need to venture out into overseas markets. In addition, they are passive about the international coproductions as there are few cases of international coproductions that Japan was involved in as well as sceptical about the credibility of the international coproduction project partners. On the contrary, the producers with projects having strong storylines and companies for independent films that face difficulty in the domestic market are more eager for international coproduction of films." Coproduction is envisioned as a constraint, a "necessary evil" and producers have no incentive to lobby for the creation of a treaty with other countries.

The US share the same mentality regarding coproduction and the country has signed no coproduction treaty (Fig.40), the political lack of interest here reflecting the economic disinterest of the major players of the American industry. Moreover coproducing with the US is utterly difficult. If it is a financial coproduction then the American coproducer will be considered as a partner bringing a Minimum Guaranteed. When there is equity involved in the mix the American partner wants to be reimbursed first regardless of the share. Moreover such contracts are incompatible with the Eurimages contracts in spite of the rules commonly agreed to in coproduction partnerships. The complexity level further increases if there is labour investment.¹³⁴

Axes of collaboration can be drawn thanks to the mini-treaties on coproduction that further the relationship between two or more countries. For example a coproduction fund was created in 2013 between France and Italy with an annual budget of 500,000 Euros so as to rejuvenate the 1970s close links between the two neighbouring countries.¹³⁵ Likewise Germany and France have a common fund since 2001 which purpose is to favour Franco-German projects.¹³⁶ For example the film by Stephan Schesch *Moon Man* received 120,000 Euros from the CNC and 180,000 Euros from the FFA.¹³⁷

Outside of Europe the UK, France, Spain and Portugal built partnerships based on a common language and history with the Commonwealth countries, Quebec or Latin American countries. France and Canada signed a "mini-traité" that is an extra step from a simple bilateral agreement as the CNC and Telefilm (Canada) created a common fund since 1984. In 2009 out of 5 projects selected 2 were animation features, *Sarila* that received 100,000 Euros from the CNC and *The day of the crows* that received 137,000 Euros.¹⁴⁰ Spain and Portugal are involved since 1998 in a common fund called Programa Ibermedia with 17 countries in Latin America.¹⁴¹

Coproduction does not exist in other parts of the world and the model was built to serve the needs of the European animation industry in the context of the European construction. The idea is to foster initiatives to build a common European culture through exchanges between member states.

2. *The opportunity cost of coproduction*

¹³⁴ Interview with Denis Friedmann, French independent producer at the MIFA 2014

¹³⁵ Lemerrier, Fabien, "Un fonds d'aide au développement des coproductions franco-italiennes" May 24, 2013 in cineuropa.org/nw.aspx?t=newsdetail&l=fr&did=238927

¹³⁶ CNC, "Aide à la coproduction franco-allemande: descriptif complet" in www.cnc.fr/web/fr/descriptif-complet2

¹³⁷ CNC, 2010 Commission in www.cnc.fr/web/fr/annee-2010

¹⁴⁰ Talaveria Milla, Julio, "Co-producing outside the EU: Cinema agreements with non-European countries" June 2, 2010 in www.cineuropa.org/dd.aspx?t=dossier&l=en&tid=1364&did=145822

¹⁴¹ Programa Ibermedia, "Overview" in www.programaibermedia.com/el-programa

When asked about their motivation to coproduce, European producers say that it is to balance a budget. Indeed it seems that there is not enough money available in one country, may it be France and its generous CNC, to produce a movie on a sole territory. In Europe the financing structure looks like fundraising. The producer does not engage its own money only, but gathers money from different investors as well, public (state funds) and private (other producers and TV channels). In the US, on the other hand, the financial risk lies upon the producer only, who invests their own money or the money of the studio. This needs to be qualified slightly as the European producer is also financially and legally liable in case the project fails.

A coproduction increases both the financial capabilities and the production capacities. First of all, the producer will finalize the budget more quickly and will gather a greater amount of money by multiplying the potential sources, thanks to his coproducer. Catherine Vernon at Cartoon Cine 2013 presented a case study of a three-partner coproduction (Fig.41).

It presents the 4 main sources of financing:

- The coproducer's investment (contribution in cash);
- Public money provided by both the national film funds (both subsidies and tax incentives schemes) and the European institutions (Eurimages, Media Program);
- The presales for theatrical, video and TV releases: the world is divided into territories whom the project can be sold to;
- The animation studio (sweat equity).

For example, *Richard the stork*, a European animated film released in 2013, was produced on the model of the coproduction between four countries. The financing of the film was split between Germany (35% brought by the German Federal Film Board, Medienboard Berlin- Brandenburg, Filmförderung Hamburg- Schleswig Holstein, the Commissioner for Culture and the Media and the German Federal Filmfund), Belgium (33% brought by Screen Flanders and Fortis Film BNP), Luxembourg (20% from the Film Fund Luxembourg) and Norway (13% from the Norwegian Film Institute and FUZZ) as well as funds from Eurimages. The studios involved in the production are Studio Rakete and Ulysses Filmproduktion in Germany, Studio 352 in Luxembourg, Walking the dog in Belgium and Bug in Norway. With so many partners involved we can understand the level of complexity related to in the production of the film.¹⁴²

A equally complex construction is the Irish film *Song of the sea* by Cartoon Saloon. It involved 4 other European producers, Mélusine Productions in Luxembourg, The Big Farm Productions in Belgium, Superprod Animation in France and Nørlum in Denmark as well as tax shelters and national film funds and Eurimages. Ireland contributed 38% of the budget, Luxembourg 22%, Belgium 20% Denmark 10% and France for less than 10%.

Coproducing means relying on a partner for the completion of first the budget and then the production of the film. If the coproducer fails to honour his commitment, the project is at risk. The resulting lack of financing might harm a project. If the budget required is not found there will be cuts in the money allocated to character design and backgrounds for instance - which means that they would need to be less detailed than planned. This happened to Paco Rodriguez, executive producer at Filmax on the feature *Nocturna*: "After 3 years of negotiations (with a potential coproducer), we still had a gap of 2 million euros. We reduced our ambitions and changed certain aspects of the movie".¹⁴³ The tradeoff to having another partner that will bring more money to the budget, is that he might fail the task he was intrusted with, thus endangering the project. This is the reason why producers tend to partner with the same coproducers whom they trust due to positive past experiences.

¹⁴² Knudsen, Kristine, producer at Knudsen & Streuber Medienmanufaktur, Germany, intervention at the MIFA 2014

¹⁴³ Cartoon, "Case study: Nocturna" March 19, 2008 in cineuropa.org/dd.aspx?t=dossier&l=en&tid=1437&did=83112

In addition to the financial benefit of coproduction, the aim is also to increase production capacities. A coproducer will bring their talents on board from which the whole project coventure will benefit. Accessing a talent pool was one of the drivers for A.Film, a Danish producer, when producing *Jungo goes bananas*. “We had to learn the 3D technicalities and without a partner the task would have been really difficult,” said Irene Sparre Hjorthoj, director of the 3D department at A.Film.¹⁴⁴

Besides, in order to limit the expenditures, the production should be as fast as possible (Fig.2). The main expense in animation is the work force. Thus the longer a production is, the more wages the producer will have to pay. There is a right balance to find between quality and rapidity. *Aunt Hilda!* is graphically elaborated but took twice the average time to produce. On that regard, Folimage, the producer of the latter, declared their intension to reduce by half the production duration whilst keeping the budget at 4 million Euros, which is low compared to the average 8 million Euros.¹⁴⁶

To limit the expenditures there are two main ways: to maximise the efficiency of the pipeline and to increase the production capacities. Regarding the latter, coproduction is an effective way to double the capacities without investing from scratch in the production infrastructures and in qualified labour. This implies an important initial investment both financially and in time spent.

Coproducing is like a marriage. The project acquires both nationalities. Trust in the partner is key. The producers bring their assets, both financial (may it be private or public money) and industrial (know-how, facilities, computer power).

¹⁴⁴ Cartoon, “Case study: Nocturna” March 19, 2008 in cineuropa.org/dd.aspx?t=dossier&l=en&tid=1437&did=83112

¹⁴⁶ Caradec, Patrick, “Folimage met le turbo après ‘Tante Hilda !’” January 2014 in Le Film Français

B. Federating and fostering European diversity

Coproduction is seen as a political tool to achieve collaboration within Europe between producers from various member states. Culture has a whole emerged as a soft power tool for the EU in the 1990s. Movies resulting from the cooperation of European producers are therefore the expression of the successful integration of the EU and promotes European diversity.

1. *Encouraging collaboration to build the Europe of animation*

Coproduction is the expression of the European model, as it favours diversity and collaboration between its members, which is directly in line with the concept of “cultural exception”. “It is a legal principle stating that cultural activities should not be addressed by common trade law, but should be subject to specific measures.”¹⁴⁷ Some movies would have never existed if it were not for this principle, since they did not answer directly to the market demand. During the 2013 Cannes Festival, “Steven Spielberg used the closing ceremony of the awards to slip that cultural exception was ‘the best way to support diversity in filmmaking’”. In May 2013, Harvey Weinstein, an American producer, stressed out that “the cultural exception encourages filmmakers to make films about their own culture. We need that more than ever. (...) The most important thing is to preserve the environment of cultural film, because it’s good for business, too”.¹⁴⁸ In accordance with the principle of “cultural exception”, the United Nations (UN) adopted in 2005 the Convention on the Protection and Promotion of the Diversity of Cultural Expressions.¹⁴⁹ The idea is both to exclude cultural goods and services from the general trade and to make public intervention in that sector legitimate. 122 countries signed this non-constraining framework, excluding the US, which views radically differ on the matter. The US majors share a liberal viewpoint according to which there should be no restriction to trade by quotas or subsidies and they consider cultural goods as “entertainment” that therefore should be included into regular trade with no public interventions.

On the contrary, the European institutions committed to the concept of cultural diversity. The major distinction is that the EU tries to encourage the production of certain content when China is limiting certain content through censorship and quotas. The first policy is inclusive and represents “positive quotas”, when the second is exclusive and based on “negative quotas”¹⁵⁰. These institutions created a set of tools to achieve it. The EU delegated this cultural mission to Europe Creative that encourages diversity through subsidies and a set of programs. The Council of Europe, an international organisation outside the EU’s control, designed a common legal framework, the European Convention on coproduction, and a set of subsidies through Eurimages.

The European Convention¹⁵¹ tries to facilitate and thus encourage coproductions within Europe by standardizing the requirements. It was signed by 43 countries in Europe.¹⁵² The lower limit to qualify as a coproducer is 10% of the total budget of the film, when the upper limit is 70% (Art. 6-1). Moreover it can be used to replace a coproduction agreement between two countries when there is none (Art. 2-1). Finally, the Convention clearly defines what a “European film” means (Appendix II) through an evaluation grid and assimilates the coproduced films to become national

¹⁴⁷ Frodon, Jean-Michel, “ Pourquoi l’exception culturelle est un combat légitime” June, 26, 2013 in www.slate.fr/story/74443/exception-culturelle-legitime

¹⁴⁸ Scoffier, Axel, “Cinema: the double-edged power of the European Union” October 29, 2014 in www.inaglobal.fr/en/cinema/article/cinema-double-edged-power-european-union-7686

¹⁴⁹ UNESCO, 2005, “Convention on the Protection and Promotion of the Diversity of Cultural Expressions” in portal.unesco.org/en/ev.php-URL_ID=31038&URL_DO=DO_TOPIC&URL_SECTION=201.html

¹⁵⁰ Vlassis, Antonio, “La Chine s’ouvre à Hollywood au détriment de la diversité culturelle”, June, 22, 2012 in www.inaglobal.fr/cinema/article/la-chine-s-ouvre-hollywood-au-detriment-de-la-diversite-culturelle

¹⁵¹ Council of Europe, “The European Convention on Cinematographic coproductions”, 1992 in conventions.coe.int/Treaty/Commun/QueVoulezVous.asp?NT=147&CL=ENG

¹⁵² List of signatories as of May 2015: conventions.coe.int/Treaty/Commun/ChercheSig.asp?NT=147&CM=&DF=&CL=ENG

films. Coproduction thus generates both “direct (funding) and indirect (box-office)” economic benefits.¹⁵³

The criteria of the various European subsidies are designed so as to increase the collaboration between member states of the EU. If recognized as a coproduction, the project might benefit from the Eurimages and/or the MEDIA programme (now called Europe Creative) help that is only available to European projects (Fig.42).

The criteria of these funds are based on both cultural content and feasibility.

“Art. 2.6.2. In the case of animation projects, the European character will be assessed on the basis of the points system set out below. The project must achieve at least 14 out of 21 points: Conception: 1; Script: 2; Character design: 2; Music composition: 1; Directing: 2; Storyboard: 2; Chief Decorator: 1; Computer backgrounds: 1; Layout: 2; 50% of the expenses for animation in Europe: 2; 50% of the colouring in Europe: 2; Compositing: 1; Editing: 1; Sound: 1.”¹⁵⁴

The stress is put on international cooperation. For instance, producers can be granted extra points if they are involved with a coproducer who does not share their language. Besides, “if a Polish company applies to Eurimages within a coproduction with France, he will have more chances to get Eurimages” underlines Catherine Vernon, CEO of Mediabiz Conseil¹⁵⁵. In the same way Europe Creative criteria grant 5 extra points “to projects co-produced with a European country where a language other than that of the applicant is spoken” and 10 points “to projects from countries with a low production capacity”, namely the newest EU members.¹⁵⁶ It thus becomes a strategic choice to integrate new members of the European Union within projects.

However the amount of funds dedicated to animation is limited compared to live action, the average percentage of animation projects supported each year since 2009 by Eurimages is 5.58. (Fig.43). Moreover compared to national available funds, these supranational funds are limited (Fig.44). In addition these funds were created late in the overall EU construction and do not represent a priority.

“Support for culture has never been a priority in Europe. The first form of support was not introduced until 1988 under the impetus of the Council of Europe (a body outside of the European Union). (...) The budgets are not very high compared with other sectors supported by the Union, but they increase each year.”¹⁵⁷

In the 1990s a system called “the groupings” was set up to promote collaborations between groups of three or four companies of different countries in the context of the European construction. “EVA” was a grouping from 1989 to 1999 and consisted of Calon TV (UK), Cologne Cartoon (Germany), Sofidoc (Belgium) and La Fabrique (France). “ARA” was made of A.Film (Denmark), Rooster (France) and Allegro (Ireland). In exchange for these long lasting partnerships the EU would fund overheads and the cost of a pilot. Producers would benefit from the collaboration by learning from the others' experience. It was a way to combine forces between companies of the same size. It stopped because nothing substantial came out of it but it carried on through coproduction and it gave a first basis on which to build on the European model. Such associations are still regarded as interesting strategies by producers, who try to compete by allying with companies of comparable size.

Another initiative is the creation of the event “Cartoon Movie” in 1998 as a forum where producers and distributors could meet. The idea behind its establishment was to enhance the collaboration between the two parties, particularly by allowing them to get to know one another and realize they could potentially work together. Most importantly it is aimed at involving distributors earlier

¹⁵³ Scoffier, Axel, Industry report: “Co-production in Europe, economic solution or artistic choice?” March 19, 2014 in www.cineuropa.org/dd.aspx?t=dossier&l=en&did=253854&tid=1364

¹⁵⁴ Council of Europe, “Regulations for the support of co-production of full-length feature films, animation and documentaries” January 1, 2015 in www.coe.int/t/dg4/eurimages/Source/Regulations/Co-ProductionRegulations2015_EN.pdf

¹⁵⁵ Cartoon, “Financing coproductions” in <https://vimeo.com/channels/cartoonmasters/66062640> at Cartoon Cine 2013

¹⁵⁶ Scoffier, Axel, “Cinema: the double-edged power of the European Union” October 29, 2014 in www.inaglobal.fr/en/cinema/article/cinema-double-edged-power-european-union-7686

¹⁵⁷ Idem

on in projects to help in the development stage as well as working on the distribution strategy from the very beginning. In March 2014, Cartoon Movie gathered 750 professionals from 40 different countries and 60 projects were pitched by producers looking for partners in the audience.

“Cartoon movie works as an accelerator, it allows projects to be presented from the beginning, to include distributors and broadcasters upstream and to finalize budgets by finding coproducers.” According to Marc Vandeweyer, founder of Cartoon¹⁵⁸

In the same token the worldwide famous Annecy International Film Festival created 25 years ago a market where 2,450 professionals from 61 nationalities met last year. Among these participants 334 buyers and distributors attended, looking for producers to partner with. According to Mickael Marin, “Cartoon Movie, the MIFA or the MIP represent meeting points for producers, nonetheless it is impossible to quantify the number of projects signed during our events”. These European get-togethers create a sense of community and are perceived as catalyst in the development of projects.

Since the 1990s, the whole structure of the EU market was built so as to help develop synergies between EU companies, through frequent meetings and financial incentives. This political goal was embodied in the coproduction model.

2. *Attracting projects to Europe through coproductions*

Subsidies are a useful tool to attract foreign coproducers as the release of the funds is in some countries tied with the constraint of having a national partner involved as well of a minimum amount of expenses in the given country. This “territorialisation” of the funds is key to understand the coproduction decision making process relating to financing the project through foreign partners as well as choosing where to make the film.

Tax incentives work in a similar way, it is public money spent with the purpose of attracting private money. Producers save on tax after spending money in the country of the production. For instance the making of *Despicable Me* induced the hiring of 300 to 350 persons in Paris for a budget of 200 million Euros and a worldwide box office of 500 million Euros (Fig.45).¹⁵⁹ Movies originating from foreign countries can benefit from a tax rebate on condition of producing it in British or French territories for example (Fig.46).

Tax incentives are a way for countries to pull production onto their sole in order to benefit from the positive economic impact that they represent. Indeed when a production relocate to a given country, the economy will benefit from the expenses generated as well as the employment created. In Belgium according to the regional ministry of Economy, Jean-Claude Marcourt, “8 million Euros were injected in 10 years to support 34 production houses (16 features and 18 series), which brought a reinvestment of 310% that is to say around 25 million Euros.”¹⁶⁰

For example “without the UK Film Tax relief in place, we estimate that its film production would be around 75% smaller, reducing UK GDP by around £1.4 billion a year (...) Since the Film Tax Relief costs Her Majesty’s Treasury around

¹⁵⁸ Deleva, Emma, “Cartoon Movie, quinze ans d’animation” March 5, 2014 in Ecran Total n°986

¹⁵⁹ Rouse-Marquet, Jennifer, “Avantages fiscaux et délocalisations dans le cinéma” May 24, 2012 in www.inaglobal.fr/cinema/article/avantages-fiscaux-et-delocalisations-dans-le-cinema

¹⁶⁰ Albin Mis, Didier, “Dreamwall, moteur du cinema d’animation wallon” January 28, 2014 in www.lesoir.be/412428/article/actualite/2014-01-27/dreamwall-moteur-du-cinema-d-animation-wallon

£110 million a year, this means it generate about £13 in GDP for every £1 invested”¹⁶¹

However some voice criticism on these incentives as waste of public money. William Luther, from the independent American Tax Foundation stated that “the only thing these incentives create is the need for ongoing credits and subsidies. As other States sweeten their incentives, production moves on.”¹⁶³

The creation of multiple subsidies schemes and tax incentives has furthered a competition of attractiveness amongst European countries (Fig.47 & Fig.48). The tax systems are yet to be unified in Europe and each Member State is free to set their own tax system. Countries can use this tool to attract projects to their country. “This is part of a global fiscal competition. This phenomenon only started in the mid-2000s. Since, European countries tray and outdo each other.”¹⁶⁴ It appears that Belgium and Canada (Quebec region) are more attractive than France to that extent with respective rebate rates of 29-39% and 25-65%.¹⁶⁵ The upper limit is also higher in the Hungarian or the German systems. French producers compute the opportunity cost to losing the tax credit to national subsidies provided through a coproduction. Even the US try to attract productions through tax incentives, while criticising the intervention of the public sector into the private sector. For example the State of California offers tax credit for films whom budgets are above \$1 million and for the first \$100 millions with a credit of 5% for independent features and 35% for non-independent features. The tax dumping in the cinema industry echoes a general tax dumping in corporate tax. For example Ireland taxes less than other European countries with a rate at 12.5%.¹⁶⁶ Due to the important economic impact these tax schemes have, it is likely that for political reasons the lobby against tax unification will prevail an the competition amongst EU members will continue.

Consequently producers chose coproduction as a constraint to finalize their budgets, a “necessary evil”. For instance, Prima Linea Productions decided to coproduce with the Belgian animation studio Scope Pictures on the movie *merely* to benefit from the Belgian tax shelter. Through the example of *Ernest & Celestine* we can see that producers try to optimize their resources country by country (Fig.49). Depending on the tax credit rate and the upper limit, we see that the production will be in either three countries for the first case scenario or only two on the other scenario. The producer computes an opportunity cost between the money available and the production constraints linked to the financial sources. Coproduction is also a calculation in order to be able to finalize a budget.

This competition is even worsen in the EU as European and national subsidies criteria do not necessarily match. As we previously mentioned the criteria for European funds are to encourage collaboration amongst EU member States, while national policies try to retain production jobs within the national boundaries.

“Such rules [for national funds] were usually set up to close the access to national subsidies (created to protect the local culture) to de facto foreign productions shot in the country, as well as to local producers shooting abroad so as to put borders to the flight of capitals. At the same time it is intended to give some leeway to allow national producers not to get isolated in their own countries.”¹⁶⁷

The 2013 New Cinema Communication, published in the Official Journal of the EU, kept the principle of “territorialisation” that forges a bond between subsidies and the place of spending.

¹⁶¹ Oxford Economics, “*The Economic Impact of the UK Film Industry*” in www.oxfordeconomics.com/samples/oeffilmindustryjune10.pdf, June 2010

¹⁶³ Luther, William, report: “Movie Production Incentives & Film Tax Credits: Blockbuster Support for Lackluster Policy” January 14, 2010 in taxfoundation.org/article/movie-production-incentives-film-tax-credits-blockbuster-support-lackluster-policy

¹⁶⁴ Godet, Aurélie, “Credits d’impôt : la course à l’échalote” in Les Cahiers du Cinéma June 2013

¹⁶⁵ CNC, “Etude comparative du fonctionnement des systèmes d’incitation fiscale” October 7, 2014 in www.cnc.fr/web/fr/flux/-/journal_content/56_INSTANCE_k0Tr/18/5766574?refererPlid=64476

¹⁶⁶ Petti, Sara, “How to adapt fiscal policies applying to cultural and audiovisual goods and services in the digital era?” January 31, 2014 in www.ficdc.org/cdc4153?lang=en

¹⁶⁷ Talavera Milla, Julio, “Co-production in Europe. Multinational and bi-national cinema treaties” September 24, 2011 in www.cineuropa.org/dd.aspx?t=dossier&l=en&tid=1364&did=144475

“Art. 36 In the case of aid awarded as a percentage of the expenditure on production activity in the granting Member State, there is an incentive to spend more in the Member State to receive more aid. Limiting the eligible production activity to that which takes place in the Member State granting the aid is a territorial restriction. Consequently, to establish a limit which is comparable to the limit for grants, the maximum expenditure subject to territorial spending obligations is 80 % of the production budget.

Art. 37 In addition, under either mechanism, any scheme may have an eligibility criterion requiring a minimum level of production activity in the territory of the granting Member State. This level shall not exceed 50 % of the production budget.

Art. 38 In any case, under EU law, Member States are under no obligation to impose territorial spending obligations.”¹⁶⁸

In addition the funds available in each country vary (Fig.50), further pushing the producers to a cost opportunity analysis that is not be based on sole artistic benefits.

At first sight this does not look like a positive sign of collaboration, but the end result is that more coproductions emerge to benefit from the tax incentives and the subsidies, both European and national, and that a common culture of coproduction has arisen in Europe.

¹⁶⁸ European Commission, “Communication from the Commission on State aid for films and other audiovisual works” November 15, 2013 in eur-lex.europa.eu/LexUriServ/LexUriServ.do?uri=OJ:C:2013:332:0001:0011:EN:PDF

3. *Increased awareness for European films*

Coproduction for films (both fiction and animation) increases the chance for a film to be released in at least one non-national market. A coproduced film is released on average in 4.6 markets, of these 3.7 are non-national markets and 2.9 are non-national markets outside of the coproducing countries. In comparison 100% national films are released in 2 markets with only 1.1 non-national market. (Fig.51 & Fig.52).

For animation the 78 French animated movies released between 1999 and 2013 generated 43.9 million entries abroad and 48.7 million ticket sales in France.¹⁶⁹ “Among all the audiovisual and cinema genres that best export worldwide, animation figures prominently and efficiently gathers spectators beyond frontiers, generations and cultural references.”¹⁷⁰

In the case of a French-German coproduction, the French coproducer will bring to the table M6 for instance, while the German counterpart brings the TV channel ZDF. SND (the distribution company linked to M6) will take care of the distribution in French speaking countries, while ZDF releases the film in German speaking countries. The coverage for the movie is thus multiplied thanks to its different coproducers.

“International co-productions will benefit from each co-producers’ established relationships not only with national funding bodies but also with local distributors and broadcasters. The involvement of distributors and broadcasters from various countries should significantly improve a film’s chances of being released in the respective territories. Involvement may range from distributors and broadcasters simply being aware of the project and having a right of ‘first look’ to pre-sales or distribution guarantees as part of the financing package.”¹⁷¹

In order to increase the international appeal of a film, a producer can try and produce a film that can be understood and enjoyed by the audience outside the domestic market. If a producer tries to make a movie that can travel outside the boundaries of his own culture, then coproduction can be a solution. The coproducer will bring another viewpoint on the storytelling and on the visual identity of the project, thus making it more likely to have this international appeal.

“Projects that have a cross-border appeal are more likely to be structured as co-productions than content that primarily attracts national audiences in a specific territory. Such projects would naturally tend to find a distributor outside their national markets and generate higher admissions on non-national markets.”¹⁷²

The purpose is to have the widest circulation possible for the film in order to have a positive return on investment. This might not be the prime objective of coproducing but it remains something to look for. Studio 100 when coproducing *Maya the Bee* with an Australian producer, Buzz Studios also adopted that model taking into account that the “Maya the Bee” brand is not famous in the English-speaking world. The report by the European Audiovisual Observatory shows a link between the use of the English language in coproductions and a wider circulation.

“Higher budget commercially targeted co-productions will often be shot in English language facilitating access to a high value market traditionally resistant to subtitling, i.e. the United Kingdom. This can also have the effect of lowering subtitling costs, which reduces distributors’ exposure when releasing the film in other European territories.”¹⁷³

¹⁶⁹ Cartoon database 2014

¹⁷⁰ Miquel, Arnaud, “Essor et dérives du marché de l’animation en Chine” November 3, 2011 in <http://www.inaglobal.fr/cinema/article/essor-et-derives-du-marche-de-lanimation-en-chine>

¹⁷¹ Kanzler, Martin, Report: “The circulation of European co-productions and entirely national films in Europe 2001 to 2007” August 2008 in www.coe.int/t/dg4/cultureheritage/culture/film/paperEAO_en.pdf

¹⁷² Idem

¹⁷³ Idem

Finally encouraging transnational distribution of European films is strongly advocated by Europe Creative that has a dedicated funds to support it.

*"Selective aid encourages distributors to invest in the promotion and distribution of non-national, European films by helping them to cover the costs of advertising and promotion, as well as making and distributing copies. (...) Aid for sales agents is meant to encourage and support wider transnational distribution of European films by providing assistance for international sales agents involved in their distribution."*¹⁷⁴

In addition the association Europa Cinemas was created in 1992 to serve as the intermediary between Europe creative and independent distributors in Europe through distributing 100 million Euros worth of subsidies in exchange for a commitment to show non-national European films.¹⁷⁵

Coproduction can be to a certain extent a tool to overcome regional specificities and penetrate hard-to-access markets. For instance a coproduction with an Italian coproducer is the only way for a film to be screened on the Italian public network, the RAI.¹⁷⁶ In recent years only 4 movies were coproductions in Italy. Two of them were brand projects: *The Winx club movie* a franchise from a 7-season TV series broadcasted on Nickelodeon; *Pet Pals* a 2-film coproduction with the UK. The two others are more art-house films: *Pinocchio* with French and Belgian partners, which failed to appeal to the audience with only 160,000 spectators in 2013; *Iqbal* is currently being produced and has tried to look for financing on crowdfunding platforms because of the lack of support from both Italian and French broadcasters. The need for a local producer or TV channel is also a requirement to reach the Japanese and the British markets.¹⁷⁷

The Chinese market is also very hard to reach because of the quota on foreign films and the political censorship. Each year only 34 foreign films are allowed to be screened in Chinese theatres. The US are lobbying for a further opening of the Chinese market to their films and managed to increase this quota from 20 films to 34 films a year in 2012.¹⁷⁸

Coproducing with a Chinese partner thus becomes a key tool to distribute a movie. For example DreamWorks was granted coproduction status in January 2015¹⁷⁹ for *Kung Fu Panda 3*, a very rare exception. DreamWorks has a unit in China called Oriental DreamWorks and partnered with China Media Capital, Shanghai Media Group and Shanghai Alliance. The American studio owns 45% of this joint venture. Thanks to the coproduction status, DreamWorks will be able to distribute the film widely in mainland China. Still, the American studio will be able to recoup 43% share of the revenues. The coproduction status thus acquires a strategic importance. The movie *The Prince and the 108 Demons* is also a coproduction with a Chinese partner, Fundamental and European producers, France's Same Player, Belgium's Scope Pictures and Luxembourg's Bidibul Prods.¹⁸² It was released in 2014, however the box-office figures are not to be found. We can hypothesis that due to the sensitive theme of the movie, a fight against the established society, the movie did not receive as wide of a theatrical release in China.

