

Exporting Canadian Feature Films in Global Markets

TRENDS, OPPORTUNITIES AND FUTURE DIRECTIONS

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Executive Summary

Goals of the Study

The goals of this study were three-fold:

1. To identify key trends in international sales of feature films generally and Canadian independent feature films specifically;
2. To provide intelligence on challenges and opportunities to increase foreign sales;
3. To identify policies, programs and initiatives to support foreign sales in other jurisdictions and make recommendations to ensure that Canadian initiatives are competitive.

For the purpose of this study, Canadian film exports were defined as sales of rights. These included pre-sales, sold in advance of the completion of films and often used to finance production, and sales of rights to completed feature films. In other jurisdictions foreign sales are being measured in a number of ways, including the number of box office admissions, box office revenues, and sales of rights. All of these measures were included in our examination.

Findings

1. A Changing Value Chain for Feature Film

The distribution of a feature film traditionally begins with a theatrical release in a cinema followed by the home entertainment market (DVD, Blu-ray, download-to-own and online rental) and then to subscription television and, finally, a screening on broadcast television. At each stage of a film's exploitation, royalties, or overages in excess of advances paid by buyers, can accrue to the rights seller.

The pre-sale of rights makes it possible to cover production costs and often forms the collateral for a loan from a bank to complete the budget. For independent films, pre-sales are an important source of financing representing between 31% and 47% of production budgets.¹

Digital technology has disrupted the traditional model of selling rights in discrete exploitation "windows," resulting in potential loss of revenues but also in new sales opportunities. Theatrical exploitation continues to lead, although major SVOD services are offering larger minimum guarantees to acquire exclusive first-window rights for the world.² Day-and-date releases of films in theatres and video-on-demand (VOD) platforms are becoming more common and the duration of the theatrical window is shortening as a result. Where and when to premiere, how the windows and territories work together, and effective promotion have become key challenges.

¹ Source: FIAPF, IFTA, IVF and MPA, *Case studies on the financing and distribution of recent European films & television series*, July 2015; *Record High Norwegian Exports*, Nordic Film and Television Fund, December 7 2012, retrieved from <http://www.nordiskfilmogtvfond.com/index.php/news/stories/record-high-norwegian-film-exports/>; Hugo Orchillers, *Le Livre Blanc de l'export Association Des Exportateurs de Films*, October 2016.

² Elsa Keslassy, "French Sales Agents, CNC Join Forces On New Subsidy Plan, Unveil White Paper," *Variety*, October 23, 2015. United States International Trade Commission, *Recent Trends in U.S. Services Trade: 2014 Annual Report*, Page 55.

2. Trends in Sales by the Top Five Exporting Countries

Global film exports are dominated by the US, which generates 70% of its film revenues in foreign markets. Behind the US are the United Kingdom (UK), France, Germany and Spain, who are also top exporters of feature films but not on the scale of the US. A noticeable trend is that the majority of sales by these countries are attributed to a few films that resemble US studio “blockbusters”.

It is clear that independent cinema around the world does not come close to achieving the kinds of sales earned by the Hollywood majors. Despite strong performances, UK independent films - the strongest of the four leading exporting nations examined, accounted for only 2.8% of global box office sales in 2015. France captured 1.6% of global box office in that year. For their part, Spanish and German films represented only .004% and .003%, respectively, of global box office sales in 2015. Seen in this light, the market for independent films truly stands apart from the market for US tent pole productions and their lookalikes.

In general, films that are generating sales in the global market have higher budgets, are made within the framework of international treaty coproductions and feature marquee talent. Successful exports often involve American creative talent or financial collaboration. The genres of films that are generating the most sales include drama, action/thrillers and comedies. Audiences also tend to prefer films that are culturally familiar. The extent to which films have won awards at festivals, have engaged a sales agent and a US distributor has an impact on their exportability.

3. The Canadian Context

Trends in the sales of Telefilm funded feature films are consistent with international trends. Higher budget Canadian films, shot in English and coproduced internationally achieved the highest volume of sales. Coproductions with budgets greater than \$10 million are the most successful in achieving international sales. Dramas achieved the highest sales followed by action and adventure films.

France is a partner of choice for Canadian films, followed by Germany and the UK. Films coproduced with the UK achieve a much higher volume of sales on average. The top twenty selling Canadian films are produced with well-known directors and leading actors.

Recommendations

1. Facilitating Exports of Canadian Feature Films

Canadian industry stakeholders interviewed for this study recommended the following to enhance foreign sales: 1) Greater resources for script development; 2) Greater flexibility in the attachment of marquee elements for films receiving public funding and tax credits; 3) A coproduction fund targeted at minority coproductions; and 4) A packaging fund to assist producers in assessing the global market’s appetite for their films.

We see merit in these recommendations and put them forward for consideration and study by the government and the industry.

2. Canada Needs an Export Strategy

Canada needs a focused export development strategy supported by market intelligence on sales. Leading exporting countries such as the UK, France and Germany, have aggressive film export strategies. They systematically gather intelligence on markets and survey their produc-

ers and distributors to measure sales and identify trends, providing them with robust data on which to prioritize markets. Unifrance conducts an annual industry survey and provides a detailed annual report on sales for use by the industry and policy makers. The UK and Germany have also conducted detailed data gathering and analysis on international sales for sharing with stakeholders. In addition, the three jurisdictions target resources to initiatives such as branding campaigns that promote their national cinemas. They encourage coproduction and provide support to distributors and sales agents.

Canada has developed many innovative promotional initiatives over the years, which have helped the industry grow and gain in international recognition. However, Canada lacks an overall export strategy. Also lacking is a national program of systematic data collection. Gathering this data is critical to the successful development and ongoing monitoring of an export strategy for Canadian film.

We have made some suggestions on the prioritization of markets, which include the United States, and Western Europe as first tier markets, currently the most important territories for foreign sales of Canadian films. France is a coproduction partner of choice for Canadian films, followed by Germany and the UK. Films coproduced with the UK achieve a much higher volume of sales on average. Europe is the most important territory for sales of Canadian films, followed by the US. The most important countries for sales of Canadian films, in descending order, are the US, France, the UK, Germany, Italy and Spain. Drama is Canada's most important export to these countries and to other important markets such as Australia and Belgium. Western European broadcasters - in particular those in France, the UK and Germany, are very important to the pre-selling of Canadian films.

We have also identified China, the Russian Federation and Latin America as second tier markets and India and Africa as markets to watch. Canadian science fiction/fantasy/tales are generating high levels of export revenues in Japan and the Russian Federation. These genres are also popular with Chinese audiences.

The development of a national film export strategy for Canada requires the input of the industry together with government representatives, to collaboratively develop a vision that will carry Canada's feature film sector forward into the next decade. The federal government could take the lead in the development of the strategy and gathering information on current sales.

3. Promotion and Sales of Canadian Film Under the Leadership of a National Authority

While Canadian films are generating sales, greater sales could be achieved with dedicated resources for promotion and sales under the leadership of a national authority, working in concert with the industry and provincial agencies. There is a need for more funding for the promotion of Canadian films at major international festivals that could brand Canadian cinema. Canada needs to continue and enhance its presence at the major international markets at Cannes, Berlin, FILMART and Toronto. While not an official market, Toronto was identified as a key destination for sales activity. Canadian companies interviewed also seek more opportunities to attend markets in the US, notably the American Film Market (AFM), which could provide greater access to American sales agents.

Marketing support for distributors that is provided by Telefilm is considered very effective and more of this type of funding would greatly help with sales to the US. Missions continue to be an effective way to build relationships with priority jurisdictions. Stimulating international coproductions and in particular minority coproductions would also enhance the sales of Canadian films.

The success of France and Germany in their film exports illustrates the value of establishing a national authority to promote and sell films internationally. Unifrance is appreciated as the most developed agency supporting sales of national films. The success of French cinema has grown to the point where admissions to French films are higher outside the country than within it.³

This approach will require an examination of current provincial and federal activities and programs to ensure that there is no duplication of efforts. A study is recommended that would consider the question of potential duplication, propose a governance framework, and consider the most efficient and cost-effective manner to deliver dedicated resources and create synergies in the promotion and sales of Canadian film and television programs, under the leadership of a national authority.

A key strength in Canada is the collaboration between federal and provincial agencies in promoting Canadian films, encouraging greater coproduction and attracting inward investment. This strength forms the basis for creating a robust approach to export development, one that could propel the Canadian industry forward with confidence on the global stage.

³ *UniFrance releases results for French films abroad in 2015*, Unifrance website, January 13, 2016, retrieved from <http://en.unifrance.org/news/14534/unifrance-releases-results-for-french-films-abroad-in-2015>.

Table of Contents

| | |
|---|-----------|
| ACKNOWLEDGEMENTS | 1 |
| EXECUTIVE SUMMARY | 2 |
| TABLE OF CONTENTS..... | 6 |
| INTRODUCTION..... | 8 |
| 1. PREAMBLE | 8 |
| 2. APPROACH AND METHODOLOGY | 8 |
| 3. STRUCTURE OF THIS REPORT | 9 |
| I. UNDERSTANDING INTERNATIONAL SALES IN THE VALUE CHAIN OF INDEPENDENT FEATURE FILMS..... | 10 |
| 1. THE INDEPENDENT FEATURE FILM VALUE CHAIN: FINANCING AND SALES | 10 |
| 1.1 <i>The Sales Agent and Pre-Sales</i> | 11 |
| 1.2 <i>Disruption in the Traditional Windowing Model is Impacting on Sales</i> | 11 |
| II. KEY TRENDS OF THE TOP FIVE FEATURE FILM EXPORTING COUNTRIES AND CHARACTERISTICS OF FILMS THAT SELL..... | 12 |
| 1. THE US IS THE LARGEST EXPORTER OF FEATURE FILMS | 12 |
| 1.1 <i>The Majors</i> | 12 |
| 1.2 <i>Independent Films</i> | 13 |
| 2. LEADING EUROPEAN EXPORTERS | 13 |
| 2.1 <i>Overview of Export Sales: UK, France, Germany and Spain</i> | 14 |
| 2.1.1 <i>The UK</i> | 14 |
| 2.1.2 <i>France</i> | 15 |
| 2.1.3 <i>Germany</i> | 15 |
| 2.1.4 <i>Spain</i> | 16 |
| 3. GENRES THAT EXPORT WELL | 16 |
| 3.1 <i>Drama, Action/Thriller and Comedy are Top Sellers</i> | 16 |
| 3.2 <i>Animated Features are Popular</i> | 17 |
| 4. PRODUCTION AND DISTRIBUTION CHARACTERISTICS THAT IMPACT EXPORTS..... | 18 |
| 4.1 <i>International Coproductions, High-Budget and English- Language Films Export Better</i> | 18 |
| 4.2 <i>Marquee Elements Drive International Sales</i> | 18 |
| 4.3 <i>Cultural Connections are Important for Sales</i> | 19 |
| 4.4 <i>Festival Awards and Sales Agents and US Distributed Films Drive Exports</i> | 19 |
| 5. SUMMARY OBSERVATIONS | 20 |
| III. A PORTRAIT OF THE INTERNATIONAL SALES OF CANADIAN FEATURE FILMS: 2005-2006 TO 2015-2016 | 21 |
| 1. CHARACTERISTICS OF CANADIAN FEATURE FILMS THAT HAVE GENERATED THE MOST SALES | 21 |
| 1.1 <i>High-Budget Films and Coproductions Generate the Most Sales Internationally</i> | 21 |
| 1.2 <i>Dramas Pre-Sold More Than Any Other Genre</i> | 25 |
| 1.3 <i>Pre-Sales of Action/Adventure Films are Higher as a Percentage of Production Budgets</i> | 26 |
| 1.4 <i>Science Fiction Films Achieved Higher Average Sales</i> | 26 |
| 1.5 <i>Greater Global Market Opportunities Exist for English-language Productions</i> | 27 |
| 2. CHARACTERISTICS OF THE TWENTY TOP-SELLING CANADIAN FILMS..... | 28 |
| 2.1 <i>The Importance of Marquee Elements</i> | 28 |
| 2.2 <i>High Budget Dramatic Films Shot in English and Made as International Coproductions Achieved the Most Sales</i> | 30 |
| 3. SALES OF CANADIAN FEATURE FILMS BY PLATFORMS AND TERRITORIES | 32 |
| 3.1 <i>Foreign Broadcasters Accounted for Half of All Pre-Sales</i> | 32 |
| 3.2 <i>Top Territories Include Europe and the United States</i> | 33 |
| 4. SUMMARY OBSERVATIONS | 36 |

| | |
|--|-----------|
| 4.1 Trends in the Sales of Canadian Feature Films are Consistent with International Trends | 36 |
| 4.2 Canada's Sales Performance Compared..... | 36 |
| IV. INTERVIEW FINDINGS ON THE CHALLENGES AND OPPORTUNITIES IN THE EXPORTS OF CANADIAN FEATURE FILMS | 38 |
| 1. THE INTERNATIONAL MARKETABILITY OF CANADIAN FILMS IS A CHALLENGE | 38 |
| 2. GENRE FILMS PRESENT OPPORTUNITIES FOR EXPORTS..... | 38 |
| 3. THE VOD MARKET IS PRESENTING BOTH CHALLENGES AND OPPORTUNITIES | 39 |
| 4. ATTRACTING A US DISTRIBUTOR IS A CHALLENGE | 39 |
| 5. CONSIDERATIONS FOR INCREASING THE SALES OF FEATURE FILMS | 40 |
| V. EFFECTIVE STRATEGIES AND INITIATIVES FOR THE EXPORT OF FEATURE FILMS: LESSONS FOR CANADA | 41 |
| 1. LESSONS LEARNED FROM THE UNITED KINGDOM, FRANCE AND GERMANY | 41 |
| 1.1 United Kingdom..... | 41 |
| 1.2 France..... | 41 |
| 1.3 Germany..... | 42 |
| 2. CONSIDERATIONS FOR ENHANCING FOREIGN SALES OF CANADIAN FEATURE FILMS | 42 |
| 2.1 Market Intelligence and Measurement of Sales | 42 |
| 2.2 Priority Markets for Canadian Films..... | 43 |
| 2.2.1 First Tier Markets..... | 43 |
| 2.2.2 Second Tier Markets..... | 43 |
| 2.2.3 Markets to Watch | 46 |
| 2.3 Promotion of Canadian Films | 47 |
| 2.4 Support to Sales | 48 |
| 2.5 Coproduction..... | 49 |
| 3. SUMMARY OBSERVATIONS | 49 |
| VI. CONCLUSIONS AND RECOMMENDATIONS | 50 |
| 1. FINDINGS AND RECOMMENDATIONS..... | 50 |
| 1.1 Facilitating Exports of Canadian Feature Films | 50 |
| 1.2. Canada Needs an Export Strategy | 50 |
| 1.3. Promotion and Sales of Canadian Film Under the Leadership of a National Authority..... | 51 |
| ANNEX 1: GLOSSARY | 52 |
| ANNEX 2: INTERVIEWS CONDUCTED | 54 |
| ANNEX 3: SELECTED BIBLIOGRAPHY | 55 |

Introduction

1. Preamble

Feature films are one of the most popular forms of cultural expression worldwide.⁴ In 2013, there were 7,610 feature films produced in 86 countries.⁵ Governments around the world recognize both the economic and cultural value of their film sectors and its long-term potential in the global marketplace. By one estimation, revenues from the film business are expected to reach \$113 billion globally in 2019.⁶ Increasingly, both the financing and commercial success of feature films depend on securing sales in foreign markets.

Within a context of the growing importance of exports for Canadian films, both within federal government policy and for the long-term economic health of the industry, the Canadian Media Producers Association (CMPA) engaged Communications MDR to undertake a study on international sales of Canadian films. The goals of the study were three-fold:

- To identify key trends in international sales of feature films generally and Canadian independent feature films specifically;
- To provide intelligence on challenges and opportunities to increase foreign sales;
- To identify policies, programs and initiatives to support foreign sales in other jurisdictions and make recommendations to ensure that Canadian initiatives are competitive.

2. Approach and Methodology

This study used multiple lines of inquiry.

A review of literature identified general trends in international sales of feature films. Our analysis was limited to the top five exporting countries for which information on sales is readily available. They include the United States (US), the United Kingdom (UK), France, Germany and Spain. The primary sources of information included annual statistical profiles published by the Motion Picture Association of America (MPAA), Centre national du cinéma et de l'image animée (CNC), the British Film Institute (BFI), German Films, Screen Australia and the European Audiovisual Observatory.

Foreign sales are measured by these jurisdictions in a number of ways. These include the number of box office admissions, box office revenues, and sales of rights. All of these measures are examined herein as key indicators of sales trends.

⁴ *Emerging Markets and the Digitalization of the Film Industry, An Analysis of the 2012 UIS International Survey of Feature Film Statistics*, UIS Information Paper No. 14, Unesco Institute for Statistics, August 2013.

⁵ *Diversity and the Film Industry, An Analysis of the 2014 UIS Survey on Feature Film Statistics*, UIS Information Paper No. 29, Unesco Institute for Statistics, March 2016.

⁶ Pricewaterhouse, *Global Entertainment and Media Outlook 2015-2019*, Cinema Segment, retrieved from <http://www.pwc.com/ca/en/industries/entertainment-media/subsectors/film-and-tv.html>.

Our examination of effective strategies that support export development was focused on the top exporting countries of UK, France, and Germany. In addition, *Creative Europe* was also included in the review due to its unique support for sales agents.

In order to provide an analysis of the trends in the sales of Canadian films internationally, the consultants undertook a statistical analysis of trends based on data obtained from Telefilm Canada.⁷ The analysis covered the ten-year period from 2005-2006 to 2015-2016.

For the purposes of the study, sales were defined as sales of rights. These included pre-sales, sold in advance of the completion of films and often used to finance production, and sales of rights to completed feature films.

