

# Content Distribution Strategies: Changes in Movie Windowing

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# Content Distribution Strategies: Changes in Movie Windowing

Windowing for motion pictures is evolving, and companies throughout the ecosystem are feeling the effects of new trends such as accelerated windowing and digital day-and-date distribution. Changes in movie distribution windows have been influenced by consumer use and wallet share of digital services. As a result, industry players across the globe are experiencing vastly different outlooks, with box office numbers climbing internationally, particularly in Europe and Asia/Pacific, but stagnating in North America.

While the theatrical window, traditionally 3-6 months, has been shrinking on its own for the past decade, non-traditional content companies have been the initial disruptors to the established theatrical windowing model.

Among those disruptors are OTT providers, such as Amazon, Hulu, and Netflix.

These providers are in a prime position to alter the theatrical window and have several advantages at their disposal, including established digital distribution channels, content exclusivity, and no preexisting theatrical relationships.

## Advantages for OTT Providers

- established digital distribution channels
- content exclusivity
- no preexisting theatrical relationships

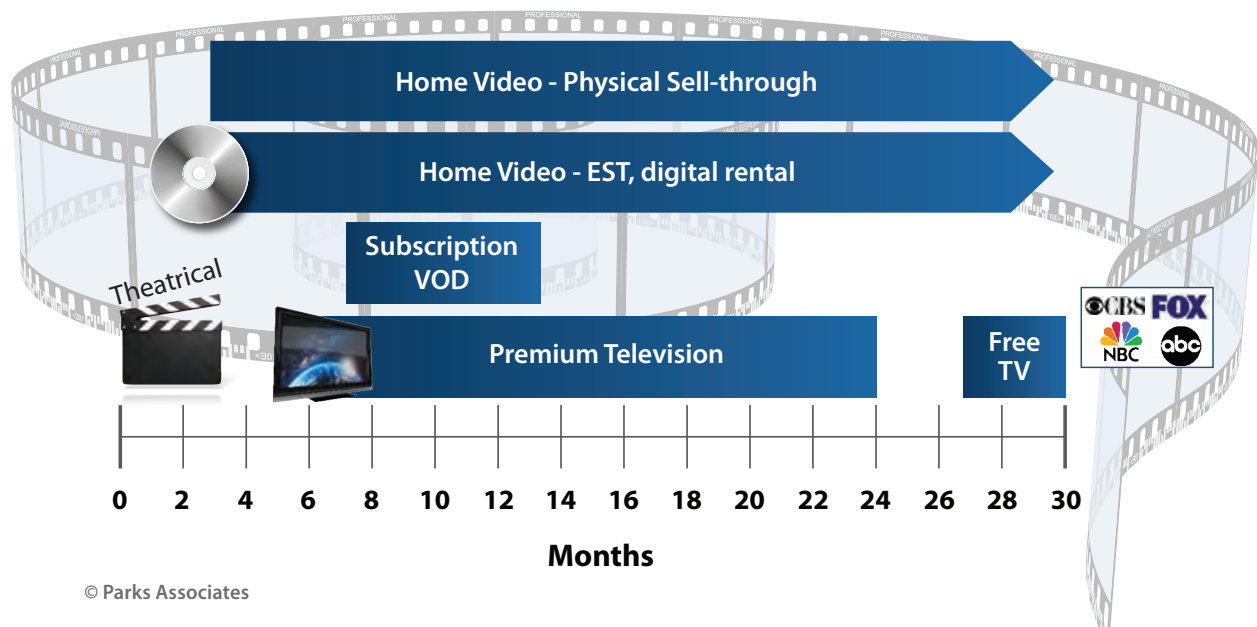
## Accelerated Windowing

With OTT providers disrupting the established models, it was only a matter of time before a traditional studio joined them, and Paramount led the way by announcing plans to release two motion pictures (*Paranormal Activity: The Ghost Dimension* and *Scout's Guide to the Zombie Apocalypse*) to streaming services only two weeks after their theatrical debut. Surprisingly, theater chains AMC Theatres and Cineplex agreed to the plan, with Paramount agreeing to share revenue with theaters on their VOD and digital revenues to help make up for any box office shortfall. However, Regal Cinemas, the largest theater chain in the United States, expressed no interest in Paramount's model, arguing that the traditional windowing strategy works as is.

