

CINE-REGIO

AUDIENCE IN THE MIND

By Michael Gubbins, SampoMedia, 2014



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Foreword

Audience In The Mind is the latest in the *Digital Revolution* series of reports, which have been commissioned by CineRegio since 2009.

Each report has helped explain the challenges and opportunities of digital change for the film industry.

Over the years Michael has explained the dangers of applying the scarcity economic models of the traditional film industry to a demand-driven new era.

His message is clear: new models are dependent on adapting to, and engaging with new patterns of audience behaviour.

This latest report focus strongly on the relationship between audience and content. He argues that today any project looking to make money or to have real cultural impact needs to consider three areas of consumer expectation: experience, access and ownership.

We hope the report will inspire new thinking and experimentation with new ideas emerging in film. And we think it may alter the way that the film industry thinks and acts, offering a foundation for creating more audience-driven projects.

More than ever, European film industries need to take a holistic view of strategy, a changed mindset, new skills and a sense of direction which is altogether missing today. Innovation needs to be put into action. We hope *Audience In The Mind* will contribute to that process.

Our gratitude goes to Michael for his generous and extensive sharing of knowledge and experience.

Charlotte Appelgren
General-Secretary, CineRegio

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EXECUTIVE SUMMARY

This report is the fifth in a series, which began in 2008, commissioned by CineRegio, a network of 43 European film funds.

The aim of the reports has been to look at the influence of changing audience demand, driven by digital technologies, on the European film industry.

Six years ago, film remained a largely analogue business – still in the early days of the painful transition to digital cinema, pre-Video on Demand, and oblivious to the full impact of streaming, Facebook and Twitter, iPads, etc.

As predicted then, the Digital Revolution has not been a linear narrative with clear tipping points. Analogue services were not simply ‘digitised’.

The complicating factor has always been the same: the audience. These reports have talked about the rise of the Active Audience, empowered by Internet technologies, and enjoying new control over a vast new choice of content.

The development of new patterns of demand, however, is fragmented and uncertain, which makes building constructing fresh business models difficult.

This report argues that it is possible, and indeed essential, to better understand audience demand and effective action requires serious thought about the structures, the models and the thinking of film businesses and the film industry.

No report in such turbulent times can claim to be ‘definitive’ and this is not intended to be a text book, although it contains close to 400 footnotes and links to research that may help engagement with the issues. There are also dozens of references and case studies to innovative and challenging projects that are trying to get to grips with changing demand.

Instead, it is intended to be a useful tool to help shape industry discussion. The report, as with its predecessors, has been made available as a free download from CineRegio’s website, and includes a Facebook and Twitter page, where comments and ideas can be shared.

EVOLVING DEMAND

- Audiences have changed, empowered by the Internet, social media and now enjoy a vast increase in choice but that change is fragmented and sometimes contradictory.
- An Active Audience is emerging, with strong expectations to be allowed to enjoy all content on their own terms.
- Disruptive technologies and improved connectivity are creating new patterns of demand and a fresh wave of innovation will challenge industry assumptions about consumption.
- Word of mouth has supplanted the influence of some ‘gatekeepers’ but there is growing demand for ‘curators’ to help navigate ever-growing choice.

- Value for money is becoming a critical issue for film with signs that cheap, and sometimes free access to film on demand is leading to questions about the price of cinema.
- The cultural relevance of film is an issue and concern has been raised about the social and demographic distance between film-makers and consumers.
- Film has strong opportunities in an online, on-demand audiovisual culture, but they require imagination and risk-taking and may fatally undermine current industry practice.

ON-DEMAND BUSINESS

- Much of the film industry has embraced digital technologies in some form, particularly in the field of marketing.
- Digital and on-demand models, which attempt to artificially replicate the old analogue models are struggling because they are not in tune with consumer demand.
- Release windows, territorial sales and the Virtual Print Fee (VPF) are all examples of analogue practices now being challenged.
- Increasing production levels in Europe demonstrate the disconnection between industry and demand and they may be counter-productive to cultural diversity.
- The battle against piracy has taken into account the need for improved legal services alongside law enforcement but there are still big gaps between demand and supply.
- National and European institutions are encouraging experiments to test the impact of new release models with mixed results. Creative Europe may also become a force for change.
- Industry fears about changing models to meet demand may be real and there may be casualties if film wants to compete for precious consumer time and a sustainable future in a demand-driven age.
- While on-demand services are now paying serious money for rights, there is concern about the impact that the VOD windows might have on television funding.

MAPPING THE AUDIENCE

- Film has traditionally been weak in data collection and analysis and has struggled to turn data into the objective knowledge needed to drive business strategy.
- Data is often misinterpreted out of wishful thinking, or because of a narrow niche perspective. The industry is poor at analysing and learning the lessons of failures.
- Big data is having a major influence on film but it is the multinational giants of retail and on-demand services that are making the real impact, in areas such as personalisation.
- Big data does not easily scale down but it is possible – and necessary – to use data to bridge gaps between film and audience.
- The easiest and most cost-effective way to gather knowledge is to work with audiences, accumulating data and ideas through interaction.
- Lack of transparency, particularly from the VOD world, is holding back a more informed, audience-centric business.

EXPERIENCE ECONOMICS

- Many in the media and entertainment fields have been embracing ‘experience economics’, finding that consumers will pay a premium for unique, authentic personal experiences, such as live concerts and sports games.
- The cinema experience has been, and largely remains, central to both the film ‘experience’ and to film business models but that position is being challenged.
- There are new competitors for talent, finance and consumer time, including ‘event television’. Bigger VOD companies have seen TV commissioning as a differentiator in a crowded market.
- Digital cinema has created new opportunities for enhancing the cinema experience but independent cinemas have been more concerned about the short-term transition process.
- Event Cinema, including big-screen opera and theatre, is playing a big role in redefining the theatrical experience, which may be a challenge to film.
- New home entertainment forms may change both consumer watching habits and force fresh thinking about the economics of film.
- Film may find new financial opportunities as brands seek to tap into the big-screen experience.
- Interactive experiences, particularly gaming, cannot be dismissed. Games have been trying to enhance their product through cinematic visuals and stories, while cross-media storytellers have sought to make direct audience engagement an integral part of their work.

ACCESS AND CHOICE

- The quantity of films that can be consumed on a huge variety of platforms has increased with inevitable economic and social effects.
- Consumer discovery of new independent film is becoming more difficult and much supposed choice is actually an illusion, with an even greater bias towards the blockbuster.
- Global ‘all-you-can-eat’ subscription services (SVOD), such as Netflix, are exerting increasing influence on the markets where they operate in Europe.
- There are now more than 3,000 European VOD platforms. But the fragmentation of territorial rights, the complexity of local, national and European law and investment levels, compared to the global giants, are all acting as brakes on progress.
- There is competition between streaming access services and download-to-own ownership models.
- The online video market, led by YouTube, is maturing and trying to establish ways for content owners to make money.
- Consumers are finding their own way to influence choice, and the opportunities for independent film depends on learning how to get into the conversation.

REDEFINING OWNERSHIP

- Traditional ownership of physical film formats looks to be in terminal decline, although the ubiquity of low-cost players, support from games consoles and hybrid cross-media offers, such as Ultraviolet, may help keep DVD and Blu-ray alive for some time.
- Buying a physical product is just one aspect of ownership; ownership is also about ways of using a product as an expression of identity.
- Social media and the Internet are redefining ownership with curation and collecting acquiring new social value.
- Owning relationships might come to mean as much as owning a product and is inspiring new directions, including crowdfunding.
- Ownership includes participation in making content, or perhaps manipulating and editing existing content.
- All forms of ownership come with legal challenges, and copyright and Intellectual Property remain critical issues for the industry.

DEMOGRAPHIC DIVIDES

- The transition from an analogue to a digital world suggests a clear demographic divide but the generational split is more nuanced.
- The ageing population is having an impact on film and the older audience has become a key target market for cinema.
- Older and more affluent Digital Immigrants are having an important influence on the early development of digital technologies, because they have the money to invest in technology.
- Children are adopting new technology and social media at a younger age, giving them more autonomy from parents, but there may be a backlash.
- The European industry has neglected live-action films for younger audiences, even though European stories have inspired major Hollywood hits.
- Mobile technologies are playing a greater role in teen social media use and media consumption.
- Multitasking and 'second screen' viewing means young audiences may use more than one media simultaneously, which may open up marketing opportunities.
- Cinemas, and particularly arthouse theatres, need new ways to attract price-sensitive young people, who do not necessarily see the cinema as the best place to see a film.
- Participation in film-making may prove a vital tool in media literacy and film education.

RESHAPING THE BUSINESS

- An increasingly globalised industry has seen big players getting bigger and the technology and global media and communications consolidating and growing more influential.
- European companies are diversifying and building scale through alliances and mergers but they are increasingly embedded into global business entities beyond Europe.

- Smaller countries and businesses face bigger issues and co-production has become an essential tool.
- Bigger businesses are building through vertical integration, with new distributor-exhibitors and even exhibitor-VOD operators.
- Some producers are beginning to explore ways to keep greater control over their Intellectual Property, while distribution may be transformed over the coming years.
- Creative businesses, including film, have been working in hubs and clusters to develop new models and to acquire new skills.
- With the mid-range budget film squeezed, there has been the emergence of an experimental and entrepreneurial micro-wave of film and cross-media production.

ABOUT THE AUTHOR AND SAMPOMEDIA

Michael Gubbins is a writer, analyst and consultant with a decade of experience in all areas of the film business. He is a co-founder of SampoMedia and chair of the Film Agency for Wales. He is also the former editor of the leading international film business title, *Screen International* and *Screendaily.com*.

SampoMedia is a research and analysis consultancy, working on audience, film and creative business analysis, research and events. It was co-founded with former head of distribution and exhibition at the UK Film Council and BFI, Peter Buckingham. Clients have included the British Film Institute, Film4, Media Business School, Curzon Film World and Film London.

The company runs workshops and events on audience-driven change; undertakes research and reports; and offers business consultancy. For details, go to *SampoMedia.com*.

Gubbins chairs many industry conferences, covering all aspects of the film industry, including Europa Cinemas, Europa Distribution and the Medici conference of film funds; he has and spoken or chaired at conferences and festivals in Berlin, Cannes, Rotterdam, Gothenburg, London, Zagreb and Vilnius.

Over more than 25 years in journalism, he also edited leading technology journal *Computing* and music business magazine and website *Music Week*, as well as editing and news editing daily newspaper titles and writing articles for leading national and international publications in the UK and beyond. He is a regular lecturer at the Media Business School in Spain, and is on the advisory board of the Met Film School and Power to the Pixel.

ABOUT THE SPONSORS

Filmregion Stockholm–Mälardalen

Filmregion Stockholm–Mälardalen is a public/private partnership stimulating film production in the capital region of Stockholm. The organisation works in film funding and film commissioning, as well as providing seminars and other activities to strengthen the moving pictures sector in one of the most dynamic and innovative regions in Europe.

FilmFonds Wien

The Vienna Film Fund aims to strengthen and consolidate Vienna as a city of film and audiovisual media. The fund – financed by the City of Vienna – supports Austrian film with funding for project development, script writing, production, distribution and promotion through festivals. It also supports the development of film-makers and film businesses, particularly through events, training and conferences.

CHAPTER 1: INTRODUCTION

140-CHARACTER SUMMARY

- *THE AUDIENCE BRIDGE: Bridging the gap between audience and film-maker is at the heart of the new film economy.*
- *ARTIFICIAL SCARCITY: Protectionism is unlikely to overcome consumer demand but some threats to industry are real.*
- *INEVITABLE CHANGE: Old models may have to out of necessity and a new generation may grasp opportunities.*
- *CONSUMER TRENDS: Price perception, mobile technology and the power of VOD may be the catalysts for major change.*

There is a spectre haunting European film – the spectre of the audience.¹ It has been summoned up from darkened auditoria where it has been sitting anonymously for more than a century.

Today, it is impossible to go to an industry event without at least one session devoted to the subject of ‘the audience’ – a term used as an abstract collective noun. It is much less loaded than words such as ‘consumer’ or ‘customer,’ so redolent of markets and commerce. But the ‘C’ words at least recognise that the debate is about active individuals, not a passive mass.

This report argues that the commercial potential, and the cultural relevance, of film rely on engaging with the changing realities of consumer demand, in all its idiosyncratic, inconsistent and demanding diversity.

The industry is trying to get to grips with a world where social relationships between people, art and commerce has been changed and empowered by new technologies; and where vast rivers of new content flow into the ocean of consumer choice every day, with disruptive technologies making access ever more easy. Demand has become much more demanding.

The central argument here is that the film industry is structurally disconnected from audiences. The industry value chain separates the production of film from the people who watch it.

Evidence of this divide between demand and supply can be seen in the arguments over release windows and territorial sales (See Chapter 3), and in rising production levels. (See p30)

¹ With apologies to Karl Marx, The Communist Manifesto

The changed environment raises questions about how far public funding of European film, which keeps the harsher realities of disruptive change at bay, is actually damaging the cultural diversity it purports to serve by tacitly reinforcing the gap between producer and audience.

The experience of music suggests that demand, not technology, is driving the Digital Revolution, and it will eventually find a way to be satisfied.

ARTIFICIAL SCARCITY

Poet Kathleen Norris suggests that, “disconnecting from change does not recapture the past, it loses the future.”²

It is an apt line to describe the dilemma facing the film industry: it wants to recover the economic position and cultural prominence of cinema, but without connecting with the disruptive realities of digital revolution and changed audience demand.

Film is clearly no longer ‘film’ in the sense of a 35mm print, yet the processes and industrial structures that evolved in the Celluloid Era remain intact. The value chain that still separates production, sales, distribution and exhibition was created for the development, movement and exploitation of physical products (35mm prints and VHS/DVD), and for the sale of rights (to exhibition and television).

In Europe, the chain is comprised of small-to-medium-sized businesses (SMEs), running on tight margins. Sir Alan Parker, film director and former chair of the UK Film Council, has talked about “cottage industries.”³ The industry model is built on scarcity economics with value residing in film rights sold for specific territories, to specific platforms, in specific windows.

In recent years, bigger Video On Demand (VOD) services (See Chapter 6) have begun to deliver some tangible revenues, but most of the businesses in the value chain have struggled to transform changed consumer demand into sustainable business. Instead, there has been a tendency towards protectionism, falling back on a kind of ‘artificial scarcity’, attempting to channel new forms of demand into the old windows of exploitation.

Release windows and traditional territorial sales are cases in point, where digital technology *could* connect content to new forms of demand, but only by undermining the existing models.

Artificial scarcity is not irrational; film has been caught in something of a ‘perfect storm’ in the last few years: digital change, falling DVD and television revenues, a cautious post-crash banking and financial environment, cuts in government spending, disruptive technologies, etc.

It is natural then that, for some, a flawed, damaged, but still ticking model may seem preferable to untested and unproven digital alternatives.

² O Magazine, January, 2004

³ <http://www.ukfilm.org.uk/media/pdf/1/r/BaSFI.pdf>, p.8

It is also important to stress that the fear of change may have substance. There may indeed be a genuine threat to exhibition from day-and-date releases on VOD; and high-volume/low-cost Subscription VOD (SVOD) services could genuinely damage the theatrical sector and potentially download-to-own revenues.

Blithe assurances that parts of the industry have nothing to fear but fear itself often offer no more evidence than those who say it will destroy the industry.

The short-term desire to avoid a potentially real threat, however, may also damage the long-term interests of film and the film industry. Standing like King Canute against unstoppable tides of demand is ultimately self-defeating.

In reality, the competition between, say, cinema and VOD windows is a small sideshow compared to the much bigger issue of whether film is strong enough to compete for consumer time against the ever-widening range of alternative entertainment and cultural options.

That is the future that could be lost without treading carefully.

EXISTENTIAL CRISIS?

Ironically, it is American indies that have identified these changes as (that great European invention) an existential crisis.

With no public support, and limited arthouse theatres, some leading voices in the independent industry have suggested that the need to find new formats and ideas has become irresistible.

Award-winning US producer Ted Hope said: "It's not enough any more to think outside the box. I think we need to smash the box to bits. We need a total systems reboot of the indie film infrastructure. And I don't think we can continue to wait and hope someone else is going to build it for us either."⁴

The rebuilding can be seen in exciting and challenging projects coming out of Sundance, Tribeca and South By South West (SXSW).

But in Europe, the atmosphere is less one of necessity-driven creativity. In fact, there have been optimistic noises from the traditional business, inspired by a stable box office and, for some, promising signs of new revenues from Video On Demand. Most of all, public funding has remained solid in most countries. But optimism, as with revenues, is concentrated at a small number of winners at the top.

The existential question nonetheless remains. Is film still an essential means by which society expresses itself – in the words of a UK Film Council report *The Stories We Tell Ourselves*?

Or has public funding become a life-support system for film, and particularly cinema, as it drifts inexorably towards the purgatory of 'heritage'.

⁴ <http://hopeforfilm.com/about-ted>

It can happen. A good example is jazz – a musical form, historically close to film and with a similar timeline. Musician and writer Benny Green wrote in 1971: “The most serious question currently facing jazz is its very existence...it may well be that jazz music is, after all, a finite art, that all practical possibilities have now been exhausted, that the intrepid explorer, having crossed a whole continent of harmonic thought, has finally reached the sea.”⁵

There has been something of a revival of the form in recent years, and festivals featuring the still jazz legends still attract big audiences. But, shorn of its radical roots in African-American culture, it has become a heritage art form.

For some, film is already part of a dying culture: Sean Stewart, of the influential Fourth Wall Studios, makes a case that a new “fifth age of storytelling” has arrived in which, unlike film, the audience expects to play an active role in developing stories.⁶

Of course, the fear of cultural irrelevance has been nagging away at cinema since the advent of television. It has become more of an issue in recent times because it is no longer clear what actually defines film as ‘film’.

The Internet Era, however, amplifies the concern, not least because there is so much competition for the time and attention of the upcoming ‘Net-Native’ generations. (See Chapter 8)

For some digital radicals, film needs to evolve into a new interactive, transmedia form to compete and survive. But that is not necessarily the case.

This report argues that film remains a vital and dynamic art form but considerable opportunities come with responsibilities and consequences.

BRIDGING THE GAP

The most positive aspect of the rise of ‘the audience’ in industry debate is that it has replaced the emphasis on digital technologies.

The Internet Era has indeed led to the creation of some of the most disruptive technologies in history, and other industries have seen their business models ripped apart.

On the other hand, the revolution is not just the replacement of old analogue processes and products with the shiny new digital alternatives. In fact, the revival in the fortunes of industries, such as sport and music has often been about returning to the basics, such as the live event. (See Chapter 5)

Much digital debate has been predicated on a belief that technology would alter people but, in fact, the inexorable march of the Internet has been based on the ability to service and amplify existing human desires, albeit in new ways.

⁵ *Larousse Encyclopedia of Music* (Hamlyn, edit. Hindley, Geoffrey, 1971) ISBN: 0 600 02396 6

⁶ <http://thepixelreport.org/2012/10/31/storytelling-v-the-audience-strikes-back/>

As the late comic writer Douglas Adams put it: “We are stuck with technology when what we really want is just stuff that works.”⁷

This report examines the core human motivations, which influence demand for film and media today: access and choice; authentic experiences; and ownership and identity, and it tries to see technology and business developments within those contexts.

From that perspective, film would seem to have a strong future. It is an audiovisual medium in an increasingly audiovisual world, and over more than a century, it has developed a rich and adaptable language of images.

The cinema, which was frequently characterised as a weak link, out of kilter with an instant-gratification mobile culture, should be seen as a unique asset in an experience economy. (See Chapter 5)

The film industry also has new means to connect with audiences, though using them requires flexibility of thinking and the acquisition of knowledge and skills.

The core problem, however, is not technical, or emotional but economic. The scarcity economics of the past cannot be recreated in a digital, on-demand environment driven by abundance. That tension will lead to serious restructuring because demand almost always wins out, and holding back the inevitable through public funds may cause long-term damage.

There are new opportunities for models that are built on audience engagement rather than scarcity, but they are seriously threatened in a value chain, which separates producer from audience.

The Internet Era will ruthlessly test demand for every form of media, art and entertainment, because vastly increased choice is shackled to the ultimate and unchanging limitation of the 24-hour day. The essential competition is for time.

It is critical in that battle to create relationships with audiences at the earliest possible stage of development, whether the goal is commercial success, or cultural relevance.

As Walt Whitman observed: “To have great poets, there must be great audiences, too.”⁸

⁷ *The Salmon Of Doubt* (Adams, Douglas, Pan 2012) ISBN 1447226267

⁸ <http://www.bartleby.com/229/3003.html>

And in European film, 'auteur theory'⁹ still exerts a strong influence, suggesting the guidance of a singular creative genius, whose work cannot be judged, either by public enthusiasm or apathy. No-one expects painters or novelists to interact with their audience, so why directors? Great film-makers, suggested Francois Truffaut, could not be mere "*metteurs-en-scene*."¹⁰

When trying to confront these differing perspectives on demand, public policy is prone to falling down semantic rabbit holes. Defining the line between the commercial and cultural, or arthouse and mainstream (terms rarely used by the public), exposes the arbitrary nature of cultural policy. (What is the difference between a commercially successful cultural film, and a culturally successful commercial film?)

The question of engaging with, or responding to, audience demand then is not just an industrial issue; it is a revolution, which exposes political and cultural divisions.

The founder of the Massachusetts Institute of Technology (MIT) Professor Nicholas Negroponte has talked about a fundamental change from the world of 'atoms' to the world of 'bits.'¹¹

It is not just the technology but also the mindset. The world of 'bits' has changed social relationships in profound ways and there has been a true Communications Revolution.

The idea of engaging audiences is not about slavishly following demand but about the potential to work with, rather than for, audiences. Broadening access to film is an essential part of any genuine aspiration to 'cultural diversity'.

The UNESCO definition of 'cultural diversity', upon which film funding is ostensibly justified, makes clear that diversity of production is only one part of the equation: it is equally defined by interaction and pluralism.¹²

In other words, it is not just the production of film that matters, but that European film actually reaches audiences beyond a core of enthusiasts. The 'cultural relevance' of film is tied up in the engagement between content and consumer.

That is a challenge in a multimedia world with a hugely increased choice of alternative diversions and cultural activities.

Many of today's most ardent lovers of independent film were first introduced to their passion through much-maligned 'gatekeeper' institutions, such as public service broadcasters. The programming of challenging independent film may have been motivated by patrician and elitist sense of what was 'good' for the public but it did allow a wider reach to audiences.

⁹ <http://dlibrary.acu.edu.au/staffhome/siryan/screen/auteur%20theory.htm>

¹⁰ https://soma.sbccc.edu/users/DaVega/FILMST_101/FILMST_101_FILM_MOVEMENTS/FrenchNewWave/A_certain_tendency_traffaut1954_cashiers.pdf

¹¹ *Being Digital* (1996) , Negroponte, Nicholas, Coronet Books, ISBN-10: 0733603920

¹² <http://www.unesco.org/new/en/social-and-human-sciences/themes/international-migration/glossary/cultural-diversity/>

Today, most specialised film, if it appears at all on free-to-air terrestrial channels, has been banished to late night slots.

Cinephiles are better served today than at any time in history – but it is getting much harder for the uninitiated to serendipitously discover arthouse and European film. It is hard now to imagine the mass-media power that film exerted in the hands of an Eisenstein or Riefenstahl.

To generate cultural relevance beyond a core of the already-committed, European film has to reach audiences beyond those places within reach of an arthouse cinema, or where a film distributor company thinks it can turn a profit.

THE ACTIVE AUDIENCE

The Internet and social media have been great tests of the philosophical and political split between those who believe in the “wisdom of crowds” and those who fear the “Tyranny of the Majority.”

In the Internet Era, everyone is an empowered member of the Active Audience, whether they like it or not, but whether, and how, they choose to exercise that power varies widely.

Some enthusiasts have wholeheartedly embraced the new opportunities to become crowdfunders (See p87), critics, marketers and film-makers, and many more have illegally downloaded content.

It is common, particularly in cross-media and social media training circles, to hear the claim that audience demand is running ahead of the industry’s willingness or competence to service it but the true picture is more complex.

An annual survey by technology analyst Forrester Research shows (see Focus p18) that those actively engaged in creating content online are only slightly more common than those who do nothing.

Over the years, the survey has shown that refuseniks, or technology laggards, at the bottom of the ladder are becoming much more scarce. (It now takes a force of will to opt out of online activity).

On the other hand, there has not been steady consumer progress from the bottom to the top. For the majority, the Internet and social media remain places to watch or read, and to talk to friends and relatives.

If there were a simple progression from ignorance to expertise, the position of film would be much less challenging.