Besides, when the budget cannot be reached to make the movie, the producer of the animated film can ask the subcontractor to decrease the invoice for the hired work, in exchange for the status of minor coproducer, which implies either benefiting from the revenues of a specific territory or a part of the IP. The share of the budget represented by the subcontractor will amount for less than 10% but will balance the budget. The subcontractors in most cases originate from Malaysia, China

¹⁷⁴ Scoffier, Axel, "Cinema: the double-edged power of the European Union" October 29, 2014 in www.inaglobal.fr/en/cinema/article/cinema-double-edged-power-european-union-7686

¹⁷⁵ Idem

¹⁷⁶ Interview with Eric Garnet, CEO of GO-N Prod, France, February 20, 2014

¹⁷⁷ Idem

¹⁷⁸ Thibault, Harold, "Les productions américaines ne sont pas les bienvenues" January 31, 2015 in www.lemonde.fr/economie/article/2015/01/31/en-chine-les-productions-americaines-ne-sont-pas-les-bienvenues_4567329_3234.html

¹⁷⁹ Wolfe, Jennifer, "'Kung Fu Panda 3' to Receive Co-Production Status in China" January 23, 2015 in www.awn.com/news/kung-fu-panda-3-receive-co-production-status-china

¹⁸² Keslassy, Elsa, "Pascal Morelli to direct '108 Demons'" May 23, 2012 in variety.com/2012/film/news/pascal-morelli-to-direct-108-demons-1118054534/

or India. India and Malaysia do not represent important territories in terms of sales yet and China is near to impossible to reach by a foreign company, hence the decision of the producers to let go of these territories¹⁸⁴. The subcontractors will then be in charge of finding distributors in their national territory, benefiting from a common language, culture and network.

The US is a very difficult market to penetrate. It is a hidden protective system that prevent competition from European films through film ratings or excessive distribution costs.

“There is a system of quotas and moral and economic censorship that prevents French films access [to the American market]. The American lobby a lot and we try to be on the same level. What we would want to obtain for French and European movies is a quota for art-house films that do not need to be released on 3,000 screens and remain stranded between no release and an unjustified release on 3,000 screens. It should be possible to broadcast them on a smaller combination.”¹⁸⁵

The risk for an animation movie targeted to a family audience is to have it rated unsuitable for 13 years old and under. For example *Kirikou and the sorceress* was rated PG-13 (unsuitable for 13 years old and under) because of the women’s naked breasts. “The blank left by the State [in the US] is filled in by private organisations intrinsically prone to defend private interests (in the case in point conservator lobbies).”¹⁸⁶ In the UK, *Kirikou* had a limited release because the sex of Kirikou was visible. “It is difficult to sell to the Anglo-Saxons, you need a British or American coproducer for it to work.”¹⁸⁷ (Fig.53) Independent art-house European films tend to cross the Atlantic better as their very limited release (between 10 and 30 screens in major cities) is not perceived as a threat, unlike 3G CGI features that are positioned as director competitors to Hollywood blockbusters.

By bringing partners from other countries, coproduction fosters collaboration cross frontiers. This increases the outreach of the film to new territories. Coproduction is therefore a soft power tool for the EU by increasing its cultural influence through films worldwide.

¹⁸⁴ Interview with Katell France, producer at Studio 100 Animation, France, April 2, 2014

¹⁸⁵ Comte, Yohann, Head of International Distribution and Co-production, France, intervention on “13h15 le samedi” February 22, 2014 in www.francetvinfo.fr/replay-magazine/france-2/13h15/13h15-du-samedi-22-fevrier-2014_530823.html

¹⁸⁶ Le Roy, Marc, “Protection des mineurs et œuvres cinématographiques, un état des lieux” October 1, 2013 in www.inaglobal.fr/cinema/article/protection-des-mineurs-et-oeuvres-cinematographiques-un-etat-des-lieux

¹⁸⁷ Interview with Ivan Rouveure, producer at Les Armateurs, France, March 31, 2014

C. Limits of the coproduction model

“Coproduction is a challenge. The companies have to agree on three levels: artistically, financially and personally” affirms Emily Christians, managing director and executive producer for Ulysses Film, Germany.¹⁸⁸ While coproduction is an answer to the European market structure, it also seems to add a degree of complexity to the production of films.

1. *Increased production costs*

Coproducing means having two (or more) companies working on one project. Each company has its own overheads (infrastructure running costs) and its own staff. These costs are incorporated in the coproduction budget and thus double the costs incurred. Infrastructure costs cannot be reduced, so some producers try to maximise human resources. For instance a lot of animators are hired as freelancers. In order not to have to create a team all over again for each feature film, producers try to retain artists by managing the pipeline so that the next project starts as soon as the previous one is over. Doing so they also benefit from the learning curve through a long-lasting relationship. Nonetheless such Human Resources (HR) strategies are not specific to coproductions.

On the other hand, the increased complexity of the coproduction projects means increased communication costs between the various countries involved. Communication is crucial to avoid costly misunderstanding. If an animator does not properly understand what is expected in a particular shot it would mean a lot of wasted time and consequently wages (a day to produce seven seconds on average).

The use of common pipeline software can be a solution to optimize the production and thus reduce costs. Cartoon Saloon when producing *Song of the Sea* used HoBSoft, a software designed especially for coproduction management so as to “keep the artistic chaos under one unified structure” says Tomm Moore, director of the movie.¹⁸⁹ Nowadays there are numerous options available for asset management. They can be customised to the needs of each production, such as ArtForge used by 2 Minutes, Mac Guff or TeamTO. “A good tool does not guarantee success but it generates emulation among talents and guarantees the budgets”¹⁹⁰. Thanks to the software Damas, the production of the movie *Approved for Adoption*, was able to take advantage of the time differences that induce a continuous workflow between studios based in Paris, Angouleme, Bordeaux, Strasbourg, Arles, Charleroi, Nancy and Seoul¹⁹¹. Finally such software can reduce the production time required as Etienne Pêcheux, visual effect supervisor at Illumination MacGuff, highlights it: “The full development cycle for an animation film can take four years. If we use Shotgun [an asset management software] to manage our production, we can split this time by more than half.”¹⁹²

Finally as the production pipeline is spread out among different countries more or less distant from each other, the challenge will be to have people with different working cultures and artistic sensitivities on one project. As underlined by Peter Lindblad, producer at Copenhagen Bombay, time differences and linguistic barriers are counterproductive. That is why so many coproductions take place between France, Belgium and Luxembourg: in the last fifteen years, eighteen features were made between these three countries (Fig.54). These neighbouring countries share the same

¹⁸⁸ Cartoon, “Financing Plans and Budget Management” September 19, 2010 in www.cineuropa.org/dd.aspx?t=dossier&l=en&tid=1364&did=148721

¹⁸⁹ Cartoon, “Coproduction case study: ‘Song of the sea’” in vimeo.com/channels/cartoonmasters/66139807 at Cartoon Finance 2013

¹⁹⁰ Hallouin, Guillaume, founder of TeamTO, France, intervention at the MIFA 2012

¹⁹¹ Spinner, Jean-Michel, CEO of 2 Minutes, France, intervention at the MIFA 2012

¹⁹² Dager, Nick, “Shotgun Software Helps Illumination Mac Guff Manage Despicable Me 2 Production” October 7, 2013 in www.digitalcinemareport.com/article/shotgun-software-helps-illumination-mac-guff-manage-despicable-me-2-production#.VTSpASHtmko

language and have common cultural grounds that make it easier to work together. They are considered as “natural partners” by the director of the Luxembourg Film Fund, Guy Daledéin.¹⁹³ These natural alliances draw hubs on a worldwide scale, with Europe remaining the main coproduction hub as it is a model that answers the structure of the local animation industry. (Fig.55)

One of the studio going bankrupt during the span of the production is the extreme scenario where coproduction costs a lot more than planned. Indeed most of the studios involved in coproduction deals are small to average sized companies that might struggle financially. This happened during the making of *The boy with the Cuckoo-Clock Heart* when the production was stopped because the first animation studio went bankrupt.¹⁹⁴

Doing everything in-house in comparison induces a higher degree of reactivity and a better coordination of the team. That is a position shared by Marc du Pontavice, CEO of French animation studio Xilam. On the movie *Go West – A Lucky Luck Adventure*, 95% was made in Paris and only three minutes in Angoulême and Montpellier. Thus they only received 10% subsidies out of the 10-million budget, but since everything was made in France, the private investors increased their shares. The financing was gathered as follows:

- Pathé: 2.5 million Euros
- TV presales: 3 million Euros
- Sweat equity from Xilam: 3 million Euros
- Various subsidies: 1 million Euros
- Tax credit: 500,000 Euros¹⁹⁵

The technique used to animate can force producer to do everything in-house, for instance the stop-motion films. Depending on the technique being used (Fig.1), it may or may not be possible to split the work. Alix Wiseman, producer at the stop-motion studio Aardman Animations, underlines the fact that for stop-motion it is impossible to outsource production because of the frame-by-frame process conducted on a physical set with physical puppets. However, at the opposite it is rather easy to outsource the animation part to another studio for CGI or classic drawn animation. Indeed it is the interval between two key frames that needs to be bridged. Aardman Animations cannot pass on a half-finished shot for example, because of the fact that replicating a physical set and puppets is very complicated. On the other hand for CGI, the shot being computer graphics, it can be conducted anywhere and picked up by anyone with the right equipment.¹⁹⁶

Nonetheless coproduction in stop-motion is not entirely impossible, as illustrated by the production pipeline of *It's a Zucchini's Life!*, a film coproduced by Switzerland's Rita Productions, France's Blue Spirit and Gebeka Films. It is in the making of the sets and puppets that the work can be split, as Marc Bonny, coproducer on the movie and CEO of Gébeka Distribution explains that “the puppets heads will be made in Haute Savoie [French region], the armatures in the Jura [French region] and the hair in the Drome [French region]. We wish to locate the shooting in Lyon for its central location regarding our Parisian and Swiss partners.”¹⁹⁷ In Lyon the animation will take place at Pixel, the Rhone-Alpes cluster of activity on animation and image. The animation part cannot be outsourced for stop-motion but the preparation can be.

¹⁹³ Vignoli, Lisa, “Luxembourg, terre d'exil du cinema français” May 18, 2013 in www.lemonde.fr/festival-de-cannes/article/2013/05/17/luxembourg-terre-d-exil-du-cinema-francais_3259414_766360.html

¹⁹⁴ Interview with Eric Goossens, founder of Walking the dog, Brussels, Belgium, February 19, 2014

¹⁹⁵ Cartoon, “Etude de cas: Go West, une aventure de Lucky Luke” March 19, 2008 in www.cineuropa.org/dd.aspx?t=dossier&l=fr&did=83101&tid=1437

¹⁹⁶ Interview with Alix Wiseman, producer at Aardman Animations, UK, April 2014

¹⁹⁷ Grand Lyon, in “Cartoon Movie, accélérateur de talents” March 2014 in www.economie.grandlyon.com/fileadmin/user_upload/fichiers/site_eco/2014_1er_semestre_the_only_magazine_fr.pdf

All the issues mentioned are not restricted to coproductions as subcontracting with an Asian studio will incur the same issues. The real distinction in terms of production costs is between producing in-house and outsourcing, may it be through coproduction or through work-for-hire.

2. *A lesser control both artistic and over the value stream*

For coproduced films, there is only one director for the movie who has to move to different locations across Europe in order to insure the coherence of the whole movie. For instance Ari Folman during the making of *The Congress* had to travel to seven different studios in Europe to keep track of the movie: Israel, Luxembourg, Belgium, Germany, Poland, India and the Philippines. Similarly 7 studios and 200 artists were involved in the making of the movie *Chico & Rita* all over the world, in Barcelona, Madrid, Brazil, Isle of Man, Philippines, Hungary and Latvia. The pipeline was automated to optimize the workflow, which means an initial investment in R&D for the tools to be developed. The control on the artistic aspects becomes very difficult over three coproducers. On that matter Catherine Vernon, CEO of Mediabiz, recommends to “limit as much as possible the number of coproducers involved in the project.”¹⁹⁸

Moreover there is the risk of diluting the identity of the film to comply with expenditures criteria imposed by films funds in exchange for subsidies. The work split is sometime divided so as to abide by the legislation: most of the time the director comes from the country of origin of the project, then the other artistic jobs need to be attributed to the other countries, which greatly complicates the work. This phenomenon is commonly nicknamed the “pudding effect”.

“Co-production, when it is not directly justified by the subject, constitutes an artistic challenge that leads film critics to refer to European co-productions as forming a melting pot or even a pudding, expressing the belief that artistic identities are being watered down through the production mechanism.”¹⁹⁹

To avoid the possible artistic discrepancies, Cartoon Saloon, an Irish producer, decided on the 7-million Euro²⁰⁰ movie *Song of the Sea*, to invite all the artists involved in the coproduction to come and visit the studio in Ireland, for them to experience the atmosphere they were trying to create.

Disney prefers to “cooperate” that is to say to pre-buy movies in Europe, but is reluctant to adopt the European coproduction model.

“Moving to Europe there are two issues with coproductions. The first is the creative control. The Disney brand is a hard target to hit, even in-house. When we make a show we cannot afford to have different partners giving their creative stamp on it. The second issue is money: who controls the IP? Disney spends a lot of money and time exploiting its properties worldwide. We need to feel that we have the ability to exploit all parts of the properties. Traditionally we always had all the rights. At the moment we develop projects with European partners, but we control the IP’s” explains Steve Aranguren, Vice President, Global Original Programming at Disney Chanel Worldwide.²⁰¹

In addition to lesser control over the creative process, the producer will share control over the revenue stream. Coproduction must be intended as an exchange between two or more partners. In exchange for the coproducer financial production and artistic input, the original producer will give them either part of the IP ownership or part of the territories, thus depleting the potential

¹⁹⁸ Cartoon, “Financing coproductions” in vimeo.com/channels/cartoonmasters/66062640 at Cartoon Cine 2013

¹⁹⁹ Scoffier, Axel, Industry report: “Co-production in Europe, economic solution or artistic choice?” March 19, 2014 in www.cineuropa.org/dd.aspx?t=dossier&l=en&did=253854&tid=1364

²⁰⁰ Hooks, Ed, “Oscar Ballot Guide: ‘Song of the Sea’ Acting and Performance Analysis” February 11, 2015 in www.cartoonbrew.com/ideas-commentary/oscar-ballot-guide-song-of-the-sea-acting-and-performance-analysis-109124.html

²⁰¹ Cartoon, “Industry Report: Disney Channel Worldwide: spearheading production in Europe” January 21, 2009 in www.cineuropa.org/dd.aspx?t=dossier&l=en&tid=1437&did=89032

revenues. IP is the animation industry's gold because it can generate ancillary revenue streams through the exploitation of the different rights attached to one story or character. This model was first developed by Disney in the 30s with *Snow White* and has become the general rule in the industry.

Regarding the exploitation of the film rights, each coproducer will be given all the rights regarding its own territory as well as the territories sharing its language. For instance a German will exploit the film in Germany, Austria and the German-speaking part of Switzerland, a Spanish producer might negotiate the exploitation rights for both Spain and Latin America. It proportionally divides the revenues from exploitation between the partners. Moreover there is a risk to dilute the identity of the film as each distributor in each country will bring a different vision on the film.

*"Regarding the overall strategy for distribution, how to position a film and when, coproduction can be an issue. The different coproducers do not have the same release date, the same taste for the poster, the music, the campaign."*²⁰²

More than the exploitation rights, it can be negotiated to share the IP between the coproducers. This implies that in the future the profit from long-term exploitation of the movie (re-broadcasting, merchandising, adaptations) will be shared between the coproducers thus reducing the revenues for each.

This is the reason why Rovio decided to fund on its own the film based on the Angry Birds game. The Finnish studio gathered the \$80 million budget and hired Sony Picture Imageworks to produce the film and distribute the film for an extra \$100 million, although some of the latter budget will be provided by Sony²⁰³. Retaining the revenue stream for the feature revenues is key to Rovio who lost 100 million users in 2014 and need the feature to boost their brand and its 30,000 tied-in products.

Coproducing is a true challenge and "with a few exceptions, French producers struggle to fund a film on their own, which implies a foreign coproduction. Getting involved in a coproduction is not just adding a line on the budget. It is spreading the making of the film and thus investing in time, transportation and workflow management tools. The consequence is also lesser tax credit, national and regional subsidies and a negative impact on the funding of the next film to that extent" 204

Coproduction means making compromises. In this type of partnership no coproducer has a higher hierarchical position, no matter how significant is the share of the budget he is bringing. As a consequence the management of the project is thornier than in a classic work-for-hire structure. Furthermore this model is tainted with a negative connotation of "necessary evil", when it can also be envisioned as the partnering of equal size producers to combine forces so as to offer original movies that the industry giants would have never developed.

²⁰² Interview with Eric Goossens, founder of Walking the dog, Brussels, Belgium, February 19, 2014

²⁰³ Amidi, Amid, "Angry Birds feature will cost \$180 million to produce and market" March 25, 2015 in www.cartoonbrew.com/feature-film/angry-birds-feature-will-cost-180-million-to-produce-and-market-110665.html

²⁰⁴ Schermann, Valérie, CEO of Prima Linea Productions, intervention at the MIFA 2012

III. Beyond Europe - new solutions, tools and models

Coproduction is anchored in both the European culture and the EU political structure and policy. This production model might not be compatible with the companies' structure of non-European countries, in fact coproduction is not the natural tendency outside Europe. Each production system is a mirror to the countries' culture. Other models exist in these countries that might better answer the challenges they face and could be of interest for European producers.

A. Other forms of coproduction

The coproduction model emerged from a scattered diversified European market of small and medium sized companies in order for partners to unite forces during the length of a project. However coproduction variations exist and bring projects to life through other forms of alliances.

1. *Coproducing within a company*

Some producers decide to get around the inner problems of coproduction with a partner by coproducing with themselves. Nonetheless the benefit of having a multicultural viewpoint on the film remains the same.

The idea is to harvest subsidies in more countries through local branches. For instance Mikros has branches in Europe and Canada. They can benefit from the different subsidies available in these countries without having the communication problems related to coproduction, as they are all part of the same company. 2D3D is pursuing the same type of policies by opening a branch in Canada. A last example would be Blue Spirit Animation, which opened a work-for-hire studio called "SineMatik" in Brussels in order to extend their fundraising capacities as well as their recruitment pool. The advantages of such a move is to benefit from both the advantages of the in-house solution as well as the subcontracting model. "It is a safety net."²⁰⁵

Furthermore they control the content production by keeping the whole IP within the company and they do not have to make compromises with their foreign counterparts. Even though Copenhagen Bombay claims they do not coproduce, it appears that the company is divided between two countries, Denmark and Sweden. They thus coproduce within the same company, which is designed as a holding. For instance the movie *Beyond Beyond* was produce two thirds in Sweden and the last third in Denmark.

Time zones can both be a disadvantage as it further complicates the communication between entities of the same company and an advantage as it extends the working hours of the company. Studio 100 is currently producing *Maya The Movie* between their Munich office (the creative hub) and their Australian branch (the studio), they benefit from a 24 hours shift due to the time difference and from the above mentioned advantages.²⁰⁶

The purpose here is not to save money but to optimize public resources as well as increasing the talent pool. Indeed the wages are high in both countries and the infrastructure cost represents a real investment.

²⁰⁵ Jacquot, Eric, CEO of Blue Spirit Animation, France, intervention at the MIFA 2010

²⁰⁶ Interview with Thorsten Wegener, Head of Business Affairs at Studio100 Animation, Germany, March 26, 2014

2. *Forming clusters*

In 2008, a new model emerged with the creation of the Toon Alliance set by Jean-Louis Rizet. It is defined as a 'cluster of work-for-hire companies' or as a "one-stop shop". It is comprised of 3 core studios: ETS (Paris), Caribara Animation (Paris & Annecy) and TouTenKarton (Angouleme & Montreal). Between the three of them, they are able to provide their client with the whole range of services that any producer would need during a production. Moreover they can benefit from a wide variety of regional subsidies due to their locations. The purpose is for them to share a common production pipeline, as well as administrative charges so as to be able to take on larger projects.

For example they worked on *The suicide shop* (producer: Diabolo films) and *Funan* (producer: Les Films d'ici). On the movie *Avril et le monde truqué*, the main producer was Je suis bien Content in France. The studio hired members of the Toon Alliance to do the 3D animation (TouTenKarton, Canada) and the backgrounds (Waooh !, in Belgium).

Another example of cluster would be the one founded by Forge Animation, which gathers both French (Caribara, Shibuya and Forge) and Japanese companies (Digital Frontier). The point is to create a transmedia ecosystem. There are, in addition to the animation studios involved, a game developer Morphée Interactive and a software publisher Primcode. This is an interesting answer to the current competition.

The distinction between a formal cluster and regular coproduction is thin as these kinds of long lasting partnerships often emerge thanks to successful collaboration. Friendship and networking are driving forces when looking for potential coproducers. May it be formal or informal, coproducers are risk-averse and will return to known partners so as to limit the risks inherent to working with another company.

3. *Crowdfunding & crowdsourcing*

Bypassing the intermediaries is the main advantage brought by the Internet. Crowdfunding platforms were perceived as a revolution of the financing methods a few years ago. Nonetheless, the sums required to make a film, all the more an animated film, cannot be solely gathered on such collaborative sites. For independent films it can be a source of complementary funding for the preproduction of the film when the producer bears the most risk as there might not be a distributor or partner at that early stage. In 2014 the animation studio 2D3D Animations asked on Ulule 54,000 Euros, the project failed through and only 8% of the amount asked for was collected (Fig.56). In the same way in 2015, for *Minuscule 2*, the French studio Futurikon asked for 100,000 Euros and gathered only 6% (Fig.57).

There is a fine line as to how to use this tool. *The Goon*, an animated feature film produced by David Fincher and the studio Blur, raised controversy about the Kickstarter social goal. Crowdfunding is seen as a tool for independent movies to exist outside the realm of majors. Although the project had the positive backing of fans who brought \$441,900 and the name of David Fincher, no studio green lighted the film. It seems that having the backing of the public is not enough to secure the partnership with a studio. Crowdfunded animated features are yet to see any real success. The Japanese anime *Under the dog* by Masahiro Ando due to be released in December 2015. In August 2014 the movie gathered 12,000 backers and a sum of \$872,028. This film could well be a success, so the results will be interesting to see.

Besides the money gathered, the main interest of such a tool is to gather a crowd of early supporters that will be its first advocates when the movie is eventually released. Envisioned as a marketing tool, crowdfunding can bring awareness to a film. It is always a way to start a project to have a better finalized project to then show to the established money backers of the industry that might be more risk-averse. "The purpose (...) is to federate a community of ambassadors of the film that will insure free propaganda with today's tools: social media, blogs..."²⁰⁹ This trend is strengthening as a partnership has been signed between the crowdsourcing platform Indiegogo and the video hosting platform Vimeo for the latter to become the "preferred distributor for the funded films."²¹⁰

Crowdsourcing could be seen as a massive coproduction amongst individuals. This is the project of the studio Mass Animation, which is producing its first feature film *Blazing Samurai* to be released in 2017. The core team will be made of 3 producers, 2 directors and 2 screenplay writers. As for the production of the film itself, it will be handled by the crowd of animators gathered under the umbrella of Mass Animation that is to say up to 58,000 participants from 101 countries. This novel business model has outsourced its infrastructure cost, which is supported by the isolated artists, and is a web of talents involved in the project. The management of such a structure might become an issue over time and a new system of payroll based on the existing freelance system needs to be established (no details on the matter are available on the company's website).

Nevertheless, using crowdfunding might also send a negative signal. It can be perceived as a project that could not find funds within the industry that did not see it as viable enough to invest in it.²¹¹ Consequently once the project is crowdfunded it might not be easier to find a partner to broadcast and distribute the film that it was before the campaign.

These alternative forms of alliance all revolve around the idea of producing films outside the realm of large corporations. For smaller producers innovation is central to fund and carry out original movies.

²⁰⁹ Etchegaray, Baptiste, "Le marketing participative au cinema, une propagande à moindre frais" May 13, 2013 in www.cineuropa.org/dd.aspx?t=dossier&l=fr&tid=1366&did=238219#cl

²¹⁰ Amidi, Amid, "Indiegogo and Vimeo Form Partnership to Support Filmmakers" January 26, 2015 in www.cartoonbrew.com/crowdfunding/indiegogo-and-vimeo-form-partnership-to-support-filmmakers-108285.html

²¹¹ Flamank, Simon, founder of Bob & Co, UK, intervention at Cartoon 360 2014

B. Alternative types of partnerships

Outside Europe the traditional forms of partnerships are subcontracting, Mergers and Acquisitions (M&A) and product placement. They were imagined in large organisations with strong vertical integration that would not let their IP ownership be diluted. This is a classic occurrence in the US and Japan.

1. *Subcontracting – a classic form of partnership*

The owner of the IP is the one to be subcontracting, while the studio that will make the film will be working for hire. Nonetheless work for hire is commonly used for producers based in either Europe or Canada and Australia, while subcontracting refers to emerging countries.

a) *Emerging countries – subcontracting*

The main reason for a studio not to make a whole movie in its own facilities is to save money, the other reason being the lack of capacities. It can be more attractive to outsource the animation once the story is developed based on an original idea or on a purchased IP. The advantage of such a partnership is that the IP is not shared with the partner studio and all the revenues generated by the IP is earned by one studio.

The American and Japanese market structures differ from the European structure as previously mentioned. There is a higher concentration of companies in the US (Fig.58) and Japan. They are vertically integrated and control the whole value chain. They are studios, producers and distributors all together. They take care of the financing, the production (from development to post production), the distribution, the merchandising and the exportation. Therefore they do not wish to see their decision power depleted through coproduction. These producers are more likely to hire a studio on a work-for-hire basis when they need a partner. The American conglomerates (Fig.17) want to return full control of the value stream and they control the producers of content (the studios), the broadcasters (TV networks) as well as the media to promote the content (newspapers and TV).

Besides, producers try to optimize the cost of production by outsourcing part of the work to countries with cheaper labour force. Animation costs a lot of money in terms of human work force. This is why outsourcing to Asian countries, for the most part, reduces the overall budget. Animation to that extent is no different from any company in the context of globalization. Nonetheless the communication management costs increase as much as in a coproduction model. These new worldwide divisions of labours are causing management issues even though they save money to the studios as Guy Delisle explains in his autobiographic graphic novels on his work as a manager in work-for-hire studios in *Shenzhen* and *Pyongyang*. Some studios discovered²¹⁵ that their Chinese counterparts had themselves outsourced to another studio with even cheaper labour forces in inland China or even in North Korea.

“In an attempt to capitalize on the [Chinese] government's soft power spending spree, individuals have developed animation studios to scam not only the government but also unsuspecting foreign studios.”²¹⁶

The BRICs are the newcomers on that international market and the same problems to qualify as a coproduction arise. For instance the movie *Alpha & Omega*, was made in 8 months in the Indian studio Crest Animation for a budget of 22 million euros and distributed worldwide by the

²¹⁵ Interview with Dominique Boisshot, CEO of Les Films de la Perrine, France, February 25, 2014

²¹⁶ Peskin, Max, “Chinese animation” January 14, 2014 in blogs.indiewire.com/sydneylevine/chinese-animation-international-film-business

American company Lions Gate entertainment. At first it looks like a coproduction, but in reality it is more a coventure. Indeed A.K. Madhavan, CEO of Crest Animation said they had a deal for 3 movies. This phenomenon is all the more important that some subcontractors are moving upstream in the value chain. Asian animation studios pursue aggressive policies of ventures towards Europe. For instance the Indian giant Data Quest bought 50% of Method Films, which previously outsourced to India. By the same token Tigerbells Animation²¹⁷ is an Indian studio that owns both a Philippines studio and 50% of a Polish studio. This way they benefit from cheap labour force and European subsidies. They worked for example on the production of *The Congress* as a work-for-hire studio.

Besides this upstream evolution is made possible by new technical abilities developed in the past few years by these countries. Steve Aranguren confirmed that Disney outsourced animation work to India, which is currently a hub for technical skills.

*"In the past few years these outsourced services are maturing from low end 2D post production work to highly skilled 3D animation. The industry is slowly developing capabilities for coproduction of full length animation movies."*²¹⁸

b) Developed countries – working-for-hire

In developed countries, some studios mitigate the risk linked to investing in a creative product by diversifying the type of partnership they are involved in. On some projects they have the sole role of service provider. They do not invest in the IP, thus not gaining any revenue on the box office generated, and are paid only on the job they deliver. On the other hand they also get involved in coproduction with other European coproducers benefitting from the whole coproduction system as well as having a greater say in the creative process. This hybrid business model is common in most European production houses and it is a trait of companies from Canada and Australia, countries that both signed coproduction treaties.

When developing independent films these two countries turn to European producers and vice versa. For example *Maya the bee - the movie*, a story written by a German author in 1912, was produced by the German producer Studio 100, the main producer, and two minor Australian studios, Flying Bark Productions and Buzz studios. When Flying Bark Productions decided to adapt the Australian picture books from the 1930s *Blinky Bill* into a film, the producer turned to the Belgian branch of Studio 100. Similarly TouTenKartoon was the Canadian coproducer involved in the *Suicide shop* with France and Belgium.

