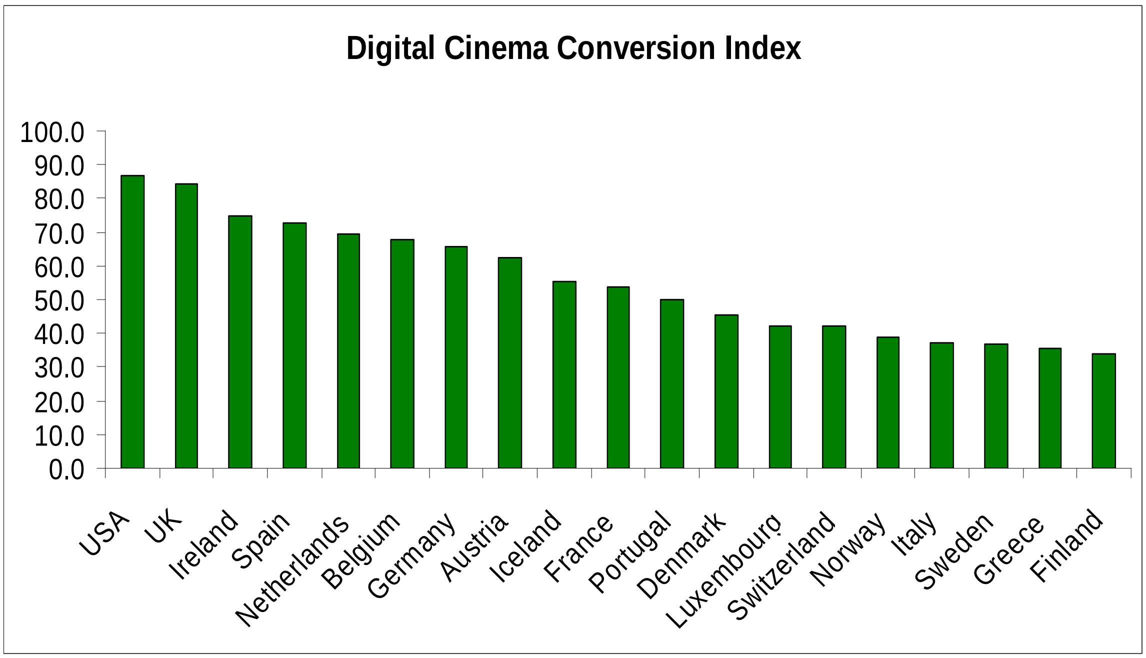
Europe's fragmented cinema market is holding back the transition to digital

London, 26th October 2006: Screen Digest releases the Digital Cinema Conversion Index as the first step in developing a working model for conversion to digital.

2006 is proving a year of progress for digital cinema, especially in the USA, but the roll-out of digital cinema in Europe may be stalling due to the fragmented nature of European cinema markets and the failure to agree and apply a single model for paying the costs of conversion. The unique nature of European cinema markets is such that the Virtual Print Fee model being applied with some success in the USA is proving difficult to sell to US studios, European distributors and exhibitors for use in this Europe.

The presence of a strong domestic independent sector in some markets, such as France, means that the US studios, who effectively pay for the conversion in the USA, are not prepared to pay for the whole cost of conversion, when they may only be taking a much more limited proportion of revenue out of the market. This fact, coupled with the need to protect smaller players, such as single-screen exhibitors, implies that a new formula needs to be found for digital conversion in Europe, at the very least a similar model that takes into account the characteristics of each European market.

In order to better understand these individual market conditions, and the impact of these conditions on the transition to digital cinema, Screen Digest has developed the Digital Cinema Conversion Index (DCCI). The Index gives us a clear indication of which countries are suited to a relatively simple conversion to digital cinema and those territories whose market conditions will complicate the matter.



Source: Screen Digest

The average DCCI across all countries was 53.9, with the USA clearly the most suited to digital cinema conversion with a DCCI of 86.7. In Europe, the territory with a market structure most suited to a transition to digital cinema was the UK. At the other end of the scale, the territory least suited to conversion was Finland (33.9).

The drivers behind the DCCI are the ten statistical measures used to determine the suitability of each territory. The ten measures were: screens per site; Hollywood domination; US share of the market; print market values; exhibitor concentration; distributor concentration; multiplex penetration; distributor level revenues; proportion of single screen sites; number of first-run films. For each measure, each territory was attributed ranking points for how it performed which were totalled up and converted to an Index for a final result. It should be noted that, as a quantitative measure, the Index does not take into account factors such as industry and government attitudes, known as X-factors, which can significantly alter the conversion equation.

The wide range of data highlights how diverse markets are. As an example, multiplex penetration as a proportion of the screen base ranges from 78.2 per cent in Spain to 22.6 per cent in Switzerland, with an average of 47.4 per cent across Europe. The number of screens per site ranges from 1.4 in Sweden to 5.8 in Ireland (average of 2.8), whereas first-run films releases are as high as 569 in Spain and as low as 150 in Luxembourg.

		High	Low	Average	USA
Screens per site		5.8	1.4	2.8	6.1
Hollywood domination	%	83	20.7	59.8	91
US market share	%	85.1	47	67.4	93.4
Print market values	$m	133	0.8	38.7	782
First run film releases		569	150	355	535
Exhibitor concentration	%	98	12.6	46.7	43.3
Distributor concentration	%	100	45.8	79	63
Multiplex penetration		76.9	22.6	47.4	55
Distributor revenues	$m	583.4	4.7	151	4500
Proportion of single screens	%	60.1	4.8	26.8	3.5

Source: Screen Digest

As at end first half 2006, there were 1,474 d-cinema screens in the world, of which 53 per cent were in the USA and 24 per cent in Europe. Between June 2005 and 2006, over 1,000 new d-screens were added to the world's d-screen base, although to keep it in perspective, this indicates that 1.5 per cent of the world's modern screens are digitised to a high standard. The USA is the leading territory, with over 772 d-screens as at end first half 2006 (a growth rate of 690 per cent from a year earlier) and over 1,000 in place as at October 2006. The UK had 75 d-screens at end June 2006, a growth rate of 650 per cent during the one year period. Screen Digest forecasts 17,800 high-end digital cinema screens globally by the end of 2010, with US leading the way as one quarter will have converted by that date.

Editors' Notes

The data, forecasts and analysis contained in this press release have been produced by the Screen Digest Cinema Intelligence team. To find out more about this or other research in this area, please contact us:

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