But some of the more ambitious cross-media ideas for developing film are in a difficult position, because they require, or expect a level of engagement that does not reflect the way that most people use the Internet.

FOCUS: SOCIAL TECHNOGRAPHICS

Business analyst Forrester Research has a useful tool for measuring the unbalanced and fragmented use of online services and social media, which it calls the Social Technographics Ladder.

In 2012, the annual survey of Europeans showed:

- 23% were Creators, publishing blogs, uploading videos, etc
- 26% were Conversationists, updating social media, etc
- 33% were Critics rating services, contributing to online forums
- 22% were Collectors, voting at websites, tagging ps, etc
- 50% were Joiners, maintaining a social media profile, etc
- 69% were Spectators, reading content, watching video, etc
- 21% were Inactives, doing none of those things.

FRAGMENTATION

The immediate problem for the film industry is not necessarily that film is an anachronistic art form out of step with the way that audiences behave today. Rather it is the fragmentation of demand that exerts the really critical influence on industry. It is simple economic facts of life that small shifts in demand can have devastating effects.

A little context, however, is important. The fragmentation of demand for film today is preferable to the decimation of the audience that took place with the arrival of television in the 1950s, or the decline of the theatrical sector in the 1970s and 1980s.

Cinema attendances reached their peak in most countries in the 1940s and 1950s but television led to what many predicted would be terminal decline.

A reasonably strong 2012 in the UK, for example, saw 172.5 million admissions but that was a tenth of the 1946 all-time high of 1.64 million;¹³ Poland reached 230 million admissions in 1956¹⁴ but by 2012 that had fallen by 84% to 38.5 million.

From the 1950s, television eroded the film-going audience, leading to a spiral of decline with cinema closures and no alternative way of screening films beyond a very limited number of terrestrial TV channels.

The bottom was reached in the 1980s in many countries – France lost an estimated 32% of admissions between the beginning and end of the decade.¹⁵

¹³ <http://www.cinemauk.org.uk/facts-and-figures/admissions/annual-uk-cinema-admissions-1935-2012/>

¹⁴ *Polish National Cinema* (Haltof, Marek, Berghahn Books, 2002) p78

¹⁵ *French Cinema In The 1980s: Nostalgia And The Crisis Of Masculinity* (Powrie, Phil, Oxford University Press, 1997) p2

The advent of VHS and DVD and new cinema building were at the heart of a recovery that has continued for more than two decades, at least in most Western European countries. Despite predictions of catastrophic fragmentation of demand, it proved possible for cinemas and home entertainment, not just to co-exist, but even to be mutually beneficial.

What the 90s and early 2000s recovery demonstrated was that fragmentation is not a problem if the whole market grows. A small amount of cannibalisation of revenues may be more than compensated for by an overall increase in the size of all film audiences.

A strong film culture and growing demand can benefit every platform, Cinemas, after all, can only soak up so much demand, given that they are fixed in terms of location and seats.

VOD has the theoretical capability of creating demand far beyond the capacity of DVD, which was reliant for most of its sales on shelf space, though there are political, technical and legal barriers to VOD expansion. (See Chapter 3)

Yet while the potential reach to audiences is far greater than at any time in history, the competition is also considerably greater.

The effect of fragmentation has to be seen in the context of the vastly increased choice of films on a much larger variety of platforms and the explosion of alternative forms of art and entertainment.

And there is a permanent, unchanging factor in the demand equation in the 24-hour clock. The real competition is for precious audience time.

INFLUENCERS

The factors influencing demand for film in Europe are complex and occasionally contradictory. They also vary strongly depending on geography, age, class, access to technology and education.

The supposed certainties of the digital age are often much more nuanced than the clichés suggest, such as the supposed consumer shift from linear to non-linear consumption.

The Age of Ubiquitous Media has actually seen an increase in consumption of both 'linear' content (the stuff programmed and scheduled by exhibitors or broadcasters), and 'non-linear' services (stuff watched by consumers on their own terms).

The amount of scheduled television watched per day, for example, is rising in most countries, despite competition from alternative forms of entertainment and on-demand services.

An IPSOS survey of more affluent Europeans by EMS¹⁶ showed that wealthier individuals are often early adopters of new technology because they can afford the premium prices that precede mass-market commoditisation. It suggested an average of 34% of top earners in

¹⁶ http://www.emsfeed.com/graphics/EMS_Deep_Dive_2013.pdf

various European countries have become 'three screen users', with laptops, smartphones and tablets.

The figure is close to half in the UK, where more than 75% of those tablets are Apple iPads. And yet 94% of television viewing still takes place on traditional television screens. It remains to be seen whether younger 'net-native' generations (See Chapter 8) will complete the non-linear revolution in the coming years.

For independent film, however, the question is not whether audiences are abandoning linear content, or the cinema, or DVD; it is whether even a small percentage drop in demand for traditional business might fatally undermine low-margin businesses.

It was a relatively small fragmentation of the market, for example, that led to the closure of many newspapers, indie record labels and high-street retailers.

INFLUENCERS: TECHNOLOGY

The Digital Revolution and all the social, political and economic change that it has engendered goes back to a simple but remarkably resilient idea from 1965.

The founder of Intel, Gordon Moore devised a theory – known as Moore's Law – which stated that: "The number of transistors incorporated in a chip will approximately double every 24 months." In simple terms, he meant that the processing power of computers would keep growing in a predictable way, constantly spawning fresh innovation.

What it means for film is permanent revolution. Just when one tech trend is understood and assimilated, another comes along to change the landscape.

What it also means is that yesterday's radicalism is tomorrow's hopeless conservatism. There is no future in futurism.

When the first edition of this report was commissioned in 2008, the iPhone was making its first baby steps and there were no Android phones; MySpace was still the world's biggest social media site; the infant Twitter was heading towards 100 million tweets per quarter (today it does 400 million tweets per day);¹⁷ and the iPad was still a twinkle in Steve Jobs' brain.

Leading business technology analyst Gartner captures the process in what it calls a 'hype cycle'.¹⁸

First, a 'technology trigger' creates a wave of enthusiasm that rises to an unrealistic peak, before crashing to a 'trough of disillusionment.' Over time, adaptation and consumer acceptance, a technology trend finds its level, maturing to a 'plateau of productivity'.

¹⁷ <http://en.wikipedia.org/wiki/Twitter>

¹⁸ <http://www.gartner.com/technology/research/methodologies/hype-cycle.jsp>

The speed at which developments move through this curve is dictated by consumer adoption and technology maturity. Unfortunately, it does not fit the timeframe of production, distribution and exhibition, and certainly not the policy timetable of national government or European bodies. (Five-year plans are heading to the dustbin of history).

One constant in the adoption of most technologies is that they begin as high-price luxury item with players and discs commanding high prices but they soon become commoditised, and market gravity forced down prices.

In terms of audience demand, the evidence suggests that chasing early adopters is not a smart strategy for film-makers. New technology needs to go through a stage of hype before it turns into a viable platform for business.

It is fair to say, however, that the speed from invention to mass adoption is far quicker than in the pre-digital era, accelerated by advances in connectivity infrastructure (See below), constant upgrades, rapidly falling prices as economies of scale kick in, and the power of social media to spread new ideas and best practice.

There is another characteristic of new digital technologies that is relevant to film. With faster broadband speeds and adoption of mobile technologies, the Internet is fast evolving from a text-based to an audiovisual medium.

Internet pipelines need content to fill them, and the would-be Emperors of a globalised on-demand economy also need a high volume of compelling audiovisual work to attract the size of audiences to justify their business models.

In the rapidly developing tablet computing market, for example, low-cost devices have become close to loss leaders for major companies, such as Amazon and Tesco, whose profits are based on bundled content, such as retail apps or VOD channels.¹⁹

Frances Moore, chief executive of international music body IFPI, said: "Music has not only adapted to the Internet – it is at the very heart of its development. Music is driving technology...it is the engine of the digital ecosystem." It is worth holding that thought for film.

INFLUENCERS: CONNECTIVITY

The simple fact of connection to networks and power has been critical to every media trend – from electricity, telephone lines, fibreoptic cables, satellite, etc.

The potential for online and on-demand services are deeply dependent on connectivity and, in the Internet Era, strong household penetration of high-speed broadband.

Tech giant Akamai suggests that there are now more than a billion Internet users worldwide.²⁰ Europe has some of the most advanced countries in the world for Internet usage with 75% of adults (16–74) online in 2012.²¹

¹⁹ *The Economist* (p.72, October 26, 2013)

It also has some of the world's fastest average broadband speeds, led in 2013 by Switzerland, Latvia and the Netherlands,²² all of which now boast connection speeds higher than 10 Megabits per second (Mbps).

The European Union (EU) also has an ambitious strategy for taking all member countries forward with the same high speeds, as far as technically possible. The EU's Digital Agenda²³ has already hit its target of broadband access for all by 2013, with satellite broadband filling in gaps. It next wants Next Generation Networks (NGN) for all citizens, delivering 30 Mbps or more by 2020 (three times the current speeds); and 50% of households having 100 Mbps or higher.

The future is shifting in the direction of a mooted Web 3.0 and 'semantic web', which in broad terms suggests a seamless, intuitive and personalised online environment. But the Web is already fast becoming an invisible facilitator, losing any sense of the underlying technology, and of as little interest to the consumer as the electricity that powers the kettle.

When successful technologies are described as 'intuitive', what is really meant is that they successfully hide any hint of underlying technical sophistication. It has become the nirvana of all high-tech companies.

European connectivity has driven a dramatic rise in ecommerce with an estimated 60% of users shopping online.²⁴

And innovation has driven dramatic new trends in content. Apple's app store was launched just after the first edition of this report in 2008: by May 2013, it boasted more than 50 billion downloads,²⁵ and in October 2013, the store announced it had reached one million apps.²⁶ And Android apps through Google Play are catching up fast.²⁷

The app is a perfect example of demand-led thinking, with content devised to meet known audience requirement and tailored for personalised use.

But its mass-market appeal has been made possible by the development of the mobile network infrastructure, notably 3G and 4G. Wi-fi has also released film engagement from the shackles of a physical location.

²⁰ http://www.akamai.com/dl/documents/akamai_soti_q213.pdf?WT.mc_id=soti_Q213

²¹ http://epp.eurostat.ec.europa.eu/cache/ITY_PUBLIC/4-15102013-AP/EN/4-15102013-AP-EN.PDF

²² *ibid*

²³ <http://ec.europa.eu/digital-agenda/>

²⁴ *ibid*

²⁵ <http://www.apple.com/uk/pr/library/2013/05/16Apples-App-Store-Marks-Historic-50-Billionth-Download.html>

²⁶ <http://www.theverge.com/2013/10/22/4866302/apple-announces-1-million-apps-in-the-app-store>

²⁷ <http://www.zdnet.com/apples-app-store-downloads-top-10bn-battle-for-developers-hearts-and-minds-heats-up-7000024884/>

That vast increase in the consumption of data has also driven further developments to cope with the huge increase in bits and bytes, notably cloud computing, which in turn has inspired further innovation.

The opportunities for film may be best judged by following the development of infrastructure, rather than just hardware and software.

INFLUENCERS: CRITICS, GATEKEEPERS AND CURATORS

The death of the film critic has been somewhat exaggerated, particularly in relation to arthouse film. In fact, the influence of blogs and social media has sometimes considerably increased the reach of individual professional critics.

Some critics, for example, have very big Twitter and Facebook followings; in fact, much 'word of mouth' social media comment is actually just an amplification of a critic's opinion, re-tweeted and re-posted, rather than a fresh perspective.

And professional critical opinion has a separate, and normally aggrandised position in the hierarchy of comment. Aggregation sites, such as MetaCritic and Rotten Tomatoes have chosen to the ratings of critics and 'top critics' from those of the masses.

There may be a threat to the status of established critics, however, as newspapers and magazines begin charging for content. Newspapers, including *The Times* in the UK and *Der Spiegel* in Germany, have introduced payments for web content over the last two years.

Consultancy Simon Kucher & Partners suggests that 90% of online content will be behind a paywall by 2016,²⁸ which will accentuate the online dilemma that profits tend to come at the expense of influence and visibility.

Although there are national variations, abundant evidence indicates there is little correlation between a good critical review of a Hollywood blockbuster film and its box-office performance. A study in Montreal, for example, suggested a good review resulted in a strong theatrical performance in just five per cent of cases.²⁹ And, of course, bad reviews travel as quickly as good ones.

Arthouse film critics have a different and still important position. Some write in a compelling way for a receptive and literate audience. There is also a certain social insecurity among certain arthouse audiences, which values the idea of 'taste' – and the critic can act as a guide.

Perhaps a more compelling argument is that critics are a cheap (if hazardous) form of marketing for smaller films, which do not generally have the budget to go direct to audiences over the heads of the commentariat.

²⁸ <http://www.thedrum.com/news/2013/04/12/90-online-content-be-held-behind-paywalls-three-years-media-company-survey-suggests>

²⁹ www.montrealgazette.com

But some media campaigns are already testing the potential of bypassing critics. The press campaign for 2013 release *The Impossible*, for example, used quotes from Twitter, rather than professional critics, following the lead of campaigns in music and theatre.³⁰

Whether such ideas are successful or not, social media is clearly now an essential ingredient of any marketing campaign. A 2012 survey by market researcher Penn Schoen Berland and The *Hollywood Reporter* found that a third had decided to see a film on the basis of a post on a social network.³¹

INFLUENCERS: VALUE AND PRICE

One of the clichés of the Digital Age is that ‘net-native’ (see Chapter 8) younger audiences now believe that free content is some kind of human right.

But the economics of ‘free’, eloquently expounded by *Wired* editor Chris Anderson³², has not proved quite the revolutionary force he had in mind.

The businesses that have most successfully pursued the free model have made their mark with expensive investment in models that rely on a huge volume of customers.

The free website of UK tabloid newspaper, *The Daily Mail*, for example, is the world’s biggest online newspaper, and even the third biggest in the USA,³³ but there is not much space in the market, or enough available finance for most to follow the same course.

In fact, the notion of ‘free’ is flawed: bandwidth and storage of data, for example, is not free. In fact, the idea of the Internet as the end of scarcity economics now looks distinctly overstated.

As economist Malcolm Gladwell put it, in a response to Anderson’s book: “The only iron law here is the one too obvious to write a book about, which is that the digital age has so transformed the ways in which things are made and sold that there are no iron laws.”³⁴

Studies on piracy have found that it is not necessarily the fact that content is free that drives illegal activity among the general public, but other factors such as convenience and availability.

The difficulties in finding a business model that balances access and sustainable business has been an unresolved of every content business for more than a decade. The tensions are

³⁰ <http://www.theguardian.com/film/shortcuts/2013/jan/16/twitter-users-film-industrys-critics>

³¹ www.hollywoodreporter.com/gallery/facebook-twitter-social-media-study-302273#

³² *Free: How today's smartest businesses profit by giving something for nothing* (Anderson, Chris, Random House Business, 2010)

³³ <http://www.businessinsider.com/britains-daily-mail-is-now-americas-3rd-largest-online-newspaper-2013-4>

³⁴ http://www.newyorker.com/arts/critics/books/2009/07/06/090706crbo_books_gladwell?currentP=3

manifested in the film industry in the debates over release windows and territorial rights. (See Chapter 3)

A potentially bigger worry for film – or at least the theatrical sector – is a sign of a change in perceptions about price and value. A longstanding comforting truth about film is that it thrives during economic downturns.

Cinema, the argument goes, is a cheap treat in comparison to a range of other leisure activities.

Such perceptions, however, appear to be under challenge. Average cinema ticket prices have been rising in recent years mainly due to the premium cost of 3D.

The rise is illustrated by the growth in gross box-office revenues compared to admissions. In the five years 2008–2012, French revenues rose at an average annual rate of 3.7%, compared to a 1.8% rise in admissions; in the UK it was 1.5% against 1.2% and in North America it was 2.9% against 0.3%. Worldwide the revenues were up 2.2% for the period, against 7.3%.³⁵

A YouGov opinion poll³⁶ in 2013 suggested that 69% of UK cinemagoers believe cinema has become too expensive and only 33% say it represents value for money.

That perception may be driven by more than the actual ticket price, or even the ticket cost as a percentage of disposable income (which has dropped in most countries in recent years).

INFLUENCERS: SOCIAL

The UK Film Council called a report on the cultural impact of film, *The Stories We Tell Ourselves*.³⁷ The title implies that film remains a primary and essential means by which society expresses itself.

But closer examination of those words ‘we’ and ‘ourselves’ can lead to uncomfortable questions, which have a bearing on demand.

The problem of the narrow audience for arthouse and independent film is discussed in more detail in Chapter 8, but the audience profile for independent film tends to reflect the social make-up of those making films, which still has worrying gaps in terms of gender, race and class.

In the UK, for example, a Creative Skillset survey suggested that number of Black, Asian and Minority Ethnic (BAME) people employed in full-time production work in UK film had actually fallen from 12% in 2009 to 5.3% in 2012.³⁸

³⁵ European Audiovisual Observatory

³⁶ <http://yougov.co.uk/news/2013/08/16/cinema-cost-concerns-mount/>

³⁷ http://industry.bfi.org.uk/media/pdf/f/i/CIReport_010709.pdf

³⁸ http://industry.bfi.org.uk/media/pdf/f/i/CIReport_010709.pdf

Women are also grossly under-represented in director's chairs. A survey in 2011 showed that just five per cent of Hollywood directors were women.³⁹

The independent sector may be less guilty than Hollywood but only one of the top-25 European films in the European market in 2012 was directed by a woman; and there has only ever been one female director of a Palme d'Or-winning film and that was 20 years ago.

That director, Jane Campion (1993 winner for *The Piano*), has called on public funders to mandate that women make 50% of funded films.⁴⁰ (The decision to appoint her to lead the Cannes jury in 2014⁴¹ may not change the statistic but it is likely to shake up the debate).

Berlinale Golden Bear-winning Bosnian director Jasmila Zbanic⁴² (*Esme's Secret – Grbavica, For Those Who Can Tell No Tales*) has also called for action: "The main work is still on us. We should do it with love and dignity, not feeling sorry for ourselves, but demanding a change in the presentment of women in films, demanding rights to stories we want to share, passionate needs, fantasies, jokes that we can laugh at because the current situation is not funny."⁴³

There is a growing sense that for film to maintain, or perhaps renew, its cultural relevance it needs to address the widening social and demographic gap between film-makers and audiences.

Baroness Oona King, Diversity Executive at Channel 4, neatly summed up what she believes is the task ahead for the independent industry and policy-makers as "accountability, access and affordability."⁴⁴ It may be that audience demand, expressed through the market, ends up as a surer driver of change than policy.

Older people have also been dramatically under-represented over the years but the emergence of a strong 'grey market' for film is rapidly changing the situation. Meanwhile a survey by Vocatif⁴⁵ suggests that blockbuster films that passed the Bechdel Test (See below), broadly suggesting a stronger representation of women, made much more money than those that failed.

³⁹ <http://blogs.indiewire.com/womenandhollywood/what-bigelow-effect-number-of-women-directors-in-hollywood-falls-to-5-percent>

⁴⁰ <http://www.telegraph.co.uk/culture/film/10450463/Bechdel-test-is-damaging-to-the-way-we-think-about-film.html>

⁴¹ <http://blogs.indiewire.com/womenandhollywood/jane-campion-to-lead-cannes-2014-jury>

⁴² http://www.imdb.com/name/nm1120092/?ref_=tt_ov_dr

⁴³ <http://www.screendaily.com/news/zbanic-slams-unjust-treatment-of-women-in-cinema/5064806.article?blocktitle=News-archive&contentID=27>

⁴⁴ <http://www.screendaily.com/news/screen-and-broadcast-launch-diversity-forum/5062455.article>

⁴⁵ <http://www.vocativ.com/01-2014/hollywood-movies-strong-female-roles-make-money/>

CASE STUDY: THE BECHDEL TEST

The Bechdel Test,⁴⁶ first suggested by US cartoonist Alison Bechdel, is a ratings system aimed at improving the representation of women in film and television. It offers an 'A' rating for work, which has a) at least two women in it and b) those women have a conversation about something other than a man.

It has been criticised as politically-correct tokenism – and is certainly open to debate⁴⁷ – but it is based on an astonishing fact: a survey of family films, released between 2006 and 2009, showed that 70% of speaking parts were men. That is the same number as in 1946.⁴⁸

The test inspired a group of Swedish independent cinemas to introduce the rating to their own screenings.⁴⁹ While it is a rough guide, it does at least recognise that audiences might reasonably expect to see their diversity recognised on the big screen.

KEY LESSON: The Bechdel Test has achieved its objective in raising the issues of on-screen representation even if it does not offer a solution. Inequalities in the social and demographic make-up of film-makers, in the way that part of society are represented on-screen, may have an impact on demand and the cultural relevance of film.

MARKETING AND DEMAND

The influence that the industry can exert on demand comes under the catch-all term 'marketing'. The ways in which films capture the attention and engage audiences are at the heart of this report.

There is, however, still a structural issue in the film industry that divides business from consumer. Marketing is a specialised discipline, generally situated at the end of the value chain, and a long way down the road from production.

This report, however, suggests that marketing has been redefined in the digital era. The advertising industry talks about a shift in 'eyeballs' to 'engagement' (See p42), meaning that marketing is not just about 'hit and hope' messaging.

Instead, it is about creating a relationship with consumers, beyond that of buyer and seller. That starts at the earliest stages of development. Logically then, the marketing of a film ought to begin at the level of production and development.

The relationship most valued by audiences will always be with the film-maker and talent.

⁴⁶ <http://bechdeltest.com/>

⁴⁷ <http://www.telegraph.co.uk/culture/film/film-news/10555209/Bechdel-Test-films-triumph-at-the-box-office.html>

⁴⁸ <http://www.telegraph.co.uk/culture/film/film-news/10061148/Smallest-number-of-film-speaking-roles-for-women-in-five-years.html>

⁴⁹ <http://www.theguardian.com/commentisfree/2013/nov/27/swedish-cinema-bechdel-test-works>

Brand awareness ought to begin at the beginning. The idea of films and film-makers as 'brands' is uncomfortable to many but the discomfort is more the inability of terminology to adequately describe the change dynamic between content and audience.

In fact, film-makers can be perfect examples of marketable brands without compromising their art. Directors, such as Austrians Michael Haneke and Ulrich Seidl, have built up a loyal following from audiences who are actively looking to be challenged and surprised.

Among cinephiles, it is commonplace to refer to a film by the name of the director – "Have you seen the new Haneke." The auteur is the distinguishing factor, rather than actors or even specific films – and, like it or not, makes them powerful brands.

CASE STUDY: PROMETHEUS

Prometheus remains a strong case study in film marketing, with greater relevance to independent films. Unlike many of the Hollywood franchises, some of which have employed extraordinarily impressive cross-media awareness building, the pre-awareness of *Prometheus* was much more limited.

It was a prequel to director Ridley Scott's *Alien*. The 1979 sci-fi classic is still much loved by older audiences and genre fans, but it was still a challenge to reach beyond core fans.

The multi-award winning campaign employed intriguing gaming devices, and in the words of the creative director running the campaign at Ignition, blurring "the boundaries between content and marketing, fiction and reality, story and game. It can be blurred to the point of invisibility, creating a holistic narrative experience that entertains and engages, regardless of platform."⁵⁰

The campaign drew the audience slowly into the storyline, particularly with content seemingly generated by the sinister company in the original *Alien* film, including a TED talk by the fictional CEO of the shadowy Weyland Industries.⁵¹

Compelling video content came in at an early stage to generate a following, that were kept interested by social puzzles, hidden clues and even a job advertisement.

KEY LESSON: The marketing understood that content and marketing do not need to be separate parts of the process. It teased audiences into building a close relationship with the film, long before release, turning them, knowingly or not, into key marketers.

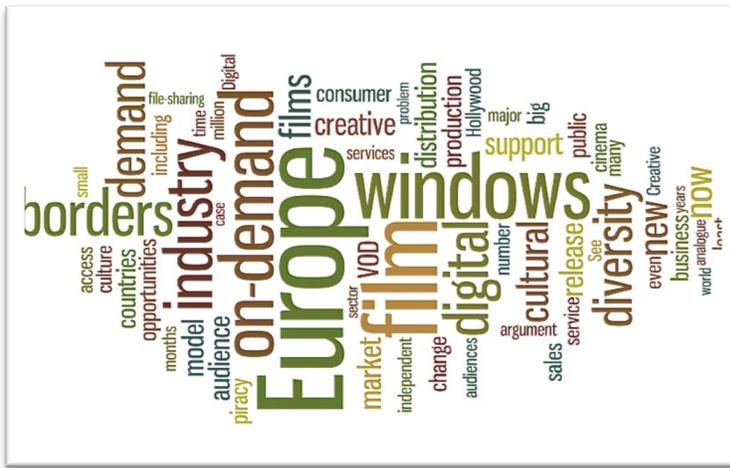
⁵⁰ <http://www.fastcocreate.com/1680976/behind-the-innovative-socialcontent-driven-campaign-for-prometheus>

⁵¹ <http://www.youtube.com/watch?v=jb7gspHxZil>

CHAPTER 3: ON-DEMAND INDUSTRY

140-CHARACTER SUMMARY

- *EMERGING REALITIES: Film has accepted some digital market realities but retains much of the old scarcity model.*
- *THE DEMAND DILEMMA: Industry practices and protectionism are out of kilter with on-demand age.*
- *NEW OPPORTUNITIES: Changing patterns of demand are opening up new models but they are risky.*
- *WHO PAYS?: The growth in VOD revenues may come at the expense of some existing funding, including TV*



The Digital Revolution is not about technology *per se*; cinema has managed to evolve and prosper through other major technological developments, including television, VHS and DVD.