On the other hand both countries due to their cultural proximity and high quality work tend to attract a lot of productions from the US in the form of coventures, in which one of the studio was hired by the American producer owning the IP to make the film. For instance, *Happy Feet* and *Happy Feet 2* were made by Animalogic, an Australian studio, while the credits list Warner Bros as the main studio. Warner produced *The Lego movie* on the same structure. DreamWorks chose to outsource the production of the feature film adapted from the TV series *Captain Underpants* to the Canadian studio Mikros.²²⁰ The two countries both have expensive wages. Therefore we can suggest that the reason for outsourcing the project is to look for extra production capacities with the same quality level.

The next level is to open an animation branch in one of these countries, a decision recently made by two Hollywood studios. For example Pixar momentarily opened a branch in Vancouver before

²¹⁷ Interview with Vivek Kalyan, CEO of Tigerbells Animation, India, at the MIFA 2014

²¹⁸ Cartoon, "Disney Channel Worldwide: spearheading production in Europe" January 21, 2009 in cineuropa.org/dd.aspx?t=dossier&l=en&tid=1437&did=89032

²²⁰ Amidi, Amid, "DreamWorks Will Outsource 'Captain Underpants'...But Not Where You Think" January 23, 2015 in www.cartoonbrew.com/feature-film/dreamworks-will-outsource-captain-underpants-but-not-where-you-think-108174.html

closing it in 2014 and Sony Animation Pictures currently has moved its whole animation studio to Vancouver.

The bottom line of these different approaches is to produce at a reasonable cost with high quality studios. This collaboration can emerge either through coproducing, subcontracting or opening a branch in another country. The key trade-off is the level of control over the IP that the producer wants to retain.

Outsourcing in animation is a classic example of globalisation. To some extent the geopolitical interactions between countries follow the same rules as any manufacturing industry.

2. Multipicture deals and Mergers & Acquisitions

This model is only possible in large corporations with enough economic power to act as sponsors on movies. They either acquire smaller structures or their productions to later brand the film as their own. This way they are able to diversify their portfolios of films.

a) Acquiring companies – the M&A model

American studios tend to buy out other companies through M&A. Their motivations are to increase their catalogue of properties, to acquire innovative production know-how and talents and further increase their market share.

An example of this is with Universal Pictures, the producer of the successful movie *Despicable Me 2*. Though the whole animation work was done in Paris by the studio Illumination Mac Guff and his 750 animators, in 2011 Universal bought the animation branch of the company (called Mac Guff) through its own branch Illumination Entertainment. American Chris Renaud and French Pierre Coffin directed the movie. Pierre Coffin was trained at Les Gobelins, the globally recognised Paris animation school. Universal acquired facilities and talents. In this case the film combined the European craft and originality and American internationally successfully appealing stories and the sense of rhythm. This strategy was impersonated by the two directors, one being from the US and the other from France. For instance it was possible for the film makers to refine the story for months thanks to the financial backing of a large studio such as Universal. It took the two directors of *Despicable Me*, six months to get to the final design of the lead character Gru. On average in the US and in South Korea more than 10% of the budget is invested in scripts, while only 1% of the funding goes to scripts in Germany according to Tania Reichert-Facilides, consultant at Senator Films, Germany.²²⁸

Pixar first signed a multipicture deal with Disney in 1991. Disney thus invested into the innovative start-up in exchange for the delivery of animated features, all produced with a certain degree of creative independence from the American largest animation studio at the time.²²⁹ Disney was acting as a distributor, marketing the film and orchestrating its release, before buying Pixar and integrating it under the Disney umbrella in 2006.

b) Acting as a distributor – the multipicture deal

On the *Lego Movie*, the producer was Warner Bros and the directors were based in Los Angeles, while the whole making of the film was facilitated by the Australian studio Animal Logics. The two

²²⁸ Cartoon, "Improving pan-European distribution of animation films" at Cartoon Cine 2012 in vimeo.com/channels/cartoonmasters/4828930

²²⁹ Price, David A., 2009, *The Pixar Touch – the making of a company*, Vintage

companies have a multipicture deal for Animal Logics to deliver the next three films of the franchise. This way the whole IP remains within control of the American major studio. This strategy consists in benefiting from the American know-how while remaining a classic Euro-Canadian coproduction. On the movie *The Little Prince* adapted from the French novel by Saint-Exupéry, the director was American. Mark Osborne who previously directed *Kung Fu Panda* has directed the movie in Montreal at Mikros Images, which is headquartered in Paris. It is the largest budget for a French animated film with \$80 million. Moreover Paramount is the American distributor of the film to be released in October 2015. This way the final film is produced to please an American audience and by extension an international audience.

Aardman animations signed a multipicture deal with Sony Pictures for the production of *Pirates! Band of misfits*²³². Sony benefited from the positive image of the British studio and Aardman benefited from the marketing and sales tools made available by the American major, world releases are planned 2 years in advance. Aardman spent 55 million euros in making the film and it generated 109 million euros in box office. The model was similar for *Arthur Christmas* with Sony Pictures, *Chicken Run*, *Wallace and Gromit* and *Flushed Away* with Dreamworks.

Another example would be *Planet 51*, a Spanish project by Ilion Animation Studios that was a big hit, a box office of 120 million dollars worldwide and 2 million DVDs sold.²³³ This movie had a carefully planned marketing strategy for a budget of 50 million Dollars only for the US.

*"We have the most powerful independent distribution that we could get throughout the world, [Sony] and (...) a powerful partner, especially in the US, which is 40-50% of the market. The film is being released in 3,500 cinemas, probably even more, it will be shown at Thanksgiving, a very important holiday."*²³⁴

The movie itself was designed on an American model: Joe Stillman, who previously wrote both *Shrek* and *Shrek 2*, wrote the scenario. Though Americanizing the European films might not be the optimal solution to retain cultural diversity.

This model could be interesting for European producers as the only European majors today is StudioCanal, therefore not being able to answer to the demand from European producers. Multipicture deals that could take both the advantages of the European and the American models. Ernest & Celestine managed to create an important festival coverage but only gathered 1.3 million spectators. This type of deal could be beneficial to European crafts made movies.

3. *Product placement*

The South African studio Strika found an equilibrium outside of public money. Their TV series was funded by private sponsors who were interested in having their logos imprinted on the football players' jerseys, the main characters of the series, much like in real life. Strika produced two versions of the show depending on the requirement of the different TV channels. For instance Disney channel vetoed the version with product placement. It seems to be the limit of the model.

Nonetheless the Spanish producer Ilion Animation studio managed to secure product placement in its movie *Planet 51*.

"We managed to get the NASA logo on Chuck's spacesuit, they approved it, and they will collaborate with us in all educational activities and public relations.

²³² Interview with Alix Wiseman, producer at Aardman Animations, UK, April 2014

²³³ De Mac Mahon, Sophie, Business development director at Ilion Animation Studios, intervention at the MIFA 2010

²³⁴ Cartoon, "From video games to animated features" May 3, 2010 in cineuropa.org/dd.aspx?t=dossier&l=en&did=144875&tid=1437

(...)One of the characters in the film, the hippie Glar, has a van which we have personalised, and Volkswagen has let us use their logo.”²³⁵

Another exception was the animated film *Renaissance*. We can hypothesise that because it is targeted to adults, product placement is more accepted. The strategy of the promotion agency, the Agence Mercredi, was the following according to Anne Sanchez:

“We wanted to show the brands and see if the script fitted their image, to be in the movie and ask them to help us promote the movie. We got Motorola, Galerie Lafayette, Citroen, and Coca Cola. Motorola fitted because it is about technology. Galerie Lafayette wanted to show that in 2054 there would still be Galerie Lafayette in Paris.”²³⁶

The debate thus revolves around the ethical implications of exposing children to products and advertising within the entertaining content. TV channels impose strict rules on content producers. Moreover the European Union Pledge²³⁷ is an initiative for food and beverages companies to change the way they advertise to children in the perspective of fighting nutritional diseases.

This explains why there are so few example of such a model in most European countries. But these rules can be circumnavigated around through direct broadcasting on the Internet. However animation studios are aware of the negative perception that they will gain in the eyes of parents if they were to brand items in their movies. The risk is not worth the money generated, all the more that depending on the balance of power the studio might end up being the one paying for the right to use the logo of a given brand.

All these partnerships are based on private investment from either a large corporation with enough money but too risk-avert to greenlight innovative stories and thus outsource it to European producers through M&A, multipicture deals or distribution deals; or private companies outside of the animation sphere that are interested in increasing their brand mind share through classic product placement.

²³⁵ Cartoon, “From video games to animated features” May 3, 2010 in cineuropa.org/dd.aspx?t=dossier&l=en&did=144875&tid=1437

²³⁶ Cartoon, “Marketing, promoting and licensing a feature film” January 16, 2008 in cineuropa.org/dd.aspx?t=dossier&l=en&tid=1366&did=81862

²³⁷ www.eu-pledge.eu

C. Beyond films- building a revenue ecosystem

Due to the depleting sources of funding, producers are on the look for ever cheaper production schemes. The arrival of new technologies, first the TV in the 60s and now the VOD, are perceived as a threat to the established revenue generation system. The TV broadcasters knew they would better invest in content so as to have enough hours of content to broadcast on their medium. Nonetheless today the content far exceeds the demand and it is no longer a matter of filling a flux of content, the latter being spread out on the web. Moreover the prices that the new distribution platforms are willing to pay are far from the financing required to produce the content. A new model is to be invented.

1. *Reinventing home entertainment*

As noticed by Frédéric Martel in *Smart, Enquête sur les internets*, the entertainment industry is evolving from an ownership model to an access model (Fig.59). Owning DVDs has been replaced with the VOD offer to access any film in the catalogue for a set price. The subscribers no longer download content and stock it on their devices but stream it. This paradigm shift is revolutionising the way people consume entertainment and require distributors to adapt entirely their model.

a) *Direct-to-DVD – skipping the theatrical release*

In Japan Original Animation Videos (OAV) catered for niche markets that would not have generated enough revenues at the box office to theatrically release the film. But since the Japanese economic crisis in the 90s, OAVs are now part of the franchises consisting of TV series, films and games, for example *Naruto*, *Dragon Ball Z*, *Detective Conan* or *Saint Seiya* (Knights of the Zodiac).

This model although ill-perceived in Western countries is well suited for independent filmmakers as a platform for their fans to find their work. By releasing their films directly online, their directors expand the viewership and thus increase the potential awareness around the movie, the trade-off being to earn less money per view (around \$8 for an individual theatre ticket against \$2-6 to rent the film for a household). For example the 2012 Spanish stop-motion film by Fernando Cortizo *The Apostle* is available for screening on the film's website. It costs 1.5 Euros to rent the film for 24 hours²³⁹. The lack of interested distributor in adult animation pushed Bill Plympton to adopt a similar strategy. For his 2014 movie *Cheatin'*, the director booked theatre screenings directly and decided to make the movie available on VOD in April 2015²⁴⁰.

As European and Japanese animation films are considered as independent films, releasing them on a mix model of theatrical and DVD could be suitable. Gkids releases art-house animation films on the American market. For these movies Netflix and DVDs are the main platforms. The theatrical releases concern only educated cinema-goers and thus Gkids only releases these movies theatrically in major cities such as New York, Chicago, Los Angeles, San Francisco, Portland and Seattle in order to build press awareness. For the rest of the country the movies go direct-to-video.²⁴¹ It would be too expensive in terms of marketing to make a 3,000 screen national release for such a wide country and for such a hard to reach audience that is children. Gkids releases of *The tale of the Princess Kaguya*, a Ghibli feature, in 20 theatres in the US grossed \$333,017. This box office has only been exceeded by another Ghibli film *From up on Poppy Hill* with \$ 1 million and the Irish film from Cartoon Saloon *The Secret of Kells* with \$667,000.

²³⁹ Amidi, Amid, "Spanish stop motion horror feature The Apostle now online" November 13, 2014 in

www.cartoonbrew.com/feature-film/spanish-stop-motion-horror-feature-the-apostle-now-online-105573.html

²⁴⁰ King, Darryng, "Bill Plympton Cheatin' will begin its US theatrical run tomorrow" April 2, 2015 in www.cartoonbrew.com/feature-film/bill-plymptons-cheatin-will-begin-its-us-theatrical-run-tomorrow-111003.html

²⁴¹ Interview with Dave Jesteadt, CEO of Gkids, US, at Cartoon Movie 2014

This distribution structure could be viable in the European market. The films would benefit from a wider distribution and could cross frontiers at a lesser cost. The idea would be to have a theatrical release for the main territories where people still go to the movie, such as the big 5, and distribute it direct-to-dvd and VOD in smaller territories. It would simplify the releasing process as producers would have a restricted number of partners to deal with.

Nonetheless there are flaws to this plan. First in smaller territories like Eastern Europe, the VOD does not work, as there is too big of a competition by torrent websites. The VOD platform, Voyelle, was advertised for two years on public TV and only costs 3 Euros per month, though it only gathered 5,000 subscribers. On the other hand, the two illegal downloading platforms each account for 1 million users every day.²⁴² Secondly, the window system would need to be reformed to allow the implementation of such a strategy. Thirdly “the Internet has decimated the market. Home media sales are in free fall and will never recover.”²⁴³ (Fig.36)

Regarding piracy the issue might come from inadequate releasing strategies. Some films are released a long time after their first release in the country of origin in smaller countries, for instance Eastern Europe. By the time these movies reach these territories the spectators would have already downloaded it online.²⁴⁴ Maybe a solution to that problem is to release films ahead of the Western release so as to prevent the audience from downloading it before the local release, a practice sometimes implemented by US studios in Russia.²⁴⁵

For American companies producing a direct-to-DVD is part of their licensing strategy. The role of the film is therefore to advertise merchandises. Mattel partnered with Universal to produce 28 films since 2001 and reap more than \$100 million.²⁴⁶ The Lego brand was partly renewed through TV series based on the “Lego licensed sets like Star Wars, Harry Potter, Pirates of the Caribbean” and the movie by Warner bros that grossed \$457 million worldwide.²⁴⁷ Similarly the 4 direct-to-DVD films of the Tinker Bell series, a Disney spin-off of *Peter Pan*, generated \$225 million DVD sales in the US since 2008 (a fifth film was released in 2015), while benefiting from a selective theatrical release abroad.²⁴⁸

However the negative connotation remains and has also been extended to “direct-to-VOD”. These movies are regarded as lesser quality films, hence a cheaper release.

“We cannot expect people to be willing to pay 11 Euros for the 17 films released each week. Beyond a certain number of films, a distributor cannot work well, and they are poorly released... The theatre should remain a special place.”

This quote from Vincent Grimond, president of Wild Bunch, shows a new will amongst distributors to transition to better-balanced releasing strategies and advocates a change in words from “direct-to-DVD/VOD” to “e-cinema”.

b) The VOD – complement to the theatrical release

Animation films are largely targeted to children and family audiences. Their entertainment habits differ from the general audience consumption patterns. Going to the movies can become expensive for a family of four but it still represents a common family outing. Furthermore children still watch films on DVDs and the general decrease in DVD sales might be less sharp for children’s

²⁴² Interview with Emil Simeonov, CEO of Pro Films, Bulgaria, at Cartoon Movie 2014

²⁴³ Kenny, Charles, “DreamWorks’ Strategy Was Right, But Its Execution Was Wrong” January 26, 2015 in blogs.indiewire.com/animationscoop/dreamworks-strategy-was-right-but-its-execution-was-wrong-20150126

²⁴⁴ Interview with Emil Simeonov, CEO of Pro Films, Bulgaria, at Cartoon Movie 2014

²⁴⁵ Pham, Annika, “The BRIC report” October 2012 in www.ndpculture.org/media/W1siZiIsIjIwMTQvMDcvMzAvNGMvenl5YWVual9icmJlLnBkZildXQ?sha=8b7f423d7b8c3c7b

²⁴⁶ McClintock, Pamela, “How Tinker Bell Became Disney’s Stealthy \$300 Million Franchise” April 3, 2014 in www.hollywoodreporter.com/news/how-tinker-bell-became-disneys-692559

²⁴⁷ Kenny, Charles, “The role of animation in Lego’s salvation” February 20, 2014 in blogs.indiewire.com/animationscoop/the-role-of-animation-in-legos-salvation

²⁴⁸ Idem McClintock, Pamela

entertainment. Nonetheless the VOD is easily accessible both on TV and on tablets, two medium that children can easily operate. Moreover there has been a real increase of the VOD consumption worldwide (Fig.60) with both local and international companies (Fig.61).

In each European country where Netflix was launched, the incumbent TV channels pushed their content online through their VOD offer. Today thanks to its vast film catalogue and its production branch, Studio Canal, CanalPlay is a serious competitor of Netflix in France. Netflix has started developing outside the US in 2012 (Fig.62). In 2015 out of its 44 million subscribers, only 8 million live outside the US. There it represents 30% of the Internet bandwidth in the evening²⁴⁹.

The VOD also means a disintermediation between the content and the customers (Fig.59). “New modes of streaming and VOD distribution are not much help [to the limited art-house theatrical releases and collapsing DVD sales facing independent producers], no promotion, no share of consumer mind and no one searching for the film”.²⁵⁰ Traditionally the audience was guided in their choice by either the media or advertising. This lack of channelling by the media or the advertising industry needed to be replaced in some way. In the VOD era the content provider, namely the VOD platforms, will guide directly the individuals who subscribed to their offer thanks to their powerful algorithm. An algorithm will tell the user what to watch next based on his previous activity. Amazon was the leader with the mention “if you liked this book, you will like these” and they plan on doing the same with their VOD offer, Amazon Prime Instant Video. In the same way, the real power of Netflix lies in the precision of the recommendations offered to its users thanks to its algorithm made of 76,897 micro genres.

For parents it is of prime importance to know what their children are watching. They need movie critics and intermediaries to advise them. Netflix has a “kids” mode on its platform to address this audience’s specificities. This parental guidance cannot be taken care of by an algorithm. Totam Box, a French company, offers a selection of content, among which animation, for children on a subscription based model.

An alternative model of releasing movies emerged, largely from the American independent live action producers such as those of Sundance who experiment new models. The day-and-date release means the release of the movie on the same day on all platforms. The issue would be the cannibalization of the theatrical release by the VOD. Nonetheless we can qualify that fear with the following quote from Nicholas Jarecky, an American director and producer: “The audience is not aware of media platforms. A whole home audience is not going to go to the theatre. A theatrical audience is going to go to the theatre.”²⁵¹

A common best practice has recently brought consensus consisting of releasing the movie in the theatres first and releasing it on VOD a week later. “The trend now is toward establishing a movie with reviews and one week of word-of-mouth before going to VOD”.²⁵² This way the movie still benefit from the podium effect of a theatrical release with the subsequent word-of-mouth. Moreover it also addresses the lack of intermediary typical of the VOD model. The algorithms become a complement to the work done by the critics in bringing awareness on a film.

Finally we need to keep in mind that the Internet is not just a new form of TV, a new broadcaster that will be able to be a substitute for TV. The structure of the web is vastly different from the TV’s and producers cannot expect the same benefits from this medium.

“Internet can generate revenue, but at the moment it is only a small amount. One of the reasons of this clash is that since years ago we have been expecting such a market, a tool where everyone could be equal. Another problem is that maybe we spend too much time comparing TV and Internet instead understanding the

²⁴⁹ Martel, Frédéric, 2015, *Smart, Enquête sur les internets*, Stock

²⁵⁰ Sarto, Dan, “Guillaume Hellouin talks “Yellowbird” December 18, 2014 in www.awn.com/animationworld/guillaume-hellouin-talks-yellowbird

²⁵¹ Ibid Thompson, Anne, 2014

²⁵² Ibid Thompson, Anne, 2014

differences and strengths. On the Internet there are different ways of building a brand affinity and finding an audience for your product. Producers have to think that TV and Internet are different, and they have to use the Internet in a different way."²⁵³

The problem is therefore how to keep financing new content outside TV investment or theatrical releases. The Lescure report was proposing to get manufacturers and importers of connected devices to financially contribute through a tax on computers, tablets, phones, consoles and what not²⁵⁴ along the same lines as the 11% tax on theatre tickets in France called TSA (taxe sur le prix des entrées en salles de spectacles cinématographiques)²⁵⁵. Another model, more native to the Internet, is the "free-to-share business" whereby independent film producers offer their movies for free online and leave the pricing to the customer, such as on the website vodo.net mentioned by Philippe Aigrain, cofounder of the group La Quadrature du Net.²⁵⁶ The consumer is made aware of his responsibility to remunerate the content he is enjoying. The creation of films thus recovers a value lost because of piracy.

2. **Building brands**

Exploiting the image of the characters of any given movie is a strategy that goes beyond promotion agreements meant to build up to the theatrical release day. Licensing means developing a brand through both merchandising (tie-in products) and ancillary rights (TV series, Broadway shows, books, theme park rides) than the revenue generated at the sole box-office. Aware of the phenomenon, producers are looking into diversifying their offer from movie production to IP management. This is not a novel business model since Disney invented it in the 1930s, but it has recently been coming to Europe under the concept of "360 strategies" or "cross media projects".

a) **Merchandising – exploiting characters**

Disney was a pioneer in inventing a new system whereby films and later TV series were considered as free advertising for character branded products.

*"In 1930, when it was still a small animation studio, Disney began licensing the Mickey Mouse image, first to watchmakers and then to publications, clothing companies, and toy manufacturers. (...) Today, aside from this licensing income, Disney also directly sells to consumers billions of dollars' worth of its own merchandise at its theme parks, retail stores, and Internet site; in these venues, profit margins run as high as 80%."*²⁵⁷

Animation movies contain a 100% of licensable content for merchandising. These properties' IP is fully owned by the studios even though tens of studios might have been involved in the making of the films through subcontracting contracts. Thus the American studios can fully cash on the franchises first developed through a movie and later expanded onto different supports: toys, clothes, DVD, TV or CD. All these products are available in dedicated Disney stores and in the theme parks. At Christmas times all the studios compete for shelf space.

Nonetheless Disney remains far ahead in the licensing business. The 2013 \$1.219 billion box office²⁵⁸ success of *Frozen* has propelled the two princesses ahead of Barbie by Mattel as the best-

²⁵³ Cartoon, "Monetizing Animation Brands Online" May 11, 2010 in cineuropa.org/dd.aspx?t=dossier&l=en&tid=1366&did=145440

²⁵⁴ Béghin, Cyril, "Les limites d'un rapport" June 2013 in Les Cahiers du Cinéma

²⁵⁵ French Administration, "Déclaration de la taxe sur le prix des entrées en salles de spectacles cinématographiques (TSA)" June 10, 2014 in vosdroits.service-public.fr/professionnels-entreprises/R17923.xhtml

²⁵⁶ Idem Béghin, Cyril

²⁵⁷ Epstein, Edward Jay, 2005, *The Big Picture – money and power in Hollywood*, Random House

²⁵⁸ BBC, "Frozen becomes fifth-biggest film in box office history" May 27, 2014 in www.bbc.com/news/entertainment-arts-27585310

selling toys for girls in 2014²⁵⁹. *Frozen* “is the highest-grossing animated movie of all time, still its box office gross is a fraction of the merchandising revenue it has generated for the Walt Disney Company.”²⁶⁰

*“Disney (...) has already sold three million Frozen dresses in North America, which, as it happens, is roughly the number of 4-year-old girls in North America. (...) Next summer, “Adventure by Disney” is offering tours of Norwegian sites that inspired the film’s animators at prices starting north of \$5,000. The company is also rolling out Frozen-branded apples and grapes, juice, yogurt, bandages and a complete oral-care line. Disney estimates that Frozen brought in more than \$1 billion in retail revenue over the last year.”*²⁶¹

Similarly the *Cars/Planes* series, consisting of *Cars* in 2006, *Cars 2* in 2011, *Planes* in 2013 and *Planes 2* in 2014, was “in the first quarter of 2014 the third-fastest growing license, behind *Despicable me* and *Frozen*, according to the market research firm NDP Group [a market research company]”²⁶². DreamWorks has adopted a similar strategy. They are trying to diversify their revenue stream to depend less on box-office results. As a content manager, the company bought the rights to the iconic Felix the cat and plans on developing the brand on clothes.²⁶³

In Japan, the “character merchandising” was developed through TV series and started in the 1960s around the character of Astro Boy developed and licensed by the studio Mushi Productions. The business model of the studio laid largely on the revenues generated through merchandising and ancillary rights, in this case selling international broadcasting rights, as the TV series was sold at too low a rate to be viable on its own. Later on this model was picked up by most of the Japanese studios.²⁶⁴ Toei Animation will also expand through rides in the theme park Space World in Kikkkyushu in the 1990s as well as creating musicals on its TV series *Sailor Moon*.²⁶⁵ Finally Ghibli generated substantial revenues through the licensing of its character Totoro starting in the 1990s.²⁶⁶

b) Ancillary rights – expanding stories

Ancillary rights are the rights that allow the development of a story on different medium to maximize its potential (Fig.37). For example Disney embraced the 3D trend by releasing new 3D versions of its classics. Apart from the success of *The Lion King* with \$100 million at the box office, other movies such as *Nemo* or *Beauty and the Beast* perform poorly enough to stop these releases.²⁶⁷ Disney is currently adapting its classic animated films into live-action features: in 2010 *Alice in wonderland* by Tim Burton, in 2015 *Cinderella*, in 2016 *Alice through the glass window* by Tim Burton and in 2017 *The Jungle Book* and *Beauty and the Beast*. The movie *Dumbo* will also be reimagined by Tim Burton, and so will the movie *Mulan*.²⁶⁸

²⁵⁹ National Retail Federation, “Barbie dethroned in NRF’s top survey as Disney’s Frozen takes the crown” in November 24, 2014 nrf.com/media/press-releases/barbie-dethroned-nrfs-top-toys-survey-disneys-frozen-takes-the-crown

²⁶⁰ Amidi, Amid, “People Can’t Stop Buying ‘Frozen’ Crap, As Long As It’s Not Anna” November 20, 2014 in www.cartoonbrew.com/toys/people-cant-stop-buying-frozen-crap-as-long-as-its-not-anna-105983.html

²⁶¹ Appelbaum, Binyamin, “How Disney turned Frozen into a cash cow” November 18, 2014 in www.nytimes.com/2014/11/23/magazine/how-disney-turned-frozen-into-a-cash-cow.html

²⁶² Amidi, Amid, “Planes: Fire & rescue opens with \$18 million, but the real money is elsewhere” July 21, 2014 in www.cartoonbrew.com/disney/planes-fire-rescue-opens-with-18-million-but-the-real-money-is-elsewhere-101791.html

²⁶³ McNary, Dave “DreamWorks Animation Acquires Rights to Felix the Cat” June 17, 2014 in variety.com/2014/film/news/dreamworks-animation-acquires-rights-to-felix-the-cat-1201221646

²⁶⁴ Steinberg, Marc, 2012, *Anime’s media mix – Franchising toys and characters in Japan*, University of Minnesota Press

²⁶⁵ Gaulene, Mathieu, “Tôei Animation: a cartoon-production machine”, February 2, 2012 in www.inaglobal.fr/en/cinema/article/toei-animation-cartoon-production-machine

²⁶⁶ Gaulene, Mathieu, “Studio Ghibli, A New Force in Animation”, March 3, 2011 in www.inaglobal.fr/en/cinema/article/studio-ghibli-new-force-animation

²⁶⁷ News, “Les films ressortis en 3D ne font pas recette” March 2013 in Les Cahiers du Cinéma

²⁶⁸ De Sepausy, Victor, “Mulan, le prochain dessin animé converti en film par Disney” April 1, 2015 in www.actualitte.com/cinema/mulan-le-prochain-dessin-anime-converti-en-film-par-disney-56089.htm

On top of expanding its films into TV series, like *Peter Pan* and *Tinker Bell*, Disney is adapting its stories into live events such as rides in theme parks or Broadway shows. Disney theme parks welcomed 132.6 million visitors in 2012 while Universal Parks gathered 36.4 million people. (Fig.63). Outside from these two giants, there are local parks mainly in Europe that gather local visitors. To some extent the Ghibli museum by reproducing the environment of the films can be considered a theme park and drives 2,500 visitors each day.

*“Theme parks represent one of the few areas of stable growth outside of cable television for media and entertainment conglomerates like Comcast [that owns Universal Parks] and Disney. Parks can be vulnerable to swings in the economy and require costly and continuous investments in new rides; escalating labor costs threaten margins. But for a media industry challenged by piracy, a fading DVD business and broadcast networks that continue to struggle, parks have emerged as a bright spot.”*²⁶⁹

Disney further expanded the stories of movies such as *The Lion King*, *The Little Mermaid* or *Mary Poppins*. According to the director of the theatre division of Disney, Tom Schumacher, “a musical, when it works, like it did for *The Lion King*, is really money-making. Returns on investment are proportionally larger in the theatre than in the movie business.”²⁷⁰

Disney exploits its audiovisual content through its TV channel ABC. Mid 2015, DreamWorks will launch a TV channels to leverage its 2,000 hours of TV content in Asia with the help of HBO Asia. Along with a deal with Netflix, the consequent distribution revenue will amount for \$200-250 million. The studio also started publishing in February 2015 a Magazine available in the UK for £2.99. Similarly to Disney, the studio is shifting from sole IP creation to a role of content manager. “The future of DreamWorks will be rooted in exploiting its library of IP and characters.”²⁷¹

c) *The IP – the new gold for European producers*

While French and Belgian comic stripes have frequently been adapted into animated movies and different merchandising items, European animated movies have not largely produced tie-in products. The French comic book Asterix was adapted into 9 animated films, the latest having generated 2.9 admissions in France.²⁷² It is also available on any type of product, as well as having a dedicated theme park in the North of Paris, France. The function of license development is outsourced in France by some editors to Mediatoon Licensing that is in charge of the IP cession rights (both merchandising and audiovisual adaptations) for French-speaking territories of numerous characters from comic books such as The Smurfs, Garfield, Black and Mortimer, Little Spirou, XIII, Lucky Luke, to name a few.