To better understand the territories in which Canadian films are being sold, Telefilm Canada undertook a special analysis of the top twenty selling Canadian films of the past decade.

The consultants conducted 30 in-depth interviews with both national and international stakeholders. These included producers, distributors, sales agents, funders and major international markets. The goal of the interviews was to understand current general trends in international film sales as well as the challenges and opportunities associated with selling Canadian feature films internationally. Annex 2 contains a list of the interviewees.

3. *Structure of this Report*

This report is divided into six sections:

- Section I describes the value chain of independent feature films and the place of international sales within it;
- Section II provides an overview of the key trends of the sales by the top five exporting countries, the genres that are selling and characteristics of films that sell;
- Section III presents a portrait of trends in the sales of Canadian feature films funded by Telefilm Canada;
- Section IV identifies the challenges and opportunities facing the export of Canadian feature films;
- Section V identifies effective strategies and initiatives for exporting Canadian films; and
- Section VI concludes with recommendations to enhance exports of Canadian feature films.

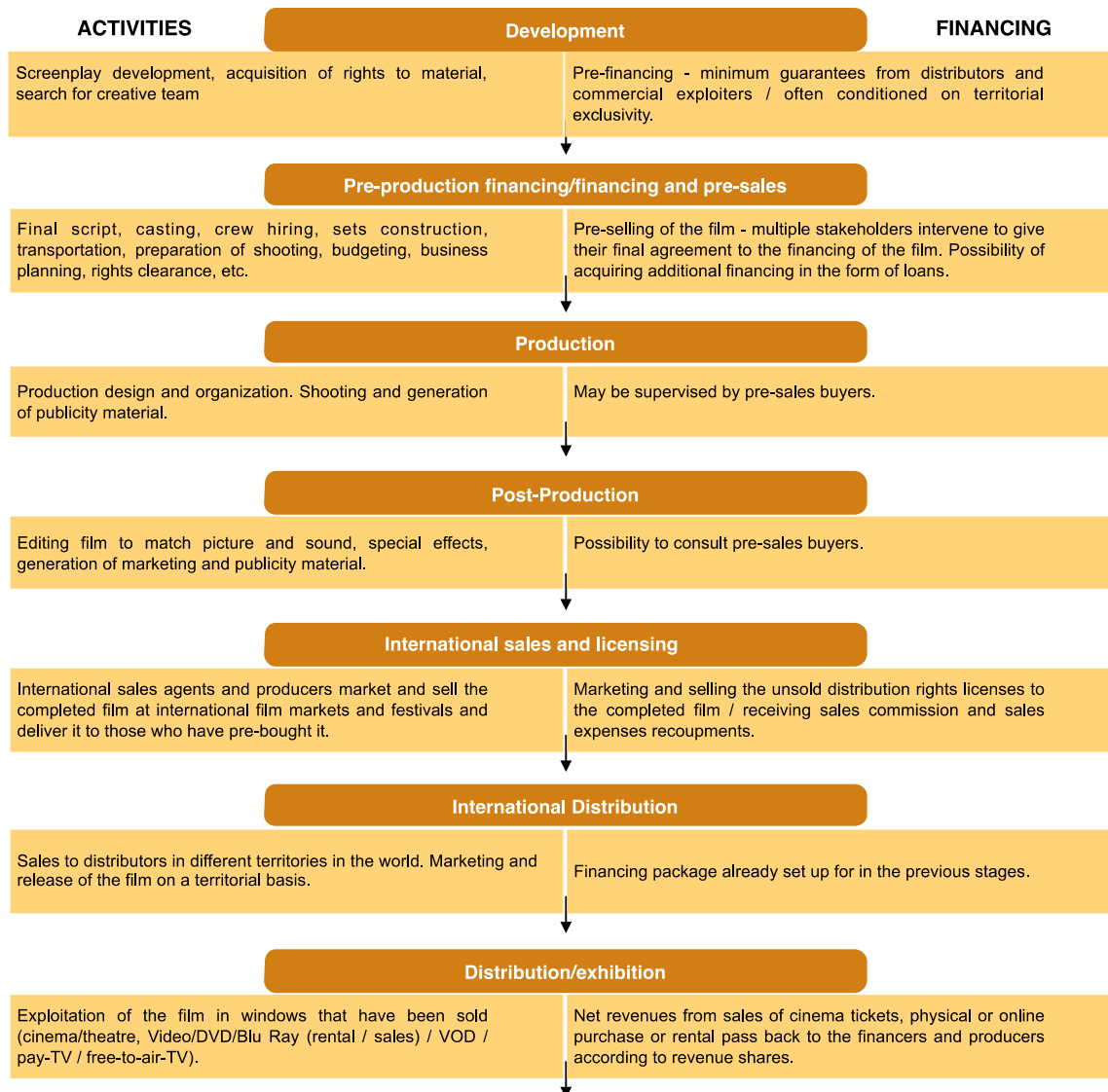
⁷ Telefilm Canada, *Canada Feature Film Fund Distribution Terms & Contracts Requirements*, March 5 2013.

I. Understanding International Sales in the Value Chain of Independent Feature Films

1. The Independent Feature Film Value Chain: Financing and Sales

Independent films are made at every budget level and may be mainstream, commercial or art house. Further, independent producers are those that control the licensing of the films they produce throughout the world. As can be seen in Figure 1, feature films require the intervention of many players along the value chain. Involved in the sale of a feature film are producers, distributors, exhibitors and other retail platforms, at different stages of a film's life. With this value chain, financing and sales are inextricably linked to the international market.

Figure 1: Value Chain of an Independent Feature Film and International Sales



1.1 The Sales Agent and Pre-Sales

The international sales agent plays a pivotal role as the conduit between a film's producer and the distributor.⁸ Sales agents help finance the production budget by piecing together sales of rights in various “windows” to distribution companies who then exploit these rights in their respective territories. The distribution of a feature film traditionally begins with a theatrical release in a cinema followed by the home entertainment market (DVD, Blu-ray, download-to-own and online rental) and then to subscription television and, finally, a screening on broadcast television. At each stage of a film's exploitation, royalties, or overages in excess of advances paid by buyers, can accrue to the rights seller.

The pre-sale of rights makes it possible to cover production costs and often forms the collateral for a loan from a bank to complete the budget. For independent films, pre-sales are an important source of financing representing between 31% and 47% of production budgets.⁹

1.2. Disruption in the Traditional Windowing Model is Impacting on Sales

The release windows system follows the order of highest revenue generated over the least amount of time. Each window is normally sold on an exclusive basis for a limited period. However, digital technology has disrupted the model. Pre-sales to Internet-based subscription video-on demand (SVOD) platforms offer a new source of financing for independent films. Day-and-date releases of films in theatres and video-on-demand (VOD) platforms are becoming more common. Theatrical exploitation continues to lead, although major SVOD services are offering larger minimum guarantees to acquire exclusive first-window rights for the world.¹⁰ The duration of the theatrical window is shortening as a result. Producers, distributors and sales agents are balancing potential loss of revenues resulting from disruption with new revenue opportunities. Where and when to premiere, how the windows and territories work together, and effective promotion have become key challenges.

The resilience of box office sales attests to the continuing popularity of the cinematic experience. Already at \$38 billion in 2015, global box office is expected to climb to \$46 billion by 2018. At the same time, ancillary revenues are important to the health of the industry. Almost half of all revenues for the average film generally come from ancillary revenues, including home video sales, pay-per-view and TV/ OTT licensing and syndication fees.¹¹ Revenues from OTT video-on-demand services are growing at a compound annual growth rate of 20%, and are expected to overtake sales of DVDs and Blu-ray discs in 2018.¹²

⁸ UK Film Council International and Film Export UK, *UK Film Sales Sector Study*, prepared by Olsberg, May 5, 2006.

⁹ Source: FIAPF, IFTA, IVF and MPA, *Case studies on the financing and distribution of recent European films & television series*, July 2015; *Record High Norwegian Exports*, Nordic Film and Television Fund, December 7 2012, retrieved from <http://www.nordiskfilmogtvfond.com/index.php/news/stories/record-high-norwegian-film-exports/>; Hugo Orchillers, *Le Livre Blanc de l'export Association Des Exportateurs de Films*, October 2016.

¹⁰ Elsa Keslassy, “French Sales Agents, CNC Join Forces On New Subsidy Plan, Unveil White Paper,” *Variety*, October 23, 2015. United States International Trade Commission, *Recent Trends in U.S. Services Trade: 2014 Annual Report*, Page 55.

¹¹ Deloitte, *The award for stable box office revenues in the face of digital media goes to... TMT Predictions 2016*, retrieved from <http://www2.deloitte.com/global/en/pages/technology-media-and-telecommunications/articles/tmt-pred16-media-award-for-stable-box-office-revenues.html>.

¹² PwC, *Global Entertainment and Media Outlook, 2014-2018*, cited in Colin Brown, *Filmed Entertainment as an Attractive Asset Class*, Slated, revised March 2015.

II. Key Trends of the Top Five Feature Film Exporting Countries and Characteristics of Films that Sell

1. The US is the Largest Exporter of Feature Films

1.1 The Majors

The US is the largest exporter of feature films in the world, dominated by six major studios and a handful of so-called large independent studios (“the mini-majors”) such as Lionsgate Films or The Weinstein Company (TWC). The US film industry enjoys a significant trade surplus from year to year, amounting to USD \$16.3 billion in 2014.¹³ The industry posted revenues of \$29 billion in 2015.¹⁴ The six major US studios – Universal (Comcast), Disney, 20th Century Fox, Warner Bros., Columbia (Sony) and Paramount (Viacom) -- dominate the global film market. These companies rank within the top 12 worldwide audiovisual companies and represent 36% of revenues earned by the top 50 companies worldwide.¹⁵

The European Audiovisual Observatory attributes the growing weight of US major studios in world film markets to their vertical integration across production and distribution to over 140 countries worldwide¹⁶ and even exhibitors in some territories, notably Europe, and Japan. Their control over distribution allows them to invest significantly in production and marketing, and, build audience awareness.¹⁷

In the last decade, the US majors have moved towards significantly higher budget films costing hundreds of millions of dollars to produce, in a bid to generate higher returns. As budgets have increased, films have become more reliant on foreign sales. Foreign box office sales now account for almost 70% of all global theatrical revenues earned by all films around the world.¹⁸ US studio films aim for at least 60% of box office earnings to come from international markets. For some films, the figure can be as high as 75%.¹⁹ As noted by one industry executive, “The international marketplace tends to prefer brands and sequels and stars. Both *Terminator: Genisys* and *Mission: Impossible – Rogue Nation* benefited internationally from those dynamics.”²⁰

“Big event” films, particularly those based on pre-existing franchises, fare especially well in foreign markets. In 2015, the top five grossing US films worldwide were: *Jurassic World*, *Star Wars: The Force Awakens*, *Avengers: Age of Ultron*, *Furious 7* and *Inside Out*. As an exam-

¹³ *Media and Entertainment Spotlight, The Media and Entertainment Industry in the USA*, Select USA website: <https://www.selectusa.gov/media-entertainment-industry-united-states>.

¹⁴ *Media and Entertainment Spotlight, The Media and Entertainment Industry in the USA*, Select USA website: <https://www.selectusa.gov/media-entertainment-industry-united-states>.

¹⁵ European Audiovisual Observatory, *Yearbook 2015 Key Trends*, 2016.

¹⁶ Motion Picture Association of America, *MPAA Statement on the U.S. International Trade Commission Report on the TPP*, May 19, 2016.

¹⁷ European Parliament, “An overview of Europe’s film industry,” briefing note, December 2014.

¹⁸ Tom Brook, “How the Global Box Office is Changing Hollywood,” BBC website, October 21 2014, retrieved from <http://www.bbc.com/culture/story/20130620-is-china-hollywoods-future>.

¹⁹ Deloitte, *The award for stable box office revenues in the face of digital media goes to... TMT Predictions 2016*, retrieved from <http://www2.deloitte.com/global/en/pages/technology-media-and-telecommunications/articles/tmt-pred16-media-award-for-stable-box-office-revenues.html>.

²⁰ Rob Moore, Vice Chair of Paramount Pictures Inc., cited in Ryan Faughnder, “\$40 billion in global box office? Thank China and 'Star Wars',” *Los Angeles Times*, December 30, 2015.

ple Universal's *Furious 7* earned nearly 77% of its gross box office outside the US and Canada, achieving total sales of USD \$1.16 billion in overseas markets.²¹

Action-oriented US blockbusters have helped the US to make significant inroads into the Chinese theatrical market which has a strict quota system in place on foreign film imports. US majors accounted for almost 40% of all Chinese box office sales in 2015; more than any other foreign country.²² Most revenues for foreign films in the Chinese theatrical market are earned by action and sci-fi Hollywood blockbusters. Eight of the top twenty films in terms of cinema admissions in China were US productions, including *Avengers: Age of Ultron*, *Terminator Genisys*, *Ant-Man*, *Furious Seven*, *Jurassic World*, *Mission: Impossible - Rogue Nation*, *The Hobbit: The Battle of the Five Armies* and *San Andreas*.²³

1.2 Independent Films

The US also has one of the most successful independent film sectors in the world. American independents have been producing between 350 and 400 films with budgets of more than USD \$1 million each year since 2011.²⁴

These independents rely on the major studios for worldwide distribution and for financing. For their part, the majors rely on independent producers to make lower-budget films that can take more risks and can react more swiftly to changing market conditions.²⁵ Due to their relationship with major studios, isolating data on the sales of independent American films is challenging.

Independent films are being produced with budgets once the domain of the major studios. It is not uncommon for independent films to have production budgets ranging from \$20 million to \$80 million, a budget bracket that is said to fall between “indie minnows” and “studio whales.” Finding equity investors and foreign buyers are critical to close the financing of independent films with higher budgets. Well-financed, they are increasingly competing in the world market.

2. Leading European Exporters

Exports of European films are increasing. Of the approximately 1500 films produced in Europe each year, 45% are exported.²⁶ European films sell half of their admissions in foreign territories outside their national borders. The number of productions sold to foreign markets is not a guarantee of high box office sales or market share. The majority of global box office sales of European films can be traced to a small number of films. While over 1000 new films

²¹ Ryan Faughnder, “\$40 billion in global box office? Thank China and 'Star Wars',” *Los Angeles Times*, December 30, 2015.

²² Patrick Brzeski, “China Box Office Grows Astonishing 48.7 Percent in 2015, Hits \$6.78 Billion,” *Hollywood Reporter*, December 31, 2015.

²³ *Focus World Film Market Trends 2016*, Film Market, Cannes Festival.

²⁴ Motion Picture Association of America, *MPAA Statement on the U.S. International Trade Commission Report on the TPP*, May 19, 2016.

²⁵ International Trade Administration, *Media & Entertainment Top Markets Report: A Market Assessment Tool for U.S. Exporters*, July 2015.

²⁶ Martin Kantzler, Analyst, *European Audiovisual Observatory How Important is export for European films? – snapshot presentation*, 16:9 OBS Cannes 2016, June 17, 2016; European Audiovisual Observatory, *Yearbook 2015 Key Trends*, 2016; Martin Kantzler, European Audiovisual Observatory, *Territoriality and its impact on the financing of Audiovisual works*, Iris Plus 2015-2, 2015.

were released in foreign markets in 2014, the top 100 grossing films accounted for 88% of foreign box office sales.²⁷

The UK, France, Germany and Spain lead other European nations in exports, releasing the highest number of films outside Europe in 2014 and selling the greatest number of foreign admissions. The UK and France stand out by far and away with the greatest volume of foreign box office sales.

2.1 Overview of Export Sales: UK, France, Germany and Spain

2.1.1 The UK

As we have seen, the UK is the world's second most important exporter of feature films in terms of worldwide gross box office sales. These have consistently increased in the past decade, from USD \$3.6 billion in 2005 to USD \$9.4 billion in 2015. This represents a global market share of 28.8%. While the majority of these sales were for studio-backed films, UK independent films also fared well, capturing 2.8% of the global market.²⁸ A strong slate of family animation films led sales of UK independent films, which earned \$1.1 billion in global box office in 2015.

US studio-financed action-adventure blockbusters, such as the hugely popular James Bond and Harry Potter franchises, account for nine of the top ten most successful European film exports of the past decade.²⁹ Films modeled on US blockbusters account for the majority of foreign box office receipts captured by French and UK films.

The UK has greatly benefited from the establishment of local operations by US major studios that have chosen the UK for its favourable tax incentives, common language and access to talent and incentives across Europe through the EU's common market.³⁰ Films produced in the UK with US studio financing have the highest box office outside the UK, attracting 83% of world box office earnings of UK films.³¹ All ten of the top grossing UK films internationally in 2015 were backed by US studios. The two highest grossing "UK" films internationally were *Star Wars: The Force Awakens* and *Avengers: Age of Ultron*.³² The top ten films earned USD \$7.5 billion, accounting for 79% of all UK foreign box office sales in 2015.

The most important markets for European films, in terms of global box office and cinema admissions, were the US and China. The US accounted for 40% of global box office, while European films exploited in China generated 16% of global box office for European first releases in 2014³³.

²⁷ Martin Kantzler, European Audiovisual Observatory, *How Important is export for European films? – snapshot presentation, 16:9 OBS Cannes 2016*, June 17, 2016.

²⁸ BFI Research and Statistics Unit, *UK Films at the worldwide box office, 2015*, March 17 2016.

²⁹ Martin Kantzler, European Audiovisual Observatory, *Ticket to Ride! What Makes European Films Travel, Cannes 2016*, retrieved from https://prezi.com/tve5ffrcayqj/169-obs-cannes-2016/?utm_campaign=share&utm_medium=copy.

³⁰ Martin Kantzler, European Audiovisual Observatory, *Ticket to Ride! What Makes European Films Travel, Cannes 2016*, retrieved from https://prezi.com/tve5ffrcayqj/169-obs-cannes-2016/?utm_campaign=share&utm_medium=copy. It remains to be seen how the recent Brexit vote will impact on these advantages enjoyed by companies based in Great Britain.

