The Digital Turn in the French Audiovisual Model

El cambio digital en el modelo audiovisual francés

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- Guest paper -

Reception date: 11 June 2016
To cite this article: Alexandre, O. (2016): The Digital Turn in the French Audiovisual Model, *Icono 14*, volumen 14 (2), pp. 143-155. doi: 10.7195/ri14.v14i2.988

Abstract

This article deals with the digital turn in the French audiovisual model. An organizational and legal system has evolved with changing technology and economic forces over the past thirty years. The high-income television industry served as the key element during the 1980s to compensate for a shifting value economy from movie theaters to domestic screens and personal devices. However, the growing competition in the TV sector and the rise of tech companies have initiated a disruption process. A challenged French conception copyright, the weakened position of TV channels and the scaling of content market all now call into question the sustainability of the French model in a digital era.

Key Words

Media - France - Digital - Netflix - Youtube - Cinema - State

Resumen

En este artículo se aborda el cambio digital que se ha producido en el modelo audiovisual francés. El sistema organizativo y legal ha evolucionado con los cambios tecnológicos y las fuerzas económicas en los últimos treinta años. La industria de la televisión de altos ingresos sirvió como el elemento clave durante la década de 1980 para compensar el proceso de cambio de valor económico de las salas de cine a las pantallas domésticas y a los dispositivos personales. Sin embargo, la creciente competencia en el sector de la televisión y el auge de las empresas de tecnología han comenzado un proceso disruptivo. El desafío a la concepción francesa del derecho de autor, la débil posición de los canales de TV y el escalado de mercado de los contenidos ponen en tela de juicio la sostenibilidad del modelo francés en la era digital.

Palabras clave

Medios de comunicación – Francia – Digital – Netflix – Youtube – Cine – Estado

It it the specificity of the French market which motivated *Netflix* to produce its first foreign series in France?

I don't think so... They did it because it was the only country to have such a strong cinema culture in Europe. They are fascinated by this. In France, we have very talented filmmakers and scriptwriters, so they thought they could find a truly original program here.

Pascal Breton, producer of the series Marseille (original production *Netflix*), *L'Opinion*, January 25th 2016

1.Introduction

The success of the French audiovisual system, known as the "cultural exception" model, is based on two principles: a juridical system founded on copyright law and economic solidarity relations among the different national moving image industries (film, television, documentary, video games). The system was put into place last century. In the first part of the 20th century, public policies were focused on economic and cultural issues related to the development of mass communications (Turner, 2013). Since the 1950s, a mixed strategy of artistic support and moral control has been enforced. As a result, a complex system brings together "personalities" and professionals from cinema, audiovisual, arts and culture world, in addition to senior officials within *ad hoc* institutions. The National Center of Cinematography and the moving image (CNC) undertakes dedicated commissions, under the Ministry of Culture authority, providing support to projects and classifying programs. Meanwhile, the Superior Audiovisual Council (CSA) ensures operators and content comply with the broadcasting laws and regulatory protocol (Chauveau, 1997; Trachman, 2013).

From this perspective, the period from 1970 to 1990 could be defined as a turning point. During that time, technological evolutions (terrestrial broadcasting) and political transformations (liberalization process), combined to ignite an audiovisual reconfiguration, starting with the dimanstling of the Office of French Radio and Television, which included all broadcasting operators in an exclusively public setting until 1974. Then, a fourth channel was created (*Canal*+, 1984), financed by subscriptions and committed to invest respectively 9% and 20% of its turnover in French and European movie production ; TF1 was privatized in 1986; a fifth private channel was launched, chaired by S. Berlusconi trying to import his *Canale Cinque* model (1986); a sixth channel, predominantly musical, was developed by a group of industrial executives closed to the Socialist government and the Republic presidency (M6, 1987); then a seventh channel appeared, with a cultural and European vocation, backed by public funds (Jeanneney, 1999). Meanwhile, a series of laws, mainly issued between 1985 and 1986, organized the French audiovisual media. Since then, this framework has helped to pursue complementary, even occasionally conflicting, aims, from industrial development to program control (Alexandre, 2015).