Accelerated windowing is an evolving model that can benefit studios distributing films with lower potential returns.



# Typical Film Windowing



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## Digital Day-and-Date Release

**Another business model shifting the traditional windowing strategy is digital day-and-date release.** In today's digital age, day-and-date releases include immediate releases for theatrical and digital streaming on the same date. Digital streaming may include availability through transactional services or subscription services. While a multi-outlet day-and-date release is not new, the prospect of a digital release transfers nearly all access control out of the hands of the distributor and into the hands of the in-home consumer.

While day-and-date releases were possible for physical media, there are several reasons a day-and-date release is more feasible for streaming video. Multiple business models, no disc manufacturing, and targetable distribution are all reasons digital day-and-date releases are logical models for streaming services. But while theater owners hold differing opinions on accelerating the theatrical window, the digital day-and-date model has been met with near universal resistance. That resistance is understandable considering theater owners invest large amounts of financial capital in expensive systems, including IMAX, 3D, and digital projectors.

With exhibitors not buying into the digital day-and-date release model, content providers and distributors will have to find a way to change theater owners' minds, which appears unlikely. Conventional wisdom would be to find a middle ground, but there appears to be no middle ground when the starting point is essentially "under no circumstances."

**Another issue that filmmakers and distributors must contend with is differing experiences from theater screens to mobile devices.** This issue raises questions from a content creation standpoint given that filmmakers have long created motion pictures for the theaters, with home entertainment being an ancillary market. For directors and cinematographers to consider the issue of telling a story on a tiny screen, their mindset in the creation process must change to consider appropriate visual storytelling on all screen sizes.

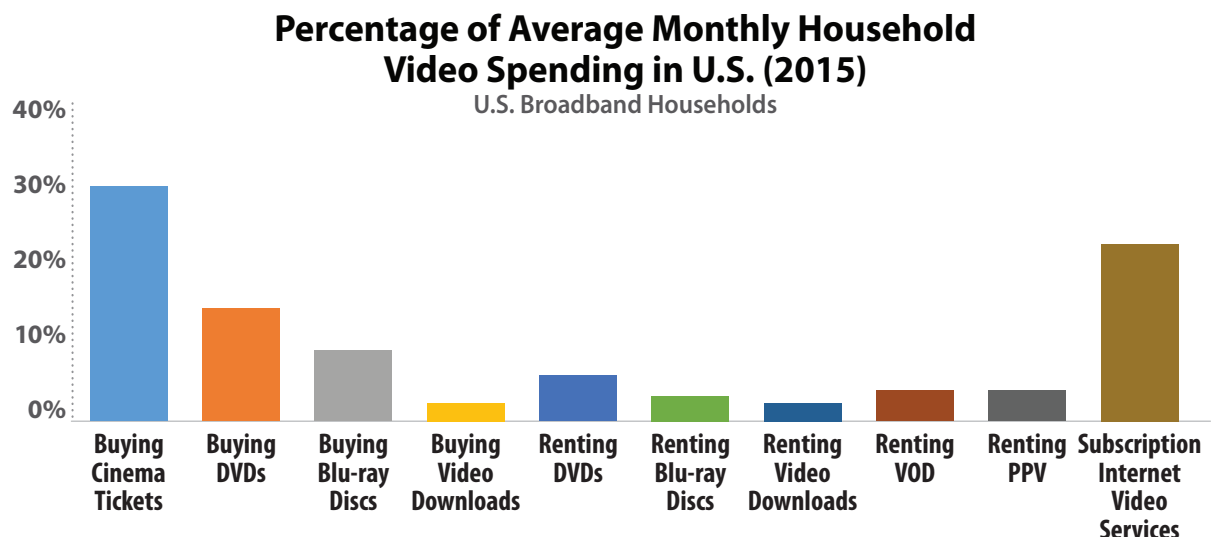


## New Competition and Fundamental Business Changes

These changes will have several key implications for the industry, namely for content providers.