³¹ Olsberg SPI and David Steele, *International Territory Review – A report of major territories for UK Film, British Film Institute*, December 2012.

³² *UK Films at the worldwide box office, 2015*, BFI Research and Statistics Unit, March 17 2016.

³³ European Audiovisual Observatory, *Yearbook 2015 Key Trends*, 2016.

In 2015, UK exports accounted for 29% of box office sales in the US and Canada – the largest market in the world. In Europe, UK films accounted for between 21% of box office sales in France and 32% in Russia. UK films took 39% of the Australian and New Zealand box office sales, respectively. In emerging film markets, UK films account for 24% of all box office sales in Latin America (Argentina, Brazil, Chile, Columbia, Mexico and Venezuela) and 18% in Asia (China, Hong Kong, Japan, Malaysia, Singapore, South Korea).

2.1.2 France

France too is a major international force. For three of the last four years, French films have sold more than 100 million international admissions, achieving foreign box office sales of almost €900 million in 2012 and over €600 million in 2014 and 2015. The success of French exports is reflected in the 1.6% market share of global box office captured by French films in 2015.³⁴

Almost a third of France's most successful film exports, involve some American financial or creative input. As in the UK, France has had great success in exporting films that resemble US studio blockbusters. Luc Besson's *Lucy*, shot in English, was the most successful European film export in 2014. With over 56 million admissions world-wide, it was the most viewed French film in twenty years. The top French film in terms of worldwide cinema admissions in 2015 was Olivier Megaton's English-language action-thriller *Taken 3*, (co-written by Luc Besson and Robert Mark Kamen), which sold to 83 territories and accounted for close to 44 million foreign admissions in 2015. This represents estimated total gross box office sales of €261.7 million. *Le Transporteur – Héritage*, shot largely in English, sold 12.7 million admissions in 74 territories for estimated total gross box office sales of €63.6 million.³⁵

France broke into the Chinese market with its animated feature, *Le Petit Prince*, an independent France-Canada coproduction distributed internationally by Paramount and modelled on a US studio film. The film was written, directed and produced in English, directed by American studio veteran Mark Osborne (*Kung Fu Panda* by Dreamworks) and starring American actor Jeff Bridges and Canadian actor Rachel McAdams.

In 2015, Asia was the most important foreign market for French films, accounting for 26.7% of all foreign admissions to French films (28.9 million admissions). China alone accounted for 14.8 million cinema admissions, followed by 3.6 million admissions in Japan and 2.2 million in South Korea. Taiwan, Malaysia, Indonesia and the Philippines each accounted for more than 1 million cinema admissions. Three French films dominated Asian sales of admissions, generating 90% of a total of French cinema admissions in Asia in 2015: *Le Petit Prince*, *Taken 3*, *le Transporteur – Héritage*.

2.1.3 Germany

German film exports averaged €110 million per year in foreign box office sales from 2010 to 2014. Twenty-four German films were exported to ten or more territories in this period. The most successful German film exports follow the familiar pattern of the US blockbuster. For example, the *Resident Evil* spin-offs made by Germany's Constantin Films have had great success in international markets. *Resident Evil: Retribution*, a Canada-Germany coproduction, attracted €141.8 million in gross box office sales.³⁶ Half of Germany's most successful

³⁴ German Films, *German Films on the International Market 2010-2014*, prepared by Split Screen Data Ltd, October 2015.

³⁵ UniFrance releases results for French films abroad in 2015, Unifrance website, January 13, 2016, retrieved from <http://en.unifrance.org/news/14534/unifrance-releases-results-for-french-films-abroad-in-2015>.

³⁶ German Films, *German Films on the International Market 2010-2014*, prepared by Split Screen Data Ltd, October 2015.

film exports involve American financial or creative input. One example, the sci-fi thriller *Cloud Atlas*, earned €80.2 million in box office sales internationally from 2010 to 2014.³⁷

Russia is Germany's most important emerging market for its film sales. Between 2010 and 2015, gross box office sales of German films in Russia accounted for 12% of global box office revenues. China accounted for 10%, followed by South America, which accounted for 7% of global box office, of which the majority (5%) was from Brazil. South Korea accounted for 4% of global box office revenues for German films.

2.1.4 Spain

Spain has doubled its international box office sales in the past decade. Spanish feature films sold 26 million admissions abroad in 2015, earning almost €160 million, as compared to €80 million in 2006.³⁸ Similarly to the UK, France and Germany, Spain's global box office strength is also attributed to the success of only a few films.³⁹ The critically acclaimed 2015 thriller *La Isla Mínima*, directed by Alberto Rodríguez sold to 20 territories and was lauded as Spain's film with the greatest international impact in 2015. In 2011, the most successful exports included Alejandro González Iñárritu's Mexico-Spain coproduction *Biutiful* and the US-Spain coproduction *Midnight in Paris*, directed by Woody Allen.

Mexico was the country with the most releases of Spanish films in 2011 - 36 films in total. Only three of these were Spanish-Mexico coproductions. After Europe, South America and Spanish-speaking US, are by far the most important markets for Spanish films. 40% of all foreign sales of Spanish films were made in this region in 2011.

3. Genres That Export Well

3.1 Drama, Action/Thriller and Comedy are Top Sellers

According to research conducted on European film exports, drama is the most successful type of feature film export. Action/thriller and comedy follow close behind. Between 2010 and 2014, dramatic films represented 38% of all European exports (one in four films). Of all European films exported in the period, 22% were action/thriller films, and 19% were comedies.⁴⁰

Demand is said to be strong for thrillers, adventure tales and family films. Genre films, such as psychological and action thrillers are the most in demand from sales agents and buyers abroad.⁴¹ Distributors are buying films with broad appeal.

In France, dramatic films sell to the greatest number of foreign territories. Twelve titles were sold to more than 20 territories each in 2014. Overall, French dramatic films sold 15.1 million admissions outside France. The most important French exports in recent years have been

³⁷ German Films, *German Films on the International Market 2010-2014*, prepared by Split Screen Data Ltd, October 2015.

³⁸ *Spanish Cinema Collects 160 Million Euros Internationally in 2015*, Spanish Screenings website, retrieved from <http://www.spanishscreenings.es/en/spanish-cinema-collects-160-million-euros-internationally-in-2015/>

³⁹ Josef Wutz, *Dissemination of European Cinema in the European Union and the International Market*, Euro IFA, Unifrance Films, Notre Europe – Jacques Delors Institute, November 2014.

⁴⁰ Martin Kanzler, European Audiovisual Observatory, *Ticket to Ride! What Makes European Films Travel*, Cannes 2016, retrieved from https://prezi.com/tve5ffrcayqj/169-obs-cannes-2016/?utm_campaign=share&utm_medium=copy; Paraskevi Karageorgu, "Industry Report: Distribution and exhibition - European films can travel without becoming mainstream," *Cineuropa*, June 6, 2016.

⁴¹ Vicente Canales (Film Factory), cited in, Martin Dale, "Int'l sales agents steer the market," *Variety*, May 19 2012.

fantasy/horror/science fiction films, led by *Lucy* (56.1 million admissions) and *La Belle et la Bête* (4.5 million admissions outside France). Thriller/adventure films achieved 15% of foreign box office sales in 2014, led by minority coproduction *Brick Mansions*, sold in 60 territories and attracting 12.2 million admissions around the world.

Biopics (films based on well-known historical figures) travel well. Over the past two decades, nine out of ten French biopics and period films were exported.⁴² The UK has had particular success with British biopics, such as *The King's Speech*, and *The Iron Lady*.⁴³ There is an appetite for these films in commonwealth countries, particularly Australia.

British comedies and drama that involve US studios have sold well, such as *Bridget Jones*, *Mr Bean's Holiday*, *Pride and Prejudice*, produced and distributed by Universal with Working Title films.⁴⁴ *Philomena*, backed by The Weinstein Company, was a surprise international hit.

French comedies have reputedly found more export markets following the success of *Les Intouchables*.⁴⁵ Mid-budget comedy-dramas, including *Les Intouchables*, *Welcome to the Sticks*, *Serial (Bad) Weddings* and *Nothing to Declare*, have wide appeal in many jurisdictions. *Qu'est-ce qu'on a fait au bon Dieu ?* sold 6.9 million admissions in 2014 in 29 different territories. Since 1995, comedies have accounted for half of all French film exports.

3.2 Animated Features are Popular

Animated features are very successful worldwide, often appearing in the top box office rankings, particularly in Europe. Clearly, the US is the greatest exporter of animation, driven by the success of studio films. The top 20 grossing animation films worldwide between 2010 and 2014 were US films. In 2015, four US studio films ranked amongst the top 20 grossing films worldwide: *Inside Out*, *Minions*, *Hotel Transylvania 2* and *Big Hero 6*. Also in that year, *Minions* was the second-highest grossing film in European theatres in 2015.⁴⁶

France and the UK are the leading European exporters of animation. Films such as *Paddington* and *Shaun the Sheep Movie* led the foreign sales of UK independent films in 2015. *Paddington* has grossed \$249 million in foreign territories, while *Shaun the Sheep Movie* has earned \$103 million.⁴⁷

British animations benefitting from foreign investment, typically American, lead foreign sales. For example, *Arthur Christmas*, *The Pirates! Band of Misfits* and *Gnomeo and Juliet* were among the top four European animations with the widest European circulation, representing over 36% of all foreign admissions to European films in non-national territories.⁴⁸

⁴² Unifrance, *The top selling French film genres in foreign markets*, 2015.

⁴³ Olsberg SPI and David Steele, *International Territory Review – A report of major territories for UK Film*, British Film Institute, December 2012.

⁴⁴ Olsberg SPI and David Steele, *International Territory Review – A report of major territories for UK Film*, British Film Institute, December 2012.

⁴⁵ H. D. Jones, *Which feature films travel within Europe?*, A report by Dr Huw Jones for the MeCETES team meeting Presented at the University of Copenhagen 14 March, 2014; Unifrance, *The top selling French film genres in foreign markets*, 2015; Birgit Heidsiek, "German buyers fall for French comedies at Cannes," *Cineuropa*, May 25, 2016. Camillo De Marco, "Ciné/Box Office: European comedy outstripping American comedy," *Cineuropa*, July 3, 2015.

⁴⁶ *Focus World Film Market Trends 2016*, Film Market, Cannes Festival.

⁴⁷ Naman Ramachandran, *UK made films gross \$9.4 billion worldwide*, *Cineuropa*, March 21 2016.

⁴⁸ Marta Jiménez Pumares et al, *Mapping the Animation Industry in Europe*, European Audiovisual Observatory, 2015.

French animation is a strong export. Ninety-three per cent of animated French films are exported. Thirty-two per cent are sold in over 30 territories.⁴⁹ Three animated films were among the top ten French films sold internationally in 2015: *Le Petit Prince*, *Astérix le domaine des dieux*, *Mune, le gardien de la lune* and *Yellowbird in 2015*. *Le Petit Prince* was the second highest grossing French film at the foreign box office in 2015, and the highest grossing French animation in over 20 years. The film sold over 15 million foreign admissions, a more than five-fold increase over sales in 2014.⁵⁰

4. Production and Distribution Characteristics That Impact Exports

4.1 International Coproductions, High-Budget and English- Language Films Export Better

European coproductions are more likely to travel outside of Europe. Two-thirds (64%) of all European films released outside Europe in 2015 were coproductions.⁵¹

International box office performance tends to be greater, the bigger the film's budget. Higher budgets are said to be crucial to the success of action/adventure films to attract marquee cast and to cover special effects.⁵² For example, big-budget animations styled on DreamWorks or Pixar productions, such as Belgium's *Sammy's Adventures* (2010) or Spain's *Planet 51* (2009), have been successfully exported.⁵³

Films are shot in English for their greater export potential.⁵⁴ Over half of the top 100 European films sold outside Europe between 2010 and 2014 were English-language productions, which garnered the vast majority of foreign admissions. It should be noted that while shooting in English is an advantage for thrillers or fantasy films, this is not the case for comedies.⁵⁵

4.2 Marquee Elements Drive International Sales

The exportability of dramas and action or adventure films depends heavily on marquee cast. Auteur films by name-brand directors also sell well in foreign jurisdictions. Critically acclaimed films such as winners at the Cannes International Film Festival, achieve levels of sales internationally.⁵⁶

Two-thirds of successful European film exports have employed American directors, script-writers and leading actors.⁵⁷ European films with US marquee talent dominate exports. Of the 30 top European films released outside their jurisdiction in the decade from 2004 to

⁴⁹ Marta Jiménez Pumares et al, *Mapping the Animation Industry in Europe*, European Audiovisual Observatory, 2015.

⁵⁰ Naman Ramachandran, *UK made films gross \$9.4 billion worldwide*, Cineuropa, March 21 2016.

⁵¹ European Audiovisual Observatory, *Yearbook 2015 Key Trends*, 2016.

⁵² Colin Brown, "Here's What You Need to Know to Sell Films in Each of 12 Genres," *IndieWire*, October 14, 2013.

⁵³ Naman Ramachandran, *UK made films gross \$9.4 billion worldwide*, Cineuropa, March 21 2016.

⁵⁴ Marina Fuentes ((Dreamcatchers), cited in Martin Dale, "Int'l sales agents steer the market," *Variety*, May 19 2012.

⁵⁵ Martin Kanzler, European Audiovisual Observatory, *The Theatrical Market for European Films Outside Europe, Key Figures 2014*, December 2015.

⁵⁶ Martin Kanzler, European Audiovisual Observatory, *Ticket to Ride! What Makes European Films Travel, Cannes 2016*, retrieved from https://prezi.com/tve5ffrcayqj/169-obs-cannes-2016/?utm_campaign=share&utm_medium=copy.

⁵⁷ Martin Kanzler, European Audiovisual Observatory, *Ticket to Ride! What Makes European Films Travel, Cannes 2016*, retrieved from https://prezi.com/tve5ffrcayqj/169-obs-cannes-2016/?utm_campaign=share&utm_medium=copy.

2014, all but four - *The Intouchables*, *The Girl with the Dragon Tattoo*, *Volver* and *Welcome to the Sticks* - had some US creative and/or financial input.⁵⁸ Successful European exports from the leading exporting countries of the UK, France, Germany, Spain and Italy have some level of creative (writing, directing, acting) and/or financial US involvement.⁵⁹

4.3 Cultural Connections are Important for Sales

As noted by one observer, “What matters most in terms of enabling European films to travel is the extent to which audiences are already familiar with some aspect of the film’s cultural content.”⁶⁰ Films are popular with audiences where there is a cultural or national connection to the territory in which they are sold. For example, audience tastes in New Zealand are said to most closely resemble those of UK national films.⁶¹ Japanese animated films sell significantly to other Asian markets.⁶² Asia accounts for the majority of foreign sales of Hong Kong films.⁶³ The majority of Norwegian films are sold to Northern European countries who share a similar culture. For example, Germany is the greatest consumer of Norwegian film exports, followed by Denmark and Sweden. Auteur films and “dry comedies” enjoy the highest level of export to these countries.⁶⁴ Italian audiences, which are great consumers of comedies, prefer films set in Europe, such as Woody Allen’s *Midnight in Paris* and *To Rome with Love*, over American comedies.⁶⁵

4.4 Festival Awards and Sales Agents and US Distributed Films Drive Exports

Films with festival awards are distributed to a higher number of territories.⁶⁶ Films that resonate with festival audiences create a buzz that supports their international distribution. The majority of European films that travel outside Europe have won awards at festivals.⁶⁷

Almost all top European film exports (93%) that travelled beyond Europe between 2010 and 2014 had a sales agent.⁶⁸ Sales companies are a key link in the value chain of the independent

⁵⁸ Martin Kanzler, European Audiovisual Observatory, *Ticket to Ride! What Makes European Films Travel, Cannes 2016*, retrieved from https://prezi.com/tve5ffrcayqj/169-obs-cannes-2016/?utm_campaign=share&utm_medium=copy.

⁵⁹ H. D. Jones, *What Makes European Films Travel?* Mediating Cultural Encounters through European Screens (McCETES), April 25, 2016, retrieved from <http://mccetes.co.uk/what-makes-european-films-travel/>.

⁶⁰ H. D. Jones, cited in York in Martin Kanzler, European Audiovisual Observatory, *Ticket to Ride! What Makes European Films Travel, Cannes 2016*, retrieved from https://prezi.com/tve5ffrcayqj/169-obs-cannes-2016/?utm_campaign=share&utm_medium=copy

⁶¹ Olsberg SPI and David Steele, *International Territory Review – A report of major territories for UK Film, British Film Institute*, December 2012.

⁶² *Economic Contribution of the Japanese Film and Television Industry*, Mitsubishi Research Institute Inc., October 2015.

⁶³ HKDC, *Film Entertainment Industry in Hong Kong*, March 2016.

⁶⁴ *Record High Norwegian Exports*, Nordic Film and Television Fund, December 7 2012, retrieved from <http://www.nordiskfilmogtvfond.com/index.php/news/stories/record-high-norwegian-film-exports/>.

⁶⁵ Camillo De Marco, “Ciné/Box Office: European comedy outstripping American comedy,” *Cineuropa*, July 3, 2015; Martin Kanzler, European Audiovisual Observatory, *Ticket to Ride! What Makes European Films Travel, Cannes 2016*, retrieved from https://prezi.com/tve5ffrcayqj/169-obs-cannes-2016/?utm_campaign=share&utm_medium=copy.

⁶⁶ Colin Brown, “Here’s What You Need to Know to Sell Films in Each of 12 Genres,” *IndieWire*, October 14, 2013.

