

POSITION PAPER: MOVIE THEFT

Film Cannibalization - Taking a Bite out of Piracy

Movie theft has a direct, negative, and increasing economic impact on cinemas around the world. Economic studies estimate that the elimination of movie theft in the U.S. theatrical window would increase box office by 16% (\$1.3 billion annually)¹. Extrapolating this estimate globally suggests worldwide lost box office of \$5.0 billion annually. With ever-increasing competition for consumer time and spending and an increasingly volatile, hit-or-miss box office environment, cinema admissions are under significant pressure. Additional lost admissions from increasing movie theft represents a fundamental threat to financial sustainability of cinema operations. Movie producers and distributors face even greater financial risk, as home entertainment businesses suffer from movie theft cannibalization even more than the box office risk. Fighting movie theft is a shared priority for theatrical exhibitors and movie studios.

Technology advances have increased both the quality and availability of illegal copies of movies, while also enhancing the attractiveness and functionality of digital stores that sell illegal copies and advertising-supported services that offer copies free to consumers. More and more consumers unknowingly access illegal copies through popular services like Popcorn Time streaming apps, Kodi boxes, and file-sharing enabled websites like WatchMoviesOnline.cc. Within days of theatrical release, camcorder copies are widely available, often dubbed in multiple languages. Services distributing illegal copies of movies upgrade file quality as digital distribution expands globally.

Increasing consumer awareness of illegal movie services is fundamental to reducing movie theft, along with persuading consumers to “do the right thing” when faced with a choice. The best practice to combating film piracy for theater exhibitors is to offer a premium product and “sell the experience” of seeing a film in the cinema. Theater owners and operators must convince the public that patronizing the theater and enjoying the experience of the film on the silver screen is far superior to any cannibalized form of the product that may be available. If theater exhibitors can convince the movie going public through premier customer service, exciting and unique dining options, a lively atmosphere and a myriad of other factors; then theater exhibitors can take a bite out of film cannibalization.

¹ Liye Ma, Alan L. Montgomery and Michael D. Smith, “The Dual Impact of Movie Piracy on Box-Office Revenue: Cannibalization and Promotion,” *Carnegie Mellon University*, (June 2015).

The second priority to reducing movie theft is increasing criminal prosecution for people engaged in illegal recording and distribution. In a time of fiscal austerity and tightened municipal budgets for many governments around the world; white-collar crimes such as film piracy are sometimes not given the proper scrutiny that they deserve. Though there are examples, which the Global Cinema Foundation can help share, where local law enforcement accomplished a significant reduction in movie theft.

The third opportunity to reduce movie theft is enlisting support from other industry players, including advertisers who unknowingly fund file-sharing services through online advertising networks and internet service providers who allow network traffic from known illegal movie distribution services.

Position of the Global Cinema Federation

The Global Cinema Federation will be guided by the following principles when addressing film cannibalization issues:

1. Movie theft has long been a significant threat to our industry, and technology advances have increased that threat dramatically. However, box office losses to illegal movie copies **are not inevitable**. We can – and must – work together to reduce movie theft, building on success stories from around the world. One success story that proves the effectiveness of government and exhibitor cooperation comes from Canada. Canada revamped their copyright laws in 2012. As a result, not only is piracy negligible, but Canadian consumers have drastically increased their legitimate content consumption.
2. Movie exhibitors are the “front line” of preventing in-theatre camcording, the source of most illegal copies accessed during a movie’s theatrical run. In partnership with the MPA and local law enforcement, theatre teams have been successful at deterring and detecting camcording, and escalation to local law enforcement has led to arrest and conviction that puts criminals out of business. The Global Cinema Federation will share best practices in theatre employee training and operational practices, as well as successful models of local law enforcement collaboration that can be adopted in across markets.
3. Cinemas are also the voice of the industry to consumers, with the ability to build awareness of the cost of movie theft. Theater exhibitors have a unique opportunity to humanize the cost of movie theft and to enhance the perceived value of commercial purchase. Exhibitors must be able to show guests that the experience of seeing a film in-theater far outweighs any perceived “benefit” of seeing a pirated

version. Exhibitors should thank guests for their patronage. The Global Cinema Federation is preparing an online portal to share best practice in-theatre marketing campaigns and collateral.

4. Theater exhibitors and the Global Cinema Federation shall partner with local trade organizations and advertisement companies to ensure that legitimate advertising does not appear on cannibalized content. (For example, in the United States exhibitors shall work with the American Association of Advertising Agencies).
5. The Global Cinema Federation and members shall continually and diligently advocate local governments and law enforcement agencies for laws criminalizing acts of piracy. In addition, the Global Cinema Federation and members shall also advocate for strict enforcement of these laws.
6. The Global Cinema Federation shall encourage internet service providers to actively monitor the services they provide for pirated material. In the event that pirated content is discovered, internet service providers must take immediate action by removing the pirated content and coordinating with the proper legal authorities.

Education and Advocacy Opportunities

1. Promote anti-film theft initiatives and information through exhibition channels (in-theater, social media, investor press releases, etc.).
2. Film exhibitors have the responsibility to properly educate their employees on how to identify and prevent film theft. Film exhibitors have the option of utilizing some form of an employee reward system to incentivize employees to be extra vigilant when it comes to piracy.
3. Theater exhibitors shall partner with local landlords (malls, development companies, etc.) to showcase theatres as bedrocks of the community and safe places for community activity. Theatres shall promote themselves in the community as being safe spaces where children and adolescents can enjoy relaxation in a safe area.
4. Theater exhibitors shall take a proactive stance in educating the public about the harm pirated content brings to their local economy. Theater exhibitors must educate the public on how piracy hurts their neighbor's economic wellbeing, and by extension the overall economic wellbeing of their communities.