Instead, it must be understood as the digitally enabled transformation of consumer demand, which disrupts, and

undermines the business models of the pre-digital era, even as it opens up fresh opportunities. Demand has got more demanding.

The seeds of a revolutionary shift are already planted, even if, for a variety of reasons raised here, they are only beginning to yield fruit.

The practices of the film industry, however, are still locked into the Analogue Age in terms of business models, law and even philosophy.

The value chain that separates production from audience remains largely untouched.

Even when the practices and structures of the film sector are reassessed and reviewed, by industry or state, it tends to be based on (to borrow a political phrase) 'triangulation' – an attempt to find a consensus between the various components of the value chain.

Policy and business debate about the future of film normally starts with the interests of supply, not the changing circumstances of demand, hence the future of distribution is defined

as the future of distribution companies, exhibition by exhibitors, etc. Other industries that have had to get to grips with the impact of changing patterns of demand have been forced into (at least initially) painful restructuring, including music and publishing.

Film has not been through those same growing pains. There are technical reasons for that fact: the size of files, for example, has always made downloading, streaming and indeed piracy, slower to take a grip than it did for music.

Most of all though, access to subsidies and soft money has helped keep the industry stable through economic crises and digital change.

A long-term view might ask whether the failure to make tough decisions about the shape and size of the industry today might not come back to haunt film in years to come. That concern is heightened by evidence of a disconnection between the Active Audience and industry. European production, for example, has consistently risen, regardless of admissions or screen space.

There was a 71% increase⁵² in the number of films produced in Europe between 2002 and 2012 (as defined by the European Audiovisual Observatory). The minor drop in 2012 (from 1,366 to 1,299) was entirely down to a fall in documentary numbers, with fiction continuing the upward trend.

That is not to say that the film industry has failed to make progress: it has acquired skills, for example, in digital marketing, distribution and social media. There has, even, been a shift in emphasis away from the threats and towards the opportunities represented by digital, online and on-demand technologies but that nagging doubt that the period of 'artificial scarcity' (See p11) is merely a postponement of the inevitable.

WINDOWS

Netflix Chief Content Officer Ted Sarandos in 2013: "The big movies, that the studios spend billions of dollars to sell to us, are still released almost in the same way as they were years ago. "To the theatres first, for months, and months and months, and then to DVD for months and months and months, and then to pay television where they and Netflix can bring them in," he told the Film Independent Forum in Los Angeles in October 2013.⁵³

"In fact I think these antiquated windows for movies are probably driving global piracy more so than any Bit Torrent or Pirate Bay, these pirate sites people are always screaming about. Give the consumers what they want."

⁵² *Focus – World Film Market Trends* (Editors Lange.A, Talavera J., 2013). <http://www.obs.coe.int>

⁵³ <http://www.indiewire.com/article/read-last-weekends-ted-sarandos-speech-tv-is-where-indie-production-is-happening>

It is a self-serving argument that deserves to be treated with caution but there is a growing belief in some sections of the industry that giving the customers what they want, when they want is not merely a matter of surrender to the market.

Some believe new release models could work in the interests of both on-demand release *and* cinema.

Todd Wagner, co-owner of 2929 Entertainment, said at the 2013 Tribeca Film Festival, that cinema owners needed to understand that with greater flexibility on releasing “all ships will rise.”⁵⁴

Those hypotheses are now being tested, after years of polemical, even ideological debate in Europe. 2013 has seen a number of experiments, supported by public funds from the British Film Institute in the UK and a €2m European Commission MEDIA Programme scheme in Europe.

MEDIA supported three consortia to support trials of simultaneous multiplatform releases: Speed Bunch led by Wild Bunch; EDAD, led by Curzon ArtificialEye; and The Tide Experiment⁵⁵ – a joint venture between sales agents and distributor network Europa Distribution.

Five distributors are working together on the chosen films in the Tide Experiment, which include Ferzan Ozpetek’s comedy *Magnifica Presenza*,⁵⁶ documentary *Viramundo*⁵⁷ and Scottish drama *For Those In Peril*.⁵⁸

The results from the first two films, some of which were discussed at the Europa Distribution conference in Estoril in 2013, were not particularly promising,⁵⁹ although complete data will not be available until Cannes 2014.

There have been distinctly mixed returns from most simultaneous releases around Europe with very few standouts, but equally there have been no unequivocal signs of damage to the cinema audience. There are factors that need to be taken into consideration when assessing results:

- The boycott of testing by significant number of exhibitors, skewing results
- The distorting factor of media interest in new release experiments (which will fade)
- And the lack of transparency in VOD results (See p44)

There’s another point that is rarely accorded its proper significance: Most of the films chosen for day-and-date releases are niche films, whose results were unlikely to have been impressive in more conventional releases.

⁵⁴ <http://www.youtube.com/watch?v=loKn82nIb9A>

⁵⁵ <http://thetideexperiment.files.wordpress.com/2013/02/the-tide-experiment-at-a-glance.pdf>

⁵⁶ http://www.youtube.com/watch?v=wCT_BH1FGBO

⁵⁷ <http://www.youtube.com/watch?v=b1ix6aoW0Sw>

⁵⁸ <http://www.imdb.com/title/tt2315628/>

⁵⁹ <http://www.euromediaudiovisuel.net/p.aspx?t=news&mid=21&l=en&did=1728>

Windows–busting 2013 releases, such as Ken Loach’s *The Spirit Of ’45*⁶⁰ and Ben Wheatley’s *A Field In England* (see Case Study below), were uncompromising arthouse releases, which were destined for strong reviews and festival play, but a tiny theatrical run. Through their use of new cross–media elements, including interactive web content and online discussion, they were credibly able to claim a reach beyond the conventional system.

A more commercially successful experiment was Lionsgate UK’s release of *Bachelorette*, which premiered online before its theatrical run. (See Case study, p37)

On the other hand, those experiments that have taken place, while not proving significant damage to theatrical audience numbers, do at least raise rational fears.

A focus group study by SampoMedia of demand for so–called Premium VOD (released on VOD channels at the same time as theatrical release) suggests that there might be a price point at which watching at home wins over a theatre visit, at least for certain types of films.⁶¹ It also raises questions about whether there is really untapped demand for instant access to films in areas without access to an arthouse cinema.

The retention of release restrictions runs counter to the interests of the technology, telecommunications, broadcast and retail giants looking to become masters of a borderless on–demand universe.

CASE STUDY: A FIELD IN ENGLAND

*A Field In England*⁶² is a genre-busting film from cult UK director Ben Wheatley, who had made his name with films, such as *Sightseers* and *Kill List*.

The film was among the most interesting of a group of films released day-and-date, with the support of the British Film Institute (BFI).

It was screened in cinemas, DVD and VOD sites but was also simultaneously screened free on the Film4 channel. The release was supported by an exhibitor Picturehouse Cinemas (also distributor on the title) and Film4.

A full and transparent report has been made available that shares figures from the main platforms. For such an unusual, even eccentric film, certainly compared to the director’s previous work, there were promising results on a number of platforms (although it must be pointed out that it received considerable publicity for a film of its size because of the way it was released).

Film4 and Picturehouse both declared themselves happy with the performance, pointing out that such a film would have been highly unlikely to achieve the same audience reach through conventional release.

KEY LESSON: Film-makers with an existing following may find new release patterns perfect ways to extend their audiences, partly by exciting and mobilising fans from previous work. Social media interaction at the earliest stage was vital to the project.

⁶⁰ <http://www.thespiritof45.com/>

⁶¹ <http://www.sampoedia.com>

⁶² <http://www.youtube.com/watch?v=cRRvzjkzu2U>

VIRTUAL PRINT FEE

The Virtual Print Fee is one of those pragmatic bodes that emerge when trying to find analogue solutions to digital problems. It was invented as a mechanism for securing a contribution to the D-Cinema conversion costs of exhibitors from distributors, which were expected to make the bulk of long-term savings.

It was a cost-neutral model, where digital savings were pooled so that the distributor-exhibitor share of costs remained broadly untouched. Effectively, both parties agreed to pretend that nothing had changed.

It has been effective. Leading research company IHS suggests that 84.1% of the world's cinemas are now digitised⁶³ and that in many countries, all cinemas have now completed the transition. Given the obstacles that initially stood in the way, it's been a relatively quick process and VPF, alongside the equally top-down DCI standards, played a big role.

The VPF seemed to be the only game in town and its adoption was spurred on by an atmosphere of urgency, whipped up by Hollywood and summed up by National Association of Theatre Owners (NATO) chief John Fithian in 2011 in a speech urging exhibitors to "convert to digital or die."⁶⁴ "Simply put, if you don't make the decision to get on the digital train soon, you will be making the decision to get out of the business."

VPF was an idea conceived by the studios. In the US, the independent sector has struggled to make the system work for them and fears of widescale closures remain. Some estimates put the numbers of small town and arthouse theatres under threat as high as 1,000.⁶⁵

In Europe, the realisation of the potential loss of large numbers of independent screens created momentum behind an imaginative range of ways to retain the diversity of venues.

It may have been late in the day, but in many countries the public sector cavalry rode in with direct subsidies, organisational support, and sometimes financial seeding of support schemes and partnerships. Where the VPF underpinned these arrangements (as it did in most countries), the industry found a way to adapt or remould it to suit local needs.

The few countries, where the Hollywood model held sway, notably the UK, have found the VPF restrictive. With a variety of integrators and a simple model, expanding the run of a film has meant paying additional VPFs.

Some specialist distributors and exhibitors claim the VPF has held back opportunities to show a greater diversity of films in digitised cinemas.

⁶³http://www.screendigest.com/news/2013_12_europa_cinemas_conference_digital_cinema_workshop_summary/view.html

⁶⁴ <http://www.hollywoodreporter.com/news/cinemacon-natos-john-fithian-talks-435070>

⁶⁵ <http://www.indiewire.com/article/were-about-to-lose-1-000-small-theaters-that-cant-convert-to-digital-does-it-matter>

The VPF is a supply-side solution but one could make a strong case that the ends justified the means. It is an idea, however, with a shelf life. Once the first round of first stage of the D-cinema transition has been completed, there will not be a new round of VPF funding.

The removal of the VPF ought to focus the minds of exhibitors, and distributors, on how digital services can provide sustainable revenues. In other words, the emphasis should move from supply to demand.

BORDERS

“Isn't it a paradox that we have an internal market for goods, but when it comes to digital we still have 28 national markets?” asked José Manuel Barroso, the president of the European Commission in 2013.

The question cuts straight to the chase. The European Union vision is centred on the idea of a single market of 500 million people, joined not just by free movement of goods and labour, but by ever closer cultural ties.

But film, and indeed broadcasting, is a territorial business. The economic model is predicated on a calculation by rights-holders of potential returns from release in a single territory (or a group of related territories) – box-office receipts, television revenues and DVD sales, etc.

The borderless Internet, however, opens up the potential for a relationship with audiences in places where it would have been impossible through traditional methods of distribution.

What's more, demand can be created and mobilised by festival screenings, reviews and releases anywhere in the world, all of which create awareness and potentially an appetite for a film, through social networks and film websites.

On paper, the logical basis for a new business model would be to use digital distribution to all platforms to create the largest possible single market, providing access to all content on-demand, regardless of location.

Advances in technology, online downloading and streaming offer just that option. Even exhibitors may be able to institute some kind of on-demand, 'pull model', responding to demand at the flick of a switch (See p74). The only immovable problem is the natural barrier of language.

In reality, the film industry remains wedded to a 'push' model, which is creating growing tensions with policy-makers and with international VOD channels, which find themselves locked out of major markets. Netflix, for example, is in the UK, the Netherlands and Scandinavia, but is still trying to break into France and Germany.⁶⁶

Some Europeans might be quite happy to keep out the globalised giants but rules make it difficult for European business too.

⁶⁶ <http://www.reuters.com/article/2013/12/04/us-netflix-france-idUSBRE9B30EW20131204>

A UK citizen, for example, cannot access the BBC catch-up service iPlayer, created by a European national public service broadcaster (BBC) with public money, in most other European countries. Such frustrations are frequently cited as a major driver of piracy.

And where European companies do attempt to create services, they find themselves blocked by competition law. (See Germany's Gold case study, p108)

There are cultural issues too. For some, the inevitable stronger fiscal bonds in the Euro zone, need to be accompanied by greater cultural dialogue and exchange between member states. European Commission Vice-President For The Digital Agenda, Neelie Kroes promised in 2010: "We will look into multi-territorial and pan-European licensing. And we will not stop exploring ideas for as long as the system is not working."⁶⁷

"Instead of a dysfunctional system based on a series of cultural Berlin Walls, I want a return to sense. A system where there is scope to create new opportunities for artists and creators, and new business models that better fit the digital age."

The debate about territorial releasing is now firmly on the agenda and the cultural dimension may take a higher profile in the light of recent European economic crises, which has engendered heated debate about the divide between the so-called New Europe, of former Eastern bloc countries and the richer countries in the West.

The borders issue also raises critical cultural questions about the nature of the European Union mission.

In a speech at the From MEDIA to Creative Europe summit in Warsaw Polish film-maker Agnieszka Holland said: "Paradoxically, when Europe was divided, the mutual curiosity and the knowledge of our cultures was much bigger. It was then when we could talk genuinely about a European cinema and its wide distribution both in cinemas and on television."⁶⁸

"Today, more than in the times of the Cold War, we are dealing now with a mental – and not a political – Iron Curtain.

"During the last 20 years, one could very distinctly observe the paradox: the more Europe has been working economically and politically, the more its cultural bonds, mutual curiosity and the knowledge that comes from this, mutual concerns about problems, lives and preferences has dissipated."

PIRACY

The film industry has learned the lesson from music in pursuing a dual response to copyright theft: tough and enforceable technical and judicial action, and the rapid development of legitimate digital services.

⁶⁷ http://europa.eu/rapid/press-release_SPEECH-10-619_en.htm

⁶⁸ <http://www.screendaily.com/news/holland-europes-mental-iron-curtain/5064727.article?blocktitle=News-archive&contentID=278>

From a legal perspective, getting tough has proven expensive, ineffective and unpopular. The French Hadopi law – a get-tough ‘three-strikes’ approach, which threatened to ban copyright infringers from accessing the Internet – was revoked in 2013 after four years of controversy (and only one disconnection) and replaced with a less Draconian policy.

Prosecuting individuals for infringing copyright has been a legal minefield and it has become clear that consumers do not like the idea that their private online behaviour is being monitored by the state.

Lawyers who sent demands for payments to German citizens, alleged to have breached copyright by watching a porn streaming site, were forced to stop when a court reviewed and changed an earlier decision. (See p84 for more).

Attention has focused instead on those making money disseminating copyrighted work. Companies, such as Muso,⁶⁹ have introduced technology, which allows film rights-holders to scan the web for illegal use of their work, and sends takedown letters to the offending services.

On a bigger scale, national and international police and enforcement agencies have been getting tough on those making money from piracy. There have been notable successes, such as taking down illegal file-sharing and cyberlocker sites, including MegaUpload⁷⁰ in 2012 and Hotfile in 2013.⁷¹

In the UK, a joint initiative from police, film and music bodies have been targeting advertising on pirate websites with the aim of wrecking their money making *raison d’etre*.⁷²

And yet, as an ever-present reminder of the resourcefulness of file-sharing sites, the best-known file-sharing site in the world, Pirate Bay, is still operating and, by some accounts, is now finding new users following the action against the cyberlocker sites.⁷³

The rapid increase in broadband speeds, mobile devices, online sophistication, etc, means that piracy is not going away. *The Hobbit* was the most pirated film in 2013 with eight million downloads, while the most pirated television programme, the *Game Of Thrones* season finale received the unwanted distinction of having more views through pirate sites (5.9 million), than actually saw it on the television.⁷⁴

⁶⁹ <http://www.muso.com/anti-piracy/>

⁷⁰ <http://www.theverge.com/2013/12/21/5233706/justice-department-reveals-evidence-against-kim-dotcom-and-megaupload>

⁷¹ <http://www.theinquirer.net/inquirer/news/2317432/hotfile-shuts-down-after-handing-over-usd80m-to-the-mpaa>

⁷² <http://www.bbc.co.uk/news/technology-22768850>

⁷³ http://www.theregister.co.uk/2014/01/08/pirate_bay_blockade_evading_client/

⁷⁴ <http://www.ibtimes.co.uk/hobbit-game-thrones-top-most-pirated-lists-2013-1430708>

As discussed at the beginning of this report, the industry business model is built on ‘artificial scarcity’, restricting consumer access to those countries, and to those windows, where a distributor sees a potential profit.

The Internet creates demand for film that the industry cannot, or is not willing to satisfy – and piracy is just one symptom of a consumer backlash. Territorial restrictions on releases in Europe are beginning to be challenged in the courts.

Consumers are also bypassing release restrictions, in terms of territory or release window, by turning to file-sharing sites. Online news and reviews, and social media traffic lets audiences see what they are missing and getting content illegally is relatively easy, at least for the technically adept.

The globalisation of content, for example, has forced the major television distributors to rethink their strategies. There was a time when major television series would be shown in the US a full year before reaching Europe. International audiences could tap into the buzz around a series but were not allowed to see it, which was a gift for piracy.

HBO’s hit series *Game Of Thrones* was downloaded more than 25 million times from public torrent trackers in April 2012, with more than 2.5 million downloads the day after its April 30 television screening.

The major series are now increasingly being released outside the US at the same time or close to the same time as the domestic market. The producers have discovered the huge limitations of an ‘artificial scarcity’ model, raising global consumer demand and then failing to satisfy it. Consumers don’t do waiting any more.

European film has the same problem, albeit on a smaller scale. Festivals and markets raise awareness of a film everywhere but audiences will only see the film if a distributor has decided to buy it for their territory, and only then if the number of prints means it breaks out of a small cluster of the more prestigious arthouses in the big cities.

The Cannes Film Festival competition, for example, brings together the world’s media to see some of the best European films. And yet the films are released in those territories (where there is a distributor) months later and with the media circus and the attendant buzz long since departed. Demand is created and then allowed to dissipate and die. And for most films in the European independent market, invisibility is much more of a problem than piracy.

WHO PAYS?

The major video-on-demand and pay-TV sites have been given much credit for beginning to commission original content. Netflix commissioned *House Of Cards*,⁷⁵ starring Kevin Spacey and Robin Wright, earning the first Emmy nominations for an online series in 2013. It also announced a new psychological thriller series from the creators of hit drama *Damages*.

⁷⁵ <http://www.imdb.com/title/tt1856010/>

Christopher Libertelli, Vice President of Global Strategy hinted that Netflix might consider investing in independent films:⁷⁶ “It just so happens that (TV drama) works best on Netflix, but that doesn’t mean we are not open to original features. In Hollywood at least, there is a potential gap in the market between these micro–films and these huge Hollywood blockbusters. And so maybe there is a middle ground in there that’s conducive to a more effective economic model from us.”

The commissioning of new films by VOD services is likely to remain small and there are concerns that on–demand businesses may unbalance and undermine the sustained and reliable funding from public service television by taking prime slots before the traditional TV window.

Public service broadcasters around Europe are looking carefully at licence fees that were set at a time when they enjoyed a clear ‘first window’ of televisual exploitation. Now SVOD and pay–TV are eating away at the potential audience without having the same obligations to invest in new creative content. Television channels may consider reducing financial support, or switching from licence fees to stronger equity positions in the films they back.

The other option, of course, is for the same obligations to fund new content to be imposed on VOD services. In December 2013, French broadcasting watchdog CSA, has called for services such as YouTube, Facebook and Dailymotion to be forced to contribute to French audiovisual production. Such a levy already exists on other forms of exploitation but imposing such obligations on stateless multinationals is not easy.⁷⁷

A NEW REALISM?

There has been a change of tone over the last year with a growing willingness to experiment with new ideas and formats. Most of the film industry has moved beyond Luddite resistance to digital change – the concentration has shifted from threats to opportunities, where they do not disrupt what is seen as core business. Some areas of the business are seeing new opportunities:

BACK CATALOGUE: Video on demand (VOD) and particularly Subscription VOD (SVOD) services have been a boon for rights–holders of strong library titles. Digital and on–demand services need content to create value and drive subscriptions. For those companies with strong back catalogue, there is now a new life for what might have been depreciating assets. International growth, particularly in China, looks set to keep the market moving.

MARKETING: Most serious film businesses are now thoroughly tuned into digital marketing options. New opportunities to connect are created every year and smart rights–holders have

⁷⁶ <http://www.screendaily.com/news/netflix-open-to-euro-investment/5063919.article>

⁷⁷ http://www.lemonde.fr/economie/article/2013/12/20/le-csa-veut-que-youtube-ou-dailymotion-financent-la-production-audiovisuelle_4337975_3234.html

come to understand the power of social media. For example, the first Twitter-premiered trailer in Germany, for *Behind The Candelabra*, was released in 2013 through flimmer.de⁷⁸

CONVERGENCE: The opportunities with working with a wider range of media are becoming much more integrated into business plans. Television, advertising and games are becoming part of the mix of many film businesses. (See Chapter 9)

Even contentious ideas, such as changing the release windows (media chronology) for films, have gained support in unexpected quarters, including some exhibitors keen to diversify (See p113).

Public bodies at local, national and European level have also been questioning the validity of protectionism, sometimes against the prevailing sentiment of industry. As discussed on page 16, cultural diversity is increasingly seen as a matter of reach and distribution, rather than simply production. In any case, the market and consumer demand generally trump fixed positions, however well intentioned.

Back in 2008, the then NBC Universal's President Jeff Zucker's warned that film was "trading analogue dollars for digital pennies."⁷⁹ He was articulating the frustration of many in the industry at the gulf between the time and energy spent on new digital projects and the financial returns.

The equation is changing. When the 'digital pennies' quip was made, VOD and IPTV revenues globally were just 6% of DVD sales. By the end of 2012, according to the International Video Federation⁸⁰(IVF), the percentage had risen to 23%. Zucker himself acknowledged in 2013, that it was now more a case of "digital quarters."⁸¹ Perhaps more to the point today, it is the devaluation of the analogue dollar, as much as the inflation of the digital penny that is having the real impact.

The realisation among many independent film-makers of the sparse opportunities for a sustainable career under conventional models has been a spur for action.

Having nothing to lose is liberating; and 'artificial scarcity' is a trick that has eluded every other creative industry that has tried it.

Those same IVF figures show a 32% drop in money spent on buying and renting physical formats between 2007 and 2012, but a 248% increase in VOD and IPTV spending, though the numbers may never reach the heights of DVD.

In the music industry, digital technology has had a greater negative impact, forcing tough but ultimately productive decisions about how to embrace change. There are signs that the effort

⁷⁸ <http://filmpromo.de/>

⁷⁹ <http://www.informationweek.com/it-leadership/digital-pennies-from-analog-dollars-are-web-content-conundrum/d/d-id/1065638?>

⁸⁰ <http://www.ivf-video.org/new/public/media/Europe2013.pdf>

⁸¹ <http://tech.fortune.cnn.com/2013/07/23/jeff-zucker-cnn/>

has paid off, with Norway and Sweden (alongside India and the US), finally seeing digital revenues outperforming analogue ones, according to international trade body IFPI.⁸² The industry can at least now point to some tangible digital success stories, including the now rapid progress of Digital Cinema (D-Cinema) conversion and cross-media marketing.

So there has been a natural reluctance to throw away models that work, at least for some, in favour of alternatives that so far are working for very few. The music industry has found thought that protectionism simply left gaps, not only for file-sharing and piracy, but for innovative and disruptive services. Spotify, for example, saw the gap in a confused market, and created a new service based on an advertising-supported free model and subscriptions. And the music industry showed how today's impossibilism can become orthodoxy by supporting them, albeit reluctantly as a bulwark against rampant piracy.

These new on-demand services offer a vast catalogue of songs to be consumed on demand but significantly what it is selling is access, not ownership. Spotify passed 20 million users in 2012, six million of them paying for the premium ad-free service. Another service, Deezer claims to be catching up with five million users.