⁶⁷ Paraskevi Karageorgu, “Industry Report: Distribution and exhibition - European films can travel without becoming mainstream,” *Cineuropa*, June 6, 2016; Martin Kanzler, European Audiovisual Observatory, *Ticket to Ride! What Makes European Films Travel, Cannes 2016*, retrieved from https://prezi.com/tve5ffrcayqj/169-obs-cannes-2016/?utm_campaign=share&utm_medium=copy

feature film sector. In addition to international marketing and distribution, many sales agents also play a key role as producers, financiers and executive producers.⁶⁹

According to one observer, a common mistake is not to hire a sales agent early to help promote a film and find a distributor. “[Festival] programmers use sales agents as filters; they’re getting so much stuff sent to them...Then once you get accepted into festivals, they’ll help you with strategy.”⁷⁰

Securing a US distributor has a significant impact on the exportability of films. Seventy-two per cent of the top films that sold more than 4 million tickets outside of Europe between 2010 and 2014 had a US distributor attached.⁷¹ In making decisions, buyers weigh the breath of marketing, audience awareness and the P&A spend committed to a film. US distributors have substantial clout given the scale of their P&A budgets on the films they distribute.⁷²

5. Summary Observations

Global film exports are dominated by the US, which generate 70% of their revenues in foreign markets. Behind the US are the UK, France, Germany and Spain, who are also top exporters of feature films but not on the scale of the US. A noticeable trend is that the majority of sales by these countries are attributed to a few films that resemble US studio “blockbusters”.

It is clear that independent cinema around the world does not come close to achieving the kinds of sales earned by the Hollywood majors. Despite strong performances, UK independent films - the strongest of the four leading exporting nations examined, accounted for only 2.8% of global box office sales in 2015. France captured 1.6% of global box office in that year. For their part, Spanish and German films represented only .004% and .003%, respectively, of global box office sales in 2015. Seen in this light, the market for independent films truly stands apart from the market for US tentpole productions and their lookalikes.

UK, France, Germany and Spain are generating revenues in North America, Europe, Asia, Oceania and Latin America. Successful exports often involve American creative talent or financial collaboration. In general, international coproductions, films made with US involvement, shot in English, in genres associated with US blockbusters, account for the majority of foreign gross box office sales of European films. The genres of films that are generating the most sales include drama, action/thrillers and comedies. Audiences also tend to prefer films that are culturally familiar. The extent to which films have won awards at festivals, have engaged a sales agent and a US distributor has an impact on their exportability.

⁶⁸ Martin Kanzler, European Audiovisual Observatory, *Ticket to Ride! What Makes European Films Travel*, Cannes 2016, retrieved from https://prezi.com/tve5ffrcayqj/169-obs-cannes-2016/?utm_campaign=share&utm_medium=copy.

⁶⁹ Film Export UK, *Response to Digital Britain: Copyright in a digital world – What role for a Digital Rights Agency?*, c. 2009.

⁷⁰ Emily Buder, “Why We Bought Your Film: Top Distributors Answer The Tough Questions, *IndieWire*, Sept 21, 2015.

⁷¹ Martin Kanzler, European Audiovisual Observatory, *Ticket to Ride! What Makes European Films Travel*, Cannes 2016, retrieved from https://prezi.com/tve5ffrcayqj/169-obs-cannes-2016/?utm_campaign=share&utm_medium=copy;

<http://cineuropa.org/dd.aspx?t=dossier&l=en&tid=1369&did=310398>

⁷² Creation Screen Associates, *Comparison of French and UK Public Policy and Support Mechanisms for the Film Industry* - Executive Summary, Broadcasting, Entertainment, Cinematograph and Theatre Union (BECTU), May 31, 2013.

III. A Portrait of the International Sales of Canadian Feature Films: 2005-2006 to 2015-2016

1. Characteristics of Canadian Feature Films That Have Generated the Most Sales

Between 2005-2006 and 2015-2016, Canadian feature films funded by Telefilm Canada achieved total international sales of \$670 million. Over half of this amount, \$370 million, contributed to financing production costs, in the form of “pre-sales”. \$300 million was earned on completed films. Not surprisingly, eighty percent of these post-completion sales - \$240.8 million - were for films that had also been pre-sold (to different buyers).

A total of 708 films were included in the analysis, of which 393 had some form of international sale (56%). 185 films (26%) had pre-sales, and 283 films (40%) were sold upon completion. 75 films were both pre-sold and sold on completion to various territories.

An analysis of these pre-sales and sales reveals the characteristics driving sales in the international marketplace. As in other jurisdictions, films shot in the English-language, with high budgets, and international coproductions achieve the highest sales. In general, demand is greatest for dramatic films. Canadian genre films such as science fiction and horror, also perform well.

1.1 High-Budget Films and Coproductions Generate the Most Sales Internationally

As can be seen in Figure 2, high-budget films attracted higher levels of pre-sales. Films with the highest budgets, those over \$10 million, attracted 69% of all pre-sales. This can be accounted for by the fact that higher budget films generally have more marketable elements that appeal to international markets, such as well-known actors and directors.

Figure 2: International Pre-sales of Films, by Size of Production Budget, 2005-2006 to 2015 to 2016

| | Number of Films | Total Value of Pre-sales | Total Production Budgets | % of Total Pre-sales* |
|-------------------------|-----------------|--------------------------|--------------------------|-----------------------|
| \$ 2.5M and less | 47 | \$8,036,061 | \$66,985,340 | 2% |
| \$ 2.5M to \$5M | 41 | \$34,415,286 | \$152,129,542 | 9% |
| \$5M to \$10M | 51 | \$70,499,562 | \$348,915,363 | 19% |
| \$10M and more | 46 | \$257,184,658 | \$814,795,506 | 69% |
| Total | 185 | \$370,135,567 | \$1,382,825,751 | 100% |

Percentage totals may not add up to 100 due to rounding.

Figure 3 provides a more detailed view of pre-sales in various budget ranges, according to whether they were domestic productions or international coproductions. Sixty per cent of pre-sales were generated by official international treaty coproductions – 65 minority coproductions and 55 majority coproductions. As can be seen, coproductions accounted for the majority of pre-sales and in particular, minority co-productions attracted the highest volume of pre-sales. Coproductions with production budgets of more than \$10 million accounted for sixty-four per cent of all pre-sales. Domestic productions in the same budget range accounted for 20% of all big budget films but only 5% of all international pre-sales.

Figure 3: Analysis of Pre-sales by Budget Size and Domestic, Majority and Minority Coproductions, 2005-2006 to 2015-2016

| Production budget Range | Domestic/ International Coproduction | Number of films | Value of Foreign Pre-sales | Value of Total Production Budgets | Percentage of total pre-sales |
|-------------------------|--------------------------------------|-----------------|----------------------------|-----------------------------------|-------------------------------|
| \$2.5M or less | Canadian | 30 | \$4,408,418 | \$40,153,505 | 1% |
| | Majority | 8 | \$1,651,390 | \$12,821,136 | 0% |
| | Minority | 9 | \$1,976,253 | \$14,010,699 | 1% |
| \$2.5M to \$5M | Canadian | 12 | \$8,474,719 | \$47,464,117 | 2% |
| | Majority | 5 | \$2,286,350 | \$18,517,388 | 1% |
| | Minority | 24 | \$23,654,217 | \$86,148,037 | 6% |
| \$5M to \$10M | Canadian | 23 | \$18,624,732 | \$155,459,189 | 5% |
| | Majority | 15 | \$15,835,795 | \$101,870,355 | 4% |
| | Minority | 13 | \$36,039,035 | \$91,585,819 | 10% |
| \$10M or more | Canadian | 10 | \$18,320,886 | \$134,446,838 | 5% |
| | Majority | 17 | \$105,102,613 | \$298,843,533 | 28% |
| | Minority | 19 | \$133,761,159 | \$381,505,135 | 36% |
| | Total | 185 | \$370,135,567 | \$1,382,825,751 | 100% |

The trend is similar for sales of completed films. As shown in Figure 4, films with higher budgets closed the lion's share of foreign sales (71%).

Figure 4: Total Sales of Completed Canadian Feature Films, by Size of Budget, Domestic, Majority and Minority International Coproductions, 2005-2006 to 2015-2016

| Production Budget Range | Number of Films | Total Foreign Sales of Completed Films | Total Production Budgets | Percentage of Total Sales |
|-------------------------|-----------------|--|--------------------------|---------------------------|
| \$2.5M or less | 94 | \$9,786,333 | \$121,264,103 | 3% |
| \$2.5M to \$5M | 89 | \$26,669,710 | \$337,904,711 | 9% |
| \$5M to \$10M | 64 | \$50,054,431 | \$435,609,650 | 17% |
| \$10M or more | 36 | \$213,619,373 | \$649,278,295 | 71% |
| Total | 283 | 300,129,846 \$ | \$1,544,056,759 | 100% |

Figure 5 shows that international coproductions with budgets greater than \$10 million accounted for 63% of all international sales of completed films in the period examined.

Figure 5: Analysis of International Sales of Completed Films by Budget Size and Domestic, Majority and Minority Coproductions, 2005-2006 to 2015-2016

| Production Budget Range | Domestic/ International Coproduction | Number of Films | Amount of Sales | Total Production Budgets | Percentage of Total Pre-sales |
|-------------------------|--------------------------------------|-----------------|-----------------|--------------------------|-------------------------------|
| \$2.5M or less | Canadian | 87 | \$8,898,275 | \$109,830,247 | 3% |
| | Majority | 3 | \$725,100 | \$4,500,097 | 0.2% |
| | Minority | 4 | \$162,958 | \$6,933,759 | 0.1% |

| | | | | | |
|-----------------------|--------------|------------|-----------------------|------------------------|-------------|
| \$2.5M to \$5M | Canadian | 80 | \$24,637,263 | \$304,769,105 | 8% |
| | Majority | 5 | \$1,772,972 | \$20,253,893 | 1% |
| | Minority | 4 | \$259,475 | \$12,881,713 | 0.1% |
| \$5M to \$10M | Canadian | 51 | \$28,042,900 | \$349,644,454 | 9% |
| | Majority | 13 | \$22,011,531 | \$85,965,196 | 7% |
| | Minority | 0 | 0 | 0 | 0% |
| \$10M or more | Canadian | 12 | \$24,586,425 | \$166,432,434 | 8% |
| | Majority | 14 | \$80,014,991 | \$239,574,057 | 27% |
| | Minority | 10 | \$109,017,957 | \$243,271,804 | 36% |
| | Total | 283 | 300,129,846 \$ | \$1,544,056,759 | 100% |

Average sales were also higher for international coproductions in the highest production budget range. As can be seen in Figure 6, as the average production cost of a film increases, so too does the average value of pre-sales and sales of the finished film. The average value of both pre-sales and sales of completed films with the highest budgets were valued at almost \$6 million.

Figure 6: Average Value of Pre-sales and Sales of Completed Films, by Budget Size, 2006 to 2015-2016

| Production Budget Range | Average Pre-sale | Average Sale of Completed Films |
|-------------------------|------------------|---------------------------------|
| \$2.5M or less | \$170,980 | \$104,110 |
| \$2.5M to \$5M | \$839,397 | \$299,660 |
| \$5M to \$10M | \$1,382,344 | \$782,101 |
| \$10M or more | \$5,590,971 | \$5,933,872 |

Figure 7 shows that with respect to projects with production budgets greater than \$10 million, international coproductions had significantly higher average pre-sales and sales than did domestic productions. The average presales of minority coproductions with budgets of \$10 million or more were five times higher than the value of presales of domestic films in the same budget range. With respect to sales, minority coproduction sales were almost 4 times higher on average than sales of domestic films, at the highest production budget range.

Figure 7: Average Value of Pre-sales and Sales of Completed films, by Domestic, Majority or Minority International Coproduction, Films with Budgets of \$10M or More, 2005-2006 to 2015-2016

| | Domestic/ International Coproduction | Average Pre-sale | Average Sale of Completed Film |
|---|--|------------------|-----------------------------------|
| Films with production budgets of \$10M or more | Canadian | \$2,048,869 | \$1,832,089 |
| | Majority | \$5,715,357 | \$6,182,507 |
| | Minority | \$10,901,796 | \$7,040,061 |

Sixty per cent of films that were pre-sold were coproductions, 110 films in all. The total pre-sales of these coproductions amounted to \$320.2 million, which represents 86% of all pre-sales. Once completed, these same coproductions earned additional foreign sales amounting to \$195.4 million. This represents 81% of all international sales of completed films.

France is the Top Coproducing Partner in Terms of the Number of Projects

More coproductions were undertaken with France than any other coproducing partner. Of the 110 coproductions that were pre-sold, 49 had France as a coproducing partner. This represents 45% of all coproductions that were sold internationally. Coproductions with France account for 42% of all international sales of coproductions – 54% of all pre-sales and 23% of foreign sales of completed coproductions. Trailing far behind, Germany was the second most frequent coproducing partner of choice, accounting for a total of nine projects. The UK and Switzerland each accounted for 8 projects – 6 bi-lateral and 2 multi-partite coproductions, respectively. Most striking is the high value of total sales for the small number of UK coproductions. Six bi-lateral UK coproductions accounted for almost a quarter – 23% - of all foreign sales. (See Figure 8.)

Figure 8: Coproducing Partners of Films with International Sales

| | Number of Films | Total Pre-sales | Total Sales of Completed Films | Total Sales | Total Production Budgets |
|-------------------------|------------------------|------------------------|---------------------------------------|----------------------|---------------------------------|
| France | 49 | \$172,180,385 | \$44,094,480 | \$ 216,274,865 | \$452,397,123 |
| Germany | 9 | \$26,995,894 | \$27,605,589 | \$ 54,601,483 | \$102,370,270 |
| United Kingdom | 6 | \$49,732,832 | \$69,879,196 | \$ 119,612,028 | \$113,018,099 |
| Switzerland | 6 | \$2,141,799 | \$ 62,467 | \$ 2,204,266 | \$17,294,956 |
| Ireland | 4 | \$5,595,414 | \$ - | \$ 5,595,414 | \$29,585,400 |
| Belgium, France | 4 | \$3,168,221 | \$ 254,817 | \$ 3,423,038 | \$13,322,992 |
| South Africa | 3 | \$3,113,000 | \$1,869,106 | \$ 4,982,106 | \$24,169,133 |
| Italy | 3 | \$7,768,035 | \$3,899,164 | \$11,667,199 | \$30,156,348 |
| Belgium | 3 | \$1,112,114 | \$ 50,666 | \$ 1,162,780 | \$9,201,272 |
| Spain | 2 | \$6,499,775 | \$ 8,252,135 | \$14,751,910 | \$29,969,484 |
| Switzerland, France | 2 | \$1,191,715 | \$0 | \$ 1,191,715 | \$7,981,798 |
| United Kingdom, Ireland | 2 | \$4,209,035 | \$0 | \$ 4,209,035 | \$20,254,636 |
| Other | 17 | \$36,489,565 | \$39,448,014 | \$75,937,579 | \$148,544,501 |
| Total | 110 | \$320,197,784 | \$195,415,633 | \$515,613,417 | \$998,266,012 |

1.2 Dramas Pre-Sold More Than Any Other Genre

More dramas were pre-sold than films in any other genre, achieving total pre-sales of \$196.4 million, or 53% of all pre-sales. Following in a distant second place were pre-sales of action/adventure films, which attracted \$45 million, representing 12% of all pre-sales. Comedies attracted 9% of all pre-sales. (See Figure 9.)

Figure 9: Analysis of International Pre-sales, by Genre, 2005-2006 to 2015-2016

| | Number of Films | Total Pre-sales \$ | \$ Total Production Budgets | Percentage of All Pre-sales |
|----------------------------------|-----------------|-----------------------|-----------------------------|-----------------------------|
| Drama (Film) | 87 | 196,417,887 \$ | \$730,576,105 | 53% |
| Action/Adventure | 7 | 44,772,262 \$ | \$110,644,728 | 12% |
| Comedy | 28 | 35,144,527 \$ | \$208,077,986 | 9% |
| Thriller | 12 | 29,522,173 \$ | \$86,826,462 | 8% |
| Science Fiction/ Fantasy/Tale | 4 | 24,049,099 \$ | \$66,929,650 | 6% |
| Horror | 6 | 12,012,771 \$ | \$32,740,760 | 3% |
| Documentary | 21 | 8,824,082 \$ | \$34,461,163 | 2% |
| Romantic Comedy | 8 | 8,694,585 \$ | \$41,419,487 | 2% |
| Historical Drama | 5 | 6,230,305 \$ | \$36,612,098 | 2% |
| Mystery/Crime/Police | 7 | 4,467,876 \$ | \$34,537,312 | 1% |
| Total | 185 | 370,135,567 \$ | \$1,382,825,751 | 100% |

In terms of the sale of completed films, dramatic films were again the biggest sellers, achieving the highest volume of sales. (See Figure 10.) Over half of all sales of completed films were made for dramatic films.

Figure 10: Total Volume of Sales of Completed Films, by Genre, 2005-2006 to 2015-2016

| Genre | Number of Films | Sales of Completed Films | Percentage of Total Sales |
|----------------------------------|-----------------|--------------------------|---------------------------|
| Drama | 146 | \$167,553,168 | 56% |
| Comedy | 54 | \$32,382,347 | 11% |
| Science Fiction/ Fantasy/Tale | 7 | \$31,773,161 | 11% |
| Thriller | 19 | \$20,423,700 | 7% |
| Action/Adventure | 9 | \$18,450,553 | 6% |
| Romantic Comedy | 11 | \$13,503,264 | 4% |
| Horror | 10 | \$7,281,744 | 2% |
| Mystery/Crime/Police | 8 | \$6,804,726 | 2% |
| Historical Drama | 12 | \$1,627,664 | 1% |
| Documentary | 5 | \$187,777 | 0% |
| Total | 283 | \$300,129,846 | 100% |

1.3 Pre-Sales of Action/Adventure Films are Higher as a Percentage of Production Budgets

As pre-sales are important to the financing of film productions, it is interesting to note that genre films, including action/adventure, horror, science fiction/fantasy/tales and thrillers achieved pre-sales representing a higher percentage of their production budgets. As can be seen in Figure 11, action/adventure films captured pre-sales equivalent to 40% of their total production budgets, while horror films attracted 37%. Science fiction/fantasy/tales and thriller films also had a higher rate of pre-sales than dramas, at 36% and 34% of total production budgets in these genres, respectively. By comparison, pre-sales of dramas accounted for 27% of their total production budgets. (See Figure 10.)