However the European remain arts and craft animation studios, when American are considered more pragmatic. Building a strategy to create brands around the characters can be culturally counter intuitive. For instance *Persepolis* was produced entirely in Paris with a very light structure on a budget of 6 million Euros and with no marketing budget. The communication consisted in creating the buzz through restricting information with the exception in two prestigious newspapers and world premiere in the Cannes Festival in 2007.²⁷³ There was no global strategy to cash on the characters of the film. In addition to that cultural difference, the fear is to keep in mind merchandising potential when producing a film might alter the creative content.

“UK TV companies buying animation shows have dramatically cut the amount they will spend on production budgets in recent years. They will typically contribute 20 percent of the cost, which means the animation production

²⁶⁹ Barnes, Brook, “Clash of the theme parks” May 20, 2012 in www.nytimes.com/2012/05/21/business/universal-armed-with-cash-from-comcast-takes-aim-at-disney.html?pagewanted=all&_r=2

²⁷⁰ Ibid Martel, Frédéric, 2015

²⁷¹ Amidi, Amid, “DreamWorks loses \$263 million in fourth quarter and will sell Glendale campus” February 27, 2015 in www.cartoonbrew.com/business/dreamworks-loses-263-million-in-fourth-quarter-and-will-sell-glendale-campus-109660.html

²⁷² Allocine, January 6, 2015

²⁷³ Cartoon, “Case study: Persepolis” April 19, 2008 in <http://cineuropa.org/dd.aspx?t=dossier&l=en&tid=1437&did=83103>

company must raise the remaining 80 percent through merchandise and global rights. (...) "People approach us all the time with some wonderful ideas. But we must say 'hold on a minute, I do not think a toy company would like that,' so it does influence your creative decisions." According to Phil Chalk, managing director at Factory Transmedia studios",²⁷⁴

Professional networking events contribute to the trend toward IP management and revenue diversification. For example the European association Cartoon has been organizing for the past two years a 360 pitching event, where European producers pitch their project that will be developed on multiple platforms, film, book, game, toys and the like. For example the French studio, Forge Animation is working on *The Windwalkers*, a book adaptation, onto a film, a video game and comic books.²⁷⁵ The producer of the *Little Prince*, On Entertainment has decided to inscribe licensing in its DNA: "We work on the creation of a catalog of characters that can be adapted in several formats and appeal to several markets. Our raw material rests on IP."²⁷⁶ Another example is the comprehensive strategy developed by the Spanish studio Ilion Animation Studios for the release of *Planet 51*. Games were launched simultaneously with the video games partner Sega and Zed for mobile support.

"The goal [was] to attain about 100 licences in all the different licence categories. (...) Country to country, we are doing everything. In the US, we have closed a deal for puzzles and T-shirts, in France we have several partners onboard, in Spain, Italy, Portugal and Greece we have worked with Planeta Junior on stickers, toys, fragrances, colouring books, etc."²⁷⁷

The stop-motion studio Aardman has developed divisions to develop the potential of its IP. The game inspired by *Shaun the sheep* was downloaded 342 million times²⁷⁸. The digital division of the company is the "most profitable"²⁷⁹. It shows that finding a balance between interesting and appealing stories, such as *Wallace and Gromit*, and successful branding is possible. Moreover most European producers tend to find an economic balance through diversification. For instance, making a TV series on a work-for hire basis that yield revenues while developing their own IP to produce a movie.

New models are being invented, and the examples mentioned could not present the whole panorama of ideas that are currently emerging. New players are also getting involved in animation, bringing a wider range of projects. In the game industry, Ubisoft has created a movie division producing the YouTube series based on the console game Assassin's creed envisioned as a build-up between the releases of two episodes of the game series. The studio is also producing the TV series Rabbids! With the new storytelling possibilities, there is a media convergence and stories are being told cross media, from comic books to games, to series, to novels and so forth. The point of entry is always the characters that set up the core of the IP. This diversification movement should not divert producers from their initial core expertise that has first brought awareness to their brand.²⁸⁰

²⁷⁴ Bevanger, Lars, "UK animation industry 'in crisis'" March 14, 2012 in www.dw.de/uk-animation-industry-in-crisis/a-15807779

²⁷⁵ Premiere, "Windwalkers : la folle histoire de l'adaptation de la Horde du Contrevent" March 4, 2015 in www.premiere.fr/Cinema/News-Cinema/Windwalkers-la-folle-histoire-de-l-adaptation-de-la-Horde-du-Contrevent-4143786

²⁷⁶ Renault, Enguérand, "Naissance d'une major française du cinéma et de l'animation" January 16, 2014 in www.lefigaro.fr/medias/2014/01/16/20004-20140116ARTFIG00316-naissance-d-une-majorfrancaise-du-cinema-et-de-l-animation.php

²⁷⁷ Cartoon, "From video games to animated features" May 3, 2010 in cineuropa.org/dd.aspx?t=dossier&l=en&did=144875&tid=1437

²⁷⁸ Lord, Peter, founder of Aardman Animations, intervention at the MIFA 2014

²⁷⁹ Idem

²⁸⁰ Flamank, Simon, founder of Bob & Co, UK, intervention at Cartoon 360 2014 in vimeo.com/93351447

Conclusion: Re-enchanting the movie experience

A new era is opening to reinvent entertainment rules. For the music industry it meant shifting revenue streams from selling CDs to selling a unique experience that is to say concert tickets. The Internet provides listeners with near-to-free music through piracy (peer-to-peer file exchanges) or legal streaming (YouTube, Spotify, Deezer). In the same way the movie industry needs to evolve in the face of near-to-free home entertainment, either piracy (illegal streaming or downloading) or legal offers (Netflix, CanalPlay, HBOgo).

Having discussed of the different economic models to both finance and produce animated features, we need to turn to how these films are received by the audience and what might appeal to the spectators. 3D was seen in the 2010s as the new way to recreate an experience worth an outing. Since, the trend has faded away and the perceived value does not match the ticket prices. According to the British Film Institute (BFI), the percentage of people who chose 3D over 2D dropped from 71% in 2010 to 37% in 2013²⁸¹. "During the AFM [American Film Market, in California] it was shown that 3D does not work... except in China."²⁸² Jay Edward Epstein describes theatrical releases as a fashion show when all the buzz around a movie is generated for the following exploitation of the film.²⁸³ The question to address today is how to re-enchant these movie releases?

Innovation should also come from the theatres who are the closest to the audience and are able to adjust faster to the audience reactions. For example the Coemedia in Lyon, France regularly offers events with the films they are screening, such as children snack along the projection of the 45-minute animated film *Le parfum de la carotte* or Q&A with the team behind the film. A new form of cultural events is developing that proves the need for people to meet and share a common experience. For example Secret Cinema immerses the audience within the environment of a film between 2 to 5 times per year since 2007 and projects the movie at the end of the experience. Similarly every summer open-air shows are successfully organised. Spectators can even become programmers thanks to the website "I like cinema"²⁸⁴ that offers a vast catalogue of films to choose from to project it in one of the partner theatres, a concept that is called "theatre on demand".

Going to the movie is still a social experience that cannot be replaced by the solitary experience of watching a movie on a computer screen at home.

"We value entertainment 'events' that create treasured memories, strengthen personal connections and deliver shared experiences, whether at the movies, in a theme park, or at a sports stadium. This is entertainment that cannot be time-shifted or duplicated; you have to be there, immersed in the moment. An experience is enhanced when shared with others."²⁸⁵

Sharing on the film with the person who came along is one of the joys of watching films. There is a general shift of focus from the "audience" to the "individuals", individuals being perceived as consumers rather than citizens. According to Dominique Volton "the genius of the entertainment industries is the offer (...), if you create programs according to the demand you betray its prime ambition, which is to gather people in spite of their differences. (...) This is how social bonds are created."²⁸⁶ Hannah Arrendt placed a high value into works of art as ways to cultivate social bonds²⁸⁷. The entertainment is so valuable because it gives people the opportunity to talk about

²⁸¹ BFI, "Statistical Yearbook 2013" in www.bfi.org.uk/sites/bfi.org.uk/files/downloads/bfi-statistical-yearbook-2013.pdf

²⁸² Glachant, Isabelle, "Et pendant ce temps-là, en Chine" April 2013 in Les Cahiers du Cinema

²⁸³ Ibid Epstein, Edward Jay, 2005

²⁸⁴ www.ilikecinema.com

²⁸⁵ Amidi, Amid, "Disney CEO Bob Iger reveals the future of entertainment" July 10, 2014 in www.cartoonbrew.com/ideas-commentary/disney-ceo-bob-iger-on-the-future-of-entertainment-101316.html

²⁸⁶ Interview on France Inter on April 1, 2015 in « L'instant M ».

²⁸⁷ Arrendt, Hannah, 1961, *Between Past and Future*, The Viking Press, United States

something they have in common, it creates a momentum and therefore build the society we live in. “[The cinema] can help us think about the modern world through its representations.”²⁸⁸ Art builds a common world for us to inhabit through shared cultural representations.

²⁸⁸ Bousquet, Franck, “Présentation du Site Cinéma & Politique” February 2005 in www.politique-cinema.net/avantpropos.html

Appendix

Figure 1 Production pipelines for each animation technique

Stop-motion pipeline



Classic 2D animation

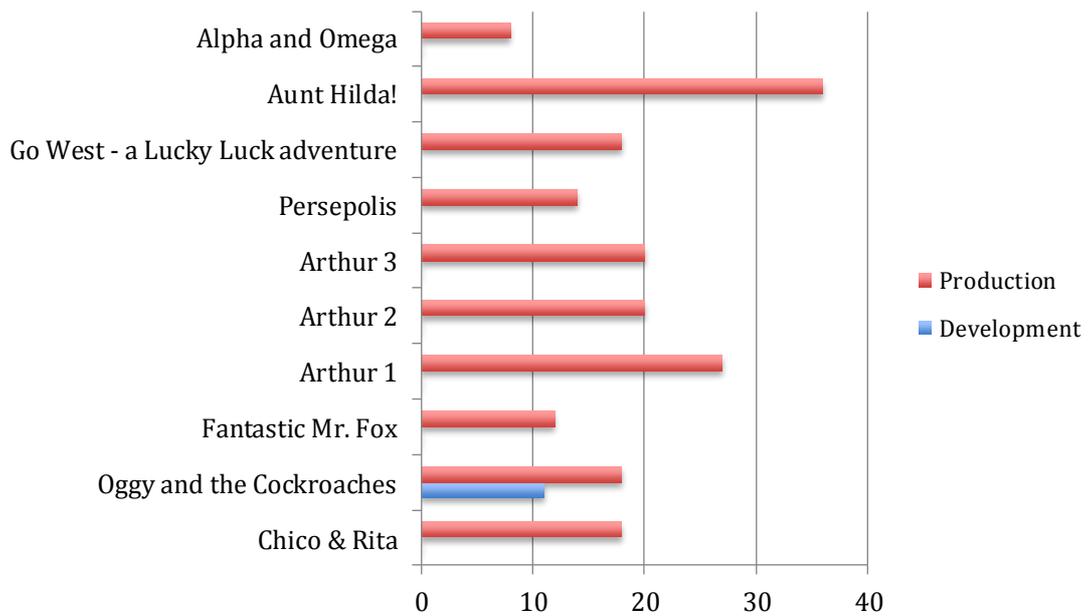


CGI animation



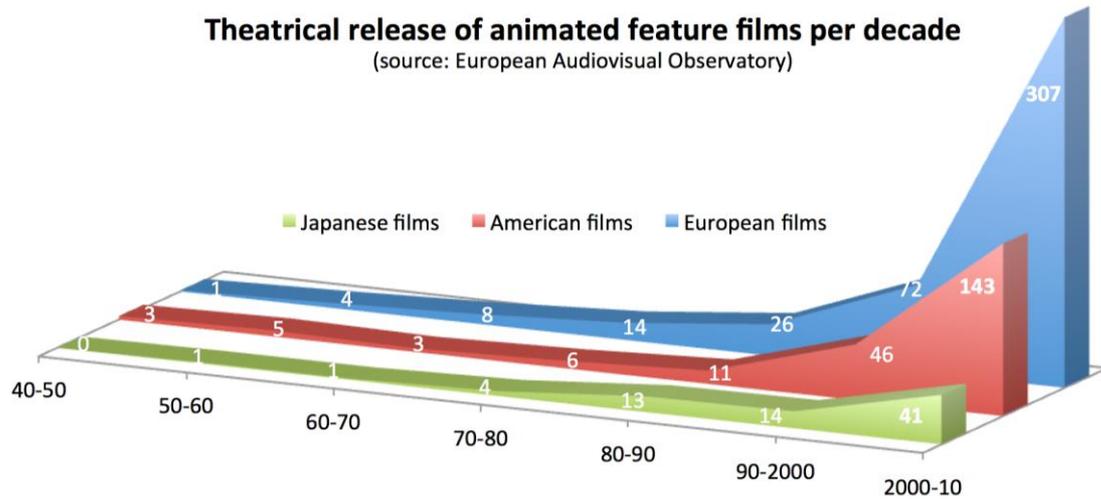
Author: Raphaëlle Chaygneaud-Dupuy

Figure 2 Examples of European features production durations



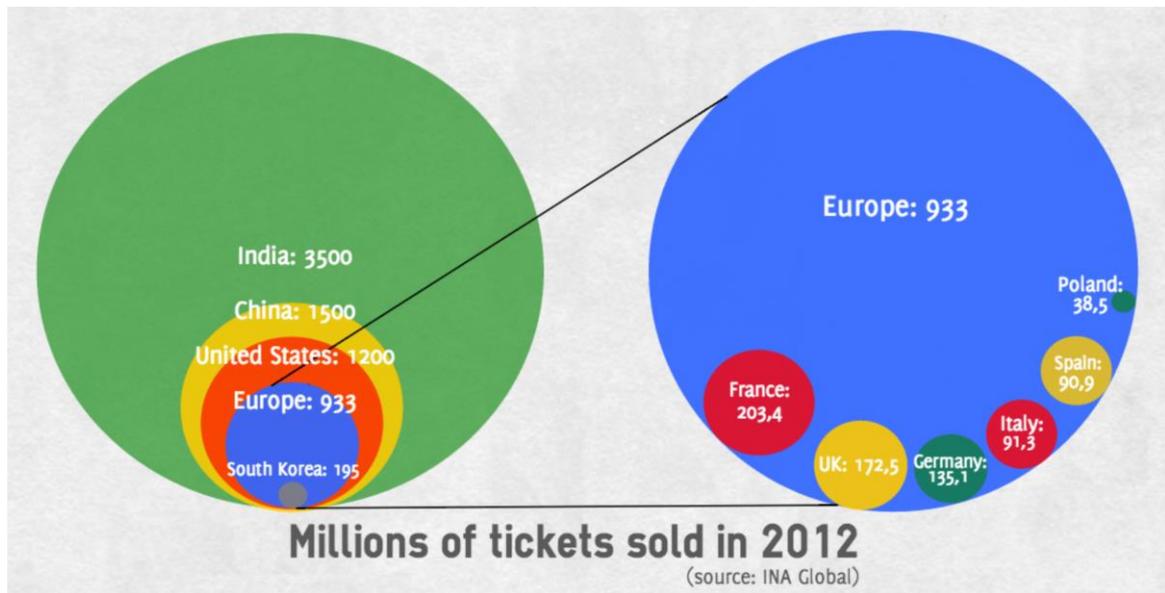
Author: Raphaëlle Chaygneaud-Dupuy

Figure 3 Theatrical release of animated feature films per decade



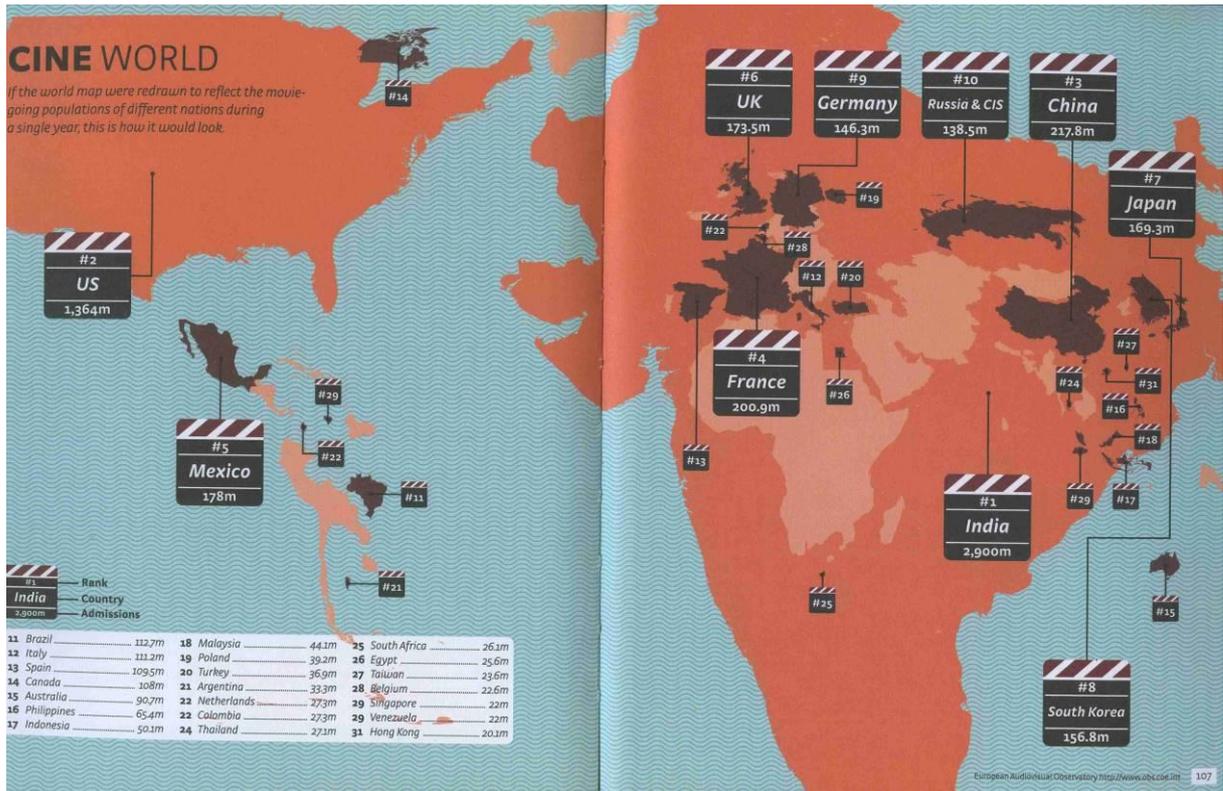
Author: Raphaëlle Chaygneaud-Dupuy

Figure 4 Number of tickets sold worldwide in 2012



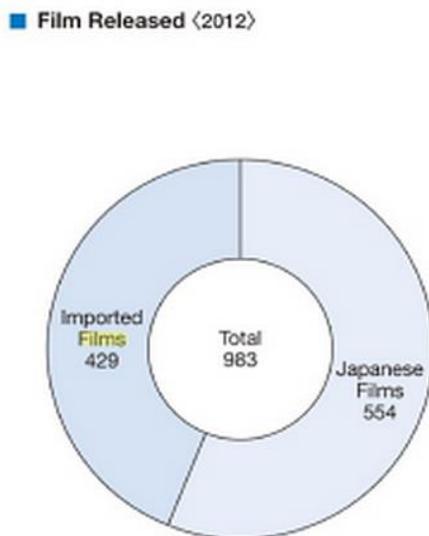
Author: Raphaëlle Chaygneaud-Dupuy

Figure 5 Map of the movie-going population worldwide



Author: European Audiovisual Observatory, published in *Infographic guide to the movies*, Krizanovich, Karen, Hachette 2013

Figure 6 Number of Japanese and foreign films released in Japan in 2012



Author: Motion Picture Producers Association of Japan Inc.

Figure 7 Admission numbers at the South Korean box office per nationality

Year	2012	2013	2014	2015
South Korean	0	0	0	352335
American	7645634	1922821	13296201	4968969
Japanese	0	0	0	896317
European	1457380	0	0	486720
Total	9103014	1922821	13296201	6704341

Author: Raphaëlle Chaygneaud-Dupuy

Source: KOFIC, Korean Film Council, May 7, 2015 in

www.koreanfilm.or.kr/jsp/news/boxOffice_Yearly.jsp?mode=BOXOFFICE_YEAR&selectDt=2015&category=ALL&country=ALL

Figure 8 Number of animated films at the South Korean box office per nationality

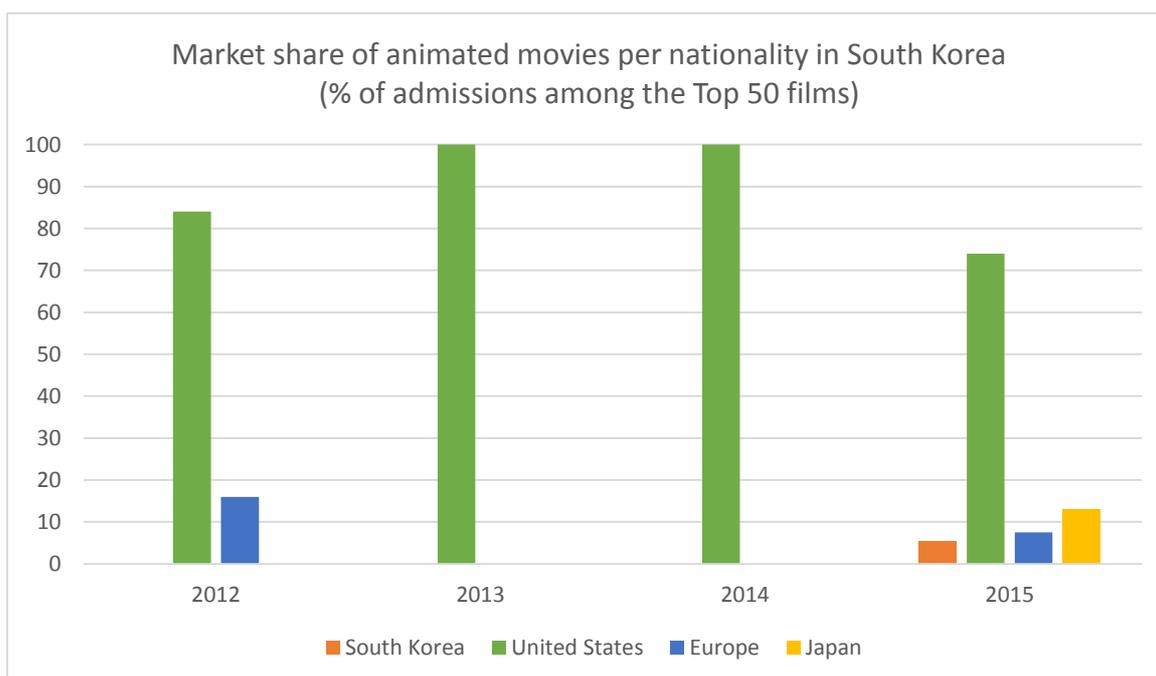
Year	2012	2013	2014	2015
South Korean	0	0	0	2
American	5	1	2	4
Japanese	0	0	0	3
European	1	0	0	2

Author: Raphaëlle Chaygneaud-Dupuy

Source: KOFIC, Korean Film Council, May 7, 2015 in

www.koreanfilm.or.kr/jsp/news/boxOffice_Yearly.jsp?mode=BOXOFFICE_YEAR&selectDt=2015&category=ALL&country=ALL

Figure 9 Market share of the animation market at the South Korean box office per nationality



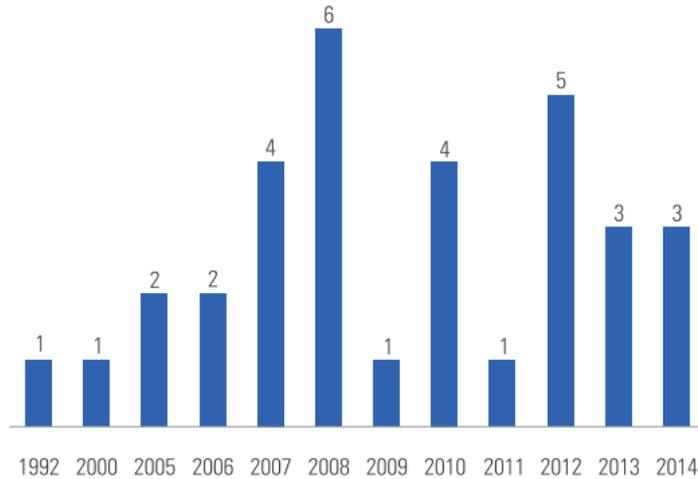
Author: Raphaëlle Chaygneaud-Dupuy

Source: KOFIC, Korean Film Council, May 7, 2015

Figure 10 Number of Indian animation theatrical releases

Animation films...steps towards success

Number of Indian animation theatrical releases over the years



Source: KPMG in India analysis

Author: FICCI-KPMG, "Indian media and entertainment industry report 2015" in www.kpmg.com/IN/en/IssuesAndInsights/ArticlesPublications/Documents/FICCI-KPMG_2015.pdf

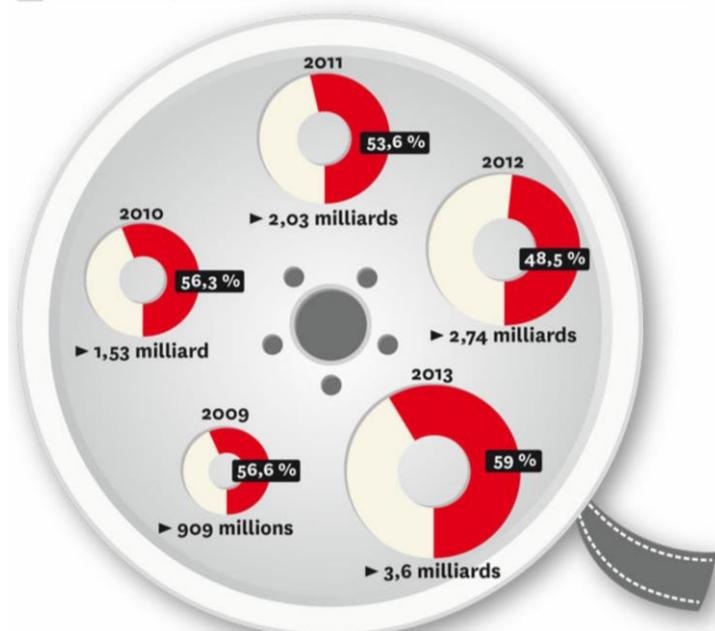
Figure 11 Share of Chinese and foreign films in the Chinese box office

A market still under control...