OTT service providers are being impacted the most by new windowing strategies and are becoming legitimate competitors with premium TV for the home video window.

Through their award-winning episodic series, Netflix and Amazon have already shown they are legitimate challengers to giants like HBO and Showtime. **Now, with access to theatrical content, OTT video providers can easily exploit their market share to serve as the primary home video window for their original content.**



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If OTT services continue to expand and compete concurrently with theatrical releases, disgruntled theater owners could react by blacklisting films. They could even sever ties with content providers or entire studios to defend the window of theatrical exclusivity. **These conditions could lead to a fundamental philosophical shift for what constitutes a motion picture and what constitutes video.**

These trends may ultimately cause shrinking revenues and increased prices for theater owners. As consumers turn more to home-based video entertainment, movie theaters will struggle to drive ticket sales for those films that are not blockbusters. Acquiring screening copies and marketing motion pictures are incredibly expensive, and the profit margins for theaters (driven largely by concession sales) are razor thin.

**Since revenue sharing is done on a sliding scale, theaters take in their highest proportion of revenue after the first 2-4 weeks of screenings.** The 90-day exclusivity period has been a boon to theater owners, and eliminating exclusivity after only a month or less could severely damage theater owners' businesses. Further reduction of the theatrical window without compensation will put considerable financial pressure on theater owners. These losses may lead to closing theaters or a radical reduction in screens and exhibitions in an attempt to reduce costly overhead. In addition, theaters may have to cut back on the number of films they exhibit, leading to an overall shrinking of box office numbers. To generate compensatory revenue, prices on tickets and concessions will go up.

The remaining theaters will become premium destinations with an increased emphasis on blockbusters to generate enough revenue to continue operating.

Working in favor of theaters are several major value propositions to the consumer, including access to the newest available motion pictures, the "big-screen" experience, enhanced viewer experiences that include RealD 3D, IMAX, and advanced surround sound, and the social experience of going to the movies. However, advances in consumer electronic devices have made the big-screen experience and enhanced viewer experiences possible at home to some degree. Further, reduction or elimination of the exclusivity window can eliminate one of the core value propositions the theater currently offers to the consumer.

If content owners succeed in making digital day-and-date a normal occurrence, the cinema will become a place of occasion rather than a normal weekend activity. Cinephiles will continue to attend screenings at theaters, and large-scale blockbusters will drive attendance. However, average consumers are more likely to stay home, pay for their subscription, and watch all the new releases that they want.



## Theaters won't be the only casualties, with potential blows also affecting paid VOD.

The compression of release windows does give pay-TV service providers earlier access to new releases for their VOD services, but OTT providers will also gain early access. What was once 9-12 months before a movie hit SVOD now becomes 4-6 months or even less. For a service struggling to retain viewership, an earlier SVOD window may signal future troubles for pay-TV VOD.

**This shifts the opportunity for OTT video providers to serve as the home video window, one that has traditionally been 3-6 months post-theatrical, to as early as four weeks.** With control over the windowing, OTT providers may create market verticals that scale with their customer bases. Netflix and Hulu already offer different price points based on business model, access, and premium features. Amazon offers both subscription and transactional content. Mixing business models with different price points allows OTT providers the opportunity to create their own intraservice windowing strategy.

This change can effectively turn OTT service providers into content creators, premium networks, and home video providers. With control over production, distribution, and delivery, OTT providers can function as studios and more easily dictate the terms of their distribution strategy. The main barriers to expanding market verticals are capital investment in production systems and facilities, as well as the expensive strategic processes of marketing and distributing a motion picture.

**In summary, accelerated windowing is an evolving model that can benefit studios distributing films with lower potential returns.** The theater remains the place to go for a true movie-going experience, especially for fast-moving action films and epic stories. However, as consumer dollars shift, all vested parties must shift their business models to accommodate the consumer. If not, OTT providers will reap the benefits.







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Glenn Hower currently studies entertainment content and delivery services. Glenn is experienced in entertainment content production and distribution systems with a particular emphasis on radio, television, and film content.

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