Figure 11: Percentage of Total Budgets Represented by International Pre-sales, by Genre, 2005-2006 to 2015-2016

| | Number of Films | Total Pre-Sales | Total Production Budgets | Percentage of Total Budgets |
|----------------------------------|-----------------|----------------------|--------------------------|-----------------------------|
| Action/Adventure | 7 | \$44,772,262 | \$110,644,728 | 40% |
| Horror | 6 | \$12,012,771 | \$32,740,760 | 37% |
| Science Fiction/ Fantasy/Tale | 4 | \$24,049,099 | \$66,929,650 | 36% |
| Thriller | 12 | \$29,522,173 | \$86,826,462 | 34% |
| Drama (Film) | 87 | \$196,417,887 | \$730,576,105 | 27% |
| Documentary | 21 | \$8,824,082 | \$34,461,163 | 26% |
| Romantic Comedy | 8 | \$8,694,585 | \$41,419,487 | 21% |
| Comedy | 28 | \$35,144,527 | \$208,077,986 | 17% |
| Historical Drama | 5 | \$6,230,305 | \$36,612,098 | 17% |
| Mystery/Crime/Police | 7 | \$4,467,876 | \$34,537,312 | 13% |
| Total | 185 | \$370,135,567 | \$1,382,825,751 | |

1.4 Science Fiction Films Achieved Higher Average Sales

Science fiction/fantasy/tales had higher average sales than films in other genres. Between 2005-2006 and 2014-2015, these films had average sales of \$4.5 million. Action/adventure films closed sales worth \$2 million on average. By comparison, completed romantic comedies, dramas and thrillers had average sales of just over \$1 million. (See Figure 12.)

Figure 12: Average Value of Sales of Completed Films, by Genre, 2005-2006 to 2015-2016

| By Genre | Number of Films | Total Sales | Average Sale |
|------------------------------|-----------------|---------------|--------------|
| Science Fiction/Fantasy/Tale | 7 | \$31,773,161 | \$4,539,023 |
| Action/Adventure | 9 | \$18,450,553 | \$2,050,061 |
| Romantic Comedy | 11 | \$13,503,264 | \$1,227,569 |
| Drama | 146 | \$167,553,168 | \$1,147,624 |
| Thriller | 19 | \$20,423,700 | \$1,074,932 |
| Mystery/Crime/Police | 8 | \$6,804,726 | \$850,591 |
| Horror | 10 | \$7,281,744 | \$728,174 |

| | | | |
|-------------------------|------------|----------------------|-----------|
| Comedy | 54 | \$32,382,347 | \$599,673 |
| Historical Drama | 12 | \$1,627,664 | \$135,639 |
| Documentary | 5 | \$187,777 | \$37,555 |
| Total | 283 | \$300,129,846 | |

1.5 Greater Global Market Opportunities Exist for English-language Productions

Pre-sales of English-language films amounted to \$275.2 million. Similarly, sales of completed English-language films were valued at \$272.7 million. (See Figure 13.)

Figure 13: Total English-language Pre-sales and Sales of English-language Canadian Feature Films Funded by Telefilm Canada, 2005-2006 to 2015-2016

| Type of Export | Number of Films | Amount of Sales |
|--------------------------|-----------------|----------------------|
| Sales of Completed Films | 175 | \$272,658,768 |
| Pre-sales | 117 | \$275,202,210 |
| Total | 283 | \$300,129,846 |

Pre-sales of French-language films were valued at \$95 million (See Figure 14.) Sales of completed French-language films totalled \$27.5 million.

Figure 14: Total French-language Pre-sales and Sales of Canadian Feature Films Funded by Telefilm Canada, 2005-2006 to 2015-2016

| Type of Export | Number of films | Amount of Pre-sales |
|--------------------------|-----------------|----------------------|
| | | |
| Sales of Completed Films | 108 | \$27,471,078 |
| Pre-sales | 68 | \$94,933,357 |
| Total | 185 | \$370,135,567 |

*Data not included to protect private commercial information.

One Aboriginal-language film was pre-sold internationally. This film was excluded from the analysis to protect sensitive commercial information.

The total annual volume of pre-sales was consistently higher for English-language films, with one exception in 2008-2009. (See Figure 15.)

Figure 15: Total Pre-sales by Language and by Year, 2005-2006 to 2015-2016

| | French-language | | English-language | |
|-------------|-----------------|-----------------|------------------|-----------------|
| Fiscal year | Number of Films | Total Pre-sales | Number of Films | Total Pre-sales |
| 2005-2006 | 5 | \$6,140,447 | 10 | \$26,594,358 |
| 2006-2007 | 7 | \$9,394,427 | 7 | \$14,074,018 |
| 2007-2008 | 10 | \$13,145,637 | 9 | \$52,350,693 |
| 2008-2009 | 6 | \$16,696,320 | 7 | \$9,004,463 |
| 2009-2010 | 4 | \$3,679,326 | 9 | \$5,679,605 |

| | | | | |
|--------------|-----------|---------------------|------------|----------------------|
| 2010-2011 | 6 | \$11,916,013 | 12 | \$30,391,368 |
| 2011-2012 | 6 | \$12,591,254 | 9 | \$20,576,482 |
| 2012-2013 | 5 | \$2,218,277 | 12 | \$38,290,147 |
| 2013-2014 | 2 | \$4,213,186 | 20 | \$42,616,280 |
| 2014-2015 | 7 | \$1,637,137 | 10 | \$14,815,377 |
| 2015-2016 | 10 | \$13,301,333 | 12 | \$20,809,419 |
| Total | 68 | \$94,933,357 | 117 | \$275,202,210 |

As can be seen in Figure 16, the average value of pre-sales was also higher for English-language films in almost all years.

Figure 16: Average Value of Pre-sales, by Language and by Year, 2005-2006 to 2015-2016

| | French-language | | English-language | |
|-------------|-----------------|------------------|------------------|------------------|
| Fiscal year | Number of films | Average Pre-sale | Number of Films | Average Pre-sale |
| 2005-2006 | 5 | \$1,228,089 | 10 | \$2,659,436 |
| 2006-2007 | 7 | \$1,342,061 | 7 | \$2,010,574 |
| 2007-2008 | 10 | \$1,314,564 | 9 | \$5,816,744 |
| 2008-2009 | 6 | \$2,782,720 | 7 | \$1,286,352 |
| 2009-2010 | 4 | \$919,832 | 9 | \$631,067 |
| 2010-2011 | 6 | \$1,986,002 | 12 | \$2,532,614 |
| 2011-2012 | 6 | \$2,098,542 | 9 | \$2,286,276 |
| 2012-2013 | 5 | \$443,655 | 12 | \$3,190,846 |
| 2013-2014 | 2 | \$2,106,593 | 20 | \$2,130,814 |
| 2014-2015 | 7 | \$233,877 | 10 | \$1,481,538 |
| 2015-2016 | 10 | \$1,330,133 | 12 | \$1,734,118 |

2. Characteristics of the Twenty Top-Selling Canadian Films

2.1 The Importance of Marquee Elements

Figure 17 identifies the twenty Canadian feature films funded by Telefilm Canada that had the highest level of foreign sales in the past decade. To protect sensitive commercial information, the twenty films are presented in alphabetical order. The twenty top-selling films are responsible for two-thirds (66%) of all international sales of completed films. Eighteen of the top twenty films (90%) were both pre-sold and sold after the film was made.

Between 2005-2006 and 2012-2013, 421 sales were made of the top twenty films, earning a total of \$198.9 million. Sales ranged from a low of \$3 million to a high of almost \$40 million.

Figure 17: Twenty Top-Selling Feature Films Funded by Telefilm Canada, 2005-2006 to 2012-2013.

| Title | Director |
|--|--------------------|
| <i>A Dangerous Method</i> (2011) | David Cronenberg |
| <i>Away From Her</i> (2006) | Sarah Polley |
| <i>Barney's Version</i> (2010) | Richard J. Louis |
| <i>Beat the World</i> (2011) | Robert Adetuyi |
| <i>Blindness</i> (2008) | Fernando Mereilles |
| <i>Eastern Promises</i> (2007) | David Cronenberg |
| <i>Enemy</i> (2013) | Denis Villeneuve |
| <i>Goon</i> (2011) | Michael Dowse |
| <i>Hector and the Search for Happiness</i> (2014) | Peter Chelsom |
| <i>How She Move</i> (2007) | Iqbal Rachid |
| <i>L'âge des ténèbres</i> (2007) | Denys Arcand |
| <i>Mr. Nobody</i> (2009) | Jaco Van Dormael |
| <i>Silk</i> (2007) | François Girard |
| <i>Splice</i> (2009) | Vincenzo Natali |
| <i>What If</i> (2013) | Michael Dowse |
| <i>The Captive</i> (2014) | Atom Egoyan |
| <i>The Colony</i> (2013) | Jeff Renfroe |
| <i>The Imaginarium of Dr. Parnassus</i> (2009) | Terry Gilliam |
| <i>The Whistleblower</i> (2010) | Larysa Kondracki |
| <i>The Young and Prodigious T.S. Spivet</i> (2013) | Jean-Pierre Jeunet |

Generally speaking, these films can be characterized as having internationally recognizable, marquee actors in leading roles and/or internationally recognizable directors at the helm. Among the internationally acclaimed directors in the list are David Cronenberg, Denis Villeneuve, Denys Arcand, Sarah Polley and Terry Gilliam.

A number of films are based on best-selling novels, including *Blindness*, *Barney's Version* and *Hector and The Search for Happiness*, and *The Young and Prodigious T.S. Spivet*. Two are branded as part of larger film series: *Decline of American Empire* and *You Got Served*.

Key cast in these films include well-known actors such as Julianne Moore, Kiera Knightley, Jake Gyllenhaal, Paul Giamatti, Viggo Mortensen, Dustin Hoffman, Jared Leto, Sarah Polley, Marc Labrèche, Ryan Reynolds, Heath Ledger, Lawrence Fishburne, Rachel Weisz, Helena Bonham Carter, Judy Davis and Callum Keith Rennie.

The films have played at major international festivals including Sundance, Cannes, Venice and Toronto. They are distributed by major international companies including Sony Pictures Classics, Pathé, Lionsgate, Universal Pictures, Miramax Films.

In addition to drama and romantic comedy, the films represent a wide range of genres, including science fiction, thrillers, adventure, fantasy and dance films.

A closer look at two films from the list provides a greater understanding of the investment made by top-selling films in marquee elements, their presence in major festivals and awards

won, as well as the importance of major international sales agents and distributors in the selling of the film internationally.

A Dangerous Method

A Dangerous Method is a German/Canadian coproduction directed by internationally acclaimed Canadian director David Cronenberg. The film stars international film stars Keira Knightley, Viggo Mortensen, and Michael Fassbender. The film gained early exposure at major international film festivals. It premiered at the 68th Venice Film Festival and was featured at the Toronto International Film Festival. Among its many awards and accolades, lead actor Viggo Mortensen was nominated for a Golden Globe Award. The film was released by Universal Pictures and Lionsgate in Europe, and by Sony Pictures Classics in the US.⁷³

Blindness

Blindness, a Brazilian-Canadian coproduction, is directed by Brazilian director Fernando Mireilles and stars Julianne Moore and Mark Ruffalo. The film is based on the best-selling novel of the same name by Portuguese author Jose Saramago. The film had a strong presence in international film festivals, premiering as the opening film of the 2008 Cannes Film Festival. The film also opened the Atlantic Film Festival and was screened in a special presentation at the Toronto International Film Festival in the same year.⁷⁴ The film was represented by major international sales agent Focus Features and was distributed by Pathé in the UK and France, and by Miramax Films in the US.⁷⁵ While the novel was originally written in Portuguese, the decision to shoot the film in English provided for a wider global reach, as noted by the film's director, saying "If you do it in English you can sell it to the whole world and have a bigger audience."⁷⁶

2.2 High Budget Dramatic Films Shot in English and Made as International Coproductions Achieved the Most Sales

The top-twenty films in international markets were produced with higher budgets. Three quarters had budgets of at least \$10 million. (See Figure 18.)

Figure 18: Breakdown of Top Twenty Grossing Films in Foreign Markets by Size of Budget, 2005-2006 to 2012-2013

| Size of Production Budget | Number of Films | Total Sales |
|---------------------------|-----------------|----------------------|
| \$5 M to \$10 M | 4 | \$16,888,014 |
| \$10 M and More | 16 | \$182,015,627 |
| Total | 20 | \$198,903,641 |

As shown in Figure 19, international coproductions had the highest level of sales. Minority coproductions had the highest of all, capturing \$96 million in sales.

⁷³ Diana Lodderhose, "Lionsgate UK picks up 'Method,' 'Carolius', *Variety*, May 16, 2010; "Sony Classics Picks Up David Cronenberg's 'A Dangerous Method,' *The Contenders*, June 17 2011.

⁷⁴ Brendan Kelly, "Toronto unveils Canadian selection," *Variety*, July 15, 2008. Etan Vlessing, "Blindness to open Atlantic Film Fest, *The Hollywood Reporter*, August 1, 2008.

⁷⁵ Gregg Kilday, "Blindness gains Focus for int'l sales," *The Hollywood Reporter*, November 1, 2006. Adam Dawtrey, "Pathe picks up Meirelles' *Blindness*," *Variety* June 6, 2007; Gregg Goldstein, "Miramax nabs US rights to Meirelles' *Blindness*, *The Hollywood Reporter*, September 9, 2007.

⁷⁶ Kenneth Turan, "Foresight pays off for *Blindness* director," *The Los Angeles Times*, May 15, 2008.

Figure 19: Breakdown of Top Twenty Films in Foreign Markets by Domestic and International Coproduction, 2005-2006 to 2012-2013

| | Number of Films | Total Sales |
|---------------------|-----------------|----------------------|
| Minority production | 6 | \$96,060,554 |
| Majority production | 8 | \$78,102,754 |
| Domestic production | 6 | \$24,740,333 |
| Total | 20 | \$198,903,641 |

Dramas attracted the highest volume of international sales. (See Figure 20.) More drama titles sold than any other genre.

Figure 20: Breakdown of Sales of Twenty Top-Grossing Films, by Genre, 2005-2006 to 2012-2013

| By genre | Total Sales | Percentage of Total Sales |
|-------------------------------------|----------------------|---------------------------|
| Drama (Film) | \$116,512,028 | 59% |
| Science Fiction/Fantasy/Tale | \$29,325,756 | 15% |
| Comedy | \$13,985,457 | 7% |
| Thriller | \$11,463,590 | 6% |
| Romantic Comedy | \$11,406,313 | 6% |
| Action/Adventure | \$11,100,050 | 6% |
| Mystery/Crime/Police | \$5,110,447 | 3% |
| Total | \$198,903,641 | 100% |

Science fiction/fantasy/tale, thrillers, romantic comedies and action/adventure films earned higher sales on average than films produced in other genres, as can be seen in Figure 21. Science fiction/fantasy/tale films earned average sales of \$14.7 million. Thrillers, romantic comedies and action/adventure films all averaged higher foreign sales than dramas, comedies and mystery/crime/police genre films.

Figure 21: Average International Sales of Top Twenty Selling Films, by Genre, 2005-2006 to 2012-2013

| Genre | Average Sales of Top Twenty Films |
|-------------------------------------|-----------------------------------|
| Science Fiction/Fantasy/Tale | \$14,662,878 |
| Thriller | \$11,463,590 |
| Romantic Comedy | \$11,406,313 |
| Action/Adventure | \$11,100,050 |
| Drama (Film) | \$9,709,336 |
| Comedy | \$6,992,728 |
| Mystery/Crime/Police | \$5,110,447 |

Nineteen of the twenty top-selling films were English-language productions. These films accounted for the vast majority (over 90%) of all sales by top-selling films.

3. Sales of Canadian Feature Films by Platforms and Territories

3.1 Foreign Broadcasters Accounted for Half of All Pre-Sales

An analysis of films financed in the years 2012-2013 to 2014-2015 reveals that foreign broadcasters accounted for 51% of all international pre-sales in this three-year period. As can be seen in Figure 22, the total amount of pre-sales to broadcasters in the three-year period was \$27 million, as compared to \$53 million for all pre-sales in this three-year period. This includes the sale of ten English-language films, and eight French-language films. On average, English-language films achieved higher levels of sales to foreign broadcasters, accounting for 76% of all sales to broadcasters.

Figure 22: Pre-sales of Canadian Feature Films to Foreign Broadcasters, 2012-2013 to 2014-2015, by Language of Production

| Original Language of Production | Number of Pre-sales | Total | Percentage of Pre-sales |
|--|---------------------|---------------------|-------------------------|
| English-language pre-sales to foreign broadcasters | 10 | \$20,791,460 | |
| French-language pre-sales to foreign broadcasters | 8 | \$6,445,682 | |
| Total pre-sales to foreign broadcasters | 18 | \$27,237,142 | 51% |
| Total of all pre-sales in the same period | 61 | \$53,061,236 | |

These pre-sales were made to broadcasters in Europe: France, the UK, Germany, Belgium, Switzerland, Ireland, Finland and Sweden. The most important territory for broadcaster pre-sales was France, in which sales were made to 12 different broadcasters, totalling \$18.2 million. More than two-thirds (68%) of pre-sale revenues from French broadcasters were captured by films originally produced in English, which captured sales revenues of \$12.4 million. Three sales of English-language films were made to major British broadcasters BBC and Film4, totalling \$5.8 million. Figures 23 and 24 provide breakdowns of pre-sales to broadcasters for English- and French-language productions.