Box office revenues (in USD)

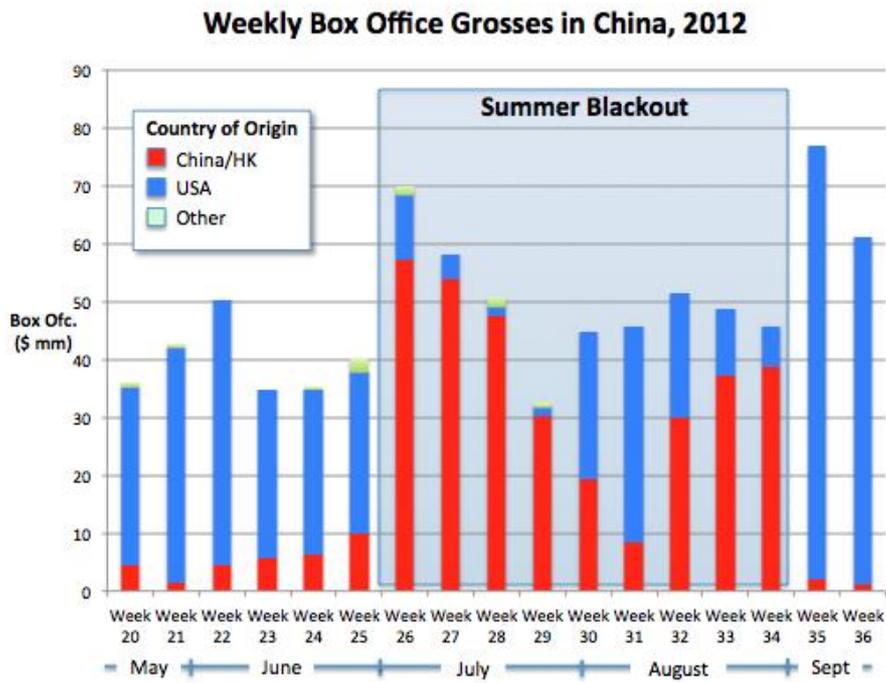
- Share of Chinese films
- Share of foreign films

Author: Courier International – November 12, 2014
Source: SART



The quotas make it possible for China to protect its productions on an expanding local market

Figure 12 Results at the box office of the 2012 Summer Blackout



Author: Cain, Robert, "6 Key Lessons From SARFT's Foreign Film Blackout" Novembre 9, 2012 in <http://www.inaglobal.fr/en/cinema/article/6-key-lessons-sarft-s-foreign-film-blackout>

Figure 13 Foreign Revenue Sharing Films Gross in China 2012

2012 Foreign Revenue Sharing Films Gross in China					
Rank	Titles	Countries	Studios	Box Office Gross (M/\$)	Release Dates
1	Titanic 3D (3D)	US	FOX	154.9	Apr 10
2	Mission Impossible 4	US	Paramount	107.8	Jan 28
3	Marvel's The Avengers	US	Disney	91.4	May 05
4	Life of Pi (3D)	US	FOX	91.0	Nov 22
5	Men in Black 3	US	Sony	82.4	May 25
6	Ice Age 4 (3D)	US	FOX	72.7	Jul 27
7	Journey 2 (3D)	US	WB	61.5	Feb 10
8	The Dark Knight Rises	US	WB	55.4	Aug 27
9	The Expendables 2	US	LGF	53.6	Sep 04
10	The Amazing Spider-Man (3D)	US	Sony	51.1	Aug 27
11	Battleship	US	Universal	50.2	Apr 18
12	John Carter	US	Disney	41.9	Mar 16
13	Prometheus (3D)	US	FOX	35.8	Sep 02
14	The Bourne Legacy	US	Universal	35.5	Oct 25
15	Madagascar 3 (3D)	US	Paramount	34.1	Jun 08
16	Sherlock Holmes 2	US	WB	29.6	Jan 15
17	The Hunger Games	US	LGF	28.7	Jun 14
18	Wrath of the Titans (3D)	US	WB	26.1	Mar 30
19	Looper	US	FD	20.8	Sep 28
20	Total Recall	US	Sony	19.0	Oct 19
21	War Horse	US	Disney	18.8	Feb 28
22	Taken 2	US	FOX	18.7	Oct 07
23	Wreck It Ralph (3D)	US	Disney	10.5	Nov 06
24	Happy Feet 2 (3D)	AU	WB	8.2	Feb 21
25	The Pirates! Band of Misfits (3D)	UK	Sony	5.8	Jun 01
26	The Twilight Saga: Breaking Dawn - Part 1	US	LGF	5.3	Oct 23
27	Brave (3D)	US	Disney	4.4	Jun 19
28	Rise of the Guardians (3D)	US	Paramount	4.3	Nov 16
29	Hugo (3D)	US	Paramount	3.3	May 31
30	This Means War	US	FOX	2.7	Jun 16
31	Dr. Seuss' The Lorax (3D)	US	Universal	2.1	Jul 27
32	Anna Karenina	UK	Universal	2.1	Oct 16
33	Deranged	SK	N/A	1.2	Dec 06
34	Un bonheur n'arrive jamais seul	FR	N/A	0.4	Nov 27
Total Films Counted:		34			
Total Gross:				1231.3	
Revenue Sharing Films Combined Yearly Market Share:				45.6%	

Author: Sabrina McCutchan, "Government Allocation of Import Quota Slots to US Films in China's Cinematic Movie Market" in https://econ.duke.edu/uploads/media_items/sabrina-mccutchan-symposium.original.pdf, 2013

Figure 14 Foreign Animation Films Gross in China 2012

Title	Nationality	Box office (million \$)
Ice Age 4	US	72.7
Madagascar 3	US	34.1
Wreck it Ralph	US	10.5
Happy Feet 2	Australia	8.2
Pirates! Band of Misfits	UK	5.8
Brave	US	4.4
Rise of the Guardians	US	4.3
The Lorax	US	2.1
Total gross for foreign animation films		142.1
Share of the box office for foreign animation films		5%

Author: Raphaëlle Chayneaud-Dupuy

Source: Sabrina McCutchan, "Government Allocation of Import Quota Slots to US Films in China's Cinematic Movie Market" in https://econ.duke.edu/uploads/media_items/sabrina-mccutchan-symposium.original.pdf, 2013

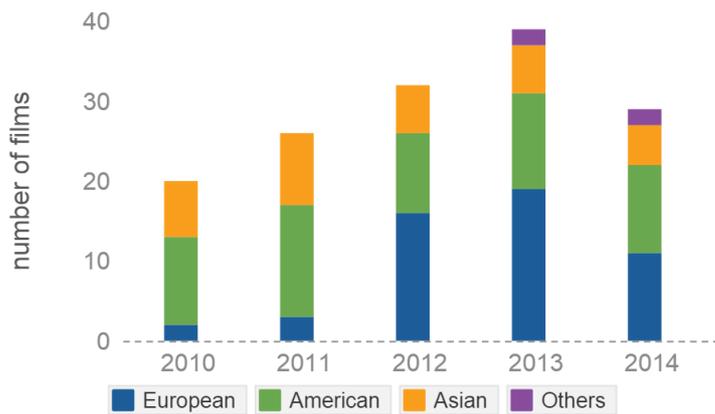
Figure 15 Share of local, American and European films in the EU

Countries	Local films market share	US films market share	European films market share	Other	Total
France	33,8	54,2			88
Italy	31	53			84
Germany	27,4	64			91,4
Denmark	27	56	15		98
Poland	20	65,4	13,2	1,4	100
Sweden	20	65	15		100
Netherlands	18	76,5			94,5
Finland	17	64	18		99
UK	16,7	81	2,3		100
Lithuania	16,5	69,3	13,2	1	100
Spain	16	70,6			86,6
Greece	12,6	80,7			93,3
Romania	12,5	59,4	25,5		97,4
Belgium	11	55			66
Bulgaria	7	51			58
Austria	6	78	9		93
Estonia	6	78	13	3	100
Portugal	5,7	47,4			53,1
Slovenia	4,2	81,4			85,6
Latvia	4	77	10	9	100
Croatia	3,3	78			81,3
Hungary	1,2	92			93,2
Luxembourg	1	69,5	29,5		100

Author: Raphaëlle Chayneaud-Dupuy

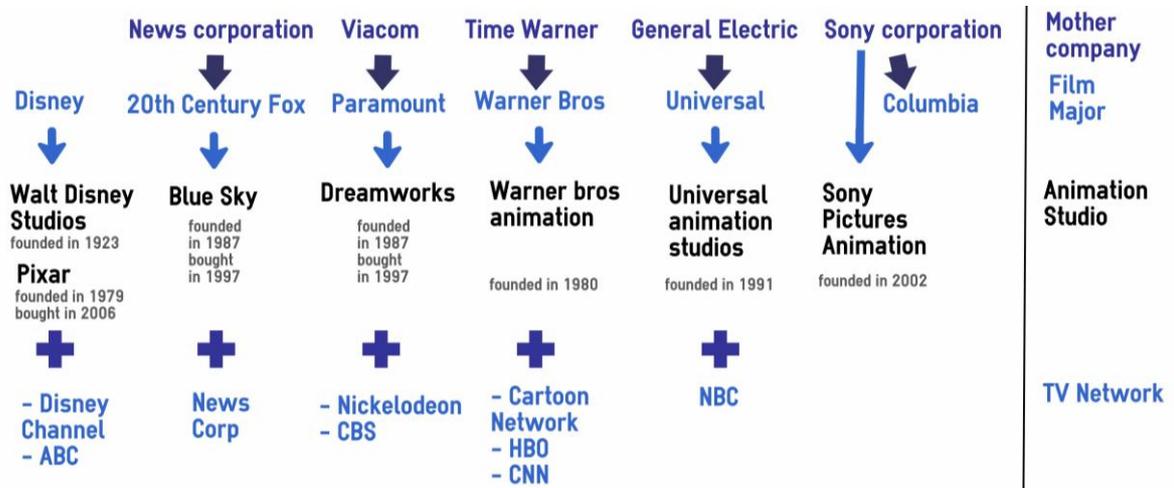
Source: Cineuropa country profiles 2011-2014 (information partially available hence the total inferior to 100%) in <http://cineuropa.org/cf.aspx?t=cfocuses&l=en&tid=2019>

Figure 16 Animated films released in France between 2011 and 2014



Source: Imdb, filmsanimation.com
 Author: Raphaëlle Chaygneaud-Dupuy

Figure 17 American animation studios' ownership

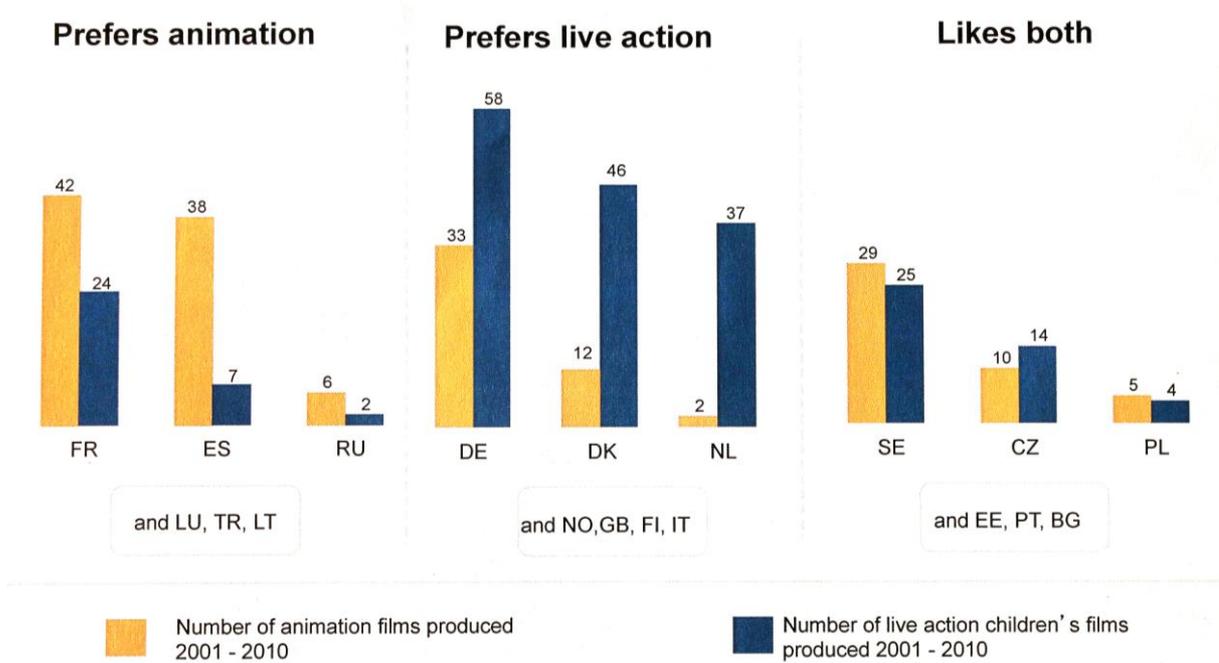


Author: Raphaëlle Chaygneaud-Dupuy

Figure 18 Live action vs animation - different traditions across Europe

Live action vs. animation - different traditions across Europe

Source: ECFA, KIDS Regio, CARTOON, European Audiovisual Observatory

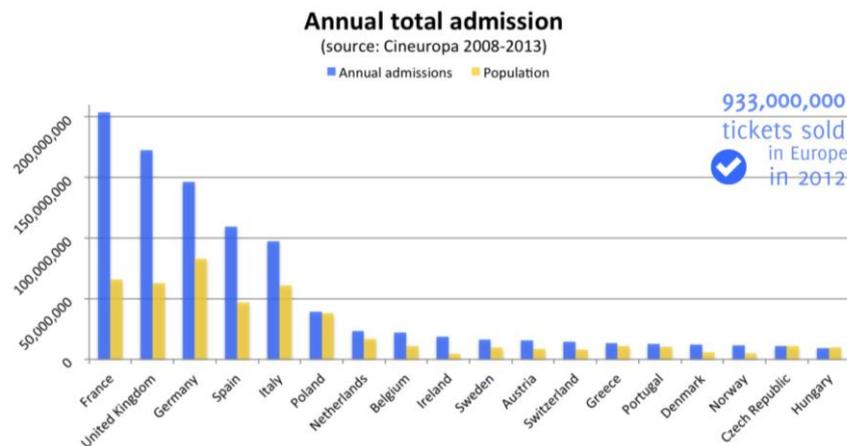


Author: Newman-Baudais, Susan, "European children's films - production", Cartoon Ciné Munich 2012

Figure 19 Annual admissions for animated features in Europe

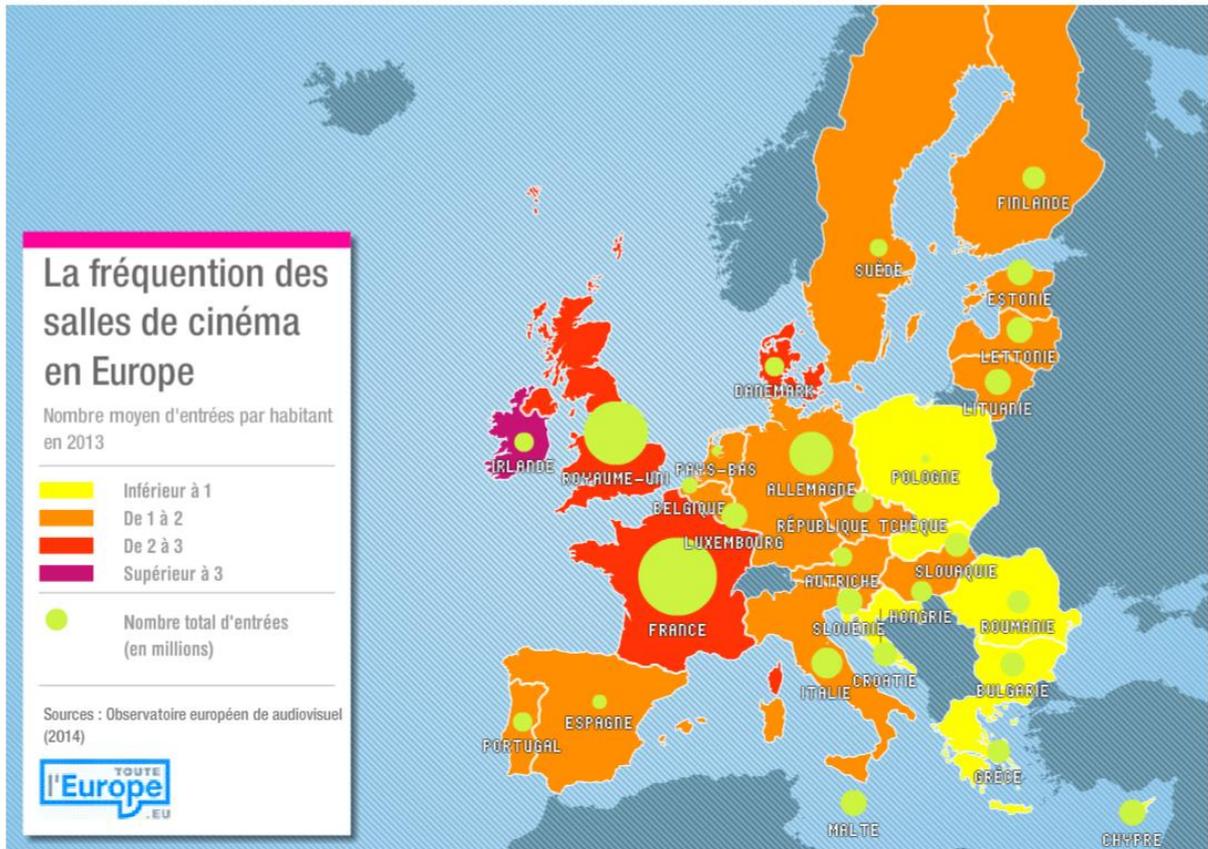
Market share in each country:

1. US films
2. national films
3. French films
4. UK films



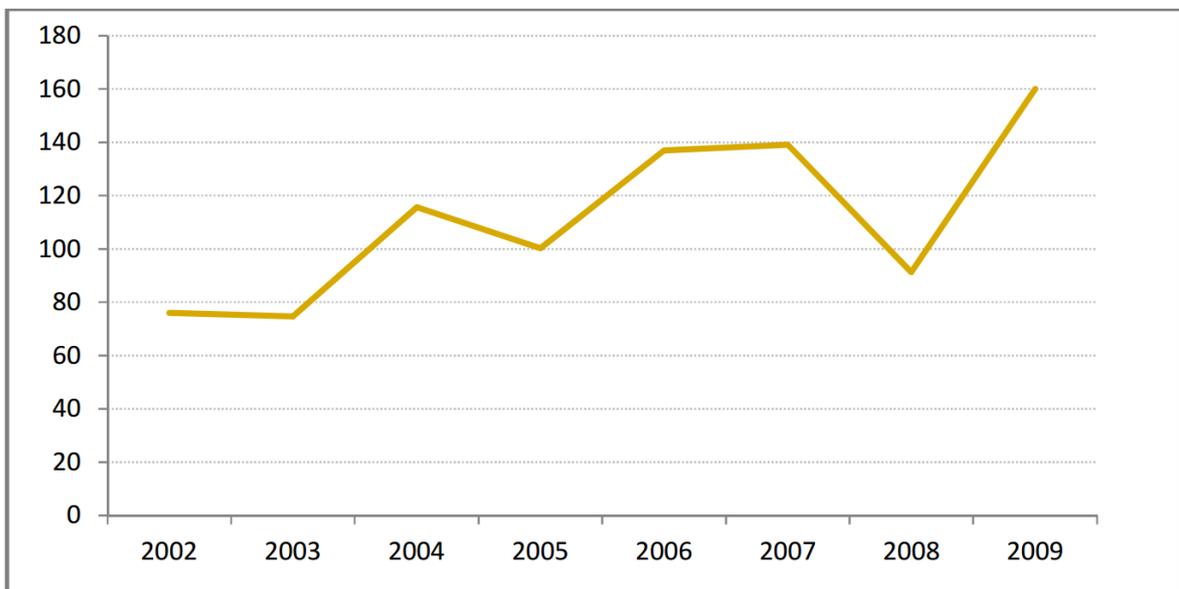
Author: Raphaëlle Chaygneaud-Dupuy

Figure 20 Attendance levels in Europe in 2014



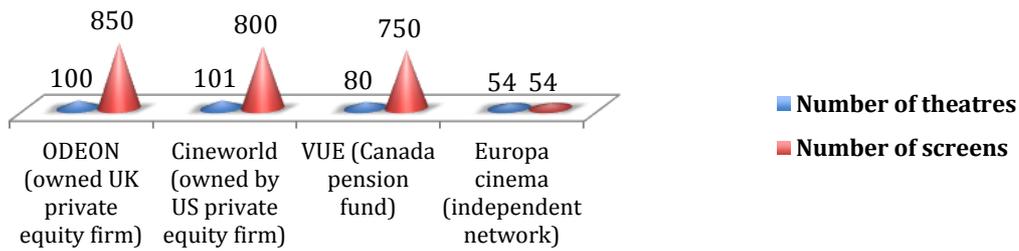
Author: Toute l'Europe in <http://www.touteurope.eu/actualite/la-frequentation-des-salles-de-cinema.html>

Figure 21 UK gross box office (£m) of animated films, 2002-2009



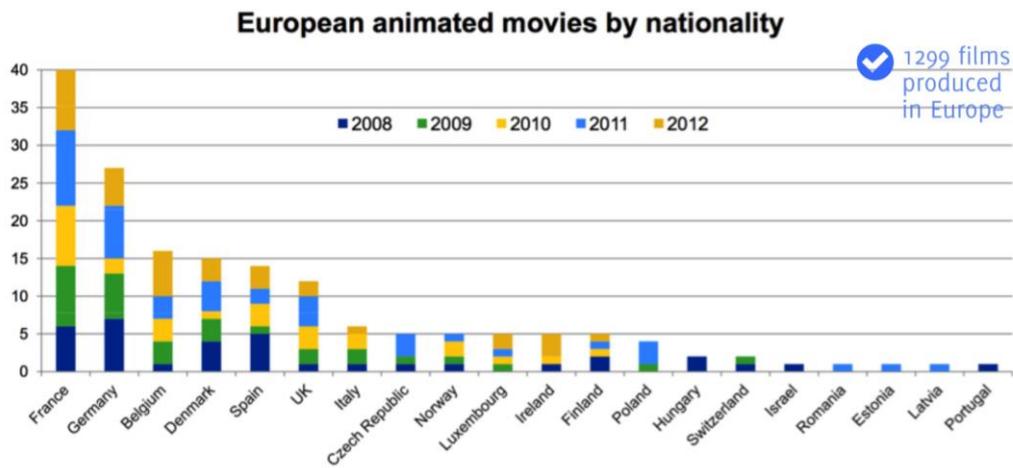
Source: UK Film Council, Perspective Association Analysis in <http://www.animationuk.org/files/report-pdfs/docs/416KD5YW2I.pdf>

Figure 22 Theatre ownership in the UK



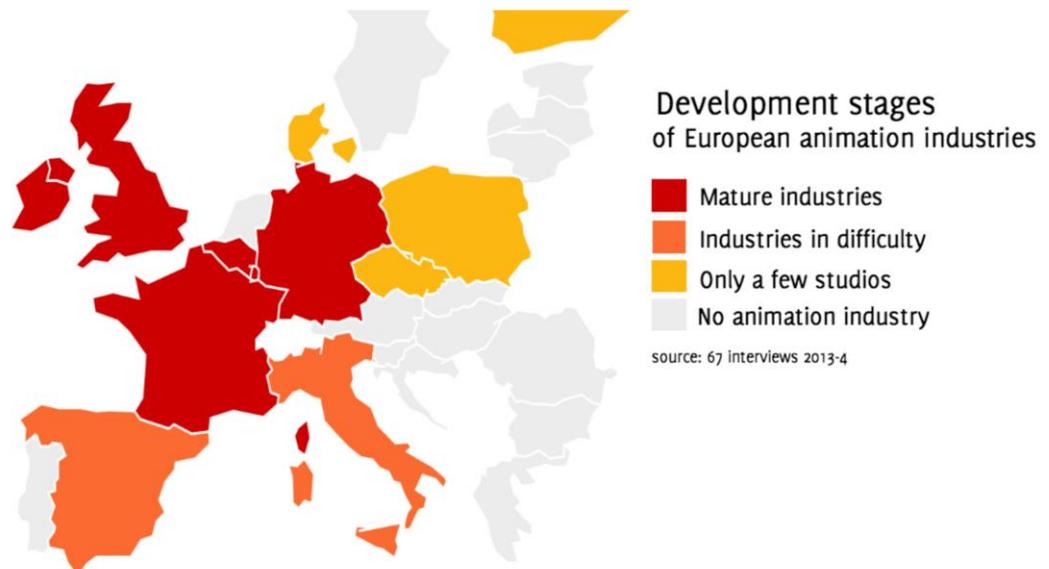
Source: Scoffier Axel, "British cinema: somewhere between European model and American empire", May 14, 2014 in www.inaglobal.fr/en/cinema/article/british-cinema-somewhere-between-european-model-and-american-empire-7567
 Author: Raphaëlle Chaygneaud-Dupuy

Figure 23 Number of European animated movies released by nationality



Source: www.animationeurope.com
 Author: Raphaëlle Chaygneaud-Dupuy

Figure 24 Development stages of European animation industries



Author: Raphaëlle Chaygneaud-Dupuy

Figure 25 Example of budgets of two European studios

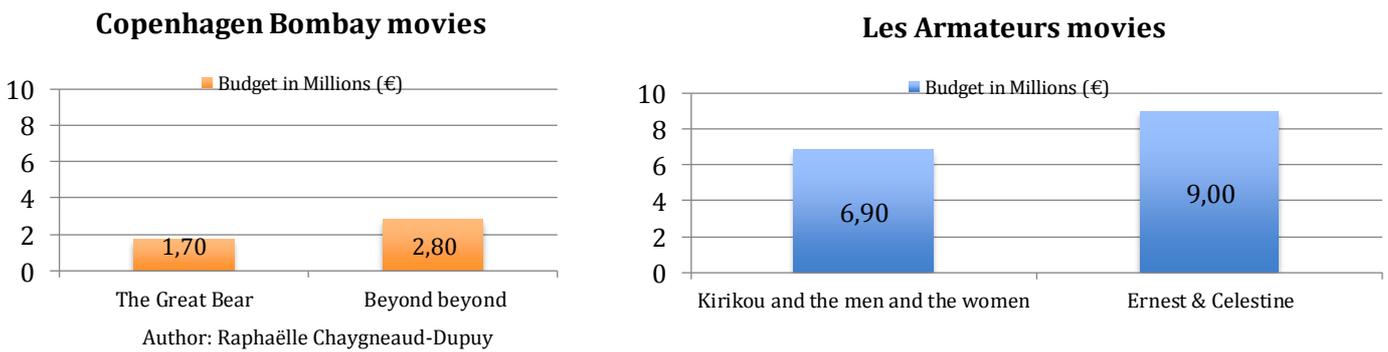
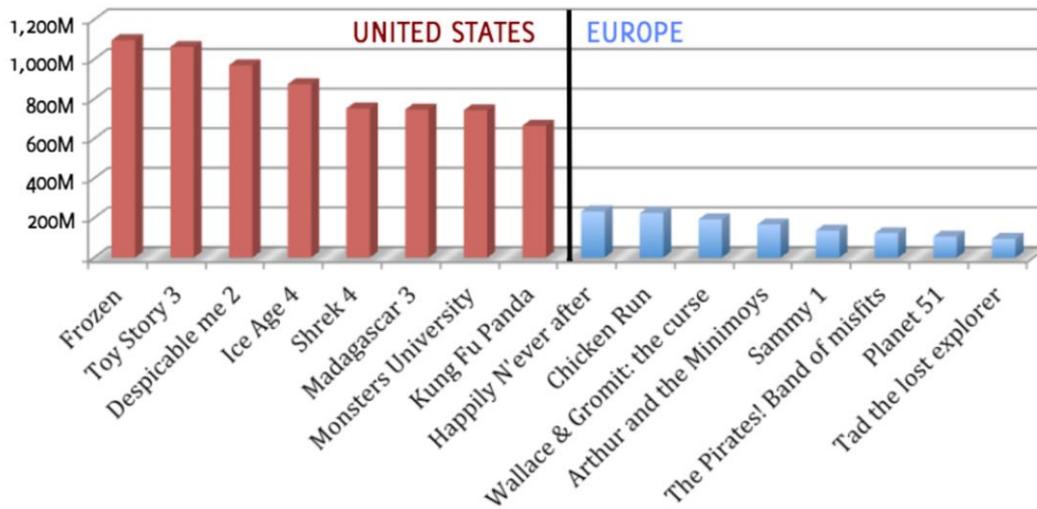


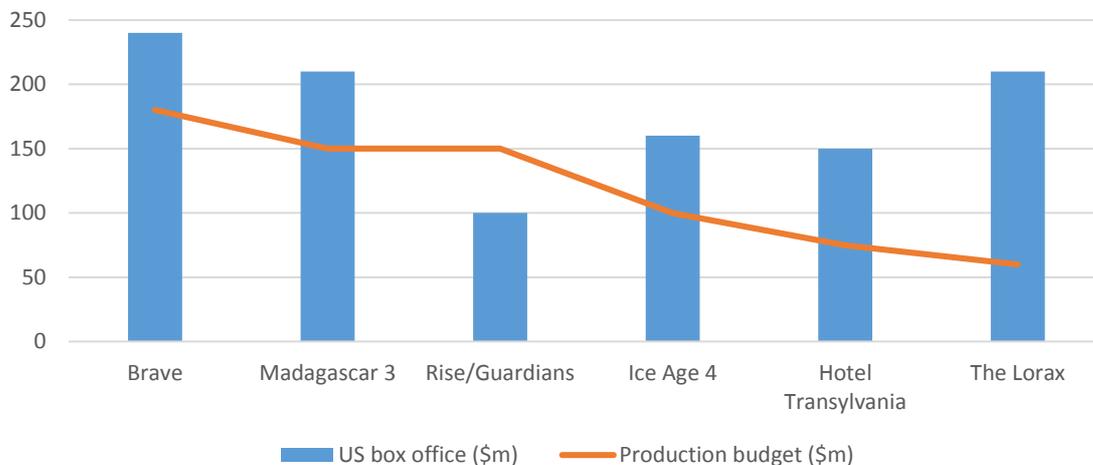
Figure 26 Top 7 box office for American & European movies in June 2014

Top 7 box office for American movies and European movies (in USD)
(source: Wikipedia, Cartoon database)



Author: Raphaëlle Chaygneaud-Dupuy

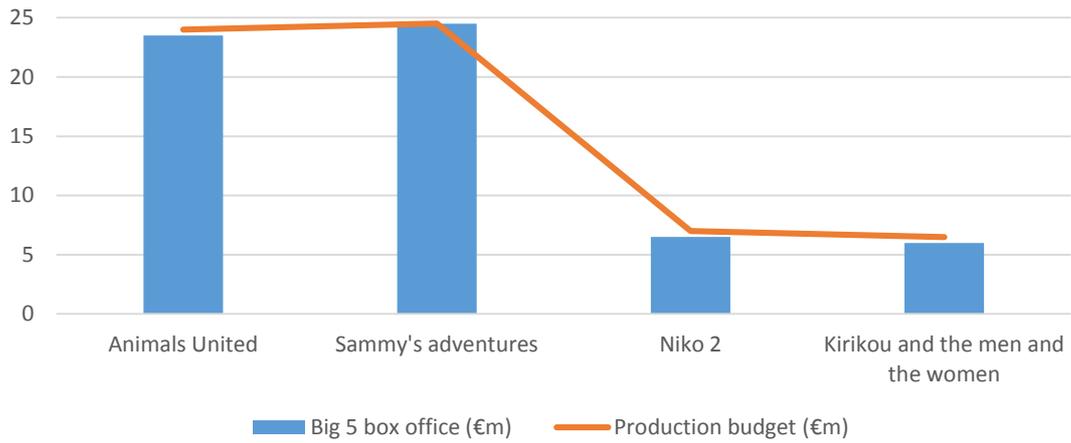
Figure 27 American production budgets and box offices