In the context of the television growth in the 1980s and 1990s, of Internet growth in the 2000s, this organizational ecology has stabilized the movie industry. The uniqueness of this system is linked to this paradoxical movement: the industrial consolidation of the French cinema industry economically threatened by the rising competition of mobile and domestic displays (Colin Verdier, 2015). From this perspective, television has played a central role as an economical ally and aesthetic rival of the film industry (Vernier, 2004).

Over the past fifteen years, this system has demonstrated its ability to absorb external shocks, including DVD, VoD, digital terrestrial television (TNT) or even illegal downloading. The turnover of the movie (€1.6 billion) and television industries (less than €10 billion) have been stable while music sales revenue went from €1.3 billion to 500 million euros in ten years, from 1.7 billion to 800 million for the DVD economy.

However, this model is increasingly being threatened by obsolescence. The declining hegemony of *TF1* with a half-divided market shares between 1995 and 2005, the turmoil of *Canal*+ which has to compensate for continuous decrease in subscribers since 2012, the back and forth moves of the Ministry of Culture dealing with the digital transition, the issues linked to the digital law in France and the two-folded position of the European Commission torn between its concurrency liberalization goal and the cultural exception principle, plus the rise of *Youtube* and *Netflix*, encouraged audiovisual elites to consider the digital turn no more as a providential wave of innovations but as an harmful destabilizing factor.

This article presents the reasons of this reversal and the strategic orientations for the French model. The analysis relies on observations survey (Cannes Film Festival), in-depth interviews (over 200), archive work, compilation of legislation and statistical analysis (CNC data). The interviews have been conducted according to the principles of comprehensive sociology. In respect with the tradition of the sociology of work (Hughes, 1971 ; Becker, 1982) and the ecological approach (Abbott, 1988; Hannan, Freeman, 1989; Alexandre, 2015), the various stakeholders of the audiovisual value chain have been solicited: producers, distributors, TV makers, digital entrepreneurs, managers of movie groups, administrators, high officials and political leaders.

The first part of the article presents the specificities of the French audiovisual system and its dependence on the state defined as a social space. Then, the second part deals with the shifts and challenges introduced by the digital players. Finally, it presents the French operators digital strategies to sustain their economic activity.

2. The French State as Social Matrix

The French model is based on two foundations: first, the French copyright jurisdiction, second, an embedded relationship between moving image sectors (Granovetter, 1985). Based on a tradition rooted in the Beaumarchais struggle for author rights recognition, the French Code of intellectual property stipulates that an "audiovisual work shall be considered as completed when the final version has been established by agreement between, on one hand, the director, or possibly, the joint authors, and, on the other hand, the producer" (Article L. 121-5, paragraph 1 of the Code of intellectual property). According to the laws of 11 March 1957 and 3 July 1985, the "creator" gets the power of decision and the control under the diffusion process and exploitation conditions of his work. It gives him the authority to protest about any non-consensual modification. This economic and moral author right driven system stands in opposition to the North American model: according to the Anglo-saxon conception, the producer keeps the production and exploitation control of images financed by him. This legal gap explains the preponderance of “authorship” in the world of French cinema (“films d’auteur”), series (“series d’auteur”), documentary (“documentaire de création”), video games (the “French Touch”), in terms of labor relations, aesthetic categorizations and economic organization. This orientation is consolidated by several regulations and institutions (ADRC since 1983, Sofica since 1985, COSIP since 1986, etc.), from which the movie industry has fully benefited through the years.

However the efficiency of this model is connected to the state as a social space, meaning a relational system of collaborations between executives, senior officials and politicians. This mutual acquaintance and the relative agreement about the cultural policy to enforce is the result of the homological relationship between professional elite space and the French educational system (Bourdieu 1989).