FOCUS: CREATIVE EUROPE

January 2014 saw the introduction of Creative Europe⁸³ – a €1.46bn seven-year programme of support for the creative and cultural industries, running until 2020. It represents a 9% increase on the current levels of spending. Androulla Vassiliou, European Commissioner for Education, Culture, Multilingualism and Youth called it, "Great news for Europe's film industry, for culture and the arts, and for the public.

Creative Europe has set itself a target of supporting 250,000 film-makers, artists and 'cultural professionals, 2,000 cinemas and 800 films.⁸⁴ But the programme also has a breadth of ambition at a time of considerable change that may prove to be a problem. The size of the budget is already lower than the €1.6m that had been originally proposed⁸⁵ and a long way below the 37% increase demanded by some European directors.⁸⁶

As the Budapest Observatory observed: "the fundamental dilemma of culture in the European Union is the large and insoluble conflict between the the expectations of the cultural (and artistic) community, and the mandate of the Union, especially of the European Commission as stipulated in the basic treaties."⁸⁷

⁸² <http://www.ifpi.org/content/library/dmr2013.pdf> p.6

⁸³ http://ec.europa.eu/culture/media/creative-europe/index_en.htm

⁸⁴ *ibid*

⁸⁵ <http://www.screendaily.com/ec-proposes-16bn-for-culture-and-the-audiovisual-industry-from-2014-2020/5029443.article>

⁸⁶ <http://www.screendaily.com/film-makers-call-for-distribution-and-exhibition-to-remain-central-to-the-media-programme/5040820.article>

⁸⁷ www.budobs.org/other-projects/eu-observer/bo-documents/385-comments-on-the-creative-europe-programme.html

CHAPTER 4: MAPPING THE AUDIENCE

140-CHARACTER SUMMARY

- *FALSE ACCOUNTING: Data needs transforming into knowledge but is sometimes more used to sustain film myths*
- *BIG DATA: Global conglomerates are turning vast amounts of data into personalised services*
- *INDIE DATA: Social media, new commoditised tracking and a willingness to share are key to European data use*
- *TRANSPARENCY: The new VOD world is dangerously weak at providing transparent data*



IBM's annual prediction for 2014 is that business will shift towards a philosophy of "more analytics, fewer gut feelings."⁸⁸

The tech giant believes that much of industry is just beginning to grasp the potential of mining the raw materials of consumer analytics – data and metadata.

Every online transaction and interaction today leaves a seemingly indelible digital footprint that can be turned into data, and those footprints increase everyday.

The problem, though, is turning the crude oil of data into the refined petroleum of business knowledge. Data analysis guru Nate Silver offers a stark warning for those seeking to build business strategy on objective measurements: "Most data is just noise, just as most of the universe is filled with empty space."⁸⁹

⁸⁸ <http://www.informationweek.com/big-data/big-data-analytics/ibms-predictions-6-big-data-trends-in-2014-/d/d-id/1113118>

⁸⁹ *The Signal And The Noise: The Art And Science Of Prediction* (Silver, Nate, Penguin, 2012). ISBN 0141975652

And a recurring theme in this report is that the small-and-medium-sized specialised businesses that make up the film value chain generally lack the money, time or expertise to take advantage of the increased opportunities to understand consumers.

One might reasonably ask why data matters? After all, the film industry has survived, and sometimes thrived, for more than a century on gut feeling. Dumb luck has a long and illustrious history in film. And history suggests there will always be a greater supply of money than common sense.

The search for success in film has always owed rather more to alchemy than the knowledge economy, encapsulated in William Goldman's exaggerated but apt maxim that in the film industry "no one knows anything."⁹⁰

That same comment may have been true of other industries in the pre-Internet Age but the realities of dealing with changing consumer demand has shifted attitudes and business models.

Advertising, for example, has moved from a model based on 'hit-and-hope' placement of brand messages on single media to one based on active engagement with known communities of individuals, wooed and nurtured through social media, brand sponsorship, etc (See p51), or even with individuals through personalised services (See p48).

The concept of engaging consumers has become paramount for many businesses, including some with whom film is directly competing for the scarce resource of consumer time. But you cannot engage an audience you do not know or understand. Far too much strategy is based on 'instinct', which in the absence of much objective information often means little more than guesswork.

It is, of course, not true of every film business. The combination of experience and market knowledge is at the heart of the best sales, distribution and exhibition companies businesses (though there is little room for complacency).

This report makes the case for engagement with active audiences to become the foundation stone for new business models but that can only happen if there is a commitment to building audience knowledge.

OUTLIERS

Successful business recognise that knowledge is not inherent in numbers, but is derived from understanding how to measure and interpret data. A little knowledge, as the old adage suggests, can be a dangerous thing. Data can easily be twisted into myth-making.

⁹⁰ *Adventures In The Screen Trade: A Personal View Of Hollywood* (Goldman, William, Abacus, 1983) ISBN 034910705X

In his book *The Black Swan: The Impact Of The Highly Improbable*,⁹¹ Nassim Nicholas Taleb describes the vain attempt to find a replicable formula for success from a one-off singular, unique event – an ‘outlier.’

“In spite of its outlier status, human nature makes us concoct explanations for its occurrence after the fact, making it explainable and predictable.” An example in 2013 was the increased market share for European films, which was celebrated as a sign of the general health of the sector.

There had indeed been an increase but the European Audiovisual Observatory’s (EAO) 2013 Focus Report⁹² revealed that a single film, the James Bond franchise title *Skyfall* (categorised as a UK–US co–production) was almost single–handedly responsible for the improved numbers, making up 4.8% of the 35.2% market share for European films in European markets and 13.5% of the total European revenues.

In fact, the top 2% of EU–produced films made up almost half of the total 328 million admissions for EU films in 2012.

Another example came from France, where 2012 had ostensibly been a big success. Export sales, for example, were up 88% on 2011 at €0.88m.⁹³ But 65% of that total was accounted for by three major hits: *Intouchables*,⁹⁴ *The Artist*,⁹⁵ and *Taken 2*.⁹⁶

Vincent Maraval, co–founder and head of acquisitions and sales of Wild Bunch, wrote in French national newspaper *Le Monde*⁹⁷ that 2012 had actually been “a disaster.” He suggested that the underlying figures showed the French system had become bloated and unrealistic, with budgets set too high and actors overpaid. He called for an honest appraisal of transparent figures and a willingness to accept the implications.

The biggest danger, however, may not be in the exaggeration of success but in the inadequate analysis of failure.

There is no systematic collection of data on those films – the vast majority of independent films – that do not succeed in terms of box office or revenues.

Data tends to reside with individual, generally small businesses and to relate to single films – when those films do not succeed in terms of revenues or audience reach, they are generally lost to the world. Even where that happens at all, analysis of failure is rarely a core strength. In

⁹¹ *The Black Swan: The Impact Of The Highly Improbable* (Taleb, Random House, 2007, ISBN 9780713999952)

⁹² *Focus – World Film Market Trends* (Editors Lange.A, Talavera J., 2013). <http://www.obs.coe.int>

⁹³ <http://www.hollywoodreporter.com/news/french-films-record-box-office-413918>

⁹⁴ http://www.imdb.com/title/tt1675434/?ref_=nv_sr_1

⁹⁵ http://www.imdb.com/title/tt1655442/?ref_=fn_al_tt_1

⁹⁶ http://www.imdb.com/title/tt1397280/?ref_=fn_al_tt_4

⁹⁷ http://www.lemonde.fr/a-la-une/article/2012/12/28/les-acteurs-francais-sont-trop-payes_1811151_3208.html

fact, it is a weakness in most businesses, according to Harvard Business School Professor Amy C. Edmonson⁹⁸:

“The attitudes and activities required to effectively detect and analyse failures are in short supply in most companies, and the need for context-specific learning strategies is underappreciated. Organisations need new and better ways to go beyond lessons that are superficial (“Procedures weren’t followed”) or self-serving (“The market just wasn’t ready for our great new product”)

There is, however, a strong case for public funding of films to take IBM’s advice with more analytics and less reliance on instinct or that dangerous term ‘taste.’ It could, for example, become a much more systematic requirement that all publically funded projects return data that is then analysed and shared to ensure that lessons are learned and no failure is wasted.

TRANSPARENCY

Ironically, the vastly increased potential for collecting audience data has been accompanied by a decrease in transparency. Theatrical box-office reporting may have weaknesses but it is a paragon of openness compared to online and VOD services.

Film-makers have little access to performance data on on-demand sites, even though they are becoming ever more essential to business plans. The reluctance of VOD services to share data is a matter of understandable commercial confidentiality in a volatile and highly competitive market. Sharing data may reveal uncomfortable weaknesses:

Actual viewing figures may be lower than assumed (to the detriment of advertising), or higher than assumed (which might increase costs) – and VOD providers do not want to set benchmarks for fees to rights-holders that may not be desirable or sustainable over the long term. On the other hand, the establishment of a strong VOD market at the centre of the film industry requires that producers or rights-holders have access to data.

If VOD numbers, for example, are to become an essential component of film finance, a still cautious banking and finance sector may want to see greater evidence of performance. Public funders may also be under pressure to demand evidence of performance, particularly if the tax credits and subsidy systems are strained by economic austerity, public-sector cuts, competition and legal challenges. A number of European governments are now cracking down on any hint that tax avoidance schemes used to incentivise film investment have crossed the legal line into tax evasion.

Certainly, the argument that VOD has created new and sustainable revenues, and made possible credible ‘long-tail’ returns over many years, requires the backing of objective evidence. It will also require a change of culture. Film investment has not generally been based on meticulously informed financial calculations. Transparency has had a chequered

⁹⁸ *Strategies for Learning from Failure* (Edmonson, Amy C, Harvard Business Review, April 2011)

history in Hollywood, which over its long history, has sometimes veered towards P.T Barnum's adage that "there's a sucker born every minute."

Until recently, much US studio and bigger independent production was built on access to dubious tax avoidance schemes in Europe, production incentives around the world, and on what proved to be a private equity bubble. And in Europe, knowledge of the audience has rarely been a primary issue for producers.

The small, but highly influential groups of people who manage national film funds or public service broadcasters, for example, often base decisions on subjective judgements of cultural merit and commercial potential.

Rather than transparency becoming a tool for attracting finance, the balance of commercial interests is tipping still further towards keeping sales, distribution and platform deals a secret. Producers, including those of cross-media and transmedia projects which purport to be in the vanguard of a new audience-centred business, have little to gain from publicising financial, audience or performance details, unless they can be spun as success stories.

It is rare to hear even about the brave failures and mistakes that are inevitable when exploring new ground and which could be so valuable as lessons for other projects. The result is a credibility gap that may now need closing if innovative transmedia ventures are to grow.

BIG DATA

Academic James E. Short suggests that 6.9 Zettabytes were consumed by US citizens in 2012, at an average of 63 Gigabytes per day: if that data was carried as text in books, and each book stacked as tightly as possible in every inch of the USA from Alaska to Hawaii, he suggests, the pile would be almost 14 miles high.⁹⁹ And digital media delivered in bytes, across all media sources is growing by 18% every year. Europe is every bit as hungry for data as the US. According to the International Telecommunication Union¹⁰⁰, measured against six global regions (Europe, Americas, Asia & Pacific, Arab States, CIS and Africa), Europe has:

- The highest penetration of active mobile broadband subscriptions (67.5%)
- The highest percentage of Internet-connected households (77.3%)
- The highest percentage of individuals using the Internet (74.7%)

The superpowers of the on-demand media age are not built on creative content, great technology or business genius but on this vast increase of data. The reason that Amazon has an uncanny knack of second-guessing our tastes and appetite to buy is because there is little guessing involved.

⁹⁹ *How Much Media? 2013 Report On American Consumers* (Short, James E., 2013) Institute for Communication Technology Management, U.S.C Marshall School of Business.
<http://www.marshall.usc.edu/faculty/centers/ctm/research/how-much-media>

¹⁰⁰ Measuring The Information Society (International Telecommunication Union, 2013). Available as download at: <http://www.itu.int/en/ITU-D/Statistics/Ps/publications/mis2013.aspx>

'Big Data' may be one of those misused buzzwords but it describes a trend that is directly affecting the film business; McKinsey Global Intelligence says that so-called Big Data – generated by day-to-day transactions and interaction online and on mobiles – is the “next frontier for innovation, competition and productivity.”¹⁰¹

Crunching data from billions of individual transactions allows these global businesses to predict behaviour and demand based on the real world of *homo sapiens*. Every tap of a key on the sites of global players creates an indelible footprint and corresponding value to the companies. That data may be freely given to companies to allow them to offer us more of what we want. But mostly the companies are using our own actions to sell to us.

Media theorist Doug Rushkoff, talking about the all-conquering king of the social networks: “We are not the customers of Facebook, we are the product. Facebook is selling us to advertisers.”¹⁰²

CASE STUDY: MOVIEPILOT

Some film-related companies in Europe have been built on smart use of data. German web recommendation platform, MoviePilot,¹⁰³ for example, has found a way to mine the intelligence created by consumer-to-consumer interaction to improve their own business and to become a valuable consultant for others.

MoviePilot was launched as a startup in Berlin in 2007, as a highly interactive film recommendation site that turned into a huge community of film-lovers. The data was given freely by members.

Aggregating individual recommendations from members was soon providing enormous insight into cinemagoing and consumer trends.

The value of that data was recognised by some of the Hollywood studios, which have worked with the company on numerous campaigns. In 2012, MoviePilot was backed by \$7m (€5.1m) in venture capital to support expansion into the US.

KEY LESSON: The value of data collected for one specific reason can be used to build value in others. In fact, the secondary use of data may have even greater value – a fact that might encourage cooperation, even between ostensible rivals, in building data-based projects.

DATA FOR INDIES

Big data does not easily scale down: its value is built on being able to analyse vast numbers of transactions. Greater volume allows greater accuracy.

Yet taking a percentage of guesswork out of the production, distribution and exhibition process has obvious benefits for smaller independent film businesses. Every company creates

¹⁰¹ http://www.mckinsey.com/features/big_data

¹⁰² <http://www.wired.co.uk/news/archive/2011-09/21/doug-rushkoff-hello-etsy>

¹⁰³ <http://www.moviepilot.com>

some kind of data value in their work but much of it is discarded, often because of the cost of turning data into knowledge.

In a highly competitive market, the cost of ignorance may outweigh the cost of knowledge acquisition: “You can get further with a kind word and a gun than just a kind word,”¹⁰⁴ as DeNiro’s Al Capone puts it in *The Untouchables*.

There is a strong case for business cooperation to create economies of scale but on an individual film level, the simplest and most productive source of audience data is direct interaction. The quickest route to understanding audience thinking is to ask them.

Direct interaction for the independent producer, for example, may take many forms and have direct advantages, such as attracting crowdfunding (See p86), or long-term benefits in retaining the audience for a single film for future projects.

The Finnish film-makers of *Iron Sky* managed to combine both, keeping a loyal fanbase from the first (partly crowdfunded) film and quickly raising a \$150,000 (€110,000) crowdfunding target through IndieGoGo to develop a sequel.¹⁰⁵

Social networks are the critical tools, not just to promote content, but also as a mechanism for turning customers into fans and advocates.

A survey of marketing executives in 2013 found that 79% claimed to have integrated social media into their marketing practices with 65% saying it had proved a useful means of creating “loyal fans.”¹⁰⁶

Again, there are question marks about the effectiveness of social media strategy, compared to time spent: the same survey from Social Media Examiner found that only 26% of businesses felt they were able to measure the impact of their social media work.

The higher the interaction, the more opportunities are created for ‘pull’ services, in which the producer can tailor content to meet known demand; to build a convincing business case for investment or advertisers, and even support third-party sale of data with appropriate consent.

Personalisation represents clear opportunities. In the early years of the Internet, users searched – or surfed – for content in unstructured ways. The dominance of search engines refined and shaped the process but it is the willingness of consumers to share personal data in exchange for targeted services has had a huge impact on the commercial growth of the web. Even privacy has become a commodity in the Internet age.

Gathering, analysing and aggregating data about audience behaviour is costly but consumers have shown themselves willing to give details of lives and habits for free, in exchange for

¹⁰⁴ <http://www.imdb.com/title/tt0094226/quotes>

¹⁰⁵ <http://www.indiegogo.com/projects/iron-sky-the-coming-race>

¹⁰⁶ 2013 Social Media Marketing Industry Report (Stelzner, Michael.A, Social Media Examiner, 2013), available to download at: <http://www.socialmediaexaminer.com/SocialMediaMarketingIndustryReport2013.pdf>

exclusive content, services or just the sense of a relationship with the products they buy, or the talent that creates them.

SHARING DATA

There are then good reasons for optimism about the ability to create one-to-one relationships with audiences but there are limitations. The cost of identifying and nurturing relationships with audiences remains high in terms of money and time, and the returns are likely to be relatively small for a niche film.

The need for valuable data might have to be serviced by collective effort, perhaps even through voluntary sharing of knowledge with competitors.

For example, John Sloss, founder of Cinetic Media¹⁰⁷ and co-founder of Producers Distribution Agency¹⁰⁸, called on distributors to share details of all of their individual VOD deals to create a transparent picture of the current on-demand financial environment.¹⁰⁹

Building and maintaining databases is expensive and they give better results the more data is entered. For smaller businesses, the potential competitive advantage of owning and producing data themselves is often outweighed by the opportunity to share data with what are normally competitors. Competitive advantage and value would be in the analysis, rather than the raw material.

New commercial services may emerge to bridge the knowledge gap but given the amount of public money invested in film, there seems to be a clear role for film funding bodies to collect data and to share results.

Some governments are strongly committed to providing market data, with valuable information provided by major national institutions, such as the CNC in France¹¹⁰, but there are few examples of the systematic sharing of results from films to help other producers.

Sharing data from films is complicated because there is a competitive advantage to data ownership that some businesses are reluctant to cede, even if cooperation promises better returns.

A technical solution to the problem of data sharing is feasible, perhaps based on a third party anonymising data with oversight from an industry body.

Some public-sector funders and policy-makers may feel a need – even a duty – to ensure that knowledge is fairly disseminated.

¹⁰⁷ <http://www.cineticmedia.com/>

¹⁰⁸ <http://www.cineticmedia.com/pda/4572794171>

¹⁰⁹ <http://www.deadline.com/2013/10/john-sloss-posts-escape-from-tomorrow-vod-revenues-dares-rivals-to-do-same/>

¹¹⁰ <http://www.cnc.fr/web/en/statistics>

“An experience is not an amorphous construct; it is as real an offering as any service, good, or commodity...to realise the full benefit of staging experiences, however, businesses must deliberately design engaging experiences that command a fee.”¹¹³

The film business has significant advantages over other fields of industry in that its core business is eliciting an emotional response – Pine and Gilmore cited Walt Disney as a pioneer in the ‘experience’ field.

There is also evidence from other fields of art and entertainment that in an age of ubiquitous media and an interactive, always-on mobile culture, the value of authentic, unique experiences increases.

In the music industry, for example, live concert revenues overtook recorded music revenues for the first time in 2009¹¹⁴ and have continued to grow. A survey of 5,000 US musicians by Northwestern School of Law in 2013¹¹⁵ found that 28% of revenues come from live performance and touring, against 6% from sound recordings.

Sport is following the same path. In the 1983/1984 season average attendances at a Bundesliga match reached 21,183; for the 2012/2013 season is was 42,622, despite the dramatic increase in television and online screenings.¹¹⁶ The cultural phenomenon of the ‘Blockbuster’ art exhibitions is another example of experience economics.

There is legitimate concern that these experience events do not scale down and that they concentrate hype and money at the already established end of art and popular culture. Nonetheless, they all demonstrate the potential of the experience economy.

And commercial brands have been desperate to tap into those experiences, through sponsorship and even the commissioning of content. (See Case Study, p52). Sometimes, brands want the association with cinematic style: Danish director Nicholas Winding Refn was among a number of film directors working on high-end advertisements, in his case for French vodka brand Grey Goose in 2013.¹¹⁷

But often the association is much more subtle – an attempt to share in the emotional link that film-makers can create with audiences. The number of independent feature films directly funded by brands remains small, although it is growing in the US and product placement remains a source of revenues.

There is, however, considerable indirect funding, which has strong mutual value, such as the backing by brands of film festivals, film awards, etc. French telecoms company Orange has

¹¹³ <http://hbr.org/1998/07/welcome-to-the-experience-economy/>

¹¹⁴ <http://news.bbc.co.uk/1/hi/entertainment/7945998.stm>

¹¹⁵ http://papers.ssrn.com/sol3/papers.cfm?abstract_id=2199058

¹¹⁶ <http://www.worldfootball.net/attendance/bundesliga-1982-1983/1/>

¹¹⁷ <http://www.adweek.com/news/advertising-branding/ad-day-grey-geoses-francois-thibault-vindicated-wpps-fly-beyond-campaign-152964>

built close associations with cinema,¹¹⁸ while Italian fashion giant Gucci is supporting the restoration of classic films.¹¹⁹

CASE STUDY: RED BULL

The Austrian manufacturer of a high-caffeine energy drink has been among the most active brands in commissioning content, directly linked to the experience economy.

Mostly, the company has thrown its weight behind major sports (such as Formula One) or outdoors and even outer-space events.¹²⁰ But the company set up the Red Bull Media House¹²¹ in 2007 to produce feature documentary films for cinemas, television and VOD.

It has supported a number of sports-related, active lifestyle, documentaries, including the 3D snowboarding film *Art Of Flight*.¹²²

In 2013, it launched a 13-episode series, featuring a variety of extreme athletes, on its YouTube channel,¹²³ which boasts more than three million subscribers.

KEY LESSON: At the 2013 Power to the Pixel forum in London, Wayne Fletcher, Global Chief Strategy Officer at Naked Communications Worldwide warned film-makers, on behalf of the marketing world: “We don’t need you.”¹²⁴ What he meant was that there were now many creative and digital-savvy people working in marketing and advertising – what film-makers needed to do was ensure that they could make a unique contribution, in tune with how brands wished to be perceived. It is certainly no short cut to finance.

THE CINEMA EXPERIENCE

In exit polls and market research, consumers often use (unprompted) the term ‘experience’, or a near equivalent. Cinema is seen as having unique qualities, most importantly as a social experience and an escape from routine (if not necessarily to watch escapist content).

But the definition of the cinema experience beyond those simple facts can vary.

Pine and Gilmore argue¹²⁵ that: “while prior economic offerings—commodities, goods, and services are external to the buyer, experiences are inherently personal, existing only in the mind of an individual who has been engaged on an emotional, physical, intellectual, or even spiritual level.

¹¹⁸ <https://www.facebook.com/orangefilmclub>

¹¹⁹ <http://www.luxurydaily.com/gucci-highlights-brand-heritage-through-support-of-cinema/>

¹²⁰ <http://www.youtube.com/watch?v=7f-K-XnHi9I>

¹²¹ <http://www.redbullmediahouse.com/>

¹²² <http://www.artofflightmovie.com/>

¹²³ <http://www.youtube.com/user/redbull>

¹²⁴ Wayne Fletcher, Global Chief Strategy Officer with advertising company Naked Communications Worldwide

¹²⁵ <http://hbr.org/search/B.%20Joseph%20Pine%20II/0/author>

“Thus, no two people can have the same experience, because each experience derives from the interaction between the staged event (like a theatrical play) and the individual’s state of mind.”

Differences of perception about cinema, however, are important because they are often distorted into battle lines: arthouse versus mainstream, cultural versus commercial, etc. The differences can take on a damagingly divisive ideological edge.

The meaning of the cinema ‘experience’ in the minds of the public evolves and changes – and the driver is often economics. Investment in multiplexes in the 1990s certainly marked a shift in attitudes.

Today, Hollywood’s strategy of reliance on fewer but bigger tentpole franchises, action films and 3D, has put more emphasis on spectacle. It is a high-stakes game, involving an endless cycle of innovation to stay above the boredom threshold in a pervasive media age.

A poor start to the (eventually successful) summer tentpole season in the US (See 108), raised serious questions about the public’s tolerance for too much of the same thing. If thrills and spills continue to be the centre of a studio strategy, based on premium ticket price and international sales, today’s gargantuan budget may grow still further.

The strategy is also being driven by big changes in television, driven by high-quality dramas, such as *Breaking Bad*. (The studios, of course, also have strong commercial interests in TV).