Author: Tim Wecott, HIS Screen Digest

Source: Presentation at Cartoon Connection 2013 "The European market for animated films", March 21, 2013

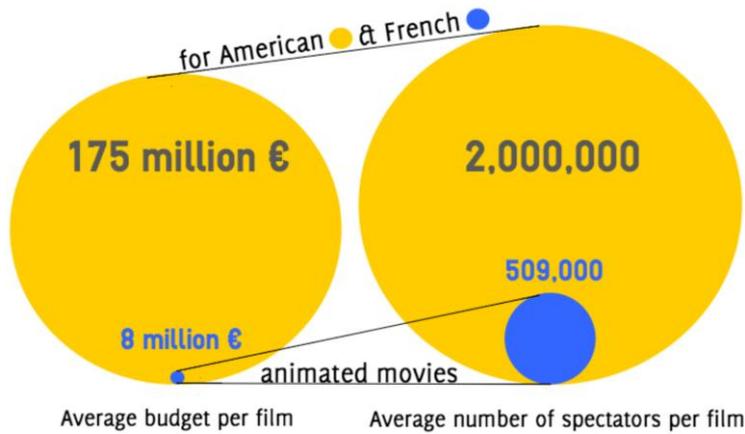
Figure 28 Big 5 production budgets and box offices



Author: Tim Wecott, HIS Screen Digest

Source: Presentation at Cartoon Connection 2013 "The European market for animated films", March 21, 2013

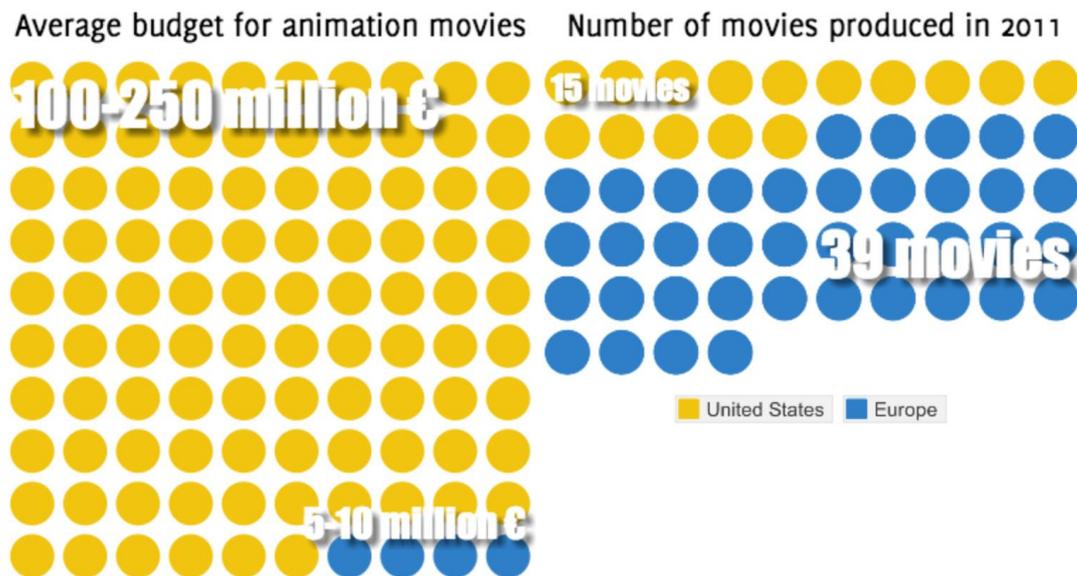
Figure 29 Comparison in terms of budget and number of spectators



Author: Raphaëlle Chayneaud-Dupuy

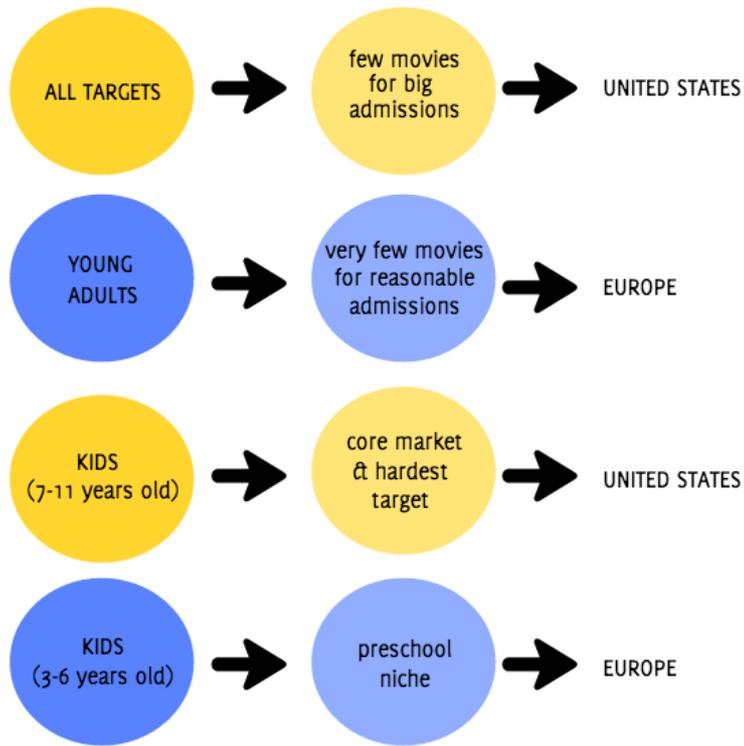
Source: Wescott, Tim, "The global animation industry", October 3, 2011 in cineuropa.org/dd.aspx?t=dossier&l=en&tid=1437&did=201387

Figure 30 Comparison of the ratio budget/number of movies



Author: Raphaëlle Chayneaud-Dupuy

Figure 31 American and European films appeal to different types of audiences

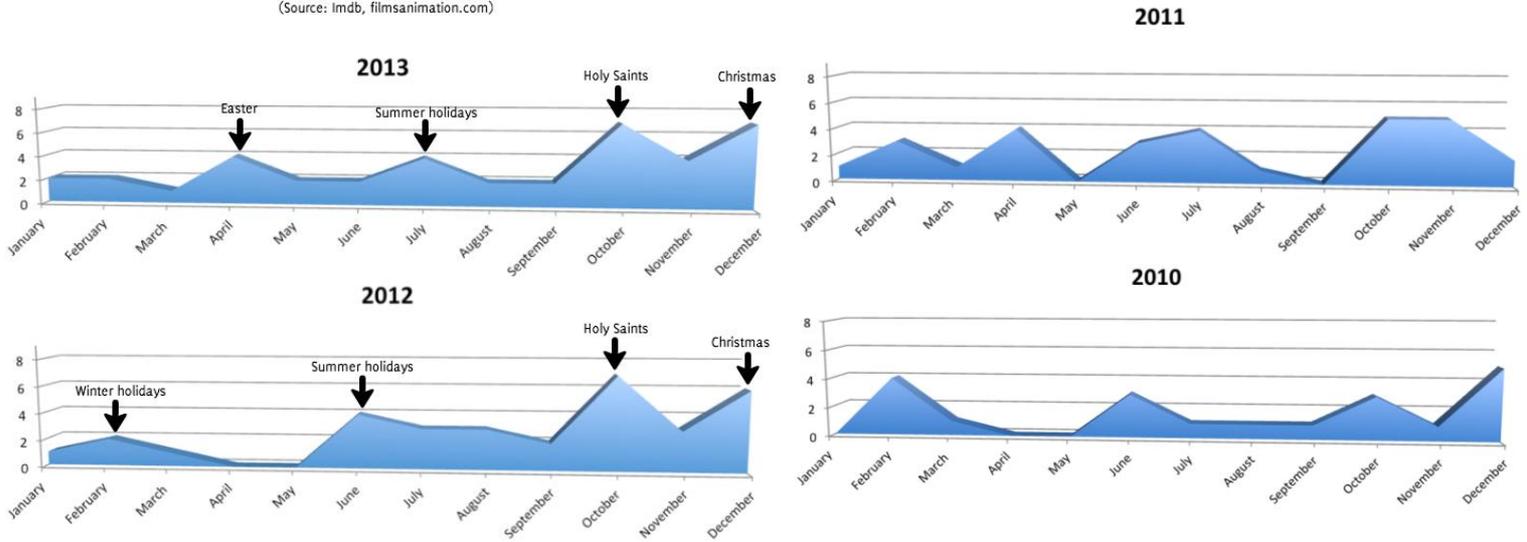


(Data: Anne Sanchez, director of the media communication agency Mercredi for Cartoon Ciné 2012)

Figure 32 Animated films releases in France

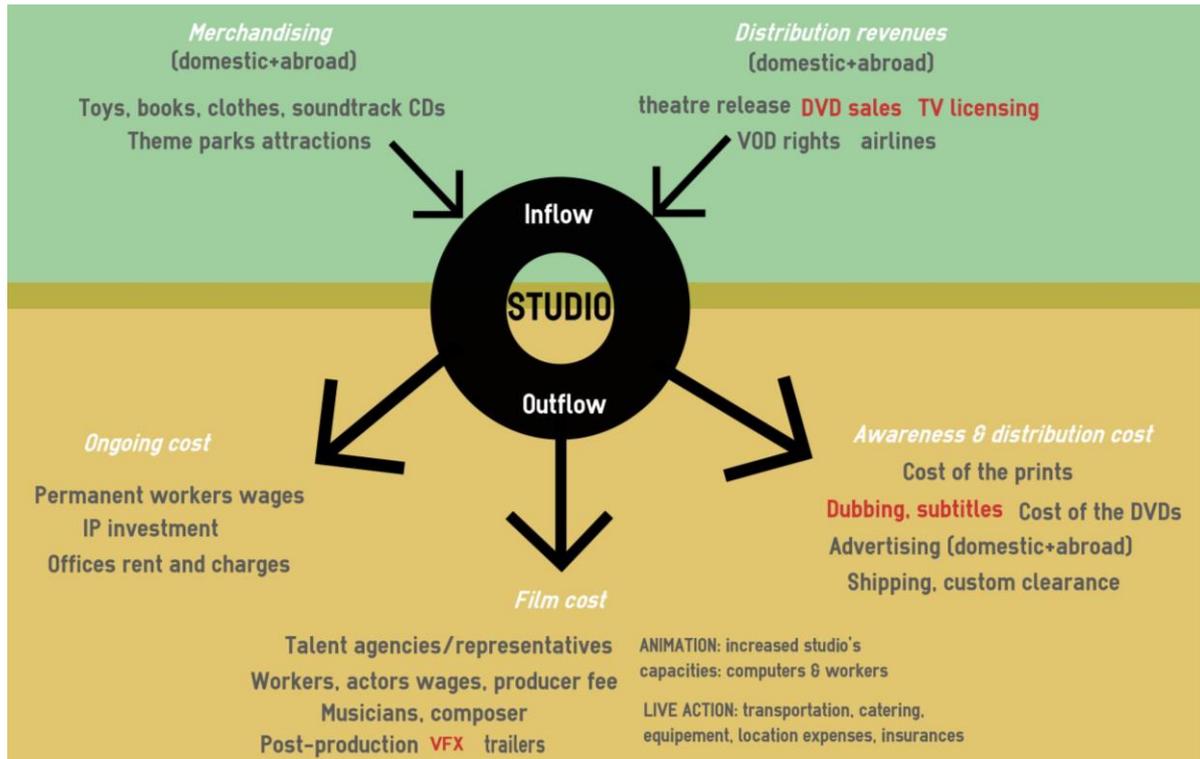
Annual breakdown of animated films released in France

(Source: IMDb, filmsanimation.com)



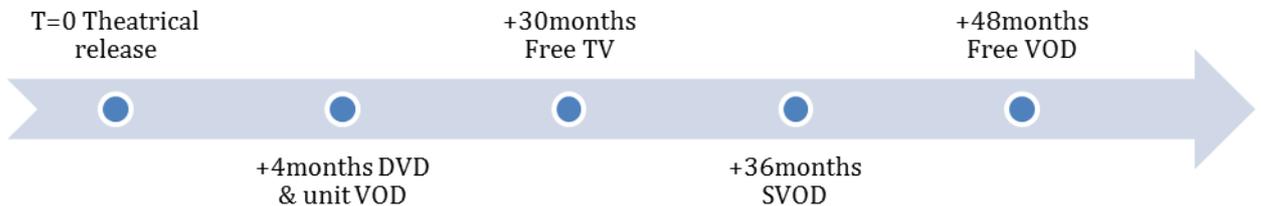
Author: Raphaëlle Chaygneaud-Dupuy

Figure 33 Financial structure of studios - inflow and outflow



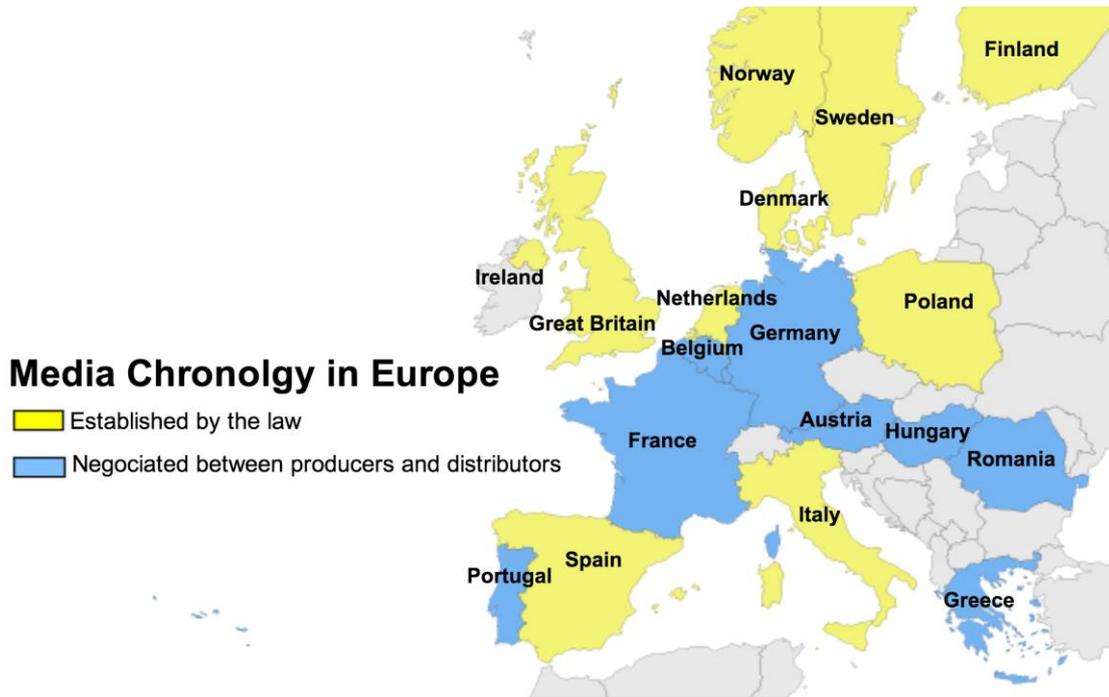
Author: Raphaëlle Chaygneaud-Dupuy

Figure 34 Media chronology in France in 2014



Author: Raphaëlle Chaygneaud-Dupuy

Figure 35 Media Chronology in Europe

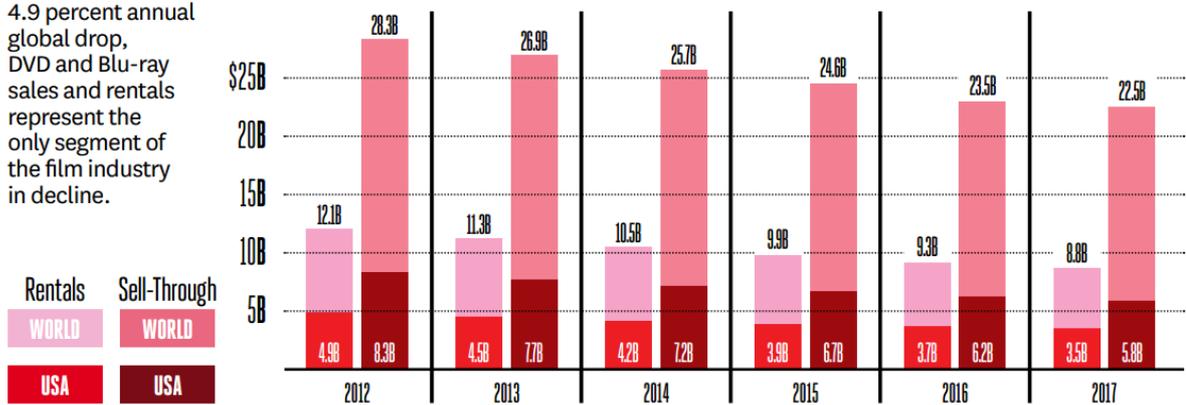


Author: Raphaëlle Chayneaud-Dupuy
 Source: Eurodata TV Worldwide, Baghery, Sahar, "La video en ligne questionne l'exploitation de films" January 8, 2014 in www.audienceomag.com/?article=58

Figure 36 Decline of the physical supports

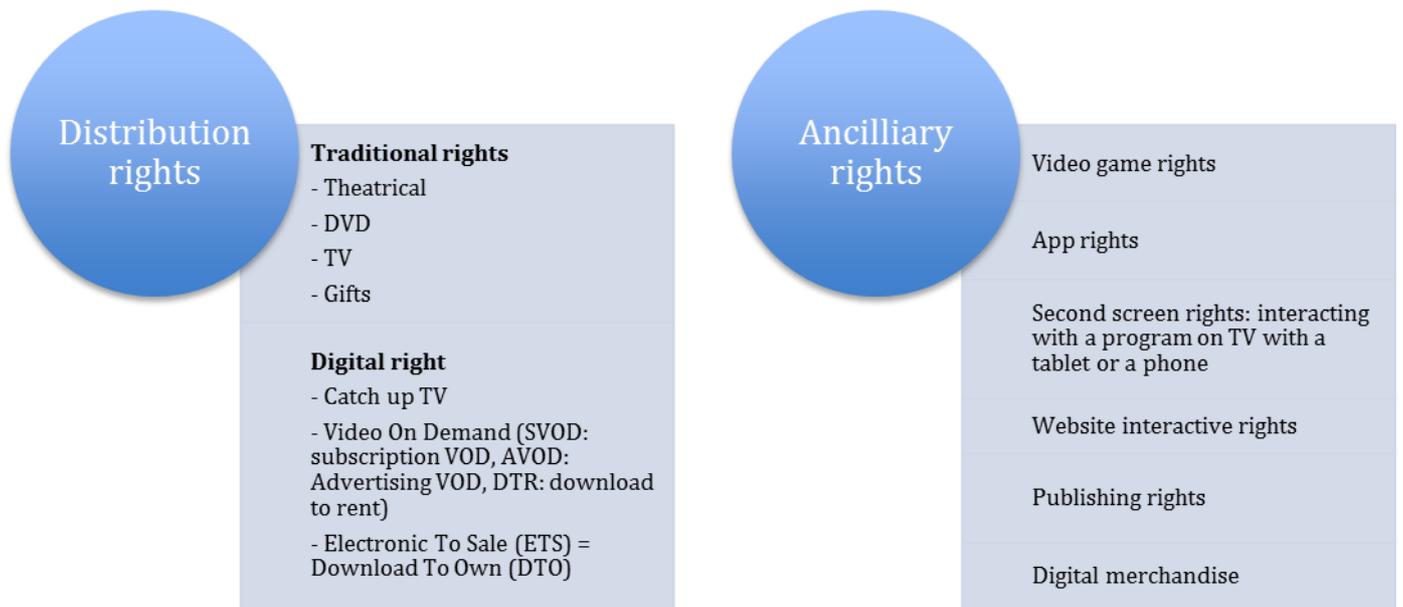
Physical Home Video

With a projected 4.9 percent annual global drop, DVD and Blu-ray sales and rentals represent the only segment of the film industry in decline.



Source: Pricewaterhouse Coopers Global entertainment and media outlook: 2014 – 2018 // Author: The Hollywood Reporter

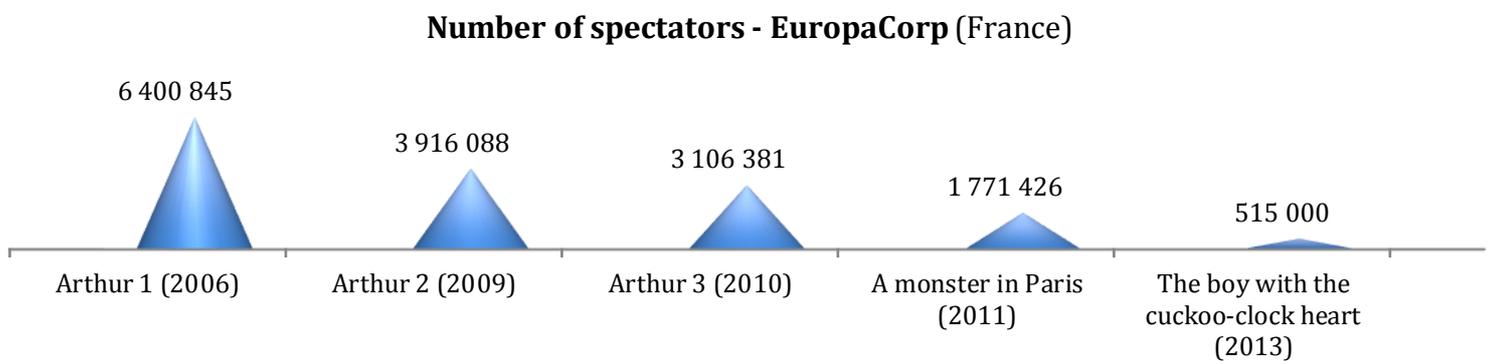
Figure 37 The differences between distribution and ancillary rights



Author: Raphaëlle Chayneaud-Dupuy

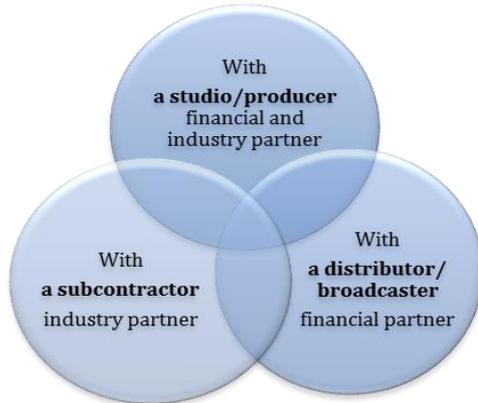
Source: Christos Michael, partner specialized on broadcasting at Lee & Thompson, media & entertainment law firm, UK, "Contract models for multiplatform deals" intervention at Cartoon Digital 2012 in vimeo.com/channels/cartoonmasters/49835188

Figure 38 Admission numbers for Europacorp animation division



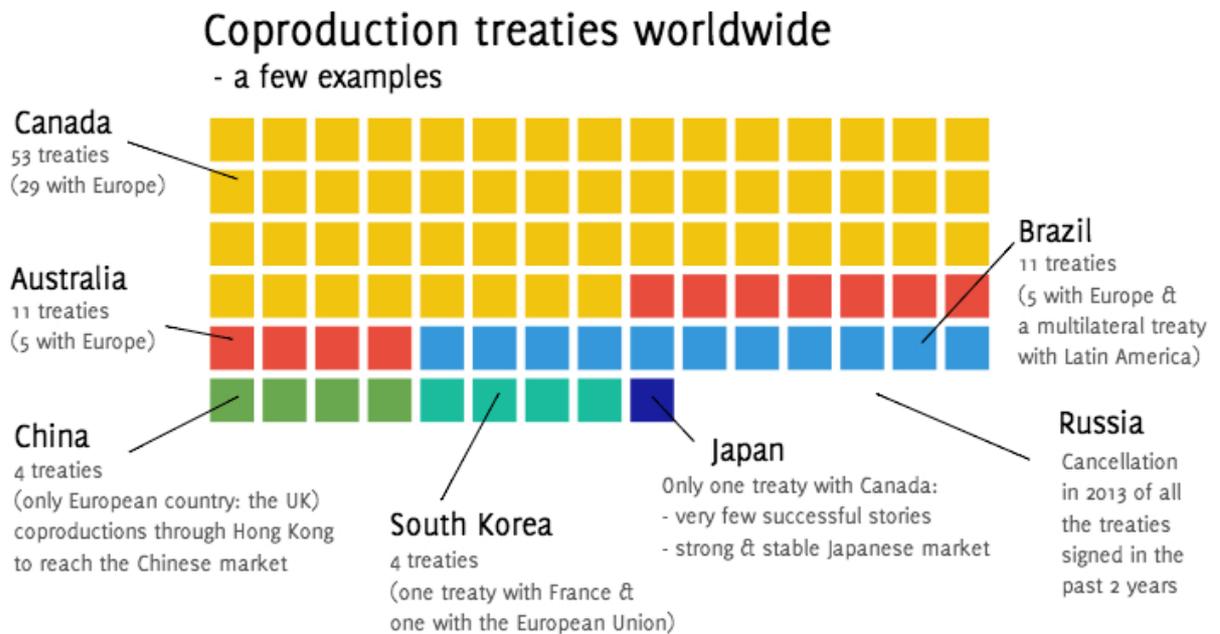
Author: Raphaëlle Chayneaud-Dupuy

Figure 39 Description of the different types of coproductions



Author: Raphaëlle Chaygneaud-Dupuy

Figure 40 Number of coproduction treaties per country



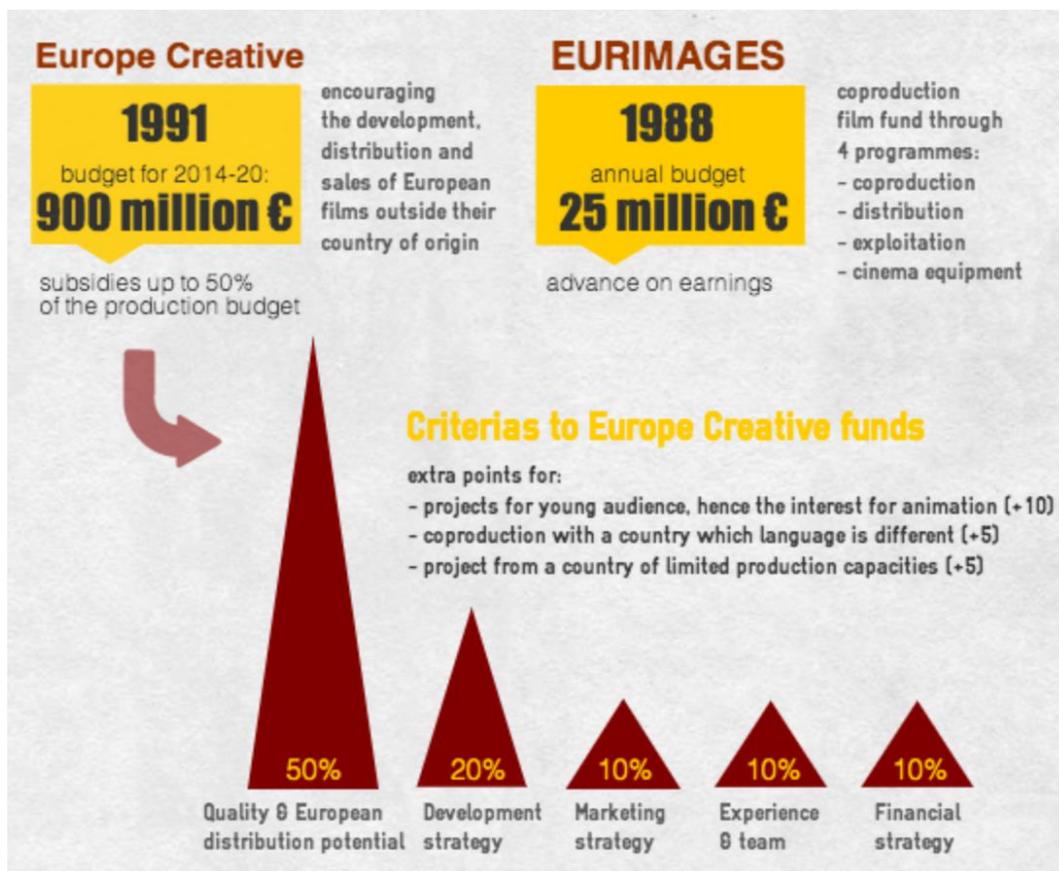
Author: Raphaëlle Chaygneaud-Dupuy

Figure 41 Example of a coproduction budget with two partners

TOTAL BUDGET	10 000 000
1st COPRODUCER	57%
Subsidies (national)	
MG theatrical & Home video (national & Intern.)	
TV Presales (national)	
Animation Studio	
Coproducer's Investment	
2d COPRODUCER	23%
Subsidies (national)	
TV Presale	
MG theatrical & Home vidéo (national)	
Coproducer's Investment	
3d COPRODUCER	20%
Subsidies (national)	
Coproducer's Investment	