Most part of broadcasting executives and policy makers have graduated from top-level Parisian high schools such as Henry IV, Louis-le-Grand, Fenelon or Janson-de-Sailly and their preparatory classes, which give the access to the most prestigious leading schools (“grandes écoles”): the national school of administration (ENA), the top national school (ENS), the Ecole des Hautes Etudes Commerciales de Paris (HEC), the Polytechnique School, the Ecole des Mines or the School of Roads and Bridges. From this point of view, Sciences Po Paris represents a nodal institution for upper-class and French elites, combining legal and economic training, cultural orientation and preparation to top-level management positions. As instance, seven of the nine former directors of the CNC have graduated from Sciences Po. Then, getting a position to the highest part of the State administration body (Financial Inspection, Court of Auditors, the Diplomatic Corps) is the starting point of a typical revolving-door career for French executives. This pattern involves serving in a ministry (Industry, Finance, Culture, Communication, etc.), a government experience as an office member, condition to an appointment to a senior position in the public (CNC, France Television, Arte), partly state-controlled (Cannes Film Festival, privatized companies such as Orange) or private sectors (EuropaCorp Canal +). The function of ministerial advisers leads to leadership positions at the head of communication groups (radio, press, telecoms) or cultural institutions. This career path draws a line between the senior public service to cultural industries and institutions. If the membership of the governing body ensures continuity of the professional activity, according to the public service right, proximity to the central government along its structural changing configuration (elections, reversibility power games and alliances) foster appointment to management positions through government decisions.

The social homogeneity and this stable organization of careers explain that each new phase of technological innovation has been perceived by the audiovisual elites as a call to update the existing legal and institutional jurisdiction. From this perspective, the “Commissions”, “Committees”, “missions” and public reports, represent a strategic tool for policy makers. Their proposals, perceived as both independent and well-informed, strengthen the legitimacy of regulatory authorities and measures. As a result, the French state continues to operate as a social matrix, as a converging information center, nomination authority, and decision maker. Yet the digital players are undermining the stability of this configuration.

3. A Digital Turn

The French model has demonstrated its ability to integrate digital technologies since the late 1990s: the DVD, VOD and TNT economies have impacted each other without upsetting the entire system. They have even provided an opportunity for modernization, like the digitization of French movie theaters headed by the CNC (Pinto, 2016).

However, the French launch of *Netflix* in September 2014, the increasing competition from *Youtube*, while *Amazon* and *Facebook* have announced massive investments in fiction and video broadcasting, have all around concerns in the industry and the French government aroused concerns of the industry and the French government. The French administration perceives in that shift a risk of destabilizing of its audiovisual funding system.

To the audiovisual French elites, the threat comes from two different directions. On one hand, US tech companies have successfully avoided tax and legal regulation on which the French model has been built. On the other hand, if the main audiovisual operators accepted to pay for compelling investments in movie production in the past, their decreasing audiences and the rising competition of foreign groups and digital broadcasters are getting the consensus more fragile than it used to be. The historical terrestrial channels, like *TF1* and *Canal+*, are involved in the first place. While the catch-up consumption is going up, the share of historical channels in the global viewing time (35%) has to deal with the intense competition of the Internet (almost 50%) and satellite broadcasters (approximately 20%).

During the 1990s and the 2000, channel business model was based on the joint exploitation of movies, series and sport events within a limited national economic frame. French operators are now facing an internationalized market, with both legal offers (Qatari *Al-Jazeera* and *Bein Sport*) and illegitimate players (illegal downloading platforms). The result is a hunt for original content that can retain unstable viewer communities. From this point of view, the case of *Youtube* and *Netflix* gives the best insight on how digital players have challenged the French model these past few years.

Controlling most of the online video market, *Youtube*, acquired by *Google* for $1.65 billion in 2006, hosts content that redefines the copyright frontiers. The categories of "content ID" or "fair use", forged to emancipate from the continental legal mesh, shed the light on works defined as hybrid or free of rights. Moreover, the non-domiciliation of the company on the French soil and the absence of a production activity leave no leverage to French tax lawyers for adjusting their national fiscal measures. For French audiovisual industries, this evolution is dramatized by the mechanical slide of advertisement market from television towards new media : in 2015 the Internet advertising turnover was on the tails of television's one. The major advertisers are targeting the under thirty-five year old market, which has silently moved away from big and small screens to microcomputers and mobile phones economy.