“You can’t make a mid-budget espionage thriller because something like (TV hit series) *24* does it so well, and people get to watch it in their own home,” says Lionsgate UK Chief Executive Zygi Kamasa. “The gap between the small, interesting movies and the big-budget movies is widening. Anything in between is not working.”¹²⁶

How far consumer appetite will justify heavy investment in 3D and more recently the High Frame Rate (HFR)¹²⁷ remains to be seen, certainly at premium ticket prices. The US domestic market Fitch Ratings says 2013 will show the first fall in 3D admissions since the high-profile comeback for the format in 2009.¹²⁸

The studio strategy is not really so alien to European culture. The desire for escapism and amazement dates back to the earliest years of European film. *L’Arrive d’un train en gare de La Ciotad* in 1896 was intended as a spectacle.¹²⁹

Nonetheless, for European and independent film, it is rational to be concerned that the perception of a film that *must* be seen in the cinema is becoming more and more defined by scale and thrills. Research from SampoMedia for the British Film Institute suggests that young

¹²⁶ <http://www.screendaily.com/5062238.article>

¹²⁷ <http://info.christiedigital.com/lp/higher-frame-rates>

¹²⁸ <http://www.thewrap.com/movies/3D-Man-of-Steel-The-Avengers-Dark-Knight-Rises-Iron-Man-3>

¹²⁹ http://en.wikipedia.org/wiki/L%27Arriv%C3%A9_d%27un_train_en_gare_de_La_Ciotat

people, in particular, are coming to define the cinematic by action, with the rest considered just as valid as home entertainment.¹³⁰

Reclaiming the cinematic and promoting its virtues should perhaps be more of an obsession in European film than its more prosaic and self-interested concerns, such as release windows. (See p32)

The best European films in 2013, including Abdellatif Kechiche's Palme d'Or winning *Blue Is the Warmest Colour*¹³¹ and Paolo Sorrentino's *The Great Beauty (La Grande Bellezza)*¹³² are a reminder of the power of cinema to illuminate the intimate by blowing it up to the big-screen scale.

Such traditions and virtues, however, can be lost if story-driven drama is consigned to small screens.

EVENT CINEMA

Live "event cinema" can fairly be said to have come out of nowhere since the first experiment (a Bon Jovi concert) back in 2002, and was described condescendingly and dismissively for many years as mere "alternative content."

Yet now live events, notably opera and theatre, have stepped in to provide vital (some even say life-saving) sources of revenue for independent theatres, as well as multiplexes.

The Event Cinema Association,¹³³ formed in 2012, suggests that by 2015, special live events beamed by satellite around the world will be worth \$1bn (€0.73bn).

It is already providing an average 3%, and up to 12% of cinema revenues from a very low number of generally one-off screenings.

For some, opera and theatre are cuckoos in the cinematic nest, further squeezing the limited space available for independent and arthouse film. And yet, what the success also proves is that cinema as a social space is not a spent force and has considerable potential for attracting new audiences.

For film, it also offers an essential lesson. Event cinema does not make concessions to the digital age, except in the technology that allows the simultaneous broadcasting of the event itself.

Event cinema is predicated on the ability to create an illusion of authenticity – a belief that somehow the audience is sharing in at least some of the unique individual experience as those in the actual theatres and concert halls, where the live event is taking place.

¹³⁰ www.sampoedia.com

¹³¹ http://www.imdb.com/title/tt2278871/?ref_=nm_ov_bio_lk1

¹³² http://www.imdb.com/title/tt2358891/?ref_=nm_filmg_dr_3

¹³³ www.eventcinemaassociation.org/

In fact, one could argue that the generally older audiences are taking part in what younger transmedia enthusiasts call a live action role-playing (LARP)¹³⁴ game, to the point where they sometimes dress up as if attending an opera house.

All such experiences open up questions about the position of cinema as both authentic event *and* mass medium and how far a film can become an event to compare with the one-off live concert, play or sports match. Pop-up cinema (p60) and experimental ideas from festivals (p64) suggest that film may be able to build experiences outside theatres.

Exhibitors are finding answers to the question, discovering new ways to turn cinema into an event, with special screenings, director Q&As, etc. D-cinema will help in a number of ways:

- Additional content, including Q&As with talent
- Preview screenings for fans
- Audience-selected programming (cinema on demand) (See p74)
- Pop-up venues
- Late night or all-night screenings.

CASE STUDY: DOCTOR WHO

The 50th anniversary show of popular BBC sci-fi TV series *Doctor Who*¹³⁵ was marked with a simultaneous screening in cinemas and on free television, which broke records for event cinema.

The 3D theatrical feature *The Day Of The Doctor* took \$10.2m (€7.5m) at the box office in the UK and \$4.7m (€3.4m) in the US (beating the screen average of *Hunger Games: Catching Fire*).¹³⁶ In Europe, it also played in Ireland, Germany, Sweden, Spain, Austria, Norway and Iceland.

With 1,500 cinemas and television screenings in 94 countries, the 75-minute screening claimed the world record for the biggest 'simulcast.'¹³⁷

The theatrical success was followed with strong online performance, claiming the top spot on iTunes in the US.

KEY LESSON: *Doctor Who* confirms that the unique environment of the cinema can turn small-screen content into a major event. The theatrical screening also played to the strengths of cinema with 3D and exclusive features. It should be noted that it also proves that cinema does not have to be the first window to create theatrical success

¹³⁴ http://en.wikipedia.org/wiki/Live_action_role-playing_game

¹³⁵ <http://www.doctorwho.tv/watch-the-day-of-the-doctor/>

¹³⁶ <http://www.hollywoodreporter.com/news/doctor-who-anniversary-special-grosses-660553>

¹³⁷ <http://www.guinnessworldrecords.com/news/2013/11/doctor-who-day-of-the-doctor-sets-world-record-for-biggest-tv-drama-simulcast-53133/>

CINEMA AS 'FIRST MOVER'

Media convergence raises questions about assumed truths of the cinema experience, primarily that it has an unassailable role as the 'first mover', the indispensable form of exploitation on which all others rely.

Cinema has not been the main source of revenues for most films for some time, but box-office success remains critical to other profitable forms of exploitation.

It is the biggest gun in the argument against changes to release windows, suggesting that the opposition of theatre owners is not merely self-interest.

A statement signed by leading European cinema organisations¹³⁸ before the Europa Cinemas conference in Athens in 2013 made the case: "Cinema exhibitors believe that a sustainable theatrical window first and foremost gives all films publicity and the chance to reach audiences – regardless of the size of their marketing budget.

"That is why producers, film makers and distributors are so keen for their films to be released in the theatre. Films are first and foremost made for the big screen."

The debate about windows is discussed in Chapter 3 but there are alternative views about how far cinema is, or should be necessarily, the first mover.

In fact, films and the cinema experience have often been inspired by other media, such as novels and comic books. Analysis of the 2013 box office, suggests that more than half of the top-25 films at the European box office were adaptations, from books, comics, television shows, etc.

In fact, the winner of the 2013 Academy Award (*Argo*), the Golden Globe for best musical of comedy (*Les Miserables*), and the Palme d'Or (*Blue Is The Warmest Colour*) were all adaptations (from an original book, musical and graphic novel respectively).

The small screen can drive audiences to the big screen too, as the success of the simulcast of *Doctor Who* demonstrates. (See Case Study, p55).

The idea of cinema as the essential 'first mover' then may be overstated, making experimentation with new models almost inevitable.

Tests on new release windows, exploring the potential of simultaneous releasing (Premium VOD), or on-demand premiering before screening (See Case Study p57) are becoming more frequent.

¹³⁸ http://www.unic-cinemas.org/wp-content/uploads/2013/11/Statement-on-Cinema-Release-Strategies_211120132.pdf

CASE STUDY: BACHELORETTE AND ULTRA VOD

The radical release of Sundance hit *Bachelorette*, premiering on VOD a month before cinemas, was originally born out of necessity. The film covered much of the same ground as a major breakout hit *Bridesmaids* and it was felt it needed a different spin.

The low-budget comedy was picked up by The Weinstein Company's innovative RADIUS arm, who opted for the fresh release model. It quickly climbed to the top of the iTunes download chart.

The film made \$448K (€330K) in the US domestic box office but, partly buoyed by the buzz from the release, it went on to take \$11.5m (€8.4m) internationally.

KEY LESSON: *Bachelorette* has become the pin-up of the day-and-date crowd. It does show the potential of the cult hit online, but what is not clear is whether, in the absence of the competition from *Bridesmaids*, the same approach would have been taken.

DIGITAL CINEMA

Around 84% of the world's cinemas are now digitised, according to international research and analysis company IHS.¹³⁹

Given the complexity of the task of replacing the cinematographic processes that had held sway for more than a century (and given film its name), the progress has been remarkable. Those old enough to remember the decimation of cinemas in the 1980s may feel that the number of casualties has been remarkably small.

The difficulties of transition have dominated so much of the debate in recent years that the transformative potential of D-cinema in terms of the cinema experience has not really been explored.

The necessity of the Virtual Print Fee mechanism (See p33) for funding the transition has also held back some of the change, forcing distributors and exhibitors to stick with the basic analogue economic model. The early lack of a digital distribution infrastructure was also a limiting factor, meaning that digital files still needed to be delivered by hand, alongside 35mm prints.

D-Cinema, however, has the potential to make a huge impact on the cinema experience. It is ironic that the early successful demonstrations of the possibilities have come from live feeds of opera and theatre. (See p54)

Other more cinema-based events are beginning to perform strongly, including the remastering of classic films, so that they reach the quality threshold of today's audiences. A

¹³⁹ <http://www.screendigest.com/intelligence/cinema>

retrofit 3D release of *Jurassic Park* took close to half a billion dollars (€330bn) in 2013 (\$475,553,882).¹⁴⁰

There are some leading film-makers, who believe that D-Cinema is reducing, rather than enhancing the consumer experience. Christopher Nolan, for example, is among the directors, who believe that digital has had a damaging effect: "I want to work with the best possible image quality, and that's film. Film has the most range, the highest resolution by far. But you won't hear that, because there's no money in sticking with the old format..."¹⁴¹

Nonetheless, the vast majority of people did not get to see those pristine prints on giant screens, which make, for example, the screenings at the Cannes Film Festival so breathtaking. Soon, few will be in a position to test Nolan's comparison.

Digital Cinema ensures a consistent quality of experience that fewer and fewer people will be able to reasonably compare with 35mm. Other advances in sound, seating and lighting (including a laser replacement for projector bulbs)¹⁴² may all play a role in improving the consumer offer.

ENHANCING THE CINEMA EXPERIENCE

There has also been recognition of the potential that comes with changing the physical space in which films are viewed.

In terms of opportunities, there are echoes today of the recovery following the slump of the 1980s. Back then there was a counter-intuitive increase in investment in cinema building, despite the arrival of mass-market home-entertainment formats.

At least part of that recovery was based on the simultaneous growth in (those other great 20th Century social spaces) shopping malls, which needed entertainment to attract shoppers, beyond just retail.

Today, high-street retail is again in decline across much of Europe and that may renew emphasis, perhaps with support of government, on entertainment and culture as a means of maintaining and building the vibrancy of life in towns and cities.

Beyond film screenings, cinemas are rare examples today of living social spaces with the capacity to bring together communities. For some, the future needs to be built on enhancing the appeal of those venues.

"Cinemas need to transform themselves from passive screening rooms into dynamic cultural meeting places, with a will to engage with audiences," Matthias Holtz, head of programming at

¹⁴⁰ <http://www.hollywoodreporter.com/news/global-box-office-jurassic-park-614090>

¹⁴¹ <http://www.thewrap.com/movies/article/christopher-nolan-says-digital-all-about-money-not-art-43501>

¹⁴² <http://www.reuters.com/article/2013/10/21/il-nec-display-solutions-idUSnBw215109a+100+BSW20131021>

Swedish independent cinema venue Folkets Hus och Parker, told the 2013 Europa Cinemas annual conference in Athens.¹⁴³

In some cases, that has been achieved through programming, or special events. Sometimes it has been about turning the cinema itself into a major attraction. The design of independent cinemas are often exciting contrasts to the edge-of-town multiplex boxes. Architects have been playing with the potential of the cinema space with interesting examples, including Cine 32 in Auch in the South of France;¹⁴⁴ the ‘Centipede’ cinema in Guimares, Portugal¹⁴⁵ and the renovated Zoo Palast in Berlin.¹⁴⁶

There has also been new emphasis on exclusivity with boutique cinemas catering to a generally wealthier and more committed cinephile clientele, with high-quality food and wine (such as Luc Besson’s recently opened complex at Aeroville, Paris)¹⁴⁷ and smaller screen spaces for a more intimate screening, such as the Electric Cinema in the UK.¹⁴⁸

But exclusive can also be excluding. A Scottish study in *Participations, The Journal of Audience and Perception Studies*, by Ailsa Hollinshead, of Edinburgh Napier University¹⁴⁹ examined the way that people from more deprived communities were either ignorant of the existence of arthouse cinemas or felt it was a place that was “not for the likes of us.”

One phenomenon that might have particularly important implications is the pop-up cinema. (See Focus, p60). Taking cinema to the people is a particularly promising option for increasing demand for the social experience of film.

Film clubs have been growing in many countries in recent years, helped by access to relatively low-cost, high-definition projection equipment. But there have also been efforts to increase the social and geographical reach of cinema. A good example is the Film in Afan project¹⁵⁰ in Wales, where projection equipment is driven to some of the most deprived areas to screen films in schools and social centres.

A still inspiring story is Cristian Mungiu touring his Palme d’Or winning *Four Months, Three Weeks and Two Days* around his native Romania with a mobile projects, screening the film in a wide variety of unconventional venues in the absence of a strong cinema network. These

¹⁴³ <http://www.nytimes.com/roomfordebate/2013/11/21/rating-sex-violence-and-profanity-in-movies/consider-gender-inequality>

¹⁴⁴ <http://www.dezeen.com/2013/01/25/cinema-32-by-encore-heureux/>

¹⁴⁵ <http://www.dezeen.com/2012/10/23/centipede-cinema-by-colin-fournier-marysia-lewandowska-and-neon/>

¹⁴⁶ <http://www.zoopalast-berlin.de/>

¹⁴⁷ http://www.lexpress.fr/culture/cinema/luc-besson-et-europacorp-deviennent-exploitants-de-cinema-d-un-nouveau-type_1291679.html

¹⁴⁸ <http://www.electriccinema.co.uk/>

¹⁴⁹ <http://www.participations.org/Volume%208/Issue%202/3f%20Hollinshead.pdf>

¹⁵⁰ <http://www.filminafan.com/>

trends are not necessarily new. Mobile film screenings date back to the 1920s in Ireland,¹⁵¹ while the Film in Afan project including the reopening of a cinema in a miners' welfare hall that had been closed for 50 years.¹⁵²

Public policy has often been based on the preservation of the existing cinema base, but the idea of rescreening Europe to increase access might be a promising idea for increasing the cultural relevance of film in a digital age.

FOCUS: POP-UP CINEMA

Pop-up cinema has been one of the more encouraging big-screen developments in recent years, led perhaps by the UK's Secret Cinema, which has consistently attracted huge audiences to watch classic film in unusual venues.¹⁵³

Open air festivals, such as Cine Thisio in Athens,¹⁵⁴ Amsterdam's Pluk de Nacht¹⁵⁵ or Orange OpenAir Zurich¹⁵⁶ have become a big part of the summer in cities. Film has also found its way on to the programmes of music festivals;¹⁵⁷ onto boats¹⁵⁸; under roads;¹⁵⁹ and even into hot tubs.¹⁶⁰

One telling pop-up event took place in 2013 in Berlin's former Delphi Cinema, once one of the German capital's most important venues but closed since the 1970s.¹⁶¹ The event hints at the potential of reclaiming lost cultural space.

KEY LESSON: The cinema experience is not fixed. The social aspects of cinemagoing can be thrillingly recreated in offbeat spaces, taking away the routine nature of film attendance and accentuating the sense of event.

FESTIVALS

Festivals offer a variety of means for films to reach audiences, sometimes acting as the sole significant cinematic release.

¹⁵¹ <http://cinemobile.ie/>

¹⁵² <http://www.filminafan.com/announcements/blaengwynfi-hall-open-to-film-audiences-after-decades-through-film-in-afan>

¹⁵³ <http://www.secretcinema.org/>

¹⁵⁴ <http://cinematreasures.org/theaters/28638>

¹⁵⁵ <http://www.plukdenacht.nl/>

¹⁵⁶ <http://www.orangecinema.ch/de/zuerich.html>

¹⁵⁷ <http://forums.latitudefestival.co.uk/m151762.aspx>

¹⁵⁸ <http://www.floatingcinema.info/events/architecture-foundation-stowaway-on-the-floating-cinema>

¹⁵⁹ <http://www.portobellopopup.com/>

¹⁶⁰ <http://hottubcinema.com/>

¹⁶¹ <https://www.facebook.com/media/set/?set=a.685054641525429.1073741840.335140119850218&tCASE>

They open a window on the diversity of films from around the world and, through competitions and local acclaim, become an informal means of adjudicating on aesthetic value and potential future reach of films. The establishment of a hierarchy of festival circuits, supported by critics and industry, creates a culture, which is informed by, and informs, the cinema circuits, but retains its own unique identity. Critics treat ‘festival films’ as a sub-genre, often meaning a challenging title that does not necessarily have commercial potential but works in the context of a committed crowd and an atmosphere of discovery.

Festivals also act as a form of justification for the ever-growing number of films supported by public money, meaning that they are exposed to audiences. Festivals supported by the MEDIA Programme alone, showed more than 40,000 European works to nearly three million cinema-lovers.¹⁶² And public funders routinely promote festival awards as a vindication of decisions, in respect of cultural value.

There is considerable diversity in the festival experience. Many city festivals are primarily focused on bringing film to local audiences, sometimes building loyal followings. Some of them thrive by trying to build a sense of inclusivity, consciously avoiding labels that might alienate people. For example, the BFI London Film Festival,¹⁶³ has introduced themes, such as “love” and “laugh”, to encourage festival-goers to see films in different ways.

Other festivals find niches that bring together films from particular genres, or they are specialist events, curating stories that reflect and celebrate specific groups; they include Lesbian, Gay, Bisexual and Transgender (LGBT) festivals, such as Queersicht in Berne,¹⁶⁴ or Bok o Bok in St Petersburg, which has taken on an added political dimension in the light of new Russian laws.¹⁶⁵

Often placed at the top of an industry-acknowledged hierarchy, are the leading festivals with market with Cannes and Berlin at the top of the European pile, and Toronto and Sundance among essential global names. The prestige of the events is self-perpetuating, because industry brings the best films in the hope of international sales, and those films in turn attract the top critics, etc.

The link between the festival and the industry is complex. Some, particularly Sundance and Tribeca are increasingly active as distributors in their own right to ensure audiences see films after the festival closes. Rotterdam introduced a scheme called IFFR Live in 2014,¹⁶⁶ with the aim of simultaneously screening a film at the festival and at cinemas around Europe. Such schemes consciously try to bring together the cinema and festival experiences. Online

¹⁶² <http://ec.europa.eu/culture/media/media-content/documents/fundings/festivals/european-film-festivals-2012.pdf>

¹⁶³ <http://www.bfi.org.uk/lff>

¹⁶⁴ <http://www.queersicht.ch/>

¹⁶⁵ <http://www.bok-o-bok.ru/default.asp?lan=1>

¹⁶⁶ <http://cineuropa.org/nw.aspx?t=newsdetail&l=en&did=251546>

festivals go even further by trying to capture that sense of festival without a physical location. Swiss-VOD service Viewster is launching an online festival¹⁶⁷ in 2014 with a \$100,000 prize.

Festivals then are not simply part of the cinema experience; they have an essential role, happily now getting more serious academic attention, through groups such as the Film Festival Research Network¹⁶⁸ and Dynamics Of World Cinema.¹⁶⁹

GAMEIFICATION

The position of big-screen cinema is often contrasted with the personal, interactive experience of gaming.

The link with video games has been a boost for parts of the film industry, offering serious employment for talent and new revenue streams for film businesses. High-end gaming consoles are also rapidly becoming essential multimedia hubs with new means of connecting film to audiences.

Sony's PlayStation 4 is expected to top three million sales by the end of 2013, less than two months after it launched and five million by March, with Microsoft's X-Box One not far behind. In both cases, the market leading consoles now include Blu-ray drives and access to VOD services.¹⁷⁰

One way or another, film is becoming bundled with gaming in millions of homes. The active debate is about how, or whether such convergence will influence the nature of film.

The gaming experience is driven by interaction and a degree of free will and movement, with gamers increasingly matched with each other around the world.

In most games, it is an illusion of freedom. It is fashionable among gaming enthusiasts to cast film as a one-directional medium – a fixed text delivered to a passive audience.

And yet, however much a film-maker might aspire to a definitive reading of his or her work, it remains open to interpretation in many ways (a fact that auteurs, such as Haneke, turn into a critical strength). The boundary is imagination.

Games are necessarily built as story universes, in which there is freedom to move but within set boundaries: if the film director is dictator, the games designer is God.

But innovative games and story architects have been testing those boundaries. Pioneers, such as Lance Weiler, have been consciously playing with the idea of allowing audiences to take

¹⁶⁷ <http://festival.viewster.com/>

¹⁶⁸ <http://www.filmfestivalresearch.org/>

¹⁶⁹ <http://www.st-andrews.ac.uk/worldcinema/>

¹⁷⁰ <http://www.bloomberg.com/news/2013-11-11/sony-sees-sales-of-3-million-playstation-4-consoles-by-year-end.html>

games into uncharted territory. Work, such as *Pandemic*,¹⁷¹ uses a wide variety of tools to allow a narrative to develop organically.

The role of gameification in film is not clear and divides opinion: some see an element of fusion with gaming culture as a necessary stage in the evolution of film; while other cross-media enthusiasts try to build narratives that work to the existing strengths of different media, allowing different points of entry for audiences. (See p64)

The film industry is overwhelmingly opposed to the idea that film is just one more 'platform' with no particular prominence.

And there is more than a suspicion that some of the interest from the worlds of transmedia and games is more about access to the public funding enjoyed by European film than a desire for creative engagement.

CASE STUDY: BROTHERS: A TALE OF TWO SONS

Swedish film-maker Joseph Fares¹⁷² first game – *Brother: A Tale Of Two Sons*¹⁷³ – was released to critical acclaim in August 2013, winning the best X-box game at the VGX awards in December 2013.

The story-driven adventure game was developed with Uppsala-based Starbreeze Studios (*Payday 2*, *The Darkness*) and published by Italian company 505 Games.¹⁷⁴ The players take the roles of brothers seeking a cure for their sick father in a fantasy world of obstacles and dangers.

Although such story-driven games are increasingly cinematic and draw on the conventions of feature film, games made by film-makers often have the same weaknesses as films based on games.

Fares says: "I think when people have tried to make a game before, coming from my background, they're not interested in games. They don't know what games are about."¹⁷⁵

KEY LESSON: Films and games share some of the same visual language but a game is not just an interactive film. Respect for and understanding of games culture is essential to success.

¹⁷¹ <http://www.lanceweiler.com/work/case-study-pandemic/>

¹⁷² <http://www.imdb.com/name/nm0267244/>

¹⁷³ <http://www.youtube.com/watch?v=dTu1J2pFhbA>

¹⁷⁴ <http://www.505games.com/>

¹⁷⁵ http://www.gamasutra.com/view/news/197999/A_film_director_gets_video_games_right_in_Starbreezes_Brothers.php

HOME CINEMA

An ironic affirmation of the enduring hold of the cinema experience is the growth of so-called home cinema. It describes home viewing systems, which essentially mimic the theatrical setting – big screen, surround sound, sometimes even the seating. Home Cinema also might also include 3D and high-definition formats.

The installation of equipment to dramatically enhance the home viewing experience may help slow a trend in the fragmentation of family and communal television viewing.

Watching films on television today is a more solitary experience than it was 20 years ago, when it played a more central role in family life. Today, screens with the capability of watching television, film and other audiovisual content tend to be scattered around homes and may be viewed by many different people in different ways. (See Chapter 8)

But new home entertainment systems may reclaim the idea of a communal screen. But the equipment has thus far been prohibitively expensive and there have been other factors keeping home cinema in a narrow higher socio-economic bracket, such as the size of rooms in homes. Like all consumer electronics, however, prices are falling as technology becomes commoditised, and sales of home entertainment equipment are growing fast.

The factors that manufacturers are hoping will drive consumer spending, include 3D and 4K ultra-high definition.¹⁷⁶ Film will have an ally in high-end gaming, and potentially sport, in convincing people to upgrade, particularly as prices fall.

There is not, however, much evidence that new high-definition options will convince people who have recently spent money on HD-ready and Internet-enabled ‘smart’ televisions in recent years to open their wallets again.

Indeed, the immediate upgrade to Internet-enabled Smart TV¹⁷⁷ may further slow the mass market adoption of 3D and 4k, if indeed it ever happens. (Leading sports broadcaster ESPN removed its specialist 3D channel in 2013, blaming low consumer take-up of the technology).¹⁷⁸

There have been some attempts to adopt a less tech-centric approach to film watching at home, encouraging more social viewing among friends and families. Crowdfunded UK festival Scalarama,¹⁷⁹ for example, has included a large strand for communal home viewing of films in its programme.