Figure 23: Pre-sales to Foreign Broadcasters of Canadian Feature Films Originally Produced in English, 2012-2013 to 2014-2015

| Participant Name | Broadcaster Nationality | Financial Participation |
|----------------------------------|-------------------------|-------------------------|
| Orange Pay-TV | France | 5,910,512 \$ |
| Film4 | United Kingdom | 3,511,167 \$ |
| Canal Plus | France | 2,669,160 \$ |
| British Broadcasting Corporation | United Kingdom | 2,301,850 \$ |
| France 2 | France | 1,690,000 \$ |
| M6 | France | 1,690,000 \$ |
| SWR Sudwestrundfunk | Germany | 864,298 \$ |
| Arte (WDR) | Germany | 760,599 \$ |
| Swiss Broadcasting Corporation | Switzerland | 414,580 \$ |
| CINE+ | France | 328,412 \$ |

| | | |
|-------------------------------------|---------|----------------------|
| Irish TV (rte) | Ireland | 254,087 \$ |
| Arte TV | France | 137,700 \$ |
| Zweites Deutsches Fernsehen (zdf) | Germany | 118,430 \$ |
| Yle Tv2 - Finnish Broadcasting Corp | Finland | 101,730 \$ |
| Sweden - Svt | Sweden | 38,935 \$ |
| Total | | 20,791,460 \$ |

Figure 24: Pre-sales to Foreign Broadcasters of Canadian Feature Films Originally Produced in French, 2012-2013 to 2014-2015

| Participant name | Broadcaster nationality | Financial Participation |
|---|-------------------------|-------------------------|
| Studio Canal + (le) | France | 1,965,000 \$ |
| Canal Plus | France | 1,610,806 \$ |
| Arte TV | France | 1,260,000 \$ |
| Arte France | France | 755,000 \$ |
| Television Suisse Romande | Switzerland | 315,900 \$ |
| Radio-Television Belge De La Communauté Francaise De Belgique | Belgium | 239,701 \$ |
| Belgacom TV | Belgium | 131,400 \$ |
| CINE+ | France | 94,935 \$ |
| TV5 Monde | France | 72,940 \$ |
| Total | | 6,445,682 \$ |

3.2 Top Territories Include Europe and the United States

The top twenty films sold in a total of 69 countries around the world. The highest number of countries in which any one film was sold was 36, while the median was 27 countries.

As shown in Figure 25, the majority of sales in which the top twenty films reported sales were to Europe. Sales to Europe represent almost half (47%) of all sales of the top twenty grossing films in foreign markets. The US was the second most important territory, accounting for 29% of all top sales. Sales to Asia represent 8% of all sales.

Figure 25: Total Sales of Top Twenty Films in Foreign Markets, by Region, 2005-2006 to 2012-2013

| Region | Total Sales | Percentage of Sales |
|-----------------------|----------------------|---------------------|
| Europe | \$93,083,915 | 47% |
| US | \$57,990,646 | 29% |
| Asia | \$14,949,414 | 8% |
| Latin America | \$7,949,077 | 4% |
| Australia/New Zealand | \$5,577,696 | 3% |
| Middle East/Africa | \$3,059,512 | 2% |
| Other (undefined) | \$16,293,382 | 8% |
| Total | \$198,903,641 | 100% |

Amongst the top Canadian feature films, the most important countries for exports were the US, followed by France, the UK, Germany, Italy and Spain. (See Figure 26.)

Figure 26: Top Countries for Exports of Canadian Top-selling Films, 2005-2006 to 2012-2013

| Top Countries | Total Sales |
|--------------------|----------------------|
| United States | \$57,990,646 |
| France | \$21,791,150 |
| United Kingdom | \$17,732,398 |
| Germany | \$16,476,242 |
| Italy | \$7,583,036 |
| Spain | \$7,349,852 |
| Japan | \$6,504,633 |
| Australia | \$5,495,992 |
| Russian Federation | \$3,926,151 |
| Belgium | \$3,070,295 |
| Total | \$147,920,395 |

Figure 27 provides a view of total sales by genre in each of the top 10 territories for sales of the top 20 grossing Canadian feature films. Drama was the highest selling genre in all territories with two exceptions: Japan and the Russian Federation. In these territories, science fiction/fantasy/tales was the top selling genre category.

Sales of dramatic films were highest in the US. Sales of comedies were highest in France. More sales of action/adventure films were made to the US, followed by the UK and Germany. Romantic comedies sold well to the US and the UK. Science fiction films travelled to all top 10 countries, though less so to Australia and Belgium.

Figure 27: Sales of Top 20 Films by Top Territories and Genres

| | Action/ Adventure | Comedy | Drama (Film) | Mystery/ Crime/Police | Romantic Comedy | Science fiction Fantasy/Tale | Thriller | Total |
|--------------------|----------------------|---------------------|---------------------|--------------------------|--------------------|------------------------------------|--------------------|----------------------|
| United States | \$4,346,691 | \$2,429,498 | \$38,444,983 | \$1,831,958 | \$4,881,036 | \$6,056,479 | | \$57,990,646 |
| France | | \$7,183,662 | \$9,524,129 | | \$239,421 | \$2,153,141 | \$2,690,798 | \$21,791,150 |
| United Kingdom | \$2,320,847 | \$508,204 | \$6,872,868 | \$536,380 | \$3,170,201 | \$2,750,000 | \$1,573,898 | \$17,732,398 |
| Germany | \$1,160,423 | \$114,343 | \$10,402,936 | \$643,627 | \$550,747 | \$2,299,957 | \$1,304,208 | \$16,476,242 |
| Italy | \$679,080 | | \$4,760,416 | \$52,459 | | \$1,571,585 | \$519,496 | \$7,583,036 |
| Spain | \$259,389 | \$78,022 | \$5,243,453 | \$26,764 | | \$1,277,078 | \$465,146 | \$7,349,852 |
| Japan | \$798,540 | \$1,554,996 | \$1,532,179 | \$292,000 | \$32,530 | \$2,191,366 | \$103,023 | \$6,504,633 |
| Australia | \$238,635 | \$164,584 | \$3,204,098 | \$388,304 | \$304,398 | \$862,089 | \$333,885 | \$5,495,992 |
| Russian Federation | \$204,781 | | \$738,922 | | \$350,058 | \$1,400,000 | \$1,232,390 | \$3,926,151 |
| Belgium | | | \$1,658,839 | | \$221,380 | \$549,950 | \$640,126 | \$3,070,295 |
| Total | \$10,008,385 | \$12,033,308 | \$82,382,824 | \$3,771,493 | \$9,749,772 | \$21,111,644 | \$8,862,970 | \$147,920,395 |

Top Asian Markets

The most important country in Asia for exports of Canada's top twenty feature films was Japan, which accounted for \$6.5 million in foreign sales. South Korea, North Korea, Taiwan and Hong Kong were amongst the top five Asian destinations for Canadian films. (See Figure 28.)

Figure 28: Leading Asian Countries for Exports of Top-twenty Canadian Films, 2005-2006 to 2012-2013

| Top 5 Countries in Asia | Total Sales of Top Twenty Films |
|-------------------------|---------------------------------|
| Japan | \$6,504,633 |
| South Korea | \$1,727,078 |
| North Korea | \$1,124,811 |
| Taiwan | \$994,436 |
| Hong Kong | \$876,507 |
| Total | \$11,277,465 |

Top Latin American Markets

Amongst Latin American countries, Brazil accounted for the highest volume of international sales, at \$2.9 million, followed by Mexico at \$1.4 million, and Argentina at \$906K. (See Figure 29.)

Figure 29: Leading Countries in Latin America for Sales of Top-Twenty Canadian Films, 2005-2006 to 2012-2013

| Top 10 Latin American Countries | Total Sales of Top Twenty Films |
|---------------------------------|---------------------------------|
| Brazil | \$2,872,186 |
| Mexico | \$1,392,734 |
| Argentina | \$905,690 |
| Venezuela | \$360,294 |
| Costa Rica | \$343,299 |
| Other Latin America | \$1,990,812 |
| Total | \$7,865,015 |

Top African and Middle Eastern Countries for Export Sales

At almost \$1 million, sales to South Africa topped sales to the Africa and the Middle East. (See Figure 30.)

Figure 30: Leading Countries in Africa and the Middle East for Sales of Top-Twenty Canadian Films, 2005-2006 to 2012-2013

| Top 5 African and Middle Eastern Countries for Canadian Feature Film Exports | Total Sales of Top Twenty Films |
|--|---------------------------------|
| South Africa | \$992,504 |
| Iran | \$693,690 |
| Israel | \$584,572 |
| Egypt | \$450,758 |

| | |
|--------------|--------------------|
| Lebanon | \$326,402 |
| Total | \$3,047,926 |

4. Summary Observations

4.1 Trends in the Sales of Canadian Feature Films are Consistent with International Trends

Our examination of foreign sales achieved by films funded by Telefilm Canada show that higher budget Canadian films, shot in English and coproduced internationally achieved the highest volume of sales. Coproductions with budgets greater than \$10 million are the most successful in achieving international sales. France is a partner of choice for Canadian films, followed by Germany and the UK. Films coproduced with the UK achieve a much higher volume of sales on average.

The top twenty selling Canadian films accounted for the majority of sales of completed films. Highly marketable, these films are produced with well-known directors and leading actors. A number are based on recognizable underlying intellectual properties, either branded content or best-selling novels. As with sales of Canadian films in general, English-language films with higher budgets that are international coproductions account for the vast majority of sales. Dramas account for the highest volume of sales, however, science fiction/fantasy/tale, thrillers, romantic comedies and action/adventure films generate higher average sales. The top selling films have had a major festival presence, won awards and are being represented by international sales agents and US based major distribution companies.

Europe is the most important territory for sales of Canadian films, followed by the US. The most important countries for sales of Canadian films, in descending order, are the US, France, the UK, Germany, Italy, Spain, Japan, Australia, the Russian Federation and Belgium. Drama is our most important export to these countries, with the exception of Japan and the Russian Federation, where science fiction/fantasy/tales are generating more export revenues. Western European broadcasters - in particular those in France, the UK and Germany, are very important to the pre-selling of Canadian films.

These findings are consistent with trends in foreign sales by the top exporting jurisdictions: the UK, France, Germany and Spain. As with Canada, the films that typically sell share a number of common characteristics. They are typically higher budget international coproductions, shot in English. They have well-known directors and lead cast. The top selling films also have US financial and creative participation, and are represented by international sales agents and US distributors.

4.2 Canada's Sales Performance Compared

As a point of comparison, it is useful to consider the general performance of foreign sales of Canadian films with international sales of British, French and Australian films. Australia is an interesting comparison with Canada because of the similarities between the two industries such as public funding and tax incentives and the size of the domestic market.

When measured against these jurisdictions, Canadian films achieved higher levels of foreign sales than Australian films but trailed foreign sales of films from the UK and France. Between the years 2005-2006 and 2012-2013, Canadian films earned \$370 million in foreign pre-sales and a further \$300 million in foreign sales of completed films. By comparison, in one year alone, the UK achieved \$1.2 billion in foreign sales.

A survey of Film Export UK members showed that on average, for a “typical” British film, two thirds of total revenues are generated from export income.⁷⁷ In 2013, these revenues amounted to £756 million (CAD \$ 1.265 billion).⁷⁸ Sales of French films amounted to €194 million in 2014,⁷⁹ of only 22% of the volume of sales earned by the UK. In 2012-2013, Canadian films earned a total of \$40 million in foreign sales of completed films, while Australian films earned AUD \$3 million (CAD \$3 million).

These data suggest that, seen from the perspective of rights sales, Canadian films supported by Telefilm appear to be achieving higher exports than Australian films. In this regard, it is interesting to note that six of the most commercially successful films supported by the Harold Greenberg Fund in the past decade were directed by directors featured in the list of Telefilm’s top twenty selling films. Three of the films supported in development by the Harold Greenberg Fund are also in the list of twenty top selling films funded by Telefilm Canada.

Total sales revenues from Australian films amounted to AUD \$45 million (CAD \$44.5 million) for the years from 2005-2006 to 2013-2014⁸⁰. In this nine-year period, Australia produced 265 films, as compared to 708 films produced in Canada with assistance from Telefilm Canada. Differences in the number of productions alone does not account for the difference in sales volumes between the two countries. (See Figure 31.)

Figure 31: Gross Sales of Feature Films, Selected Territories, 2012-2014

| | Gross sales (CAD\$) |
|-----------------------|---------------------|
| United Kingdom (2013) | \$ 1,265 million |
| France (2014) | \$ 281 million |
| Canadian (2012-2013) | \$ 40 million |
| Australia (2013-2014) | \$ 3 million |

⁷⁷ Film Industry Export Alliance Submission to the DCMS Film Industry Review 2011, September 9, 2011.

⁷⁸ *The UK Film Economy*, BFI Research and Statistics, December 2015.

⁷⁹ Centre national du cinéma et de l’image animée, *Bilan 2015*, 2016.

⁸⁰ Source: Screen Australia website: *Screen Australia Trade Data* tables, retrieved from <http://www.screenaustralia.gov.au/fact-finders/international-context/trade>.

IV. Interview Findings on the Challenges and Opportunities in the Exports of Canadian Feature Films

1. The International Marketability of Canadian Films is a Challenge

Producers and distributors interviewed for this study point to the marketability of Canadian films as a key challenge in generating foreign sales. With the rise in the number of films being exported, producing marketable Canadian films is becoming even more difficult.⁸¹ Distributors need marquee directors, writers and actors that they can market and sell. Without them, it is difficult to sell independent films in foreign markets. As one distributor notes, “Figuring out the sweet spot for your movie is really challenging. This is the problem that we’re trying to figure out in our daily lives every single day. It’s about what script you have. It’s about what cast you do or don’t have. It’s about the director. How do you market it?”⁸²

From a distributor’s perspective, a film’s potential for sales answers the following question: Can the film attract moviegoers into the theatre?

In the Canadian market, independent films with budgets of less than \$10 million face difficulty in attracting bankable stars. So, the priority will be to attract a marquee director.⁸³ Our interviews reveal that decisions by buyers are made cautiously based on the marketing potential of the film even before it is seen. With respect to pre-sales, the marketability of a film is essential.⁸⁴ One distributor noted that they consider the elements that are likely to make the most noise in the market, such as movies that win awards, and that have recognizable cast in them.

In addition to marquee elements, most films derive their marketability from festival acclaim. Increasingly, festival exposure and awards are important for selling films.⁸⁵ Some films can use underlying intellectual property to support their marketing.

2. Genre Films Present Opportunities for Exports

Genre is a good indicator of a film’s prospects.⁸⁶ Based on how sets of similar films have sold in the past, investors and producers are able to assess a film’s potential performance particularly at the box office. Films in the genres of horror, science-fiction and fantasy are considered more exportable.⁸⁷ They occupy market niches with loyal audiences that make them attractive to distributors, sales agents and investors. The marketability and exportability of successful genre films rely on good concepts. Higher budget films also typically rely on branded intellectual property.

One distributor noted: “A smart producer will ask themselves what are the niches that I can produce for? A Canadian film will want to play in the niche category with something smart, where you use soft money [public funding] to offset your risk.” As one producer pointed out,

⁸¹ Interviews.

⁸² Tom Sveen, “How to make sure your film is viable in today’s market,” *Film Independent*, November 10, 2015.

⁸³ Interview.

⁸⁴ Fabien Lemercier, “Camille Neel, Exporter”, *Cineuropa*, May 4 2016.

⁸⁵ <http://cineuropa.org/nw.aspx?t=newsdetail&l=en&did=302448>

⁸⁶ Colin Brown, Here’s What You Need to Know to Sell Films in Each of 12 Genres, *IndieWire*, October 14, 2013.

⁸⁷ Michael Deane, “Movie Genres That Make the Most Money,” *Investopedia*, April 9, 2010, retrieved from <http://www.investopedia.com/financial-edge/0410/movie-genres-with-the-best-roi.aspx>.

there are opportunities for lower-budget genre films such as *The Blair Witch Project*, which had a budget of less than \$1 million dollars and earned over \$248 million in global revenues.⁸⁸ There may also be opportunities for higher-budget films with marketable director and cast. These films must offer an original experience as competition in this budget range (\$5 million to \$7 million) is more challenging.

3. *The VOD Market is Presenting Both Challenges and Opportunities*

Major disruption by VOD players in the distribution model for feature films is presenting both challenges and opportunities. Global players, Netflix, Amazon and Apple are disrupting the carefully orchestrated procession of distribution windows and creating complexity for producers and distributors. Hybrid forms of distribution are also opening up with simultaneous VOD and theatrical releases. Streaming services are being referred to as the “new arthouse circuit” with Netflix and Amazon commanding tens of millions of viewers. While the films being acquired by these services may not get theatrical releases, or may get minimal theatrical releases, they can now be seen around the world.⁸⁹ Despite the fear that such hybrid distribution strategies will lead to cannibalization of demand, the results are seen as beneficial to some producers and their investors. One of the advantages is that the offer they make for the global SVOD [or streaming] rights make it profitable for investors.

On the other hand, a service like Netflix which licenses world-wide rights to films for flat fees is of some concern for other producers. In some cases, Netflix has split theatrical and streaming rights, making the theatrical rights less desirable on their own, since distributors have traditionally recouped some of their investment by re-selling the right to stream. One of the key issues for distributors is finding the optimal cost/benefit balance between a theatrical and video-on-demand release. In general, the trend is away from all rights deals forcing distributors to chase sales on multiple platforms. “You have to do a lot more work for the same revenue that you got before from one deal. Now you have to make five deals to get the same money”.⁹⁰ At the same time, revenues from the ancillary markets of television and DVD are being eroded. The DVD film market is falling due to the emergence of VOD and catch-up TV. Because of lower profit margins, this decrease is not compensated for by the sales of Blu-ray or by VOD.