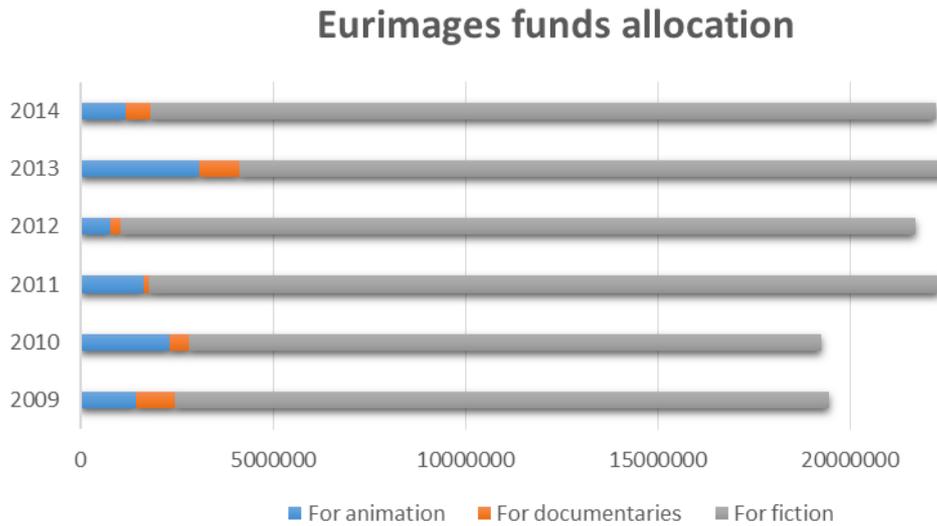
Author: Vernon, Catherine, "Film finance structures - the cost of funding", Cartoon Cine Viborg, April 17, 2013 in <https://vimeo.com/channels/cartoonmasters/66062640>

Figure 42 Panorama of Europe Creative and Eurimages



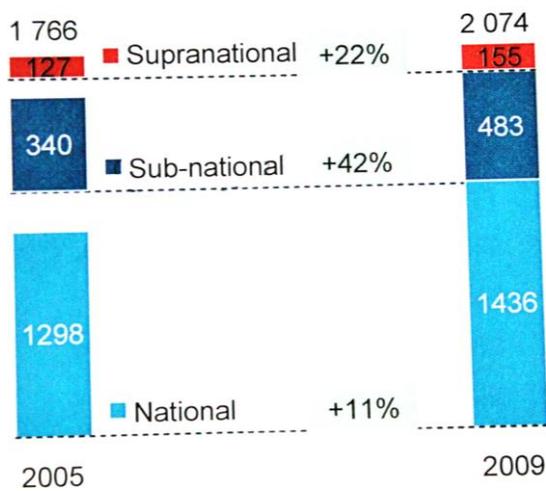
Source: Belgrado Julie, "Industry report: Creative Europe in Figures" May 2, 2013 in <http://www.cineuropa.org/dd.aspx?t=dossier&l=en&tid=1512&did=237441>
 Author: Raphaëlle Chaygneaud-Dupuy

Figure 43 Eurimages funds allocation 2009-2014



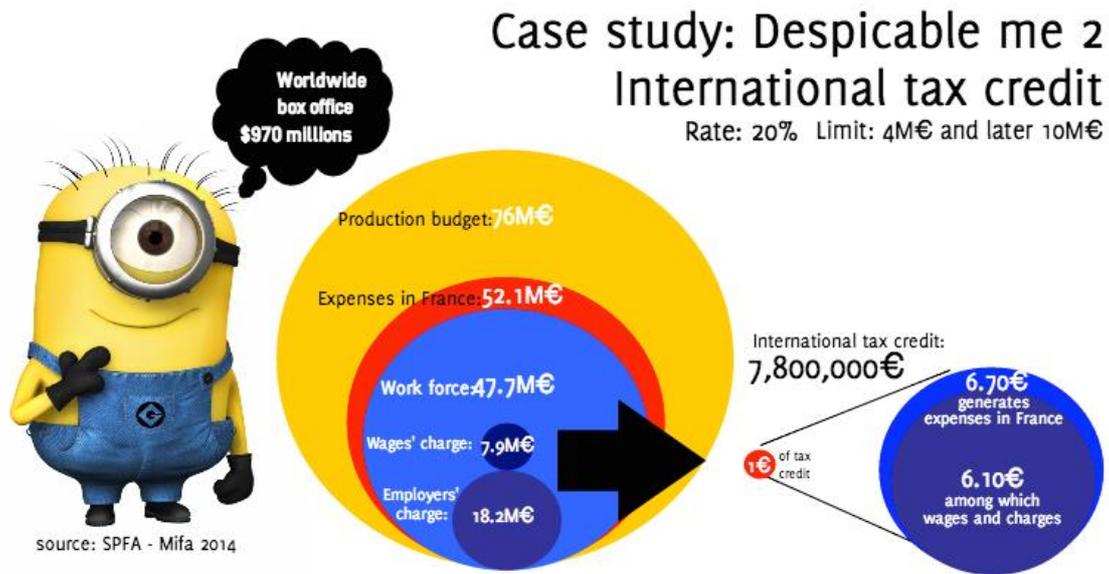
Source: Council of Europe, Eurimages coproduction funding history 2015 in www.coe.int/t/dg4/eurimages/history/coproduction/default_EN.asp?
 Author: Raphaëlle Chaygneaud-Dupuy

Figure 44 Funding body activity spend 2005 vs 2009 (Million Euros)



Source: European Audiovisual Observatory
 Author: Newman-Baudais, Susan, "Towards new European rules for film funding" Cannes 2012

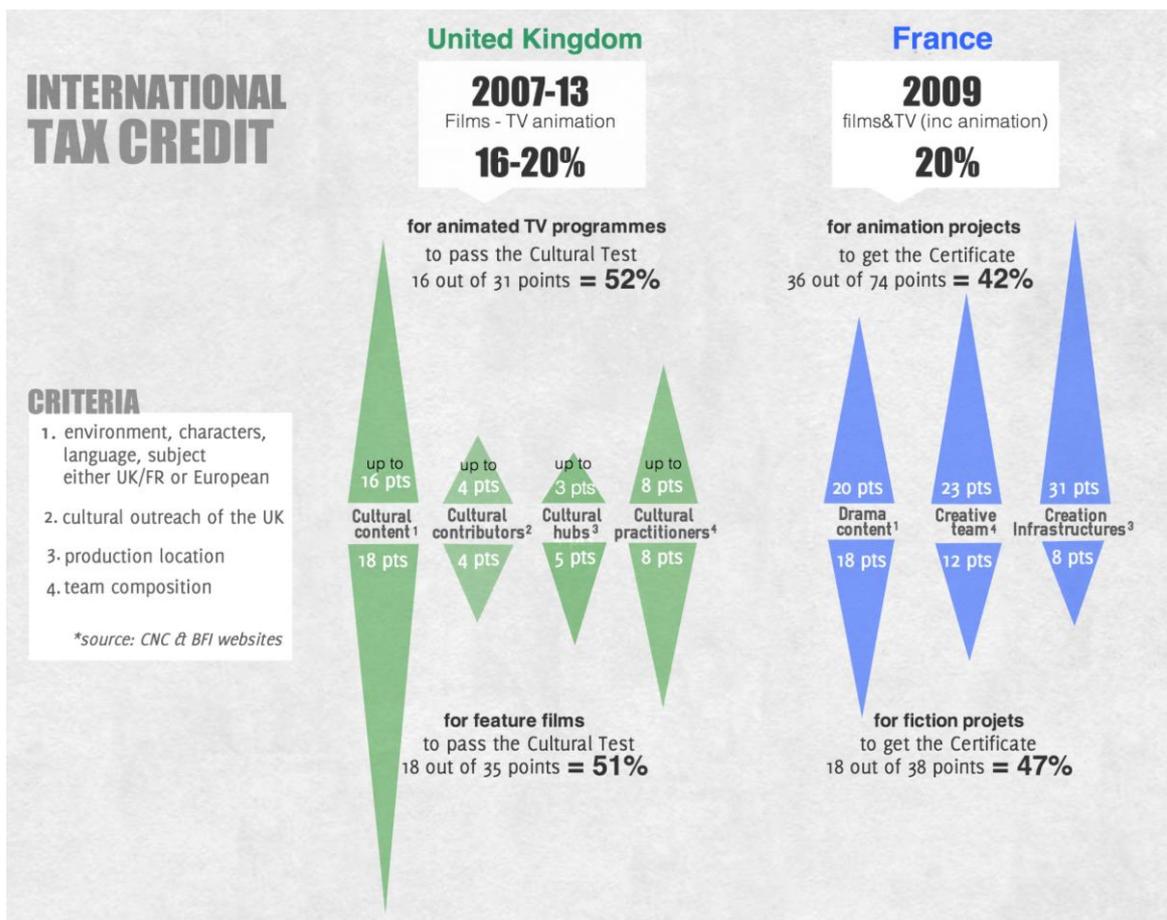
Figure 45 Case study: Despicable me 2 – International tax credit



Author: Raphaëlle Chaygneaud-Dupuy

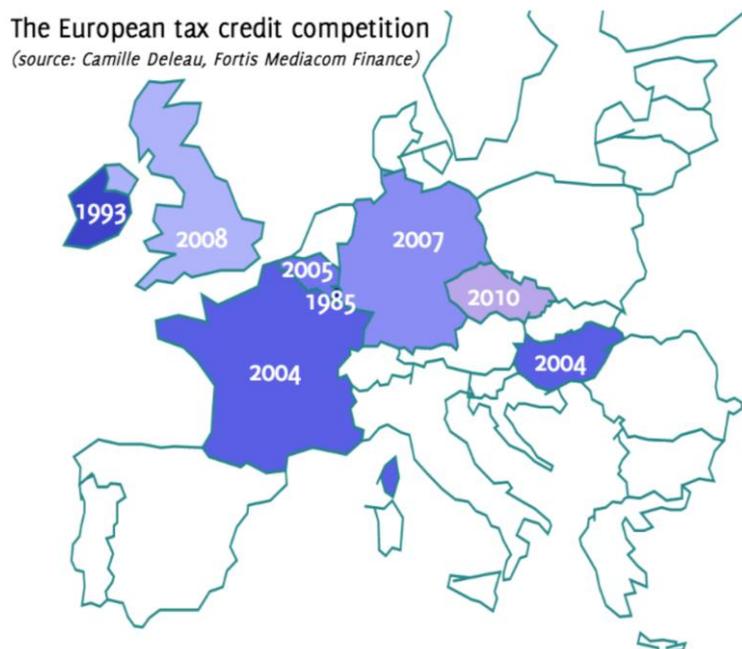
Source: Syndicat des Producteurs de Films d'Animation, "Animation française : le défi de la croissance et de l'emploi", June 11, 2014

Figure 46 Comparison between the French and the British tax credit



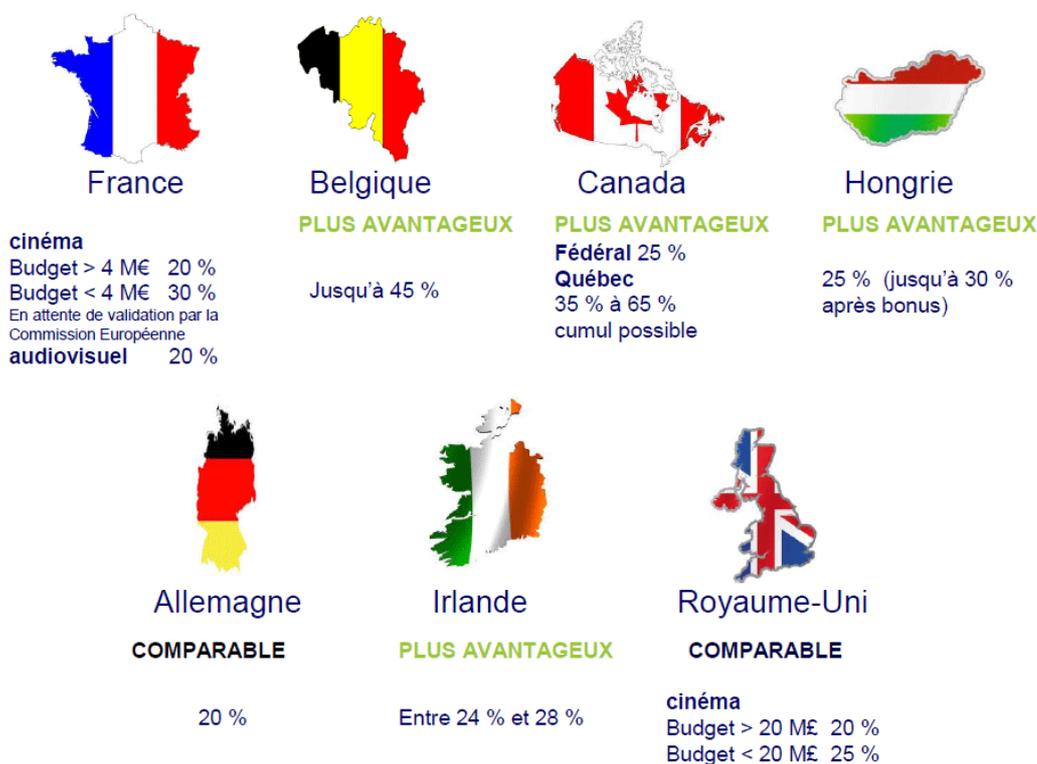
Author: Raphaëlle Chaygneaud-Dupuy

Figure 47 Map of the tax credits available in Europe for animation



Author: Raphaëlle Chayneaud-Dupuy

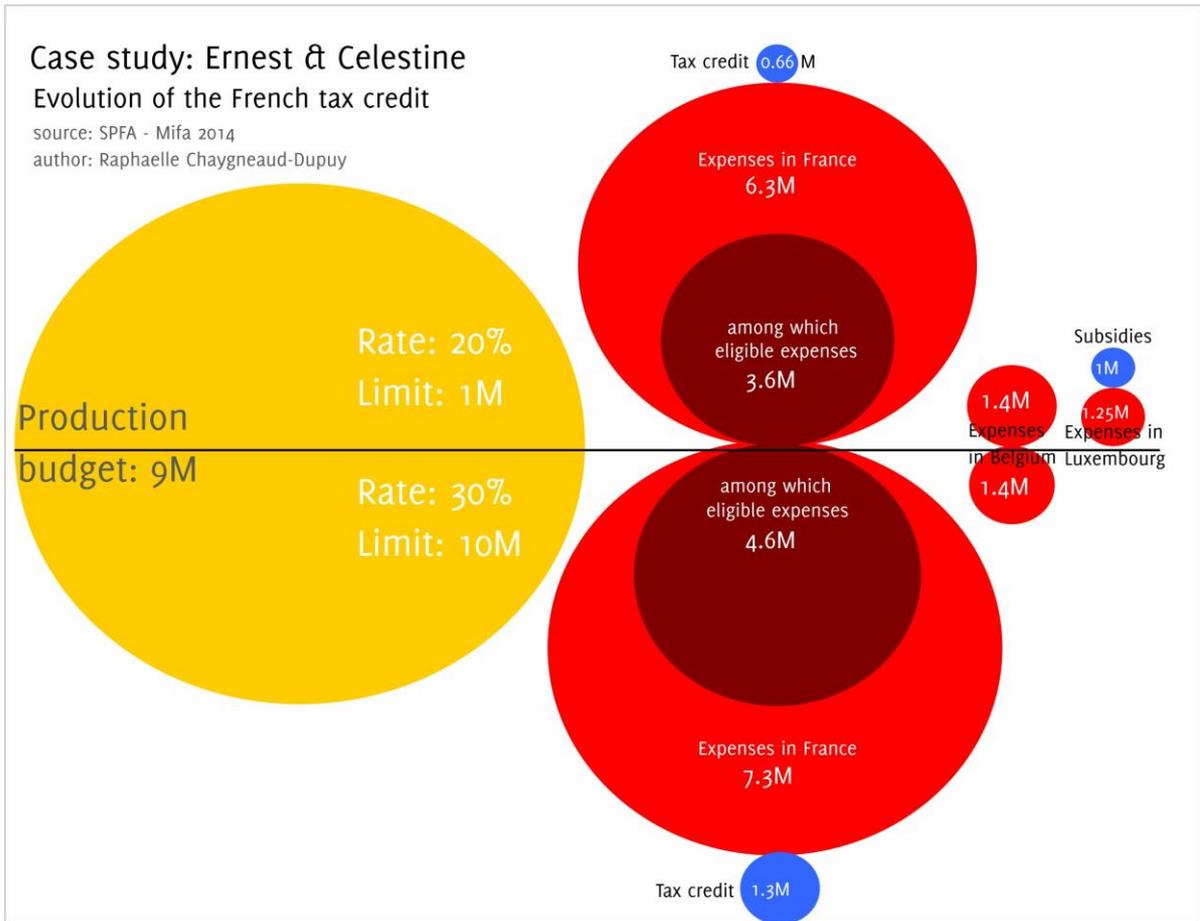
Figure 48 Tax credit rates in 2014



Author: CNC²⁹¹

²⁹¹ CNC, "Etude comparative du fonctionnement des systèmes d'incitation fiscale" October 7, 2014 in http://www.cnc.fr/web/fr/flux/-/journal_content/56_INSTANCE_k0Tr/18/5766574?refererPlid=64476.

Figure 49 Case study: Ernest & Celestine – Evolution of the French tax credit

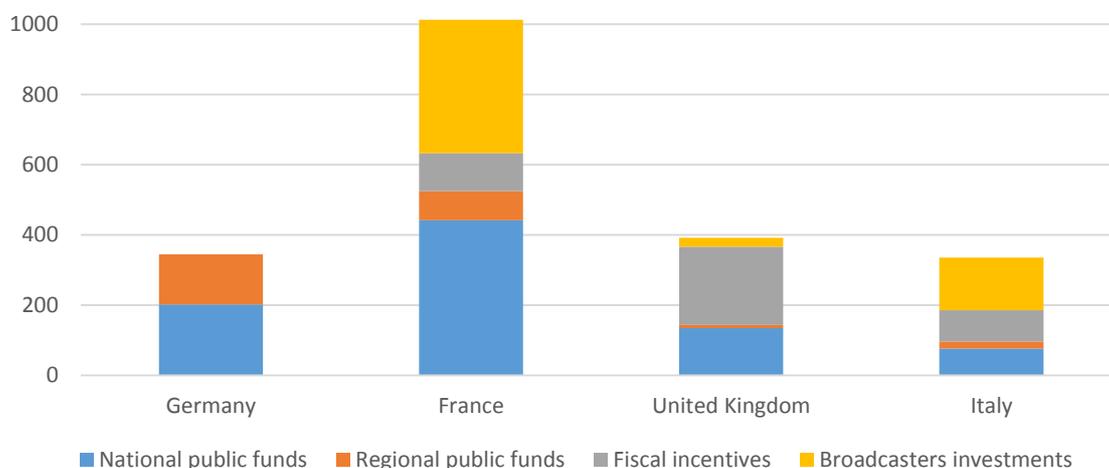


Author: Raphaëlle Chaygneaud-Dupuy

Source: Syndicat des Producteurs de Films d'Animation, "Animation française : le défi de la croissance et de l'emploi", June 11, 2014

Figure 50 Type of funds available in major European countries

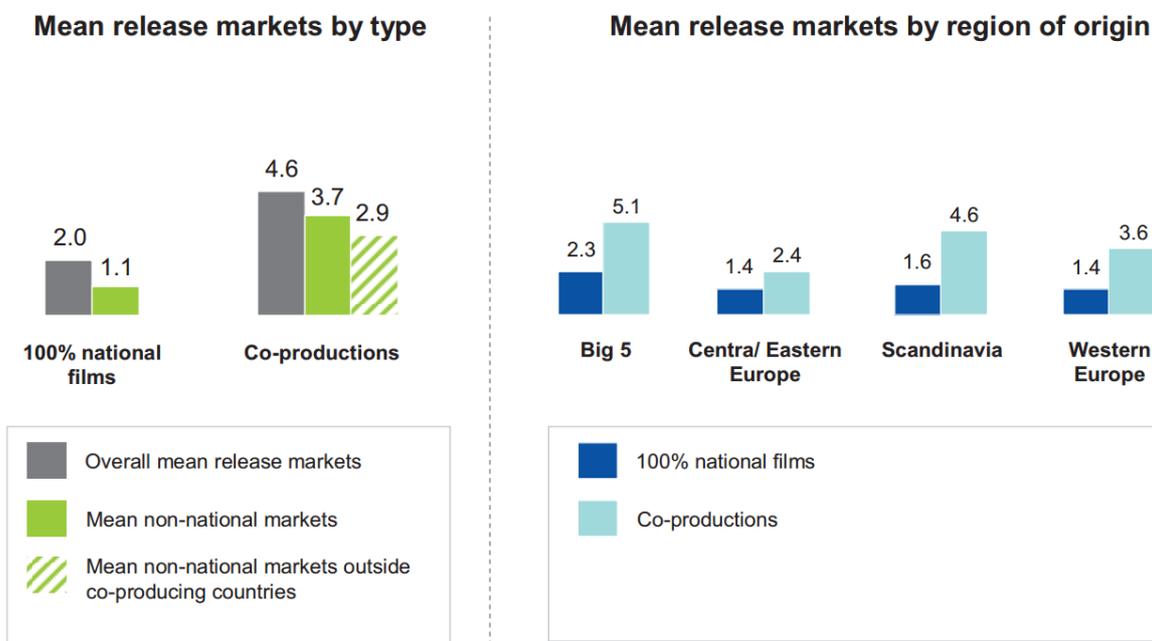
INVESTMENT AMOUNTS IN FILM PRODUCTION GENERATED BY PUBLIC POLICIES (2011) – EUR Million



Author: Raphaëlle Chayneaud-Dupuy

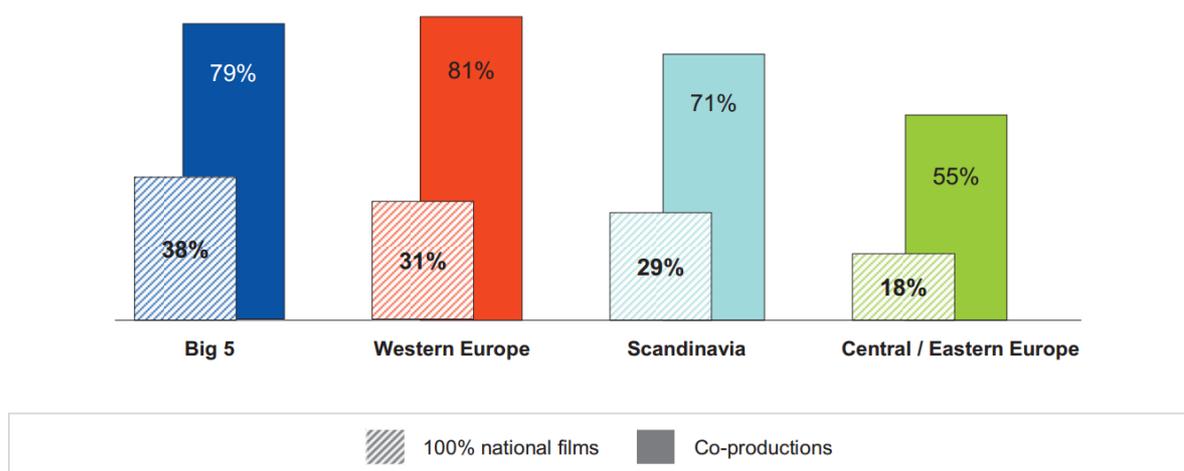
Source: Lange, André, "Mandatory contributions and mandatory investments by the various stakeholders in Europe – The new challenges of the digital era and globalisation" 2011 in publi.obs.coe.int/documents/205595/1540191/ALange+-+Investments+Conf+Rome+12-06-2014/dd122246-5657-45c1-a296-093995cfd5ac

Figure 51 Mean number of release markets by film type and region



Source: European Audiovisual Observatory, Kanzler, Martin, Report "The circulation of European co-productions and entirely national films in Europe 2001 to 2007" August 2008 in www.coe.int/t/dg4/cultureheritage/culture/film/paperEAO_en.pdf

Figure 52 Share of films with non-national release by type and region of origin



Source: European Audiovisual Observatory, Kanzler, Martin, Report “The circulation of European co-productions and entirely national films in Europe 2001 to 2007” August 2008 in www.coe.int/t/dg4/cultureheritage/culture/film/paperEAO_en.pdf

Figure 53 Comparison of the criteria for the French and the American rating systems

US rating system		French rating system	
G (general audiences)	Valid for all audiences		U (Tous publics)
PG (parental guidance suggested)	Parents urged to give “parental guidance.” May contain some material parents might not like for their young children.	Unsuitable for children younger than 10. Only used for TV (equivalent for theatres: “warning” & equivalent for video: “parental guidance”)	10 (Déconseillé aux moins de 10 ans)
PG 13 (parents strongly cautioned)	Parents are urged to be cautious. Some material may be inappropriate for pre-teenagers.	Unsuitable for children younger than 12 or forbidden in cinemas for under 12	12 (Interdit aux moins de 12 ans)
R (restricted)	Contains some adult material. Parents are urged to learn more about the film before taking their young children with them.	Unsuitable for children younger than 16 or forbidden in cinemas for under 16	16 (Interdit aux moins de 16 ans)
NC-17 (No one 17 or under admitted)	Clearly adult. Children are not admitted.	Unsuitable for children younger than 18 or forbidden in cinemas for under 18	18 (Interdit aux mineurs)

Author: Raphaëlle Chaygneaud-Dupuy

Figure 54 List of coproductions between France, Belgium and Luxembourg

- *Kirikou* (1998),
- *T'choupi* (2004),
- *Fear(s) of the dark* (2008),
- *A town called panic* (2009),
- *The storytelling show* (2010),
- *The prodigies* (2011),
- *The painting* (2011),
- *Zarafa* (2012),
- *The suicide shop* (2012),
- *Ernest & Celestine* (2012),
- *Cinderella 3D* (2012),
- *Approved for adoption* (2012),
- *My mommy is in America and she met Buffalo Bill* (2013),
- *Loulou's secret* (2013),
- *Haunt Hilda* (2014),
- *Minuscule - the valley of the lost ants* (2014),
- *The boy with the cuckoo-clock heart* (2014),
- *Asterix - the land of the Gods* (2014).

Source: Database Cartoon Aisbl, June 2014

Figure 55 Map of the major hubs for coproduction in the animation world



Figure 56 Screenshot of the crowdfunding campaign on Ulule for the movie Iqbal by 2D3D animations

Iqbal, un film d'animation, Ami de l'UNICEF
Iqbal, histoire d'un enfant qui n'avait pas peur

Accueil 17 news 7 commentaires 81 contributeurs

8 % collectés sur un objectif de 54 000 €

Fini le 10 juil. 2014

Non financé

Créateur

2d3d_animations
1 projet créé
[Envoyer un message](#)

The image shows a crowdfunding campaign for an animated film. The main visual is a character with a red cape and a large orange dragon-like creature. The text 'Iqbal' and 'CAMPAGNE DE CROWDFUNDING' is overlaid on the image. The campaign progress bar shows 8% collected towards a goal of 54,000 euros. The campaign ended on July 10, 2014, and is marked as 'Non financé' (not funded). The creator is '2d3d_animations', who has created one other project.

Author: Raphaëlle Chaygneaud-Dupuy

Figure 57 Screenshot of the crowdfunding campaign on Ulule for the movie Minuscule 2 by Futurikon

Minuscule - Les Mandibules du Bout du Monde
Envoyez vos insectes préférés au bout du monde !