¹⁷⁶ http://www.deloitte.com/view/en_AU/au/insights/browse-by-job-title/ceos/87735da667f6c310VgnVCM3000003456f70aRCRD.htm

¹⁷⁷ http://en.wikipedia.org/wiki/Smart_TV

¹⁷⁸ <http://www.theverge.com/2013/6/12/4422874/espn-3d-to-shut-down-by-end-of-2013>

¹⁷⁹ <http://www.kickstarter.com/projects/729405182/scalarama-2013>

High-end home cinema may remain a niche, like the top-of-the-range hi-fi systems. But it is likely that a passion for film will be a major motivating factor, suggesting that those recreating the cinema experience may be current regular cinemagoers. And as this report has suggested, the biggest threat to cinema is not from mainstream rejection but by the gradual losses at the margins.

TRANSMEDIA

Transmedia as an idea has been around long enough to have generated a backlash before it has even been put through its paces.

Even those advocating the creation of new forms of cross-platform, multimedia narrative have been busily rejecting the terminology: Elan Lee, Chief Of Design at Microsoft's Xbox Entertainment Studios, told delegates to the 2013 Power to the Pixel conference at the BFI London Film Festival: "If you are using the word transmedia, you have wasted a lot of dollars on business card printing."¹⁸⁰

Even more to the point, he called his keynote speech "*My Mother Has No Idea What I Do For A Living.*"

The problem is partly based on what seems at first like a semantic distinction, between transmedia as a means of extending a single-media story (e.g., a film) to other platforms, employing cross-media marketing techniques; and transmedia, meaning the creation of a single coherent story, using different platforms to provide multiple points of access for interactive audiences.

In fact, it is a critical difference. Extending the IP of a film to other media has become easier and much more dynamic since the advent of the Internet, but it is not new. Many films have had spin-offs, such as comic books, television series, etc with George Lucas' *Star Wars* one of the early masters of the art.

But new forms of narrative, constructed so that they offer audiences multiple means to access a single coherent story world, if not entirely unprecedented, are certainly born of the always-on, multimedia, connected Internet Age.

One of the pioneers of transmedia, Professor Henry Jenkins, suggests that the former represents a new form of communication that opens up all kinds of artistic and cultural potential: "The big difference between film and transmedia is that film is a visual language but transmedia storytelling is a behavioural language."¹⁸¹

Transmedia art and entertainment weaves narrative across different media to create a new immersive, and interactive experience and in which the whole is greater than the sum of the parts.

¹⁸⁰ <http://thepixelreport.org/2013/11/05/my-mother-has-no-idea-what-i-do-for-a-living/>

¹⁸¹ <http://www.fastcompany.com/1745746/seven-myths-about-transmedia-storytelling-debunked>

The label is a problem because it remains difficult to explain to the layperson. There are also inevitably many people claiming to be transmedia pioneers, whose work is substandard, or further confuses consumers. There is a large degree of hype from those involved, which has tended to gloss over the fact that there is no compelling evidence that audiences beyond a narrow core want, or understand, that deeper relationship with content.

And, of course, the ratio of effort to returns is an issue, forcing the acquisition of new skills. There are plenty of examples of transmedia work that are bad films, bad games, bad apps and an overall bad experience.

Transmedia seems to be disturbingly often shaped by self-proclaimed experts and wishful thinking, rather than the desire, in a phrase used by one of the true pioneers Lance Weiler, to “work with, rather than for audiences.”

And somewhere before dismissing any new format, there should be a nagging voice of Cosmo Brown (Donald O’Connor) in *Singin’ In The Rain*¹⁸², when hearing that talkies were “vulgar” and “never amount to anything.” “That’s what they said about the horseless carriage,” he said.

Perhaps significantly, there are signs of interest in China, where in 2013, Chinese conglomerate Metan Development Group and a coalition of television and film writers formed a joint venture to launch transmedia projects. Metan Wen Zhi Ku has access to 2,000 writers and ambitions to expand into the other ‘BRIC’ countries: India, Brazil and Russia.¹⁸³

Some of the dismissive analysis is based on the failure to create original formats that attract audiences on existing media formats. But new opportunities may arise based on technologies and communication that are still in their infancy.

¹⁸² <http://www.imdb.com/title/tt0045152/quotes>

¹⁸³ <http://www.screendaily.com/news/metan-targets-china-transmedia/5064208.article?blocktitle=News-archive&contentID=278>

CASE STUDY: THE SPIRAL

*The Spiral*¹⁸⁴ is a transmedia television project, which tells the story of an art heist at a number of European art galleries. It was the brainchild of Belgian producer and film-maker Peter De Maegd.¹⁸⁵

The project, supported by seven European television channels, included a TV episodic thriller but offered many other ways for audiences to participate, including an online game and a live-action role-playing (LARP) game.

The key to the project was its attempt to create a coherent “storyworld” that would blur the boundaries between media, but also between reality and fiction. De Maegd suggests that in transmedia projects, the storyworld is not just the fiction created by the story architect but by the audience interaction and social media ‘conversation’, allowing it to grow organically.

Almost 20,000 people uploaded their own content onto *The Spiral* website, which received more than 140,000 unique visitors.¹⁸⁶

KEY LESSONS: *The Spiral* succeeded conceptually and achieved impressive engagement from fans. But the lesson that De Maegd himself drew from the performance of *The Spiral* was that need to begin work on social media at the earliest stages of development to build bigger and more active audiences.

¹⁸⁴ <http://www.youtube.com/watch?v=mslmSvsrQkl>

¹⁸⁵ <https://twitter.com/Potemkino>

¹⁸⁶ <http://www.slideshare.net/tishna/case-study-the-spiral-peter-de-maegd-producer-the-spiral>

Harvard Business School Professor Anita Elberse¹⁸⁸ said: “ Few understand how thin the tail is, how concentrated these markets are. There is an enormous amount of content that gets no demand at all.”

The debate is a salient one for independent film. The dramatic increase in the number of films in Europe means that it is difficult for even strong titles to make any impact. Theoretical access to film is not the same as engagement.

ACCESS VERSUS OWNERSHIP

The tension between transactional and subscription services – or download-to-own versus streaming – may prove as significant for film as it has been for music, where most analysts see a clear shift, particularly among younger audiences, from ownership to access.

Ted Cohen, music industry consultant and former head of music label EMI, said: “There is nothing on iTunes’ store today that gives anyone the impetus to buy something. There’s no emotion. “It’s no longer about individual tracks, it’s about access. The concept of buying music at 99 cents a song is becoming irrelevant.”¹⁸⁹

The idea that streaming and access will supplant even the desire to ‘own’ music, or indeed film, may have a vital impact on the economics of production and distribution, and it may not be good news for rights-holders and artists, who tend to get better returns from downloads.

Thom Yorke, of UK band Radiohead,¹⁹⁰ made an angry attack on Sweden-based Spotify, the dominant music streaming service in Europe, suggesting that it was becoming a ‘gatekeeper’ with unhealthy relationship with the major labels. He called it “the last desperate fart of a dying industry.”

And Don Henley, founder of rock band The Eagles warned: “In the technocratic world of Google (which owns YouTube), my musical brethren and I are no longer artists; we’re not creators — we are merely “content providers. Copyright and intellectual property means nothing to the technocracy. They’ve built multi-billion-dollar, global empires on the backs of creative, working people who are uncompensated. They’re wrecking entire industries.”¹⁹¹

In both cases, they are talking from the rarified perspective of the tiny percentage of musicians who have made serious money. That was as true of the 1970s, as it is today. Nonetheless, the fear that the new giants of digital distribution and on-demand services will Hoover up the money at the expense of the content creators is not just the hubris of old rockers.

¹⁸⁸ *Blockbusters: Why Big Hits and Big Risks are the Future of the Entertainment Business* (Elberse, Anita, Faber, 2013) ISBN 9780571309221

¹⁸⁹ <http://www.businessweek.com/articles/2013-04-25/apples-10-year-old-itunes-loses-ground-to-streaming>

¹⁹⁰ <http://www.theguardian.com/technology/2013/oct/07/spotify-thom-yorke-dying-corpse>

¹⁹¹ <http://www.digitalmusicnews.com/permalink/2014/01/16/donhenley>

The problem for musicians, film-makers, etc, is that, while the beneficiaries may be iTunes, Netflix, *et al*, consumer demand for convenience and access is the driving force of change. Streaming continues to thrive, with film services growing exponentially as broadband speeds have increased and Smart TVs, laptops, iPads, etc have entered the mass market. Streaming overtook DVD rentals on LoveFilm in 2012.¹⁹²

Film-makers and rights-holders may in the long run find themselves in the same position as music, where their interests come into conflict with on-demand services, whose power is based on the consumer desire for a low-cost, instant access service.

On-demand access, as opposed to buying to keep, may lead to significant changes in audience behaviour. In many ways, download-to-own is simply a digital replacement for physical formats, such as DVD. It can be neatly accommodated in a broader offering, such as Ultraviolet, and does not essentially make any difference to a consumer's existing behaviour.

Access on demand to any content, whether wanted or otherwise, at a cost far below that of other formats, has the potential to influence choices and take a bigger chunk of precious leisure time.

The debate goes back to an argument about whether the future will be about blockbusters and global monopolies or will offer opportunities for diverse long-tail businesses. (See p78)

Global subscription (SVOD) services, including LoveFilm and Netflix, which offer cheap access to huge catalogues, may hold the key to those questions. Both became international brands by using the Internet to manage rentals of a 20th Century physical format, DVD, delivered through a 19th Century postal service (though both are moving rapidly towards new streaming models).

Netflix has established a strong foothold after its 2012 launch in Sweden, Norway, Denmark and Finland, easily beating another international challenger HBO. Amazon's LoveFilm pulled out of the region in 2012. Surveys suggest that Netflix now has more than 300,000 subscribers in Sweden¹⁹³ and it is the 21st most visited website in Norway.¹⁹⁴

The cost of entry to the subscription VOD market is difficult, demanding either huge catalogues or specialist niche content. The infusion of big money is beginning to drive rapid growth, supported by mainstream consumer adoption of streamed content and mass-market take-up of Smart TV and set-top boxes.

The jostling for position among competitors will encourage innovation and consumer adoption, although massive consolidation through failures, takeovers and mergers is inevitable in the next few years. The industry may not see the overwhelming dominance that

¹⁹² www.telegraph.co.uk/technology/news/9160168/Demise-of-the-DVD-Lovefilms-streaming-overtakes-rentals.html

¹⁹³ <http://www.mms.se/2013/11/15/mms-vod-topp-netflix-nar-over-300-000-9-99-aringar-i-daglig-rackvidd/>

¹⁹⁴ www.alexa.com

Apple has enjoyed in music, where it still boasts more than 60% market share of digital revenues; on the other hand, globalised players such as Netflix may come to have an unhealthy influence.

VOD FOR EUROPE

The idea of a European VOD network to match the global networks, such as Netflix, Amazon, iTunes, etc, mirrors the long debate about the need for a European studio. (See p112)

The desire to see European film in control of its destiny in production and distribution has been a regular theme over many years. But the fragmented nature of Europe, the territorial nature of rights and business, and occasionally a lack of entrepreneurial drive compared to the market-driven US has been a brake on ambition. Video On Demand, however, has looked like an opportunity to establish a strong position for European content before the studios and the globalised media giants can impose themselves.

Europe has distinct advantages in establishing demand for VOD. Industry and policy-makers have concentrated investment and energy on building a world-class fast broadband network. Some of the leading telecoms and media companies are based in Europe. And public support at national and international level has been targeting improved access to audiovisual work for EU citizens that could not easily be provided in most countries by the market.

The European Commission MEDIA programme has supported 13 VOD and digital distribution projects since 2007, with the largest allocation (€750,000) going to French VOD services UniversCiné,¹⁹⁵ founded by 49 independent producers and distributors. It has established a foothold in France and Belgium and has begun paying reasonably generous sums for film right. It also led the establishment of a bigger network, EuroVOD. (See p71)

The European Audiovisual Observatory says there are now more than 3,000 audiovisual VOD channels in Europe, up from 700 at the end of 2009 – and 447 dedicated to film.¹⁹⁶ How far either advertising, or subscription can support a strong, diverse on-demand market is open to question. Some of the early adopters, hoping to steal a march on the big guns failed to make the impact they expected, including Babelgum, Jaman and Joost, though the difficulties in establishing a market foothold have not deterred hopefuls.

As ever with European digital developments, different countries are progressing at different rates and the tangle of rights makes establishing a coherent and attractive body of content difficult. But even in piracy-ravaged Spain, a VOD market is becoming established¹⁹⁷ with Eurovod member Filmin making inroads, and Wuaki.tv claiming 600,000 Spanish

¹⁹⁵ www.universcine.com

¹⁹⁶ <http://www.digitaltveurope.net/56561/survey-highlights-growth-and-complexity-of-european-vod-service-universe/>

¹⁹⁷ http://antennamediacat.com/rcs_auth/convocatories/vod_spain_MEDIAAntennaCatalonia.pdf

subscribers.¹⁹⁸ Some European VOD sites have established a following, including arthouse film site and social media network Mubi.¹⁹⁹ It was established in 2007 (originally as *theauteurs.com*) and now boasts six million subscribers worldwide for its various services.

Mubi has worked with other platforms and technologies to try to stay ahead of demand, negotiating inclusion on the PlayStation3 network in 2011. But it has had to change its model, shifting in 2012 to a curated and changing menu of films, rather than a fixed catalogue.

Again, the complexity of European rights makes it difficult to establish a Netflix-style all-you-can-eat service (although Mubi has tried to make a virtue out of necessity).

Genre sites, such as the Spain-based Dear Fear horror site, announced in 2013,²⁰⁰ have also realised the trick to a diverse VOD market may depend on the ability to aggregate like-minded individuals around the world with specialised tastes.

European VOD has an advantage in public policy committed to distribution of the region's films to the widest audience; and wide support from producers, distributors and even exhibitors in establishing a distinctive and independent on-demand service.

Good intentions, however, still need to be tested against consumer demand, which global conglomerates and online giants are all trying to mould in their interests.

CASE STUDY: EUROVOD

Eurovod²⁰¹ is a network of European VOD sites founded in 2010, and claiming a theoretical reach of 385 million with 10,000 available films. Through its various members, the group represents the interests of around 200 rights-holders.

The challenge for EuroVOD is not just fierce competition from international services but the familiar issue of national territorial rights, which makes it impossible to have a single service for customers of all the different VOD platforms.

EuroVOD members rights-holders are mostly tied into the territorial sales model but the network made a pledge to explore a variety of measures that might offer customers access to the services they have already paid for across national boundaries.²⁰²

KEY LESSON: Creating pan-European scale in VOD is challenging, given the complexity of rights. If there is a way around the issue, it is logical to approach it in terms of voluntary cooperation between companies that normally compete.

¹⁹⁸ <http://gigaom.com/2013/10/25/streaming-video-site-wuaki-tv-partners-with-panasonic-saying-most-of-its-viewing-comes-from-smart-tvs/>

¹⁹⁹ <http://mubi.com/notebook/posts/mubi-now-on-the-playstation-3>

²⁰⁰ <http://variety.com/2013/film/international/ms-launches-dear-fear-vod-site-1200747380/>

²⁰¹ <http://www.eurovod.org/>

²⁰² <https://ec.europa.eu/licences-for-europe-dialogue/sites/licences-for-europe-dialogue/files/EuroVoD%20Statement.pdf>

ONLINE VIDEO

Back in 2008, a studio executive dismissed the whole YouTube phenomenon with the neat little joke that “once you have seen the cat lift the toilet seat, what is it going to do for an encore.”

The tune has changed dramatically in recent years. According to networking giant Cisco, online video will account for 69% of all public Internet traffic by 2017.²⁰³ Analyst Informa is expecting that by 2017 the online video sector will be worth \$37bn (€27bn).²⁰⁴

And naturally a commercial marketplace is growing around that activity.

For years YouTube was seen as an enemy, in terms of copyright infringement – and Viacom²⁰⁵ (which has its own rival online video interests) is still involved in a \$1bn (€0.7bn) legal suit against the online video giant.²⁰⁶

But much of the music industry has now been forced to embrace the service (owned since 2006 by Google).

In August 2013, Universal Music and Def Jam founder Russell Simmons announced a deal with YouTube²⁰⁷ that included a dedicated YouTube channel, All Def Digital (ADD),²⁰⁸ which is effectively an online record label.

The benefits of engaging with YouTube, in terms of audience reach and the advertising and branding market growing around it, now generally outweigh the fear of piracy (and YouTube has also introduced greater copyright protection measures itself).

‘Forced view’ advertising online – notably ‘pre-roll’ advertisements²⁰⁹ – is growing fast and has found ways to avoid consumer resistance (including YouTube’s Skip Ad option).

As a marketing tool, YouTube has become all but indispensable. Audiences expect every film to post a trailer, and some rights-holders even allow, or at least do not stop, audiences making their own unauthorised trailers. (See p92)

YouTube is by far the biggest of the online video services and is in the top-five most visited sites in most European countries.

²⁰³http://www.cisco.com/en/US/solutions/collateral/ns341/ns525/ns537/ns705/ns827/white_paper_c11-481360_ns827_Networking_Solutions_White_Paper.html

²⁰⁴ <http://blogs.informatandm.com/6429/press-release-global-online-video-market-will-be-worth-us37-billion-in-2017/>

²⁰⁵ <http://www.viacom.com/>

²⁰⁶ <http://business.time.com/2013/04/19/how-google-beat-viacom-in-the-landmark-youtube-copyright-case-again/>

²⁰⁷ *Music Week*, October 30, 2013. P1

²⁰⁸ <http://www.youtube.com/user/AllDefDigital>

²⁰⁹ <http://www.businessinsider.com/sc/pre-roll-is-more-effective-than-banner-ads-2013-11>

According to a study by French newspaper *Les Echos*,²¹⁰ the most valuable online video services, according to their market reach for content and advertisements were:

- YouTube (755m)
- Facebook (296m)
- Vevo (256m)
- Viacom Digital (161m)
- Brightroll Video Network (153m)

The biggest European player is Dailymotion at 12. (See Case Study below)

CASE STUDY: DAILYMOTION

French channel Dailymotion was founded in Paris in 2005 and is the leading European online video company, according to *Les Echos*, ranked number 12 in the world with a reach of 116m.

At the beginning of 2013, the site was acquired in full by Paris-based telecoms giant France Telecom Orange (which had previously owned 49%).²¹¹

Even in France, YouTube ranks as the fourth most visited website, compared to 25th place for Dailymotion.²¹² It is, however, a clear web success story.

In 2013, Orange tried to sell a 75% stake in the business to Yahoo but was blocked by the French government, which did not want to see the site fall into the hands of a US company. It has since been in talks with various global businesses to sell a stake to another US buyer.

KEY LESSON: Online video is the quintessential globalised business. It may have its origins in a given country but the business model is based on volume, and the big numbers are only achieved through becoming a brand that belongs to consumers, not to a place.

The YouTube promise has something of the American dream about it. It is theoretically possible for anyone to make it – and serious money and opportunities have come from those who have spent most of their creative life in the YouTube playground. (See SB.TV case study below).

Over the years, film-making talent has been spotted online and given opportunities in the industry. But one statistic needs to be remembered: 100 hours of content is uploaded to YouTube every minute.²¹³

There have been breakout hits from this vast store of content but they are rare. Even the phenomenon of the viral video needs to be examined carefully. The standout YouTube hit of

²¹⁰ <http://www.comscoredatamine.com/2013/03/infographic-leading-online-video-properties-worldwide/>

²¹¹ <http://www.alexa.com/siteinfo/dailymotion.com>

²¹² <http://www.alexa.com/topsites/countries/FR>

²¹³ <http://www.youtube.com/yt/press/en-GB/statistics.html>

2013 was Norwegian duo Ylvis' novelty hit *What Does The Fox Say?*²¹⁴ It has been watched an amazing 324 million times and made huge stars out of its creators. But it is less about leftfield content coming out of nowhere than a more efficient means for labels or professional producers to get their offbeat hits to a global market.

The Norwegian producers of the Ylvis hit, Stargate,²¹⁵ have also produced global chart-toppers for huge acts, including Rihanna and Beyonce.

In recent years, however, YouTube has been trying to tap into the on-demand revenues from film, television and music that major players, such as Netflix and Apple, have been generating. The service has its own download-to-own film service, and in 2013 launched a number of subscription channels.²¹⁶

The sluggish start to those channels suggests that there might be a problematic tension between its roles as play park for everyone and a marketplace for professionals.

CASE STUDY: SB.TV

SB.TV²¹⁷ was founded in 2006 by Londoner Jamal Edwards, who was just 17 at the time. He began uploading rudimentary videos, mainly connected to the urban music scene but began to build a significant following among younger YouTube audiences.

He began partnering with YouTube and set up a dedicated channel, largely devoted to uploads from enthusiasts, but increasingly working with established talent, keen to tap into his fanbase. SB.TV soon began making serious money from advertising connected to his YouTube videos. He is believed to be worth £8m (€9.7m).

KEY LESSON: There is serious money to be made out of online video but it is critical to establish a large fanbase. And the SB.TV story is essentially one of an enthusiast, knowing how to communicate and interact with peers.

CINEMA ON DEMAND?

One, as-yet unfulfilled, promise with the introduction of D-Cinema is greater flexibility in creating theatrical programmes that are more in tune with local audience demand. Exhibitors in future will not have to wait for a scarce 35mm print to arrive; in theory, they will have instant access to a vastly increased choice of potential films.

Currently, exhibitors still have to channel demand into a very small exploitation window and success is still strongly influenced by the opening weekend of theatrical release – a legacy of the analogue era.

The centrality of theatrical releases in cinemas concentrates marketing on a single shot at success, leading to what Howard Stringer, former chairman and CEO of Sony Corporation, has

²¹⁴ http://www.youtube.com/watch?v=jofNR_WkoCE

²¹⁵ [http://en.wikipedia.org/wiki/Stargate_\(production_team\)](http://en.wikipedia.org/wiki/Stargate_(production_team))

²¹⁶ <http://online.wsj.com/news/articles/SB10001424127887324744104578473230854933060>

²¹⁷ <http://sbtv.co.uk/>

described as a “spiral of pressure” on first-week figures:²¹⁸“You have to push it, because everybody involved wants to believe that you believe in it. The writer does, the actors do, the director does...no matter who you are; you can be the most artistic director, but a \$2m (€1.6m) opening will be a failure to that person.”

And so cinema becomes a clash of the titans of the marketing departments for major releases, leaving small films to battle over the limited space remaining.

Some entrepreneurial distributors know how to make the most of the one-shot weekend release, after years of experience, and counter-programming against a weekend’s studio tentpoles can sometimes be profitable.

But, for independent film, the tyranny of the opening weekend is damaging – risky, unreliable and inefficient and wide open to disruptive external factors, such as the weather. And failure to make an instant impression means losing momentum that is rarely picked up in later windows, such as DVD and VOD, certainly not with the traditional release windows model.

The spiral of pressure is rooted in the narrow industrial processes of the pre-digital era. It fails, for example, to grasp the way that ‘word of mouth’ knowledge of a film, so crucial for independent and arthouse releases, takes a different amount of time to filter through to different audiences, via social networks and digital marketing.

D-Cinema and VOD ought, with a degree of flexibility on windows and programming, to be able to encourage and enable new patterns of demand by offering more flexibility in programming, liberated from print availability. One promising opportunity is Cinema On Demand.

Cinema On Demand – sometimes, also called crowd-ticketing and very much part of the crowdsourcing philosophy – is founded on the idea audiences want more control over what they see. That is not necessarily the case. In a world of vast choice, many audiences actively want to see a knowledgeable third party find content on their behalf.

There are now low-cost commoditised tools to enable Cinema On Demand. One US service Tugg,²¹⁹ for example, has begun to make inroads in Europe, employed, for example, by the makers of crowdfunded, microbudget film *Borrowed Time* in the UK.²²⁰ The results of that experiment will be made public by the British Film Institute in 2014. Another pioneer is Dutch company We Want Cinema (See Case Study).

Cinema On Demand has been tried before over the years (Brazilian service Moviemobz introduced a now defunct scheme back in 2008).²²¹ It is most likely to find a place as ‘alternative content’, alongside event cinema (See p54) to bring in revenues at traditionally quiet times of the week. The core demand may remain for new films, curated by cinemas, but

²¹⁸ www.pbs.org/wgbh/ps/frontline/shows/hollywood/picture/openbig.html

²¹⁹ <http://www.tugg.com>

²²⁰ <http://www.tugg.com/events/6012>

²²¹ <http://www.screendaily.com/moviemobz-pioneers-cinema-on-demand/4039824.article>

with more pressure to show film at the time (and potentially at the price) that suits the customer.