4. *Attracting a US Distributor is a Challenge*

Interviews conducted with producers for this study identify the US market as a top priority for selling Canadian films, in which some producers have made progress.⁹¹ While Canadian films are still considered niche, there are more opportunities for sales. In some cases, the day and date release model has been used with success.

Attracting a US distributor is a challenge. Canadian films must be excellent to compete with the best films in the world to attract a US distributor. Relationships with distributors in the

⁸⁸ *Box Office Mojo*, entry for *Blair Witch Project*, retrieved from <http://www.boxofficemojo.com/movies/?id=blairwitchproject.htm>; John Young, “The Blair Witch Project 10 years later: Catching up with the directors of the horror sensation,” *Entertainment Weekly*, July 9, 2009, retrieved from <http://www.ew.com/article/2009/07/09/blair-witch>.

⁸⁹ Julia Greenberg, “Netflix and Amazon Offer Filmmakers Hope and Lots of Money,” *Wired Magazine*, January 28, 2016.

⁹⁰ Birgit Heidsiek, “TV Sales in Europe : the end of film exploitation as we know it,” *Europa Distribution* website, retrieved from <http://www.europa-distribution.org/tv-sales-in-europe-the-end-of-film-exploitation-as-we-know-it-by-birgit-heidsiek/>.

⁹¹ Interview.

US market are critical. As one producer noted, “it takes years to build up relationships outside of Canada.”⁹² US distributors typically assume the high marketing costs related to a theatrical release which adds to the film’s appeal when selling to foreign markets. One distributor noted: “A US distributor is a guarantee to the market -- the film will get the exposure it needs to get in front of an audience.”⁹³

For a Canadian feature film to generate international sales, securing a distribution deal in the US for theatrical release is considered essential as it facilitates sales in the rest of the world. One distributor pointed out that this is how Canadian films break through internationally.⁹⁴

5. Considerations for Increasing the Sales of Feature Films

One of the challenges identified by stakeholders is the need for more competitive screenplays. One stakeholder pointed out that the competition from the top exporting territories for feature films is “stiff”, particularly from the US. Canadian scripts suffer from a lack of investment. More time is needed to develop world-class scripts and greater flexibility is needed in attaching writers to projects.

One producer describes the pool of Canadian talent as small when seen within the context of a competitive international marketplace that prioritizes marquee elements. In spite of having strong writers, there is a need to develop more, and brand, Canadian writers. “We need to develop our talent pool. The advantages to being a Canadian producer is that you can partner with US productions, they are attracted to our funding. But the problem is when the script is by an unknown Canadian writer, it limits our opportunities.”⁹⁵

In this context, the current Canadian funding system is seen as too restrictive by the stakeholders interviewed for this study and limits opportunities for foreign sales. International buyers are looking for recognizable elements in terms of underlying properties, directors, writers and lead cast. International sales require that films be packaged with elements that audiences will care about. As one stakeholder noted: “No one buys a film they've never heard of, with people they've never heard of, by a director they've never heard of, with a screenplay by someone they've never heard of.”⁹⁶

Having recognizable stars in leading roles makes a film more exportable.⁹⁷

International treaty coproductions are indispensable to make films with higher budgets that can sell internationally. They can more easily attract prominent sales agents, and can facilitate access to new markets. Even in the context of international treaty coproductions, which provide a greater measure of flexibility, the Canadian funding system is seen as too restrictive. The involvement of US talent even in a limited way can greatly support foreign sales.⁹⁸

⁹² Interview.

⁹³ Interview.

⁹⁴ Interviews.

⁹⁵ Interviews.

⁹⁶ Interviews.

⁹⁷ Interviews.

⁹⁸ Interviews.

V. Effective Strategies and Initiatives for the Export of Feature Films: Lessons for Canada

1. Lessons Learned from the United Kingdom, France and Germany

The top exporting countries (after the US) of the United Kingdom, France, and Germany have made the export of their feature films a strategic priority. Their success provides lessons for Canada that could inform efforts to increase foreign sales of Canadian feature films.

1.1 United Kingdom

The success of UK films internationally rests primarily on its industry's close relationship to US studios, which have paved the way to the world's major markets, including the US and China. This relationship was facilitated by wider strategies aimed at positioning the UK's film sector within the global creative economy.

Current support for UK film exports is aimed at increasing sales of independent films. The Department for International Trade (formerly known as UK Trade and Investment, or UKTI) has developed an international strategy for the UK's creative industries.⁹⁹ Within this broader context, the British Film Institute has developed its own international strategy to support film exports.¹⁰⁰ Based on a common identification of the priority territories and objectives, BFI leads concerted efforts involving government and industry.

The BFI provides support to sales agents for publicity and marketing activities at festivals as well as costs relating to high profile festival appearances. The overall strategy for enhancing foreign film sales is framed within a holistic understanding that increasing exports of UK is enhanced by growth in international coproduction and inward investment.

Both the UKTI and the BFI measure and report on exports and provide their domestic industry with market intelligence to support foreign sales.

Film Export UK is an association representing British film exporters that have a mandate to promote exports of UK films. Pact, also a UK industry association representing independent producers, provides market intelligence and opportunities to independent UK companies to develop their expertise in foreign sales. Film London organizes the annual London Screenings, an export market dedicated to UK films where buyers are invited to meet with UK sales companies.

1.2 France

The success of French film exports can be attributed to the market-driven production support provided by the Centre national du cinéma et de l'image animée (CNC) and the activities of Unifrance, the organization mandated by the French government to promote French cinema around the world. In existence since 1949, the well-financed and structured Unifrance is a leader in promoting its national film culture and industry to the world. Administered and primarily funded by the CNC, Unifrance facilitates foreign sales of French films at major international markets and through its own special initiatives. Unifrance participates in all major

⁹⁹ UKTI, *UK Creative Industries – International Strategy*, 2015.

¹⁰⁰ BFI, *The Wide Angle: The BFI's International Strategy*, 2013

international film festivals and markets and works in association with the CNC and the industry to support the release of French films internationally.

As an example of a special initiative that marries promotional and sales activities, Unifrance organizes the annual Rendez-vous with French Cinema, which is both a film market and a series of meetings with the press. Unifrance also provides support to sales agents for prospecting and versioning/sub-titling. The organization also collects and publishes extensive intelligence on the performance of French films in foreign markets.

1.3 Germany

Germany has had a similar long-term strategy for its film industry since 1954 and its current film export and promotion organization, German Films + Marketing, promotes sales of German films internationally through a wide range of activities and financial mechanisms. For example, they provide financial assistance for foreign releases of German films and they publish market intelligence on German films worldwide.

The association organizes the German Films Previews, a three-day annual event geared toward art house distributors and buyers. This event is seen to be particularly effective in generating sales.

2. Considerations for Enhancing Foreign Sales of Canadian Feature Films

We observe that the top exporting countries discussed above share a commitment to strategic export development. They gather market intelligence and measure international sales, prioritize markets, promote their domestic film output and target initiatives aimed at enhancing sales, including support for sales agents. They also encourage coproduction as a cornerstone of international relationship building and sales. The following elements could provide inspiration to enhance Canada's foreign sales of feature films.

2.1 Market Intelligence and Measurement of Sales

Foreign sales data collected by policy makers in Canada is limited. For example, data collected by Telefilm Canada does not extend to the many films being made without the Corporation's involvement. In addition, the data that is available on sales lacks contextual information that could help to shape export strategies. In particular, information on territories in which films are being sold is not being systematically gathered. In this regard it is instructive to note that the BFI's international strategy recognized the strategic importance of access to data on sales by territory.

The UK, France and Germany gather and share market intelligence with their domestic industries, providing strategic support to foreign promotion and sales. Worldwide admission to European films are collected, measured and analyzed by the European Audiovisual Observatory for use by EU member countries. These analyses are being used by the UK, France and Germany in their own market intelligence research. This market intelligence is being complemented in France and the UK by Unifrance and the BFI, respectively, with industry surveys to measure the volume of international sales, and provide intelligence on key trends, challenges and opportunities. In our interviews, industry stakeholders called on the government to assist in providing market intelligence that could support export activities.

Among the priority areas identified by stakeholders was the need for analysis on the potential for sales of Canadian films to VOD and SVOD platforms and in which territories. Market intelligence of this type is being gathered by Unifrance for use by French sales agents.

2.2 Priority Markets for Canadian Films

2.2.1 First Tier Markets

The United States and Western Europe are the most important territories for foreign sales of Canadian films and are priority markets for the producers and distributors interviewed for this study. Canadian films supported by Telefilm Canada are earning the greatest sales revenues from the US, UK, France and Germany.

These territories pay higher amounts for sales of rights and can provide additional royalties due to their size and high prices commanded at the box office relative to emerging territories. They also have shared languages and cultural connections. To a lesser extent, sales are being made to Australia and Latin America.

Canadian companies have established relationships with coproducing partners and buyers in the US, the UK, France, Germany, Italy, Spain, the Nordic countries and Australia. The CMPA has identified Germany, Ireland, the US, UK and Australia as priority markets to support international coproduction.

For French language films, France, Belgium and Switzerland generate important sales. In recent years, France has shown a greater interest in buying Québec films. In 2016 there are currently eight Quebec films on release in France and some films are achieving higher than average box office sales of half a million admissions.¹⁰¹ The success of these directors and their films is said to be making it easier for other Quebec films to be sold internationally.

Québec films are also selling to the US, Germany, the UK and Australia. It was noted in our interviews that Québec films have a cultural affinity with Danish films and that there could potentially be opportunities for sales there. A few films have sold to Denmark in the past two to three years.¹⁰²

The US is a key priority market for many Canadian companies. As we have seen, the UK has had success penetrating the US market by coproducing with US studios. The US also represents a lucrative market for German films, accounting for 20% of global sales.

In the US, Canadian films are considered niche. Interviewees explained that opportunities exist for sales to US distributors for day and date releases on VOD platforms. Theatrical releases in the US require marquee elements and must be competitive with well-financed US independent films and studio films. Over 550 independent films are being released in the US market each year, accounting for 80% of all films released in recent years.¹⁰³ As in other markets, theatrical attendance in the US is concentrated around a limited number of films. Of 708 films released in the US in 2015, 130 films captured 95% of the box office.

2.2.2 Second Tier Markets

Stakeholders interviewed for this study expressed interest in making sales to China, Latin America and the Russian Federation.

¹⁰¹ Interview.

¹⁰² Interview.

¹⁰³ Independent Film and Television Alliance, Submission to the Office to the United States Trade Representative, China's WTO Compliance - Comments Re: "Request for Comments and Notice of Public Hearing Concerning China's Compliance With WTO Commitments" September 23, 2015.

China

We note that the US, UK and France have made China a priority market. China is the fastest growing film market and has recently become the second-largest in the world. While the size of the Chinese market alone can generate significant returns for a successful film, gaining access to the market can be difficult. There are valuable lessons to be learned about the experience of other countries' efforts to penetrate the market.

In 2015, total gross box office grew by 48.7% over 2014, achieving a total of \$6.8 billion, and maintaining its position as the second largest market in the world. Chinese cinema admissions also peaked in 2015, at \$1.26 billion, representing year-over-year growth of 51.8% over 2014. Fully digitized since 2014, the number of cinema screens increased significantly from 24,607 screens in 2014 to 31,627 screens in 2015. By the end of 2017, China is expected to surpass North America as the largest movie market in the world.¹⁰⁴

China has a strong domestic market that is protected from foreign competition. Foreign films enter the market according to a two-tiered system. Films that can share in revenues from box office sales in China are strictly controlled and subject to import quotas. China imports about 34 films per year under the quota, revenue sharing system. US blockbusters account for almost all of the films that enter the market this way and account for about 40% of all Chinese box office sales.¹⁰⁵ A further 40 "non-quota" films are imported, subject to a "flat fee" purchase from Chinese distributors. Independents have had some success distributing their films on a non-revenue sharing basis, including through online distribution. However, China also restricts foreign content to 30% of all content distributed online.¹⁰⁶

As a means of gaining entry to the Chinese market, foreign producers are increasing their participation in coproductions with Chinese companies, as these allow films to get around import quotas set on foreign films.¹⁰⁷ The US in particular is having success by coproducing with Chinese partners. The UK has had success in tri-partite coproductions with the US and China.

Some companies are positioning themselves in China by engaging local staff or building relationships with local sales agents and distributors. Some Canadian companies have had success in China either using their own locally based sales force or Chinese sales agents. Sales of feature films have been made to VOD platforms and television.¹⁰⁸ Chinese buyers are said to be interested in animation, romantic comedies, procedurals and films with a historical setting.

¹⁰⁴ *Focus World Film Market Trends 2016*, Film Market, Cannes Festival.

¹⁰⁵ Independent Film and Television Alliance (IFTA), Comment on USITC Investigation into Small and Medium-Sized Enterprises: U.S. and E.U. Export Activities, Inv. No. 332-509, March 26, 2010.

¹⁰⁶ Independent Film and Television Alliance, Submission to the Office to the United States Trade Representative, China's WTO Compliance - Comments Re: "Request for Comments and Notice of Public Hearing Concerning China's Compliance With WTO Commitments" September 23, 2015.

¹⁰⁷ Zheng Ye, "Industry Report: Focus: Asia & Oceania - A drama that could have an unhappy ending," *Cineuropa*, February 13, 2013.

¹⁰⁸ Fabien Lemercier, "Camille Neel, Exporter", *Cineuropa*, May 4 2016.

Latin America

The Latin American film market shows contrasting situations between countries.¹⁰⁹ Film markets are showing the greatest growth in Brazil and Mexico, where the number of screens and ticket sales continues to increase. Other markets, such as Argentina and Uruguay, are said to be more closed.

Viewers in Latin America have access to over 11,000 screens. In the last decade Brazil and Mexico have doubled their number of screens, 6,000 of which can be found in Mexico, followed by Brazil with over 3,000 screens.¹¹⁰ Both Mexico and Brazil are amongst the top ten countries worldwide by number of admissions, ranking fourth and eighth, respectively, with 286 million admissions in Mexico and 173 million admissions in Brazil, in 2015.¹¹¹ Mexico also ranked amongst the top ten countries for box office revenues in 2015.

Canadian companies identify Latin America, particularly Brazil and Mexico as priority markets. France also identifies Latin America as a top priority market and is taking a targeted approach to enhancing sales in the region. Unifrance has created a mini-market for Latin American buyers, which has taken place following their Rendez-vous event in New York City.¹¹² A constant throughout the region is the prevalence of American productions at the box office.¹¹³ The US has also identified Brazil and Mexico as priority markets.¹¹⁴

Brazil is South America's largest media and entertainment market. Box office receipts have grown steadily since 2005 and admission prices are also growing. Total box office sales are expected to reach USD \$1.13 billion by 2018.¹¹⁵ Brazil is a favoured destination for European films and was the fourth most important market in terms of box office admissions for French films in 2015.¹¹⁶

The film industry in Brazil is said to be well-developed, with 128 national films produced in 2015. There is interest in pursuing more coproductions with other countries in the region. National Film Agency ANCINE has launched a BZR 5 million scheme to fund Brazilian minority co-productions with 19 countries.¹¹⁷ Opportunities for sales to TV, DVD, and digital streaming services are said to be growing.¹¹⁸

Mexico is Latin America's second largest market after Brazil, and also a top priority for the US, with many opportunities for Spanish-language content on streaming services and televi-

¹⁰⁹ *Emerging Markets and the Digitalization of the Film Industry, An Analysis of the 2012 UIS International Survey of Feature Film Statistics*, UIS Information Paper No. 14, Unesco Institute for Statistics, August 2013.

¹¹⁰ *Focus World Film Market Trends 2016*, Film Market, Cannes Festival.

¹¹¹ *Focus World Film Market Trends 2016*, Film Market, Cannes Festival.

¹¹² Hugo Orchillers, *Le Livre Blanc de l'export Association Des Exportateurs de Films*, October 2016.

¹¹³ *Focus World Film Market Trends 2016*, Film Market, Cannes Festival.

¹¹⁴ International Trade Administration, *Media & Entertainment Top Markets Report: A Market Assessment Tool for U.S. Exporters*, July 2015.

¹¹⁵ International Trade Administration, *Media & Entertainment Top Markets Report: A Market Assessment Tool for U.S. Exporters*, July 2015.

¹¹⁶ *UniFrance publie les résultats des films français à l'international en 2015*, Unifrance Website, January 13, 2016, retrieved from <http://www.unifrance.org/actualites/14534/unifrance-publie-les-resultats-des-films-francais-a-l-international-en-2015>.

¹¹⁷ *Focus World Film Market Trends 2016*, Film Market, Cannes Festival.

¹¹⁸ International Trade Administration, *Media & Entertainment Top Markets Report: A Market Assessment Tool for U.S. Exporters*, July 2015.

sion.¹¹⁹ France is having success making sales to Mexico, in particular by working with local distributors who are not affiliated to US majors.¹²⁰ Films that work well are science fiction, horror and action films.

The Mexican film market is growing and is expected to reach \$1.2 billion in box office revenues by 2018. Admissions are also increasing, expected to reach 265 million by 2018, up from 239 million in 2013. Theatrical exhibition is dominated by US blockbusters, but the local industry is said to be taking hold. There are opportunities for foreign producers to collaborate with local producers, in particular for films shot in Spanish.¹²¹

Russian Federation

There are opportunities for Canadian films to be sold to the Russian Federation.

The theatrical market in Russia has been growing at a significant rate. Between 2010 and 2014, the number of screens in the Russian Federation increased by 37.5%.¹²² Gross box office earnings increased by 42% over the same period, while the number of cinema admissions have increased from 156 million in 2010 to 176 million in 2014.¹²³ In 2015, gross box office sales in the Russian Federation totalled USD \$728 million, making it the 9th largest market for feature films in the world. New funding programs have been created to stimulate the growth of the theatrical market, including funding to grow the number of theatres.¹²⁴

The market is mainly driven by youth audiences interested in action/sci-fi movies and comedies, notably from the US. Canadian companies have had success making sales of science fiction/fantasy films to the country.