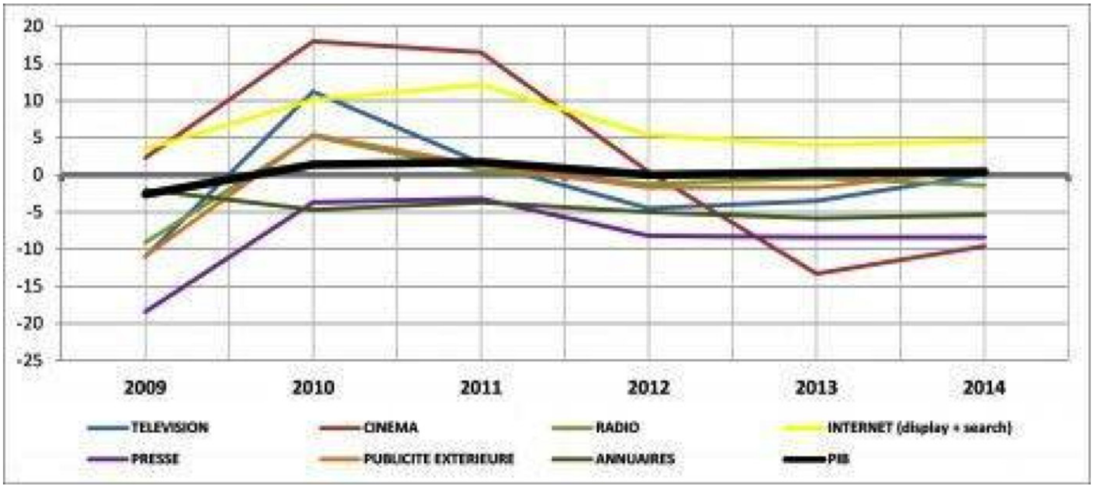

Figure 1: *Evolution of advertising revenue and GDP*

Source : La Tribune*, 20/03/2015*

This reconfiguration confronts the French administration with a set of internationalized actors limiting their initiatives and coercive actions. French leaders and officials are facing world-organizations, mainly located on the west coast of the United States, imbued with Californian entrepreneurship culture and spreading their services all over the globe: in January 2016, *Netflix* had 75 million subscribers, with a service available in 190 countries.

The desire to escape from regional mandates has pushed the Californian firm to launch original productions (16 produced in 2015, 31 announced for 2016): in France with *Marseille* in May 2016, *3%* in Brazil, *Dark* in Germany (2017), *Suburra* in Italy (2017), while Bambu Producciones is producing a new program for *Netflix* in Spain Yet *Netflix* originals have a double utility for the company founded by Reed Hastings: rely on the film and television expertise from each country and disrupt their audiovisual market.

Local elites have failed to ward off this commercial strategy for economic and cultural reasons. The management teams of these new players have language differences (few of them speak an European language fluently), ideological (they mistrust political institutions and public management) and generational (teams composed by executives in their thirties and forties facing baby boomers European negotiators). Moreover, the market scope of Tech companies leads them to adopt a regional vision (Northern and Southern Europe for *Google*, West/East of Europe for *Netflix*), national markets appearing to them as economically tiny and collateral. In this respect, it is remarkable that they have focused their lobbying efforts on European Commission rather than national governments, even if Brussels has never developed a uniform vision, nor enforced a clear policy for culture and communication to its members, mainly for two reasons: the differences between countries and conflicts of values between cultural sectors protectionism and the liberalization process which leads to the common market. This lack of leadership of the European institutions with regard to culture explains the ambiguity of the measures proposed in spring 2016 by the European Commission regarding the Digital Single Market between standardization of access conditions to services for Europeans and its inability to obtain concrete long-term commitments from US tech companies to invest in European creation.