CASE STUDY: WE WANT CINEMA

We Want Cinema²²² is a Dutch company, launched in 2012 and focused on building a viable model for Cinema On Demand, i.e, allowing the audience to choose films they want to see at their local cinema.

Its cornerstone is social media, creating communities of interest around the 1,000 film catalogue, and building a critical mass of interest to trigger a screening in participating cinemas.

Revenues are split between distributor, service provider and exhibitor, who sets the parameters on the minimum number of seats to be sold.

We Want Cinema expanded into Germany in 2013 and is looking to license the service further afield.²²³

KEY LESSON: Access to enough popular films has always been the barrier to Cinema On Demand. That should become easier over time as more films become available on digital platforms but the key to success remains the ability to get an audience talking and genuinely mobilising interest.

MOBILE

Some trends grow so fast and their impact is so decisive that it becomes hard to imagine a time before their existence. One trite comment at the start of the digital age was that no one would ever watch a movie on a mobile phone.

But it is now becoming clear that the future will be mobile. It is also increasingly the place where young people in particular are choosing to watch film.

Between the first quarter of 2011 and the first quarter of 2013, the number of people accessing the Internet, via a mobile phone increased by 60.3% to 818.4 million in 31 countries surveyed by Global Web Index.²²⁴

In fact, the researcher suggests, mobile phone users of Twitter in Germany, France, the Netherlands, the UK and US are nearly twice as likely to actively use the social media service than those who subscribe via the Internet.

²²² <http://wewantcinema.nl/en>

²²³ http://www.filmjournal.com/filmjournal/content_display/news-and-features/features/cinemas/e3i76fe11068cecfb337c219df3261cf094

²²⁴ *ibid* p14

Networking giant Cisco's Visual Networking Index²²⁵ forecasts that online Mobile data traffic will grow at a compound annual growth rate of 66% until 2017, by which time it will overtake traffic from wired devices, such as PCs and television.

Mobile devices often make up what are known as 'second screens', which may be used at the same time that a viewer is watching a film or television programme.

Simultaneously appealing to a consumer through the television and interactive apps on mobile devices has excited a lot of attention, with opportunities in terms of story development and, more importantly, revenues. Television game shows have made the running along with live sport, while cross-media/transmedia projects generally now use at least one mobile phone element to tell their stories.

Film seems to have three distinct means of taking advantage of the inexorable rise of mobile consumption:

- New forms of content, optimised for mobile devices
- New means of marketing
- New means of reaching audiences beyond physical restrictions of fixed screens

Online video companies, pay-TV and public-service broadcasters have all been developing services to allow consumers to access content beyond the fixed location of the television set. And mobile and access-anywhere services are important to film, from a number of perspectives:

- The capacity to increase audiences among an ever more mobile population with greater access to devices, broadband, 3G and 4G
- Always-on mobile services may support the revenues and improve the business viability of Pay-TV and broadcasters, which are essential to the film business model and, in the latter case, often have statutory duties to commission new content. (See p37)
- The availability of different kinds of film on the move may make it more attractive as an investment possibility for SVOD companies.

THE ILLUSION OF CHOICE

The Internet Age has brought about the greatest increase in diversity of audiovisual content in history and by far the most democratic means of accessing it.

The irony is that the sheer volume of content has made discovering that content more difficult. One might decry the time when 'the establishment', or public sector and market 'gatekeepers' of content controlled what could be seen, but the same invisibility may come from simply being cast adrift in an ocean of alternative content.

²²⁵http://www.cisco.com/en/US/solutions/collateral/ns341/ns525/ns537/ns705/ns827/white_paper_c11-481360_ns827_Networking_Solutions_White_Paper.html

A 2013 report from German mobile telecoms analyst Adeven²²⁶suggested nearly two-thirds of applications on Apple's iOS App Store were 'zombies' getting no downloads (a claim Apple denies).²²⁷

The same effect can be seen in music, where Harvard Business School Professor Anita Elberse claims 74% of all MP3s bought online in 2011 sold fewer than 10 copies.²²⁸

VOD channels offer extraordinary choice and a brilliant way of servicing *known* demand for films, which have predominantly already made an impact elsewhere. But as a mechanism for discovery, it lacks easy means of finding ways to new work, and certainly it struggles with serendipitous choice.

One could argue that we are entering a world in which individuals can better explore their own desires without the social pressure to acquire what society deems as 'taste.'

The problem is that the new on-demand world makes it more difficult to discover films that might change, or broaden tastes, or access unfamiliar and challenging content.

The paradox of greater than ever access to content and yet more difficulty in being seen might be called the Illusion Of Choice.

All the experimentation in new platforms and release windows has unquestionably increased the volume of films available but access and choice are not the same things.

Columbia Business School Professor Sheena Iyengar offered fascinating insight into human choices in a TED talk earlier this year.²²⁹

She demonstrated an experiment, which seemed to show that consumers were more likely to buy from a selection of six items (in this case pots of jam), than of 24. In other words, it is a scientific fact that you can have too much of a good thing.

These are not academic issues for independent film-makers and the organisations and bodies tasked with building diversity of content.

There are two issues at stake here. The first is the big question of how you build business models when you have practically unlimited choice but limited consumer time?

The multinational media platforms and globalised retailers are finding their way around this problem by mobilising Big Data, to curate (some would say manipulate) consumer taste. Amazon, for example, has what seems like an uncanny knack of predicting taste but its success is built on mining rich and vast fields of audience data, which are added to with every interaction. (See Chapter 4)

²²⁶ <http://gigaom.com/2012/07/31/app-st-infested-with-zombie-software-claims-analytics-startup-adeven/>

²²⁷ <http://www.bbc.co.uk/news/technology-23240971>

²²⁸ *ibid.* footnote 172

²²⁹ http://www.columbia.edu/~ss957/articles/Choice_is_Demotivating.pdf

What's more, consumers willingly help that process by volunteering additional information in the hope of personalised services. (Oddly, the power that this gives multinational giants does not seem to create the same adverse public reaction to governments monitoring and collecting information on citizens).

The only measures to combat the Illusion Of Choice, without deploying immense budgets, is to combine direct interaction with a known audience with the originality to stand out from the ever-growing crowd.

and rights management were an issue (and still are to some extent). Buy once, play anywhere was an expectation of consumers, long before it was turned into services.

The second digital challenge was that the Internet and social media encouraged demand that the industry could not, or would not service. Industry models were out of sync with the desire for instant gratification and impulse buying.

The tension was most obviously demonstrated in piracy, in which people simply took content that no one wanted to sell them, without paying.

Lack of legal means to access services was not the only motivation for piracy: in fact, most copyright theft was simply a case of taking advantage of the fact that the Internet had smashed the shop window and there was little chance of getting caught.

For some, however, there has been a genuine frustration at the lack of availability of content.

Rather than focusing on legal definitions, this report looks more broadly at the psychology of ownership.

In an age of ubiquitous access, what is the place of ownership?

A broader definition incorporates the idea of ownership as a means of expressing identity, or ownership meaning the willingness to pay in return, not of a physical good, but for a relationship or for a degree of influence.

The concept is being particularly redefined by gaming culture; ownership means being in the game, not just a passive observer.

HOME ENTERTAINMENT RISE AND FALL

The idea of owning a film is relatively, at least in terms of the mass market. Yet it made a big contribution to the saving of film from the lows of the early and mid-1980s despite vehement opposition from exhibitors.

Before that, film distribution was dictated by 'gatekeepers', such as cinema chains and television channels. It was often a well-intentioned dictatorship, and many older cinephiles were first introduced to a lifelong passion through an arthouse film screened on a terrestrial public-service television channel.

In the absence of alternatives, those channels could attract huge audiences for film many years after the initial cinema screening. For example, a Christmas day screening of James Bond film *Live And Let Die* in 1980,²³⁰ seven years after its cinematic debut drew the biggest-ever UK film television audience, 23.5 million, and in the 1980s, movie viewers would fairly frequently exceed 20 million.

²³⁰ William Phillips chart of BARB ratings, Royal Television Society, Dec 8, 1997

Having won its battle over Betamax, VHS had a profound influence over the industry. The ownership of individual titles was important but the ownership that really mattered over the long run was the Video Cassette Recorder (VCR).

In Europe, VCRs outnumbered DVD players until 2003, eight years after the launch of DVD.²³¹ It still enjoyed 50% household penetration until 2007 and saw off potential challengers, including LaserDisc.²³²

That fact offers a clue to reading the rate of decline of DVD. The number of machines in households ensured that VHS versions of films could still sell in huge numbers long after its inevitable obsolescence became clear.

DVD players still have a 75.8% household penetration in Europe,²³³ and the market has been bolstered by the dramatic discounting of both players and discs: the inclusion of Blu-ray players in laptops and games consoles has been important to its adoption as a viable post-DVD format.

DVD fulfilled a number of functions, including catching up on missed titles but perhaps more importantly creating a personal collection of films – more than 90% of DVD revenues came from retail rather than rental.

It also played an undervalued role in marketing. The visibility of DVD in high-street stores has been useful in promoting individual films and film as a medium; certainly, the music industry felt that way, helping underwrite the debts of UK music retailer HMV in 2012 to ensure the visibility of CDs in towns and cities.²³⁴

But around Europe, high-street specialist retailers (rather than supermarkets) have been struggling. One-time DVD rental giant Blockbuster is close to shutting all of its stores in the UK;²³⁵ French giant FNAC was spun off by its parent company in 2013 and, despite finding some stability recently, it was valued in 2013 at €400m, compared with €2.3bn in 2011.²³⁶

According to the International Video Federation, the number of stores stocking DVD fell 43% between 2008 and 2012, and consumer sales fell 31%.²³⁷

DVD has been valued by collectors of titles; it has had sentimental or emotional value as a way of retaining or remembering a cinema experience; and, in an underestimated advantage over VOD, it is a physical product than can be given as a gift.

²³¹ <http://www.ivf-video.org/new/public/media/Europe.pdf>

²³² <http://www.laserdiscarchive.co.uk/>

²³³ <http://www.ivf-video.org/new/public/media/Europe2013.pdf>

²³⁴ http://www.thesundaytimes.co.uk/sto/business/Retail_and_leisure/article1197662.ece

²³⁵ <http://www.bbc.co.uk/news/business-25345257>

²³⁶ <http://www.ft.com/cms/s/0/6b9f1f7a-d682-11e2-9214-00144feab7de.html#axzz2nCbIZYsk>

²³⁷ <http://www.ivf-video.org/new/public/media/Europe2013.pdf>

Hollywood, and the industry more widely, had been hoping that Blu-ray might become a mass-market upgrade, replicating the way that VHS handed on the baton to DVD.

But there are now other means of fulfilling the underlying impulses that drove DVD buying – and to the possible detriment of industry revenues.

FOCUS: ULTRAVIOLET

The cloud-based digital locker system, Ultraviolet,²³⁸ has been developed as a means of allowing consumers to buy one licence for a film or other audiovisual work, and to watch it in a number of different formats.

It is supported by all of the studios, with the exception of Disney, which has its own proposed system,²³⁹ and by a consortium of 74 businesses.

Ultraviolet has been around for a number of years but has yet to make the really big breakthrough.

In part, that is because the execution is more difficult than the simple concept suggests. There have been the usual technical teething issues, including problems of interoperability and a confusing range of download options. The arrival of a Common File Format at the end of 2013 might help.

UltraViolet has made a small impact in the UK but is hoping to make a breakthrough in Europe in 2014, with services in Ireland, France and Germany.

DOWNLOAD-TO-OWN

Download-To-Own (DTO), also known as Electronic Sell Through (EST), was intended to fulfill the same consumer instincts as DVD – a desire to own and collect films – with the added flexibility of anywhere, anytime play.

It was predicted to be central to new digital revenues but the download-to-own business has a new challenger. As the Indian summer of DVD rental through the post begins to fade, consumers have been turning to the streaming capability of services, such as Netflix and LoveFilm. Subscription VOD offers access rather than ownership at a low cost and is beginning to make serious headway in Europe. (See p69)

In music, it is the subscription services (alongside enforcement) that have begun to have an impact on piracy. Access to a vast store of films for a single low-cost subscription has some of the benefits of ownership with some of the feel of free content.

Download-to-own is an attractive option for rights-holders but there is a problem – digital storage. It is a particularly acute issue for film, given the (still increasing) file sizes for today's

²³⁸ <http://www.uvvu.com/index.php?lang=en-gb>

²³⁹ http://www.screendigest.com/news/2013_06_disney_replaces_digital_copy_with_new_digital_locker/view.html

high-definition content. The Cloud²⁴⁰, or cloud computing, may play an essential long-term role but file sizes remain an issue.

COPYRIGHT AND OWNERSHIP

The issues around copyright, content ownership and intellectual property in a digital age were highlighted, perhaps appropriately, by a producer of pornographic films. (The role of porn in innovation and growth of online business is worth a report in its own right).

In December 2013, lawyers acting on behalf of a Swiss copyright group, Archive, acquired the addresses of 10,000 users of free pornography streaming site RedTube from an Internet Service Provider (ISP), after a court order. And it sent out warning letters, demanding the payment of a €250 fine.²⁴¹

A second court hearing ordered a review of the decision, raising doubts not only about the specific case but about the laws covering streaming more generally.

Laws differ from country to country but there has long been a concern that the legal position of copyright and Intellectual Property is both unsuitable for a digital age, and confusing and restrictive for consumers and business.

Talking about copyright change, Neelie Kroes, vice president of the European Commission said: "This isn't a simple question: we need to recognise its complexity. Not to be dogmatic, but pragmatic. Not to consider the question as an abstract, philosophical issue: but in its context and time."²⁴²

"Let's remind ourselves of that context. The world we live in is changing fast. Technology is changing. Business models are changing. The way we consume and enjoy creative works – music, movies, games – is changing."

But the history of copyright in a digital age has been one of consumer demand forcing industry retreats from what once seemed lines in the sand.

In February 2012, for example, the High Court in London ruled that the public screening of English Premier League football games through a satellite feed from a European country, outside the rights deal negotiated for the UK with Sky, was legal (with some important caveats).²⁴³

While that ruling does not have a direct impact on film, the case, brought by a pub landlady, indicates the legal complexity of balancing rights and consumer demand.

²⁴⁰ http://en.wikipedia.org/wiki/Cloud_computing

²⁴¹ <http://www.bbc.co.uk/news/business-25347913>

²⁴² http://europa.eu/rapid/press-release_SPEECH-12-592_en.htm?locale=en

²⁴³ <http://merlin.obs.coe.int/newsletter.php?year=2012&issue=4&id=13526>

Attempts to enforce copyright show up the faultlines. While surveys suggest the public is sympathetic to the idea of action against piracy, there is disquiet about perceived infringement of personal liberties.

In Europe, copyright has become a political issue with Pirate Party organisations²⁴⁴ springing up in many countries, led by Scandinavia, focused on protecting what they see as the freedom of the Web, as opposed to enclosed, unfair and hierarchical structures of the 'real-world' capitalist structures.

But again, the discussion returns to the tensions between supply and demand: industry is being asked to exchange a system that works in a flawed way for one that is unproven. Nonetheless, there will inevitably be movement on copyright, in part because demand – and particularly the kind of engaged demand in this chapter – will always be a source of tension.

That tension had to be faced early by Apple iTunes; consumers who downloaded a song believed that ownership meant that they could play it anywhere on any device, forcing a long debate about, and industry compromise on, digital rights management (DRM).

iTunes forced another issue. One of its great attractions was the ability to transfer existing CDs to the iPod, wiping out another form of revenue for record labels, whereby consumers would replace the music they owned each time a new or upgraded service came along. While film has so far resisted the trend, the direction of travel suggests that it will have to change.

CASE STUDY: BARCELONA CREATIVE COMMONS FILM FESTIVAL

Creative Commons (CC) is an organisation dedicated to creating legal licences that allow users, such as film-makers, to share some of the rights to their work.

The Barcelona Creative Commons Film Festival is an annual event set up in 2010 to celebrate and screen films that had been released with a CC licence.

Recent featured titles have included Stephane. M Grueso's documentary *Copiad, malditos!*²⁴⁵ which was the first CC-licensed film to be financed by Spanish public television.

The festival has spawned a number of similar festivals, including the Nordic Creative Commons Film Festival,²⁴⁶ which was launched in 2013.

KEY LESSON: Creative Commons licences have been around for more than a decade and, despite some high-profile support (notably from rock band Nine Inch Nails), it has not made a major impact on film. The growth of online video, the demand for fair-use content in education and VOD, and lack of alternatives, however, may give CC a bigger role in future.

²⁴⁴ <http://www.wired.co.uk/news/archive/2013-04/29/pirate-party-victory>

²⁴⁵ <http://www.youtube.com/watch?v=YY0i4xJss9c>

²⁴⁶ <http://www.nordicfilmfestival.cc/>

THE COLLECTING INSTINCT

One of the guiding emotional reasons for owning anything is as a means to express one's identity. The films we buy and even how we catalogue and display them are means of self-expression. That kind of ownership has been difficult to replicate online, with download-to-own at a disadvantage, even compared to DVD.

But the major on-demand and social media businesses have found attractive new ways to tap into the same human need.

The ability to personalise choices and playlists, for example, may not have been great for the albums market in music but it has had real cultural impact.

It is possible, for example, to become 'retrospectively cool', rewriting one's personal musical journey to edit out the embarrassing and to invent a more attractive history.

Playlist culture has become much more significant, however, when shared through social networks. Many sites now allow purchases to be shared with friends and followers.

Some social media sites, notably Pinterest, have made list creation and sharing, the key to their business models.²⁴⁷ Ownership in the sense of sharing and identity is not an abstract idea. It has potentially huge economic value to marketers and advertisers. In terms of film, it also is a means of engagement that may have business potential.

Merchandising, for example, is a classic means of expressing identity through ownership, a fact used strongly in the successful crowdfunding campaign for Finnish film *Iron Sky*²⁴⁸.

In fact, crowdfunding may be the purest form of redefined ownership.

CROWDFUNDING

Advocates often present crowdfunding as a thoroughly post-modern means of doing business and one of the great democratic shifts of a new Digital Age. It is certainly true that the Internet has made crowdfunding simple and accessible – at least in its most basic form of a donation.

And it is rapidly acquiring a track record: crowdfunding pioneer Kickstarter²⁴⁹, which launched in 2008, has raised \$900m from 5.3 million backers with more than 50,000 completed projects.²⁵⁰ Its rise to prominence, and perhaps the secret to its future success, has two basic roots:

The first is that crowdfunding long predates the Internet and appeals to well-established instincts. There are plenty of examples of crowdfunded art, going back to Roman times,

²⁴⁷ <http://www.pinterest.com>

²⁴⁸ <http://www.reichstuff.com/>

²⁴⁹ <http://www.kickstarter.com>

²⁵⁰ <http://www.kickstarter.com/help/stats?ref=footer>

throughout Europe. War memorials, for example, have often been constructed through public donation.

Spike Lee (see below), suggests that crowdfunding is essentially just another tool in the endless indie search for finance:

“Indie Filmmakers are always in search of financing because their work, their vision, sometimes does not coincide with studio pictures...the truth is I’ve been doing Kickstarter before there was Kickstarter and there was no Internet. Social Media was writing letters, making phone calls, beating the bushes.”²⁵¹

The second is that crowdfunding has allowed some independent projects to find finance at a time when public and private sector alternatives are drying up.

Oliver Gajda, President of the European Crowdfunding Network (ECN) said: “Crowdfunding has recently been moved to the forefront in the discussion on access to finance as a result of the economic crisis and the associated market failures of the incumbent financial services industry providing finance to SMEs.”²⁵²

These more grounded and less ideological explanations for the rise of crowdfunding are, in fact, real strengths. Too many of the most hyped digital trends are dependent on an imagined shift in human behaviour, whereas this requires an efficient and effective means of servicing existing consumer instincts.

Crowdfunding has been particularly strong in the worlds of technology innovation, gaming, and altruistic causes but film has had a share of success. A few European examples illustrate the trend:

- Swedish film-maker David Sandberg’s English language action comedy *Kung Fury*²⁵³ is one of the biggest Kickstarter campaigns, raising more than \$0.5m, from more than 14,000 donors.²⁵⁴
- The sequel to the partly-crowdfunded Finnish film *Iron Sky (Iron Sky The Coming Race)* easily topped a \$150,000 IndieGoGo target to help fund development.²⁵⁵
- Polemical documentary *The Killing Of Tony Blair* raised more than \$160,000 from more than 4,000 donors.²⁵⁶
- A short film, *Little Favour*, starring rising star Benedict Cumberbatch (*Sherlock*, *Star Trek Into Darkness*) beat its \$25,000 IndieGoGo target by nearly 250%, ending on more than \$86,000.²⁵⁷

²⁵¹ <http://www.kickstarter.com/projects/spikelee/the-newest-hottest-spike-lee-joint?ref=most-funded>

²⁵² <http://www.europecrowdfunding.org/2013/10/crowdfunding-access-to-finance-opportunity-for-the-digital-age/>

²⁵³ <http://www.youtube.com/watch?v=72Rqpltxd8M>

²⁵⁴ <http://www.kickstarter.com/projects/kungfury/kung-fury?ref=discovery>

²⁵⁵ <http://www.indiegogo.com/projects/iron-sky-the-coming-race>

²⁵⁶ <https://www.kickstarter.com/projects/22595538/the-killing-of-tony-blair>

- And UK film *8 Minutes Idle* raised more than \$20,000 towards theatrical release, after its distributor went into bankruptcy.²⁵⁸

French crowdfunding site, Touscoprod,²⁵⁹ has raised €2.67m for films, claiming an impressive success rate of 52% in reaching targets, with an average €8,000 raised per project.

The more mature crowdfunding US market has had the biggest success stories in film, perhaps because it has had more need of support without European public-sector revenues. The biggest success stories on the premier crowdfunding site, Kickstarter tell a story:

- *The Veronica Mars Movie Project*: \$5.7m raised for a film based on a cancelled television show that was brought back to life by fans through social media activism.²⁶⁰
- *Wish I Was Here*: \$3.1m raised to support Zach Braff (*Garden State*) film.²⁶¹
- *The New Hottest Spike Lee Joint*: \$1.4m for Spike Lee's new film.²⁶²

All of the examples here, illustrate the different motives for crowdfunding, including: a desire to keep a film or television series alive after it has been abandoned by its former backers; the love of a particular star; the wish to be part of something different and original; a desire to make a political point (the best crowdfunded example of activist cinema probably remains 2009 environmental film *Age Of Stupid*).²⁶³

Crowdfunding has become an essential component of many smaller films in the US, often raising relatively modest sums of money to pay for development, additional distribution, etc. Kickstarter revealed that 20 films funded through its service have won a place at the 2014 Sundance Film Festival.²⁶⁴

New techniques have been developed that are becoming essential to any film with aspirations to raise serious money.

- Interaction with the film-maker/talent
- Special offers and exclusive material
- Membership of an active community
- Demonstrating user confidence in content rejected by the mainstream (e.g., *Veronica Mars*)²⁶⁵
- Access to exclusive material and/or merchandising (e.g., *Iron Sky*)

²⁵⁷ <http://www.indiegogo.com/projects/little-favour--9>

²⁵⁸ <http://www.kickstarter.com/projects/401920617/8-minutes-idle>

²⁵⁹ <http://www.touscoprod.com>

²⁶⁰ <http://www.kickstarter.com/projects/559914737/the-veronica-mars-movie-project?ref=most-funded>

²⁶¹ <http://www.kickstarter.com/projects/1869987317/wish-i-was-here-1?ref=most-funded>

²⁶² <http://www.kickstarter.com/ibid>

²⁶³ <http://www.spannerfilms.net/>

²⁶⁴ <http://www.kickstarter.com/events/sundance2014>

²⁶⁵ <http://www.theverge.com/2014/1/3/5269052/veronica-mars-movie-theatrical-trailer>

- Support for projects that do not fit conventional commercial release
- Support from an existing fanbase for a film-maker, or artist, looking to embark on a new project of direction.

The scale of the success of crowdfunding hints at a potential future problem. The fast growth of crowdfunding sites suggests potential for greater numbers of donors than today, and Kickstarter claims that just under a third of project backers return to offer more support.²⁶⁶

And yet, it is likely that there will be a finite limit to the total amount of money that might potentially be available for investment. The potentially thin spread of money is an issue for film.

Relatively small sums of money might make a huge contribution to the work of a painter, or a small-scale software development but crowdfunding can only realistically pay for a part of most films' production. On the other hand, the variety of motivations for crowdfunding suggests a much broader base of potential support.