France is having success selling its animated films to Russia, where they capture double the market share they do at home. The Russian Federation has a strong tradition of domestic animation production.¹²⁵ The animation adventure film based on popular Russian fairy tales, *Three Bogatyrs: The Horses Turn*, was the only non-US film to rank among Russia's top 20 films in 2015.¹²⁶

Nordic cinema has also made inroads into Russia, beginning with the Dogma movement in the 1990s, which helped to create a market for smaller European independent films. Strong relationships exist between Russian independent distributors and Nordic sales agents. In particular Russia has a close cultural affinity with Finland.¹²⁷

2.2.3 Markets to Watch

India

India is a market to watch. There are opportunities for coproduction and for companies with expertise in animation.

¹¹⁹ International Trade Administration, *Media & Entertainment Top Markets Report: A Market Assessment Tool for U.S. Exporters*, July 2015.

¹²⁰ Interview.

¹²¹ International Trade Administration, *Media & Entertainment Top Markets Report: A Market Assessment Tool for U.S. Exporters*, July 2015.

¹²² European Audiovisual Observatory, *Yearbook 2015 Key Trends*, 2016.

¹²³ European Audiovisual Observatory, *Yearbook 2015 Key Trends*, 2016.

¹²⁴ *Focus World Film Market Trends 2016*, Film Market, Cannes Festival.

¹²⁵ Interviews.

¹²⁶ *Focus World Film Market Trends 2016*, Film Market, Cannes Festival.

¹²⁷ Annika Pham, *BRIC Report*, Nordisk Film & TV Fond, October 2012.

Canada has a coproduction treaty with the country. However, at the present time, Canadian companies note a number of challenges with doing business in India, including a lack of business relationships, lack of Indian experience coproducing with Canadian companies, linguistic hurdles and piracy.

One of the challenges for Canadian sales to India is the preference of Indian audiences to watch films in local languages. The Hindi language Bollywood film industry, and the Tamil language Kollywood industry, are said to produce the most films globally.¹²⁸ International film studios Warner Bros., Disney, Fox and Dreamworks have entered into collaborations with local producers to develop regional films and films in Hindi. Content-driven smaller niche movies have had recent success, with strong content and word-of-mouth marketing.¹²⁹

The US has identified India as a priority market due to the size and growth of the film industry there. It is estimated that the film industry will grow to USD \$2.9 billion in 2018.¹³⁰ After a decade of slowing, movie attendance and box office revenues are once again rising. Digital cinema is driving the growth of multiplexes, offering improved viewing experiences that appeal to India's rising middle class. The Indian market is said to have generated USD \$1.5 billion in domestic box office sales in 2015.¹³¹

Africa

On the African continent, where economies such as those of Nigeria and South Africa, are expanding rapidly, France is encouraging coproduction as a means of gaining access to markets, recognizing that African audiences prefer films that look African and give them a sense of cultural ownership. Coproductions are attractive to African producers as they allow them to make more competitive, bigger budget films with higher production values. Some Canadian companies are similarly doing business in Africa through coproduction.

2.3 Promotion of Canadian Films

Festivals continue to be an important launch pad for the international careers of films. Telefilm Canada and provincial funders provide funding for promotion of Canadian films at major international film festivals. They provide promotional support to sales agents for publicists and for travel by directors to boost the presence of Canadian films at festivals. There is a great need for more of this type of funding. Festivals are of course key opportunities to promote and brand Canadian and Quebec cinema. Branding Canadian cinema is seen as a priority by many interviewees. We note that the strategy of Unifrance "is very much built upon the brand of French cinema."¹³²

The recent success of films by directors such as Denis Villeneuve, Jean-Marc Vallée, Xavier Dolan, Philippe Falardeau and Chloé Robichaud, have been baptized by the media as "the new wave of Quebec cinema," which has gone a long way to help brand Québec as a seller of films on the international market.

¹²⁸ International Trade Administration, *Media & Entertainment Top Markets Report: A Market Assessment Tool for U.S. Exporters*, July 2015.

¹²⁹ Ernst & Young, *Film Industry in India: New Horizons*, 2012.

¹³⁰ International Trade Administration, *Media & Entertainment Top Markets Report: A Market Assessment Tool for U.S. Exporters*, July 2015.

¹³¹ *Focus World Film Market Trends 2016*, Film Market, Cannes Festival.

¹³² Run it by Byrd, *Developing a Market Strategy for Canadian Content in the US Marketplace*, March 31, 2010.

While individual English-Canadian directors such as Atom Egoyan and David Cronenberg have had major international success at festivals and beyond, interviewees note that foreign sales would benefit from greater branding of English Canadian cinema.¹³³

In addition to funding travel for talent, Germany, France and the UK host special events in priority markets designed to raise awareness of their films and encourage greater sales. German Films + Marketing organizes screenings of German films abroad to raise awareness of German cinema and create a buzz around it. Unifrance organizes a festival of French films and music in London to draw a younger audience to its films. Similarly, amongst their many initiatives, Telefilm and SODEC host screenings in Paris to raise awareness of Canadian and Quebec cinema. These are opportunities to promote a brand for Canadian cinema.

2.4 Support to Sales

Successful film exporting countries have a strong presence at key international markets, and support sales by hosting their own markets in targeted territories. Our interviews confirm the importance of maintaining Canada's presence at the major international markets of Cannes, European Film Market in Berlin, the Toronto International Film Festival, which, while technically not an official market, supports significant sales activity, and FILMART in Hong Kong.

The industry relies on the support provided by Telefilm and provincial agencies at international markets. Competition is fierce and some countries are having success with promoting their country's brand, such as the UK, with *We Are UK FILM*. First launched in 2013, the strategy brings together the efforts of the UK's film agencies and partners aimed at raising the profile of the UK at film markets in Berlin, FILMART, Cannes and Toronto. In this regard, efforts by Telefilm Canada and provincial agencies to work together at markets is appreciated by the industry. Having more resources for branding Canada would help Canadian companies compete more effectively at these events.

Canadian companies interviewed seek more opportunities to attend markets in the US, notably the American Film Market (AFM). The AFM is said to be particularly important to attend to have access to a wider number of American sales agents.

There is also a need to host events that promote Canadian films sales to buyers and sales agents outside of the major markets. Sales agents suggest that it may be more useful to producers to have opportunities between markets to meet with sales agents where they have more time for relationship building. As noted above, events that bring together international sales agents, buyers and films are working for Germany, France and the UK. Similar events are hosted in the US by Telefilm Canada.

Missions are another way of supporting international sales. Hosting smaller events and missions support relationship building and the development of trust, without which it is impossible to make sales. Stakeholders value these initiatives and would like to see them continued.

Many countries in Europe, including Germany, are providing support to foreign buyers of their films to offset the costs of releasing the films theatrically. Marketing support for distributors that is provided by Telefilm is considered very effective and more of this type of funding would greatly help with sales to the US. In Canada, there are few sales agents and minimum guarantees have diminished and no longer exist for some films. It is said to be near impossible to secure a sales agent for films with budgets of less than \$5 million. The EU and France provide support to sales agents to strengthen their capacity to sell films. *Creative Europe* provides support to international sales agents through its support for the distribution of non-

¹³³ Interviews.

national European films – the "Sales Agents" Scheme. This performance based fund of €1.6 million provides resources to European sales agents for investment in minimum guarantees and the promotion and marketing costs of European non-national films.¹³⁴ Similarly, the CNC provides strategic support to French sales agents to develop sales prospects for a film or catalogue of films.

2.5 Coproduction

An effective coproduction landscape enhances opportunities for sales as it opens up streams of international finance. Coproductions facilitate relationship building in foreign markets, open doors to distribution and sales, and increase the possibilities for commercial success by allowing for higher budget productions and a pooling of expertise.

As the European Union (EU) is treated as a common market, there is greater flexibility in the use of labour and local spending. This makes coproductions with any European country attractive as they can open doors to talent, locations and infrastructure in any other European country.

For Canadian producers, the key coproducing partners are France, Germany, the UK and Italy. Germany is said to be attractive for its less stringent regulations. Coproductions have also been identified as a strategic way to enter emerging markets such as China and Africa.

One suggestion that was put forward by interviewees was for the creation of a coproduction fund that would provide support for minority coproductions. Such a fund would have the benefit of attracting more inward investment to Canada. We have seen that minority coproductions provide Canadian companies with the greatest opportunities for international sales.

3. Summary Observations

The lessons for Canada on how to strengthen its film exports begin with a focused export development strategy supported by market intelligence on the current performance of its sales and the priority markets to target. We have made some suggestions on the prioritization of markets, which include the United States and Western Europe as first tier markets, currently the most important territories for foreign sales of Canadian films. We have also identified China, the Russian Federation and Latin America as second tier markets and India and Africa as markets to watch.

There is a need for more funding for the promotion of Canadian films at major international festivals that could brand Canadian cinema. Canada needs to continue to enhance its presence at the major international markets at Cannes, Berlin, FILMART and Toronto. While not an official market, Toronto was identified as a key destination for sales activity. Canadian companies interviewed also seek more opportunities to attend markets in the US, notably the American Film Market (AFM), which could provide greater access to American sales agents.

Marketing support for distributors that is provided by Telefilm is considered very effective and more of this type of funding would greatly help with sales to the US. Missions continue to be an effective way to build relationships with priority jurisdictions. Stimulating international coproductions and in particular minority coproductions would also enhance the sales of Canadian films.

¹³⁴ *Support for the distribution of non-national European films – the "Sales Agents" Scheme, Creative Europe (2014-2020) Media Sub-Programme, January 2016.*

VI. Conclusions and Recommendations

1. Findings and Recommendations

1.1 Facilitating Exports of Canadian Feature Films

There are production characteristics of films that are generating sales in the global market. These films generally have higher budgets, and are made within the framework of international treaty coproductions and feature marquee talent. Canadian films generating the greatest sales internationally are those that are developed and produced with these elements in mind.

Canadian industry stakeholders interviewed for this study recommended the following to enhance foreign sales:

- 1) Greater resources for script development;
- 2) Greater flexibility in the attachment of marquee elements for films receiving public funding and tax credits;
- 3) A coproduction fund targeted at minority coproductions; and
- 4) A packaging fund to assist producers in assessing the global market's appetite for their films.

We see merit in these recommendations and put them forward for consideration and study by the government and the industry.

1.2. Canada Needs an Export Strategy

In today's competitive global market, countries that are succeeding such as the UK, France and Germany, have aggressive export strategies. They gather intelligence from markets and their producers and distributors, they measure international sales and can draw upon robust data to prioritize markets. These tactics are key to their success. Systematic data collection is critical to the successful development and monitoring of an export strategy. Unifrance conducts an annual industry survey and provides a detailed annual report on sales for use by the industry and policy makers. The UK and Germany have also conducted detailed data gathering and analysis on international sales for sharing with stakeholders. In addition, the three successful jurisdictions allocate resources to initiatives that promote their national cinemas, such as through branding campaigns, they encourage coproduction and provide support to distributors and sales agents.

Canada too has developed many innovative promotional initiatives over the years. These have helped the industry grow and gain in international recognition. The development of a national film export strategy provides an opportunity for a concerted effort bringing together the industry and government representatives, to collaboratively develop a vision that will carry Canada's feature film sector forward into the next decade. The federal government could take the lead in the development of the strategy as well as the coordination of activities, in particular as regards the promotion and sale of fiction, animation and documentary films. An export strategy for Canada should be committed to increasing the value of film exports every year. , The growth of the industry depends entirely on its ability to maintain a strong global position.

1.3. Promotion and Sales of Canadian Film Under the Leadership of a National Authority

While Canadian films are generating sales, greater sales could be achieved with dedicated resources for promotion and sales under the leadership of a national authority. The success of France and Germany in its film exports illustrates the value of a national authority to promote and sell films internationally. Unifrance is appreciated as the most developed agency supporting sales of national films. The success of French cinema has grown to the point where admissions to French films are higher outside the country than within it.¹³⁵

This approach will require an examination of current provincial and federal activities and programs to ensure that there is no duplication of efforts. A study is recommended that would consider the question of potential duplication, propose a governance framework, and consider the most efficient and cost-effective manner to deliver dedicated resources and create synergies for the promotion and sale of Canadian films and television programs under the leadership of a national authority.

A key strength in Canada is the collaboration between federal and provincial agencies in promoting Canadian films, encouraging greater coproduction and attracting inward investment. This strength forms the basis for creating a robust approach to export development, one that could propel the Canadian industry forward with confidence on the global stage.

¹³⁵ *UniFrance releases results for French films abroad in 2015*, Unifrance website, January 13, 2016, retrieved from <http://en.unifrance.org/news/14534/unifrance-releases-results-for-french-films-abroad-in-2015>.

Annex 1: Glossary

Broadband Internet: High-speed Internet generally taken to be Internet offered at speeds greater than 150Kbits/second.

Catch-up service: services providing TV programs, on demand, on devices connected to the Internet. Access is normally available following a program's linear TV broadcast.

Day and date release: First release of content via simultaneous broadcast in both the home country and other licensed markets. In the case of film content, day-and-date release can refer to a film being made available in theatres and via home entertainment, in all markets, at the same time.

Distributor: is the legal entity, a person or a corporation, that has the right to generate revenue from the copyright by releasing the film to the public or licensing the rights to sub distributors who will release to the public in their defined territory, language and medium.

Electronic Sell-Through (EST): refers to the purchase of video content that is then downloaded and stored by the consumer.

EU: The European Union.

Home Entertainment: A content window in which consumers have in-home access, prior to television broadcast. The home entertainment window traditionally includes video, DVD and Blu-ray, but has now expanded from physical products to include TVOD services

Minimum Guarantee: An advance on royalty income from a particular window in a particular territory.

OTT: "Over the top" delivery of content over the Internet directly to the consumer without the involvement of a local operator, such as a cable or satellite provider, in the control or distribution of the content.

Output deal: An agreement in which a producer agrees to sell a part of its overall content to the buyer for a specified duration.

Overages: When a film earns more than the minimum guarantee, then net profits or overages are paid to the producer.

P&A: expenses spent to market the movie for a theatrical release and to produce copies of the film, physical or virtual, to play in theaters.

Pre-sales: a way for producers to raise financing for films in development. Working through a sales agent, the financing for production budgets is pieced together by selling rights to that project in various "windows" (theatrical, DVD, video-on-demand, pay television) to distribution companies who can then exploit these rights in their respective markets. The payment is usually termed a minimum guarantee.

Sales agent: acts on behalf of a third party (producer or distributor) and is the conduit to a film's distribution outside of its country of origin. The sales agent will acquire a set of rights from the producer, pitch and sell these distribution rights to potential distributors around the world, draft distribution agreements, deliver the physical and electronic materials of a film to these distributors and, finally, collect and pay the revenue due to the producer/distributor.

SVOD: Refers to subscription video on demand (often referred to as streaming over the open Internet). These are temporary rights of use accessed with a recurring payment. For example, a subscription package through Netflix.

Territorial Licensing: Licensing of content rights to a specific geographic area.

Territorial pre-sales: Under a territorial pre-sales agreement, a distributor in a particular territory agrees to pay an advance against a negotiated royalty (or a flat price) upon completion and delivery of the film. Pre-sales are often associated with licensing on a territory-by-territory basis, as financial advances are secured against exclusive local distribution rights before the film enters into production. This exclusivity provides the distributor with the possibility of recoupment on each investment.

Transactional video-on-demand (TVOD): is essentially movie rentals chosen a la carte, and the he natural outgrowth of the pay-per-view business.

Windowing: Release arrangements for the exploitation of film and TV rights across different platforms, timings and geographies. Release windowing is a way of applying differential pricing to consumers who are willing to pay for the content at different times, or in different formats or settings, and/or to distinguish between the value of ownership and access.

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Annex 2: Interviews Conducted

Producers

Don Carmody, President, Don Carmody Productions
Valérie D'Auteuil, Vice-President, Caramel Films
Luc Déry, President, Microscope Inc.
Kevin Dewalt, President and CEO, Minds Eye Entertainment
Niv Fichman, Founding Partner, Rhombus Media
Daniel Iron, President, Blue Ice Pictures Canada
Christina Jennings, Chairman and CEO, Shaftesbury
Jennifer Jonas, President, New Real Films
Martin Katz, President, Prospero Pictures
Mark Musselman, Executive Vice-President, Serendipity Point Films
Nancy Savard, Founder, Productions 10e Avenue
Alex Raffé, Production, Thunderbird, Vice-President Production

Distributors and Sales Agents

Zanne Devine, President, Pacific Northwest Pictures
Charlotte Mickie, President, Mongrel Media International
Anick Poirier, Vice-President International Sales, Seville International
Noah Segal, Co-President, Elevation Pictures
Peter Wetherell, Founder, Magus Entertainment

Funders

Élaine Dumont, Director of International Affairs, SODEC
John Galway, President, English-language Program, Harold Greenberg Fund
Robin Mirsky-Daniels, Executive Director, Rogers Group of Funds
Kristine Murphy, Director, Industry Development, OMDC
Florence Moureaux, Interim Director, National and International Business Development, Telefilm Canada
Michel Pradier, Director, Portfolio Investments, Telefilm Canada
James Roberts, Director, Strategic Planning, National Film Board of Canada
Carole Vivier, CEO, Manitoba Film and Music
Robert Wong, Vice-President & Acting Film Commissioner, Creative BC

International Export Development Organizations and Programs

Frederic Berezyiat, Deputy Executive Manager, Unifrance
Charlie Bloye, Chief Executive, Film Export UK
Mariette Rissenbeek, Managing Director, German Films Services + Marketing
Susanne Vaas, Vice-President, Corporate and International Affairs, Canadian Media Producers Association

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