Accueil 4 news 17 commentaires 141 contributeurs

6 % collectés sur un objectif de 100 000 €

Fini le 21 avr. 2015

non financé

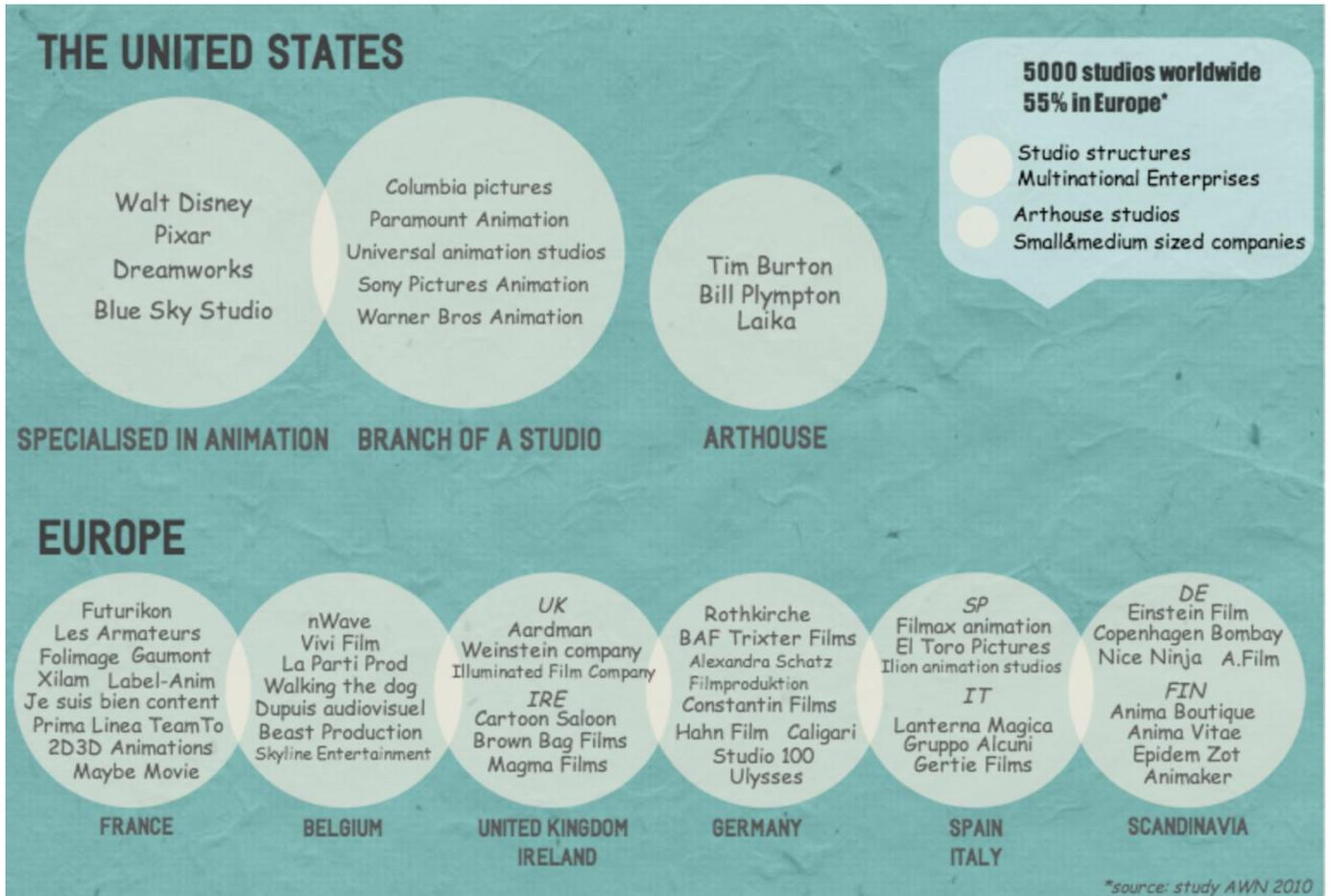
Créateur

FUTURIKON
Paris
1 projet créé
[Envoyer un message](#)

The image shows a crowdfunding campaign for the movie 'Minuscule - Les Mandibules du Bout du Monde'. The main visual features the title 'MINUSCULE' in a stylized font, with 'LES MANDIBULES DU BOUT DU MONDE' underneath. Below the title is an illustration of a ladybug and a black ant on top of several suitcases. The text 'BZZ BZZ ! (ON A BESOIN DE VOUS !)' is at the bottom. The campaign progress bar shows 6% collected towards a goal of 100,000 euros. The campaign ended on April 21, 2015, and is marked as 'non financé'. The creator is 'FUTURIKON', located in Paris, who has created one other project.

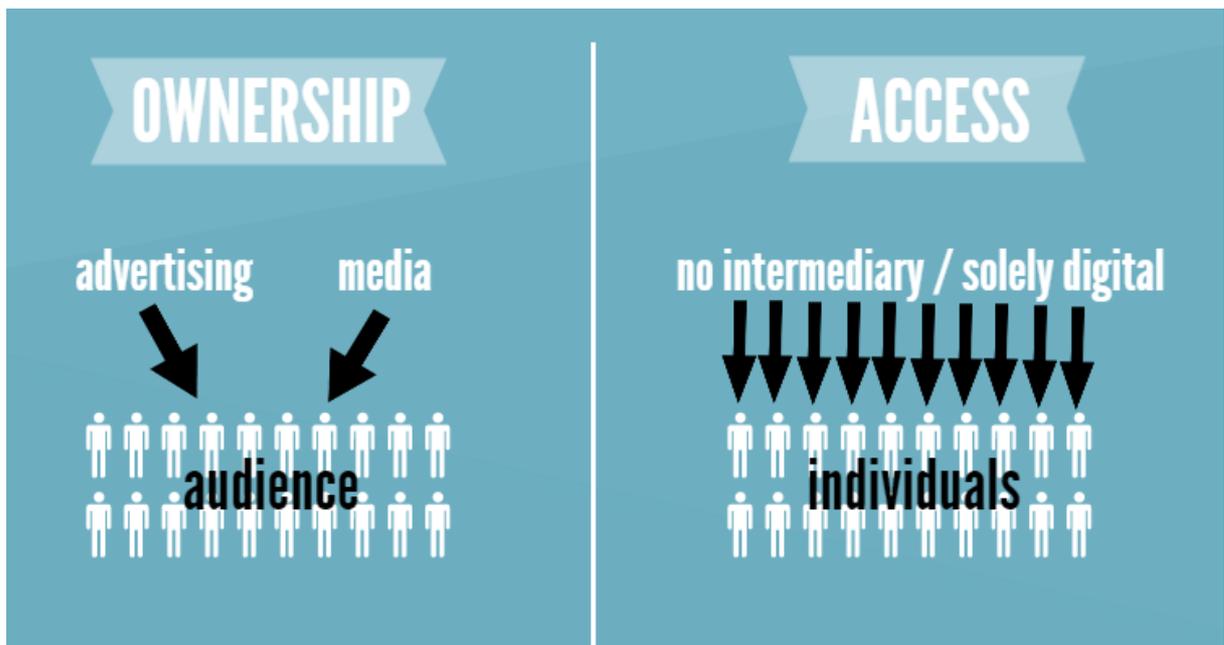
Author: Raphaëlle Chaygneaud-Dupuy

Figure 58 Comparison of the number of studios in the US and in Europe



Author: Raphaëlle Chaygneaud-Dupuy

Figure 59 The disintermediation of the entertainment industry

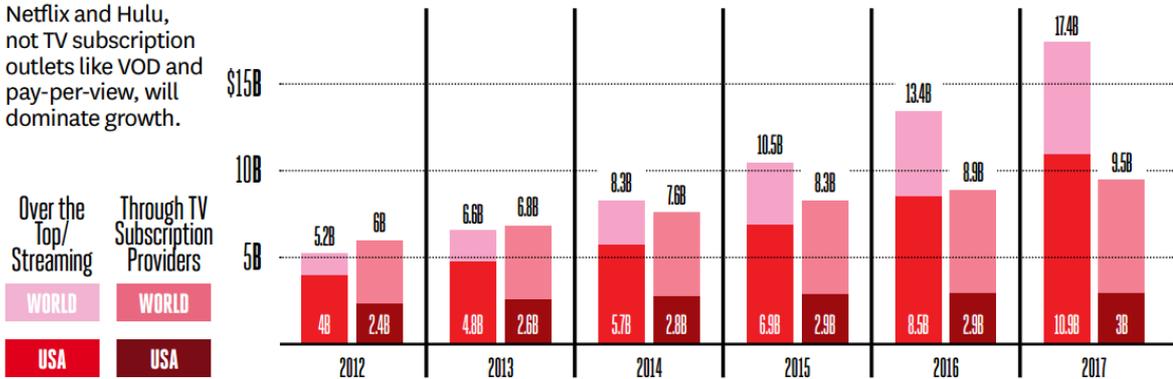


Author: Raphaëlle Chaygneaud-Dupuy

Figure 60 Growth of “Over the top” services

Electronic Home Video

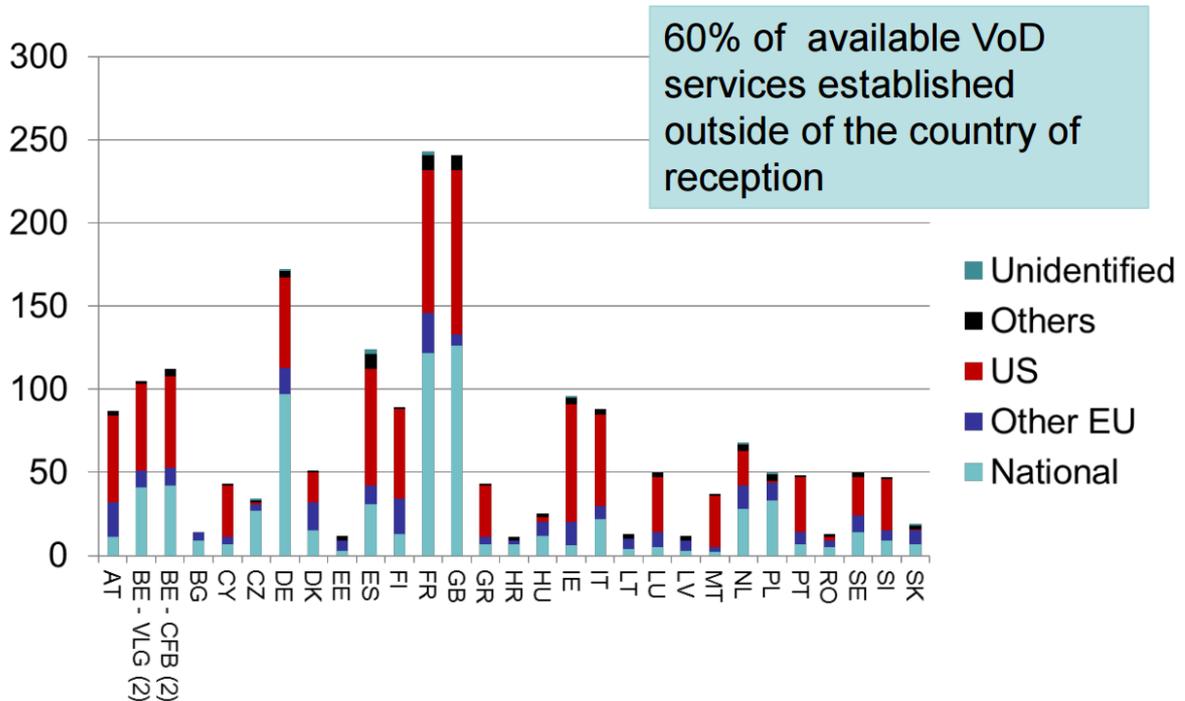
“Over the top” services such as Netflix and Hulu, not TV subscription outlets like VOD and pay-per-view, will dominate growth.



Author: The Hollywood Reporter

Source: Pricewaterhouse Coopers Global entertainment and media outlook: 2014 – 2018

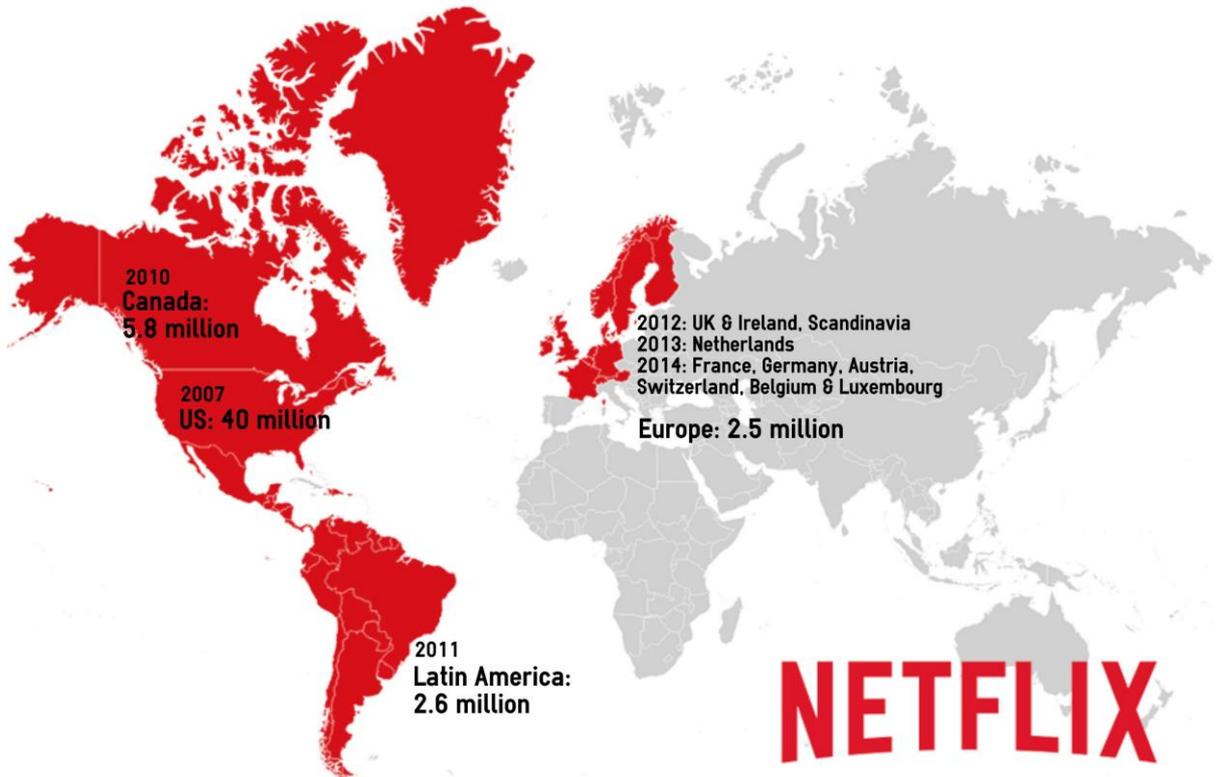
Figure 61 Establishment of available VOD services in EU countries (2013)



Author: Lange, André, “Mandatory contributions and mandatory investments by the various stakeholders in Europe – The new challenges of the digital era and globalisation” 2011 in publi.obs.coe.int/documents/205595/1540191/ALange+-+Investments+Conf+Rome+12-06-2014/dd122246-5657-45c1-a296-093995cfd5ac

Source: European Audiovisual Observatory (MAVISE database)

Figure 62 Map of the expansion of Netflix



Author: Raphaële Chayneaud-Dupuy

Source: Map: <http://trendblog.net/netflix-launch-date-price-in-germany-france-austria-switzerland-belgium-luxembourg/>

Data : <https://pr.netflix.com/WebClient/loginPageSalesNetWorksAction.do?contentGroupId=10477>

<http://bfmbusiness.bfmtv.com/entreprise/netflix-conquiert-leurope-depuis-luxembourg-703132.html>

Figure 63 Overview of the theme parks including movie characters' rides worldwide

Disney



Universal



Author: Raphaëlle Chayneaud-Dupuy

Glossary

animation.about.com

1. *Animation*

Live action = fiction: non-animated films

Key frame: a single still image in an animated sequence that occurs at an important point in that sequence; key frames are defined throughout an animated sequence, in order to define pivotal points of motion before the frames in between are drawn or otherwise created to "tween" the motion between the two key frames.

Storyboard: a sequence of drawings, typically with some directions and dialogue, representing the shots planned for a film. At that stage the film is already starting to freeze, as opposite to live action in which until the last minute the director can change the camera angle.

Animatic = Leica reel: rough video of the whole film made out of the storyboard sketches synchronized with the soundtrack

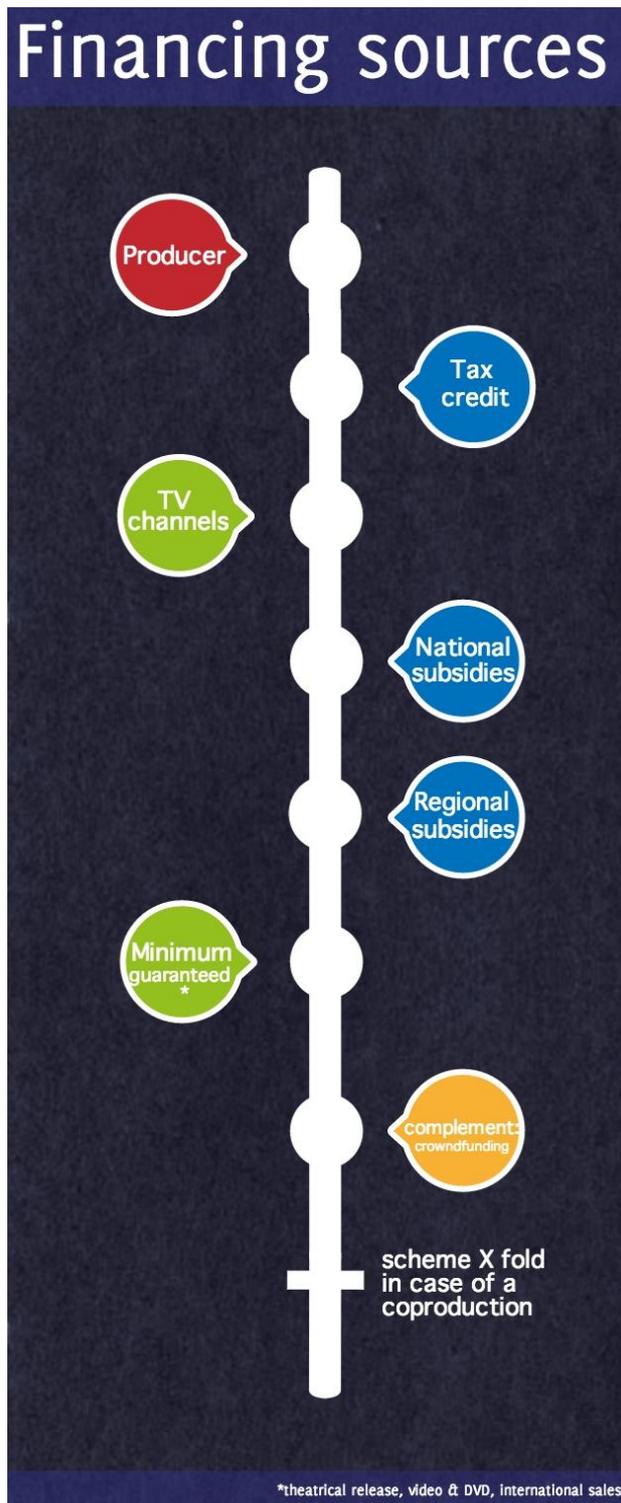
2D animation: drawn animation on paper or directly in a computer. Sequencing consecutive images, or "frames", simulate motion by each image showing the next in a gradual progression of steps. The eye can be "fooled" into perceiving motion when these consecutive images are shown at a rate of 24 frames per second or faster.

CGI 3D: computer generated images in 3D. Sequencing consecutive images, or "frames", simulate motion by each image showing the next in a gradual progression of steps, filmed by a virtual "camera" and then output to video by a rendering engine.

Stereoscopic 3D: requires 3D glasses.

Stop-motion: animation produced by arranging real objects, taking a picture of them, repositioning the objects minutely, and then taking another picture of them to create a sequence of consecutive images that create the illusion of motion.

2. Business model



Author: Raphaëlle Chaygneaud-Dupuy

Distributor: local or international distribution that is the intermediary between the producer and the owner of the movie theatre. Takes care of the promotion and collects the revenues generated by the release.

Sales agent: hired by the producer to sell a feature film in exchange for a minimum guaranteed. The agent will contact local distributors on behalf of the producer.

Admission: the number of spectators

Box office: the revenue generated by the theatrical release in dollars or euros.

Animation work split: there are different steps in the process of making a film: the creative design and then the implementation. Within a coproduction agreement, each studio will have a share of the work according to its financial share and its area of expertise.

Intellectual property (IP): product work creates the studio's own property, it is the business long term value, although it is very expensive to develop a successful brand.

"The legal rights, which result from intellectual activity in the industrial, scientific, literary and artistic fields, which includes copyright, patents or trademarks"

Licence: "a leasing of rights, where the licensor remains owner of his rights, but authorizes the licensee to exercise some of his rights within agreed conditions for a concrete purpose."

Work for hire: service work for which job the studio gets paid a check, which is interesting for the cash flow. Nonetheless there is a harsh competition from Asian studios and the studio's creative work is never acknowledged.

In-house: production model where a film is entirely made under one umbrella, most common when the producer is also the studio and manages both the financing and the making.

List of mentioned films

Source: Imdb

Release date	Title	Producers	Nationality
TBA	Adventure Time	Warner Bros	US
TBA	Door Guardians	Light Chaser Animation	China
TBA	Iqbal, Tale of a fearless child	2D3D, Gertie	France, Italy
TBA	Kong	Aquamen	China
TBA	Minuscule 2	Futurikon	France
2017	Blazing Samurai	Mass Animation	World
2017	Captain Underpants!	DreamWorks	US
2016	Angry Birds	Rovio, Sony Pictures Imageworks	Finland, US
2016	Kung Fu Panda 3	DreamWorks, China Media Capital, Shanghai Media Group, Shanghai Alliance	US, China
2015	Avril et le monde truqué	Je suis bien content, Kaibou Productions	France, Canada
2015	Blinky Bill	Flying Bark productions, Studio 100	Australia, Belgium
2015	It's a Zucchini's life	Blue Spirit, Gebeka, Rita Productions	France, Switzerland
2015	Shaun the sheep	Aardman	UK
2015	Song of the sea	Cartoon Saloon, Mélusine Productions, The Big Farm Productions, Superprod Animation, Norlum	Ireland, Luxembourg, Belgium, France, Denmark
2015	The Little Prince	Mikros Images	France, Canada
2015	Under the dog	Masahiro Ando	Japan
2014	Asterix: the land of the gods	Mikros Image, M6 studio, Grid Animation, Belvision	France, Belgium
2014	Beyond beyond	Copenhagen Bombay	Denmark, Sweden
2014	Cheatin'	Bill Plympton	US
2014	Knights of the Zodiac	TOEI Animation	Japan
2014	Lego Movie	Warner Bros	US
2014	Maya the bee	Studio 100, Buzz Studios	Germany, Australia
2014	Minuscule	Futurikon, 2D3D, Entre chien et loup, Nozon	France, Belgium
2014	Planes 2	Pixar	US
2014	Snow Queen	Wizart	Russia

2014	SpongeBob Square Pants	Paramount Animation	US
2014	The boy and the cuckoo clock heart	Europacorp, Walking the dog	France, Belgium
2014	The Prince and the 108 Demons	Fundamental, Same Player, Scope Pictures, Bidibul Prods	China, France, Belgium, Luxembourg
2013	Aunt Hilda!	Folimage, Mélusine Productions	France, Luxembourg
2013	Chico & Rita	Estudio Mariscal, Magic Light Pictures	Spain, UK
2013	Despicable me 2	Illumination McGuff	US
2013	Frozen	Disney	US
2013	Metegol / Underdogs	Plural – Jempsa, Prana Animation Studios, 100 Bares	Argentina, Spain
2013	Monsters University	Pixar	US
2013	Pinocchio	2d3D Animations, Cometa Film, Iris Productions, Walking The Dog	Italy, France, Belgium
2013	Planes	Pixar	US
2013	Richard the stork	Studio Rakete, Ulysses Filmproduktion, Studio 352, Walking the dog, Bug	Germany, Luxembourg, Belgium, Norway
2013	The boy and the world	Film de Papel	Brazil
2013	The Congress	Bridgit Folman Film Gang, Entre Chien et Loup, Paul Thiltges Distributions	Israel, Belgium, Luxembourg
2013	The Croods	DreamWorks	US
2013	The tale of Princess Kaguya	Ghibli	Japan
2012	Approved for adoption	2 minutes Animation, Dreamwall	France, Belgium
2012	Ernest & Celestine	Les Armateurs	France
2012	Moon Man	Stephan Schesch	Germany
2012	Pet Pals: Marco Polo's Code	Gruppo Alconi, Grupo Edebé	Italy, Spain
2012	Pirates! Band of misfits	Aardman	UK
2012	Rio 2096: A Story of Love and Fury	Buriti Filmes	Brazil
2012	Sammy 2	nWave	Belgium
2012	Tad, the lost explorer	Lightbox Entertainment, El Toro Pictures	Spain
2012	The Apostle	Fernando Cortizo	Spain

2012	The suicide shop	Diabolo Films, Entre chien et loup, Kaibou Productions	France, Belgium, Canada
2012	Wreck-it Ralph	Disney	US
2012	Zarafa	Prima Linea Productions	France
2011	Cars 2	Pixar	US
2011	From Up on Poppy Hill	Ghibli	Japan
2011	Happy Feet 2	Warner Bros, Animal Logic	Australia, US
2011	The Great Bear	Copenhagen Bombay	Denmark, Sweden
2010	A Turtle's Tale: Sammy's Adventures	nWave	Belgium
2010	Alpha and Omega	Crest Animation Productions, Lionsgate	India US
2010	Arthur and the Two World Wars	Europacorp	France
2010	Despicable me	Universal Pictures, Illumination Entertainment	US
2010	Animals United	Constantin Film Produktion, Ambient Entertainment	Germany
2010	The storytelling show	Les Armateurs	France
2009	A case for friends, how it all began		
2009	Arthur, the revenge of Matazar	Europacorp	France
2009	Planet 51	Ilion Animation studios	Spain
2009	The Secret of Kells	Cartoon Saloon, Vivi Films, Les Armateurs	Ireland, Belgium, France
2009	Yona Yona Penguin	Madhouse, Denis Friedman Productions	Japan, France
2008	Waltz with Bachir	Bridgit Folman Film Gang	Israel
2007	Go West: a Lucky Luke adventure	Xilam	France
2007	Jungo goes banana	A.Film	Denmark, Latvia
2007	Nocturna	Filmax Entertainmant	Spain
2007	Persepolis	2.4.7. Films	France
2007	The Winx Club Movie	RAI Fiction	Italy
2006	Arthur and the invisibles	Europacorp	France
2006	Cars	Pixar	US
2006	Flushed away	Aardman	UK

2006	Happily N'ever after	BAF Berlin Animation Film, Vanguard Animation	Germany, US
2006	Happy Feet	Warner Bros, Animal Logic	Australia, US
2006	Renaissance	Onyx Films, Millimages	France
2005	Wallace and Gromit, The Curse of the Were-Rabbit	Aardman	UK
2004	Naruto (Ep1)	Bandai Co	Japan
2004	Shrek 2	DreamWorks	US
2004	Terkel in trouble	A.Film, Einstein Film	Denmark
2004	Yu-Gi-Oh !	TOEI Animation	Japan
2003	The triplets of Belleville	Les Armateurs, Vivi Films	France, Belgium
2001	Shrek	DreamWorks	US
2001	Spirited Away	Ghibli	Japan
2000	Chicken Run	Aardman	UK
1999	One piece	TOEI Animation	Japan
1998	Kirikou and the Sorceress	Les Armateurs, Odec Kids	France, Belgium
1997	Detective Conan (Ep1)	Tokyo movie shinsha	Japan
1997	Princess Mononoke	Ghibli	Japan
1995	Ghost in the shell (Ep1)	Production IG	Japan
1995	Toy Story	Pixar	US
1986	Dragon Ball Z (Ep1)	TOEI Animation	Japan
1937	Snow White	Disney	US

Methodology & references

D. Methodology

After determining my question of research, I started to look for both quantitative and qualitative data. In the first step of my research I used online databases to establish the supporting stones of my reflection: AlloCiné and Imdb. The goal was to see the box office results of animation movies in Europe. Nonetheless these databases were not accurate enough on their own and Le Film Français proved to be a valuable complement for results in France. Moreover the reports kindly provided by UniFrance and the European Audiovisual Observatory and the reports available online on the different European Funds (CNC, BFI, etc.) were both rich in quantitative and qualitative data. Finally I conducted a large survey targeting more than 500 European companies through Cartoon Aisbl network of producers and distributors to establish a record per European coproduced film. On the 589 projects surveyed, I had an answer rate of 52% completing the records of 309 projects that were launched between 1998 and 2014.

It should be pointed at that data collection is highly complex for European animated movies due to the number of films released each year and the fragmentation of the distribution channels in Europe. Aware of the problem, the European Audiovisual Observatory is launching in January 2015 a comprehensive study on European animation.

Based on that preliminary research I interviewed more than 50 professionals between June 2013 and June 2014 during the Annecy International Animation Festival (June 2013; June 2014), during Cartoon events (Cartoon Movie, Lyon, March 2014; Cartoon 360, Munich, April 2014) and during my internship at Cartoon Aisbl (over the phone or in person at the studios in Paris, Berlin and Munich between January 2014 and June 2014). These interviews were useful in order to have a deeper insight in to the different production models in animation in Europe.

E. Interviews

The average duration per interview was 30 minutes and the interview guide was as following.

For producers and distributors:

- Focus on feature films (that excludes the TV series)
- Recap of the past and ongoing coproductions.
What is the rationale for or against the choice of coproduction?
- What do you think your national funding system is doing well and how can it be improved?
What are the implications of such a system for the animation industry?

For national funds representatives:

- Focus on feature films (that excludes the TV series)
- Do you encourage coproductions? What is the rationale behind such a policy?
- What do you think of the European MEDIA policy?

Interviews with:

Producers:

- Gonzalo Azpiri (Hook Up Animation, Argentina),
- Pierre Belaisch (Gaumont Animation, France),
- Cedric Biscay (Shibuya Productions, Monaco),
- Dominique Boisshot (Les Films de la Perrine, France),
- Sarita Christensen (Copenhagen Bombay, Denmark),
- Michael Coldewey (Trixter Productions, Germany),
- Christian Davin (Alphanim, France),

- Philippe Delarue (Futurikon, France),
- Ludovic Delbecq (La Parti Prod, Belgium),
- Caroline Duvochel (Ellipsanime – Dargaud media, France),
- Franck Ekinci (Je suis bien content, France),
- Katell France (Studio 100 animation, France),
- Denis Friedman (Denis Friedman Productions, France),
- Eric Garnet (GO-N Productions, France),
- Jacques-Rémi Girerd (Folimage, France),
- Eric Goossens (Walking the dog, Belgium),
- Marcus Hamann (Caligari, Germany),
- Iain Harvey (Illuminated Film company, United Kingdom),
- Moe Honan (Moetion Films, Ireland),
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- Léon Pérahia (Dupuis audiovisual, Belgium),
- Michel-Pierre Pinard (Kayenta, France),
- Marc du Pontavice (Xilam, France),
- Frédéric Puech (Planet Nemo, France),
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- Ivan Rouveure (Les Armateurs, France),
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