4. French Scenarios for Avoiding a Disrupting Process

In this context, French audiovisual elites perceive the adaption of the French regulatory framework, including its parent institutions, as a necessity. One of the scenarios sketched by officials is to integrate the CSA, in charge of audiovisual control in France, to the Regulatory Authority for Electronic Communications and Posts (ARCEP), in charge of telecom regulation. This move would get the French model closer to an Anglo-Saxon tradition, like the Federal Communications Commission in the US or the Ofcom in the UK, both chairing the control of audiovisual streams. Such authority would secure the audiovisual and digital issues from a technical point of view, but some French policy makers have criticized this orientation. On one hand, a greater role given to ARCEP would challenge the neutrality net principle, recognized by European regulations as a fundamental one and which going to be integrated into the French digital law. On the other hand, support for the creation and transfers between profit sectors to other media remain problematic. For instance, the possibility to see the "Google tax" project, a taxation of the activities of Internet players, put in place remains hypothetical. Nonetheless, this measure would be a logical legal step in the French audiovisual jurisdiction path, after the TSA in 1946, aiming to limit the economic impact of US cinema industry, the Cosip in 1986, created in order to counterbalance the television growth. Moreover, such a tax would allow to sustain a fund, possibly administered by the CNC, for the French media profit. However, the Tech companies have repelled this project, preferring tax optimization, action of foundations or direct investments (Israel, 2015; Cage, 2015).

Meanwhile, French TV operators work on a strategic redeployment, diversifying, reducing and expanding their activities. For instance, *Canal+* has to face a €264 million deficit in 2015. Vincent Bolloré, one of the more successful, controversial and richest French entrepreneur, has taken its lead, through Vivendi group, in June 2014. After conducting a series of layoffs (17 of the 20 executives), he has initiated several shifts such as trying to take control of *Bein Sports* in 2016 (a successful but €250 million losing channel per year) to ensure its domination on the football broadcasting rights. This takeover, considered by analysts as "risky", is part of a global commercial repositioning: developing the Latin countries market, expanding the non-linear content offer, investing in original contents, less and less in French movie industry and more and more in series and Youtube creations.

The opening of an "Over the Top Content" office in 2014, in order to get a better position in the connected TV competition, headed by Manuel Alduy (former "Mr. Movie" of *Canal+*), foreshadowed this digital redeployment. Concerned about being relegated to a lower status in the new moving image economy, the television networks are trying to convert *Youtube* from talent incubators to profit centers. *M6* and *Canal+* are directly positioned on the rising market of *Youtube* channels, going from humor to beauty, from songs to video games. *Golden Moustache*, *Rose Carpet*, *MinuteFacile*, *Jeuxvidéos.fr* for *M6*; *Studio Bagel* for *Canal+*. The acquisition of these *Youtube* channels represents a limited capital investment, close from the average budget of a French film (€5 million), but several million of faithful subscribers.

This digital strategy is a significant shift. Whereas *Canal+* built its image and reputation on a proximity to movie industry, the respect of copyright, and the media chronology, its converging move towards the *Youtube* world is challenging the French model principles. Indeed, youtubers are socially organized through creative collectives, away from authorship philosophy, and willing to cut down the economic and symbolic media hierarchy. More generally, the French TV channels are facing a radical alternative, between reinforcing the French jurisdiction to counterbalance the competition of digital players or following their libertarian principles to increase in the future their market share in the digital economy.

5. Conclusion

The French audiovisual system has historically responded to successive economic and technical developments. The liberalization and the economically growing sector of television since the 1970s has compensated for the movie sector loss, securing productive investments in films and documentaries. This trend is linked to a specific political configuration, including organizational, careers, generational and cognitive stability for broadcasting leaders. The arrival of new players, the scaling of content markets, the copyright innovations, and the undermined position of French channels are questioning the sustainability of the French model. Its future is partly linked to its ability to renew the education path and the legal tool-kit of French and European elites, partly to the possibility of developping new alliances between European policy makers and tech companies (Laurens, 2015).

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