And a new motive is entering the scene: the potential to turn a profit through a small share of equity.

FOCUS: THE COSMONAUT

*The Cosmonaut*²⁶⁷ is a science-fiction transmedia project, created by Spanish film-making group Riot Cinema Collective.²⁶⁸

It raised more than €400,000 in crowdfunding from 4,500 donations through Spanish site Lanzanos. The original aim was to use bloggers and social media to try to find new backers after the late withdrawal of an investor.

But as the project progressed, the film-makers threw themselves into innovation, including free release through a Creative Commons licence (see p85), a crowdfunding appeal that rewarded higher backers with exclusive material, and even allowing fans to edit some of the material.

A big factor in pursuing a free model was confidence in the sale of merchandising. The film-makers have been generous in their sharing of knowledge and data, including a free downloadable press guide on the official website.²⁶⁹

KEY LESSON: Keeping the audience engaged and allowing a sense of fan ownership is vital. For *Cosmonaut*, as with other projects, such as *Iron Sky* (See p47), free access and an open-minded approach to copyright can lead to increased returns from ancillary sales, including merchandising.

²⁶⁶ <http://www.kickstarter.com/help/stats?ref=footer>

²⁶⁷ <http://es.cosmonautexperience.com/>

²⁶⁸ <http://riotcinema.com/>

²⁶⁹ <http://en.cosmonautexperience.com/about>

EQUITY CROWDFUNDING

An important future economic trend may be the rise of equity crowdfunding, motivated by possible financial rewards, rather than simple altruism.

The potential to fund a film through a large number of small individual equity investments is promising. It creates an incentive for funders, not least to make a more active effort to promote the product through their social networks.

The development of the sector, however, has been stalled by legal restrictions that apply to financial instruments. These are generally intended as a means of ensuring transparency and trying to prevent individual over-commitment to high-risk ventures: Or as *The Economist* put it, the “fear that crowdfunding is an efficient way for innocents to lose their shirts.”²⁷⁰

In 2013, in the US, the federal agency overseeing financial regulation, the Securities and Exchange Commission (SEC), voted to propose new rules enabling crowdfunding investment.²⁷¹

At a European level, however, the situation is more complex; the venture capital and business angel community have faced significant issues. ECN President Oliver Gajda warned: “The fragmentation of the European Union is a key hurdle for crowdfunding – as it has been for the venture capital industry, too. Although national laws allow for local crowdfunding industries to grow, the markets are limited in size and do not offer room for scale.

“The different legislations and interpretations of European directives will effectively prohibit a healthy European industry from emerging across border. The fragmentation also concerns a number of other related issues, including e-commerce laws, tax rules and company laws.”

At a national level, though, there have been some important breakthroughs.

Italy has led the way in Europe, with regulator Consob introducing a code of conduct and a legal framework in 2012 to govern a rapidly growing market. Equity-based crowdfunding sites, including WeAreStarting²⁷² and SiamoSoci²⁷³ are now running alongside a wide variety of social funding options.

There may be an explosion of sites, joining early adopters, such as Crowdcube²⁷⁴ and Seedrs.²⁷⁵ The wisdom of investing in film, of course, will be the challenge in building strong equity investments in film, given the rarity of serious returns. Equity investment in film, particularly during the early years of the 21st century, was strongly motivated by tax efficiency and sometimes tax avoidance.

²⁷⁰ *The Economist*, November 2–8, 2013. P.75

²⁷¹ www.sec.gov/News/PressRelease/Detail/PressRelease/1370540017677#.UqbpU2RdXMo

²⁷² <http://www.wearestarting.it/>

²⁷³ <http://www.siamosoci.com>

²⁷⁴ <http://www.crowdcube.com/>

²⁷⁵ <http://www.seedrs.com/>

But as the same *Economist* article points out, it is the attraction of the long shot, and sometimes the prospect of putting money in something that the investor feels is worthwhile, that means that it is not just a case of “dumb money.”

There is also an argument that substantial equity investment will lead to more innovation, with pressure to find ways to create profit.

The market may be further aided by virtual currencies, such as Bitcoin,²⁷⁶ that are low-cost and freely exchanged internationally.

FAN FICTION/ADAPTATION

Crowdfunding represents a new form of audience ownership, shared with the producers. Fan fiction is inspired by some of the same motives, especially love of a particular story universe, But it actually involves taking ownership of ideas and characters in a way that the original author may never have intended.

The growth of fan fiction has made a mark on the publishing world, as both a means of marketing work, and of inspiring new ideas.

The idea is to allow lovers of books to use their own imagination to create work inside the ‘story universes’, characters and plots. Also known as fanfic, and with its own variations (including same-sex erotic slash fiction), it has moved from the margins to the edges of the mainstream.

The trend is particularly strong in genres, such as horror and sci-fi²⁷⁷ and one the biggest sites, supporting the idea, is *Pottermore*,²⁷⁸ which actively encourages fans of the *Harry Potter* series to write their own work based on the books, with the support of original author J.K Rowling.

Some fanfic writers have gone on to major success, notably E.L James, whose *Fifty Shades Of Grey*²⁷⁹ series of global bestsellers emerged from her own fan fiction, based on *Twilight*. (The *Harry Potter* series has also spawned a large amount of erotic fan fiction).

The exploration of its potential as a means of building interest in a film, or giving the story and characters created for a film an afterlife, is at an early stage of development in independent film.

In a digital age, however, fanfic could have its audiovisual equivalent with fans allowed to reimagine and recut content. A ‘fanpic’ trend has been around for a while, particularly through unofficial trailers. Hollywood in particular has tolerated and tacitly encouraged the practice.

²⁷⁶ <http://www.forbes.com/sites/realspin/2013/12/22/libertarians-and-millennials-are-going-crazy-over-bitcoin-what-are-they/>

²⁷⁷ <http://io9.com/5466298/12-successful-sf-authors-whove-written-racy-fanfic>

²⁷⁸ www.pottermore.com/

²⁷⁹ *Fifty Shades Of Grey* (James, E.L, 2012, Vintage, ISBN: 0345803485)

Unofficial trailers made ahead of the production of *Fifty Shades Of Grey*²⁸⁰ and *Man Of Steel*²⁸¹ have had millions of hits.

There has been some exploration of the idea through Machinima, where audiences take characters and images from games to create a new story.

The Machinima channel²⁸² on YouTube boasts more than 10 million subscribers with the parent company claiming that a quarter of all 18–34-year-old men who stream videos also watch machinima.²⁸³

Machinima has been around for a decade but retains an ambiguous legal position, generally tolerated and mildly encouraged by some games companies, while remaining technically in breach of copyright.

Some independent films have experimented with the idea, giving permission to fans to re-edit parts of a film (See *Cosmonaut* Case Study, p89). But the film industry has always struggled with the boundaries of 'fair use', even in schools. There remain some big cultural and industrial leaps of imagination to go before the fan fiction phenomenon can work for film.

²⁸⁰ http://www.youtube.com/watch?v=swSA_GiB0g0

²⁸¹ http://www.youtube.com/results?search_query=man%20of%20steel%20unofficial%20trailer&sm=3

²⁸² www.youtube.com/watch?v=0NT7JaQkLUA

²⁸³ www.machinima.com/

‘nouvelle vague’, consciously rejecting what Truffaut is supposed to have called the “*cinema de papa*.”

A perception that a cultural form belongs to a previous generation can be devastating.

And the sense among some younger audiences that older people are defining film is not entirely erroneous. Successful film careers last longer and established voices are amplified in an overcrowded market, leaving less space for new entrants; meanwhile films and alternative content aimed specifically at older audiences (See p54) are grabbing scarce screen time in cinemas.

There is a broader agenda at play too with a growing feeling that the post-war consensus, by which each generation is expected to leave a better and more stable world to their children, is beginning to crumble.

That feeling has been exacerbated by unemployment among the under-25s, which at the end of 2013 was running at 24.4% in the Eurozone; at 57.4% in Spain; and 58% in Greece.²⁸⁵ Talk of a ‘broken social contract’ between generations is now becoming common currency in debate around Europe.²⁸⁶

DIGITAL IMMIGRANTS AND THE GREY MARKET

Age is no longer a barrier to youthfulness, or indeed the adoption of technology – ‘Digital Immigrants’ (tech savvy consumers born before the Internet Age, as opposed to Net Natives) are fully engaged in digital and cross-media change.

The fastest growing age group for Twitter, Facebook and Google+ over the last five years has been the over-50s. In fact, the number of social media users over 50-years-old is now greater than those in the ‘Net-Native’ 18-29-year-old grouping.²⁸⁷ There are even signs of younger people rejecting Facebook as a result. (See p101)

Other influential social media services, including LinkedIn and Pinterest, are also driven by Digital Immigrants. Social networks now serve as an effective means for marketers to aggregate and connect with older audiences.

More mature age groups contain many of the early adopters of technology not least because they are more likely to have the money to afford new devices.

And in terms of cinemagoing, the traditional younger core audience is beginning to give way to older people. Research in Germany reveals that, while the biggest single demographic cinemagoing remains (just) the 20-29-year-old group, those younger audiences are not growing, and may be even be in a slight decline. On the other hand, the study from Professor

²⁸⁵ <http://www.theguardian.com/business/2013/nov/29/eurozone-youth-unemployment-record-high-under-25s>

²⁸⁶ <http://www.europeanyouthvoice.eu/2013/07/we-are-a-resource-not-a-problem/>

²⁸⁷ <http://www/checkfacebook.com>

Elizabeth Prommer, of the University of Rostock, shows dramatic increases in cinema visits by older audiences – up 41% among the over-50s.²⁸⁸

That increase has partly been driven by films aimed specifically at mature audiences, particularly since Hollywood and the mini-majors got in on the act with titles, such as *Captain Phillips* (worldwide box office revenues of \$216m (€158m))²⁸⁹ and *The Best Exotic Marigold Hotel* (\$137m (€100m)).²⁹⁰

Bigger blockbuster films are similarly recognising the potential: almost 60% of the audience for 3D tentpole *Gravity* in 2013 was more than 35-years-old.²⁹¹

A new factor in the market is the rise of so-called ‘event cinema’ or ‘alternative content’, and particularly of live opera and theatre, attracting older audiences, who may not have been regular film watchers. (See p54). And the growth market has spawned other innovations, including new forms of cinema, from local film clubs, screening Blu-ray and HD versions of arthouse and classic films; to new ‘boutique cinemas’, emphasising comfort and exclusivity. (See p59)

The growth of older audiences suggests previous neglect as much as fresh ideas. Cinema has historically been youth driven; even arthouse cinemas remain locked into release strategies designed for young audiences, particularly the emphasis on the opening weekend, which has traditionally not been popular with older cinemagoers. (See p75)

The grey market may drive change in the coming years, perhaps in altered release patterns, new kinds of social space in cinemas, or different kinds of films and programmes. On the other hand, they may also lead to more conservative decisions on content and distribution because older audiences are much less problematic than younger ‘Net Natives’ – easier to find and more loyal to cinema.

Cameron McCracken, managing director of Pathe UK (*The Queen*, *The Duchess* and *The Iron Lady*) told delegates to a Film4 Innovation Forum in 2013, that, while digital marketing and social media were playing a bigger role in the film industry, “the fundamental revolution is further down the line.”²⁹²

He is hinting at an important truth. While the over-45s are not a homogenous social or cultural grouping, people of that age generally grew up with cultural commonalities, often shaped by public service television, school and, to some extent, cinema.

The rise of an active grey market might be good news for independent and European cinema, at least in the short term; older audiences are likely to value drama over action, and may be

²⁸⁸ <https://www.europa-cinemas.org/en/content/.../Elizabeth+Prommer.pdf>

²⁸⁹ <http://www.boxofficemojo.com/movies/?id=captainphillips.htm>

²⁹⁰ <http://www.boxofficemojo.com/movies/?id=bestexoticmarigoldhotel.htm>

²⁹¹ <http://variety.com/2013/film/news/box-office-gets-a-boost-from-older-audiences-seeing-gravity-in-3d-1200721603/>

²⁹² <http://blog.film4.com/film4-forum-2013/>

open to challenging exploration of mature themes. The danger is that cinema drifts further from the cultural agenda of young people; and it cannot be assumed that one 'grows into' arthouse cinema without being exposed to it when younger.

Older audiences, of course, may not care. In the advanced countries of Europe, improvements in health (and often finances) means that generations feel no physical need to cede their positions in society to younger generations. The Who, who famously sang "hope I die before I get old" (*My Generation*, 1965), are still playing gigs nearly 50 years later.

YOUNG CHILDREN

"When you look at kids in real life or in the cinema, you realise that, because they haven't quite worked out the way they are supposed to be, they can mix up emotions," says filmmaker and critic Mark Cousins, whose documentary *The Story Of Children And Film* was widely acclaimed at Cannes in 2013.²⁹³

"Children's emotions are like film edits: they cut to somewhere entirely different. Walter Benjamin and Virginia Woolf talk about this: if you want to say something, say not the thing itself, but the adjacent thing. I knew that if I wanted to talk about children, I would talk about cinema; and if I wanted to talk about cinema, I would talk about kids."

It's an optimistic idea, suggesting that film itself is not the problem, and that the language of film remains relevant and adaptable. Young people may be considerably more media literate than their parents and teachers – and the ease with which they can use audiovisual technology may be the key to the evolution and enrichment of film.

Parents, of course, retain a degree of influence over the early film-watching and media consumption of young children. That is beginning to change, however, and there are signs of new habits forming at very early stages. These toddler trends even have their own poster child, in the YouTube video of a confused infant trying to swipe the pages of a magazine, as if it were an iPad.²⁹⁴

Research about very young children in the US suggests a dramatic increase in mobile screens.²⁹⁵ A 2013 survey of US children from Common Sense Media,²⁹⁶ reveals that 75% of under-eights now own – and 38% of children under two have used – a mobile phone.

The same report suggests that 40% of households, which include a child under the age of eight, now own a tablet computer, compared to 8% in 2011.

Among the biggest selling toys in Europe in 2013 were starter tablet devices, such as the Kurio 4s,²⁹⁷ VTech Innotab 3s²⁹⁸ and Leappad Ultra.²⁹⁹ The significance of these developments

²⁹³ <http://www.theguardian.com/film/2013/may/20/mark-cousins-children-film-cannes>

²⁹⁴ www.youtube.com/watch?v=aXV-yaFmQnk

²⁹⁵

²⁹⁶ <http://www.commonsensemedia.org/about-us/news/press-releases/new-research-from-common-sense-media-reveals-mobile-media-use-among-you>

is more than just a new relationship with screens. Mobile devices makes content personal, rather than communal; they also encourage the expectation to be able to alter and manipulate an on-screen image.

These new viewing habits may have profound long-term consequences for film and media businesses.

There has been something of a parental and political backlash against the social networking and media culture among younger children. A number of countries have banned the advertising or sale of mobiles to children, with Belgium joining the list in 2013.³⁰⁰

But media companies and educators are increasingly realising the advantages of going with the flow. A VOD service Hopster³⁰¹, for example, was launched in 2013 with the specific aim of delivering programming and integrated educational apps, via iPad and tablets to children under six.

And the best cross-media and transmedia projects are often those, such as Lance Weiler's *Laika's Adventure*,³⁰² which work with the grain of young people's use and interaction with media, and each other.

'WOODEN TOY SYNDROME'

It is natural that the soul-searching about a disconnection between children and film should begin with the nature of the films themselves.

The discussion is often motivated by cultural politics, particularly the desire to find stepping stones that will help children find their way to the great European film tradition. The emphasis is often on differentiating between European film and the supposed 'bubblegum' culture of Hollywood.

Jakub Duszynski,³⁰³ artistic director of Poland's Gutek film, at 2013 conference of Europa Distribution, warned that the well-meaning desire to push children towards films that were 'good for them' could be counter-productive, making a comparison with parents who buy crafted wooden toys as gifts and are disappointed by the reaction of the young recipient.

'Wooden Toy Syndrome' can certainly be seen in some European films in which children are merely vehicles for a dark story. A report from a European Children's Film Association seminar

²⁹⁷ <http://www.kurioworld.com/k/us/parents/products/4s/>

²⁹⁸ <http://www.pcadvisor.co.uk/new-product/tablets/3469927/vtech-unveils-innotab-3s-innotab-3/>

²⁹⁹ <http://www.toyshopuk.co.uk/awards/christmas-predictions.php>

³⁰⁰ <http://www.west-info.eu/mobile-phones-banned-for-belgian-children/>

³⁰¹ <http://techcrunch.com/2013/09/26/hopster-the-netflix-for-pre-schoolers-hits-uk-app-store-in-november-with-babar-madeline-superwhy-and-more/>

³⁰² <http://www.lanceweiler.com/project/laikas-adventure/>

³⁰³ <http://www.filmneweurope.com/filmneweurope-tv/104221-interview-with-jakub-duszynski/menu-id-125>

in Norway ends with an apposite comment: “Perhaps the audience is on the verge of being overwhelmed with dead parents.”³⁰⁴

The idea that there is an ailing arthouse aesthetic, to which today’s young people cannot relate, has a kernel of truth, but that may be more about the relative lack of writers and directors choosing to work on films aimed at children.

It is worth remembering that some of the most successful films in recent years, and indeed in movie history, have been live-action films based on European’s children’s stories. Such films have been represented in the top-20 box-office performers of all films worldwide in 14 of the last 15 years, including the *Harry Potter* films, *The Hobbit*, *The Chronicles of Narnia*, *Alice In Wonderland*, *The Golden Compass* and *The Lord Of The Rings*. The charts also included Aardman’s *Chicken Run*, *The Adventures of Tintin* and *The Smurfs*.

And, just to illuminate an earlier point, most of those blockbuster films were also based on stories about children lost and separated from their parents and homes; Harry Potter is an orphan, whose parents have been murdered; and it is hard to imagine a darker premise than the one for the biggest post-Potter franchise, *Hunger Games*. Dark stories still sell to kids.

There is an argument, however, that what young audiences today increasingly want and expect is cinema on a grand scale. They are generally exposed to 3D and effects-driven films from Hollywood at an early age, which may account for a certain bias towards tentpole blockbusters; one could also make a case that when children read the source books for some films, their imagination creates very big pictures.

In terms of basic economics, big franchises are built on pre-existing hit books, the rights to which are far beyond most independent European companies. Children’s film has the same problem as adult films in building a profile without prior audience knowledge of the story.

There are then serious challenges but those barriers are heightened by a general marginalisation of children’s film in Europe. The Erfurt declaration adopted by Kids Regio forum³⁰⁵ in 2009 made the point in clear language: “Children are the audience of today: they have a right to see films that take them and their stage of development seriously.

“They deserve films that find the right, convincing tone. Children are the audience of tomorrow: if they don’t have the possibility to become familiar with the full variety of genres, subjects and styles, it is unlikely that they will develop a taste for this variety as adults.” Research showed only 3.4% of live-action films made in Europe was aimed at the under-15 audience, which made up 15.7% of the European population.³⁰⁶

The declaration suggested that children were more likely to acquire a taste for European cinema if they saw their own experiences reflected on the big screen.

³⁰⁴ http://www.ecfaweb.org/projects/filmmaking/Seminar2013/ECFA_Seminar_Kristiansand.pdf

³⁰⁵ <http://kids-regio.org/erfurt-declaration/>

³⁰⁶ <http://www.kids-regio.org>

The part of the statement that leaps out is that “children are the audiences of *today*.” The tone of industry debate, and arguably much education policy, focuses on children as future audiences, who must be helped to *acquire* a ‘taste’ for a distinctively European aesthetic.

European film is strongly inclined to the idea of the ‘good film’ that demands appreciation. The film world tellingly spends a large amount of time and energy judging itself and awarding itself awards and prizes, with powerful and consistent benchmarks of ‘quality’.

The *Sight & Sound* poll of the greatest ever films, a major poll of critics, directors, academics and distributors, has changed remarkably little in the half century between 1962³⁰⁷ and 2013.³⁰⁸ Only five films from the last 25 years were chosen for the 2013 poll, and one of those is Godard’s *Histoire(s) De Cinema*. The idea of an arthouse canon can be intimidating to new audiences.

In recent years, there have been signs of a change of attitude and there have been big local hits. (See Case Study p100)

There remains, however, an image problem to be addressed, which is particularly evident when European children’s films attempt to cross borders. In some respects, that is unavoidable: subtitles, for example, represent a natural and genuine barrier to enjoyment to non-national films for many children; and films with subtitles are almost always relegated to art cinemas and, as discussed in this chapter, arthouses don’t generally attract children.

But European film can at least address the broader shortcomings in terms of the number, authenticity and reach of children’s films: by encouraging film-makers to work in the genre; and by finding new ways to engage young audiences at early stages of film development; and by employing fresh storytelling and marketing techniques.

The challenge is that today’s children and young people have a huge number of alternatives to watching film in comparison to previous generations.

European children’s film does not just have to compete with Hollywood, it also has to take on games consoles, iPads, mobiles, etc. To win, it needs to work with young audiences, using the widest range of new tools.

Children’s film does have particular obstacles that make it financially challenging for producers and distributors. On the other hand, from a public funding perspective, children’s film has a potentially vital role in cultural and economic terms, and there are now new ways to engage young audiences.

³⁰⁷ <http://www.listal.com/list/sight-sound-1962>

³⁰⁸ <http://www.bfi.org.uk/news/50-greatest-films-all-time>

CASE STUDY: CLASS OF FUN

Barbara Bredero's classroom comedy *Class Of Fun (Mees Kees)*³⁰⁹ was a big hit in the Netherlands, breaking local records and taking more than €3.9m from 570 million admissions.³¹⁰ It has been winning awards around the world, including the Best of Fest honour at the 2013 Chicago International Children's Film Festival.³¹¹

World rights have been taken by sales agent High Point Media Group, which enjoyed success with another Dutch children's hit *Cool Kids Don't Cry*,³¹² which took more than \$2.5m and 300,000 admissions in the Netherlands.

Both are adaptations of successful children's books.

KEY LESSON: The rarest commodity in the European children's film market is the ability to make children laugh, while retaining authenticity. As with the overwhelming majority of children's hit films, *Class Of Fun* is an adaptation of a book. Where the source book has traction only in the local market, international sales are more difficult.

ENGAGING YOUNG AUDIENCES

If European film is really to win out against all the other media and entertainment options now available, it needs a greater understanding of the young audience. The disconnection is the same one faced by all productions: the paucity of data to inform demand and far too much ill-informed myth.

To be fair, younger audiences are moving targets; they change their tastes and habits with great regularity as they mature. It makes identifying and marketing to consistent demographic groups extremely difficult. There is little homogeneity between, for example, the film tastes of the average seven-year-old and those of the average 12-year-old, even though seven-to-12 is often a single marketing category.

A big problem for European film is that in the two, or three years it takes to get a film from development to market, the initial audience may have moved on. For children's film, even more than adult films, the dialogue with the target audience ought to begin at the earliest stages of development. And the film-maker needs to listen.

Fortunately, there are now digital tools to aid interaction. Young audiences, for example, tend to congregate *en masse* around certain social media and mobile services because they facilitate communication with the widest circle of friends.

³⁰⁹ <http://www.imdb.com/title/tt2234275/>

³¹⁰ http://issuu.com/netherlandsfilmfund/docs/fff_2013_def/23

³¹¹ <http://www.facets.org/kids/trailers.php>

³¹² http://www.imdb.com/title/tt1800372/?ref_=nv_sr_1

Those services can also change at high speed, sometimes because they are discovered and adopted by parents. There are signs, for example, that Facebook is rapidly becoming, to twist Truffaut's famous phrase, the *social media de papa*, which, if true, is bad news considering that many marketing departments have become adept at using the service.

Preliminary evidence from an EU-funded academic study in eight countries at the end of 2013 suggested that Facebook was in terminal decline among teenagers.³¹³ "What we've learned from working with 16–18 year olds in the UK is that Facebook is not just on the slide, it is basically dead and buried," according to Daniel Miller, Professor of Media Culture at the University of London.

"Mostly they feel embarrassed even to be associated with it. Where once parents worried about their children joining Facebook, the children now say it is their family that insists they stay there to post about their lives. Parents have worked out how to use the site and see it as a way for the family to remain connected. In response, the young are moving on to cooler things." (One piece of research from Princeton University is even predicting that the social media site will lose 80% of its 1.2 billion peak user numbers by 2017).³¹⁴

The research suggests four contenders for a replacement – Twitter, Instagram, WhatsApp and Snapchat. Each has taken root because, while lacking Facebook's functionality, they feel less compromised by parental involvement.

Social media among younger consumers, like much else in youth culture, goes through cycles of hype, mass-market acceptance and then inevitable and fast decline, as a boredom threshold is reached. When these reports were first written in 2008, MySpace was still the biggest player on the social media scene, and sites, such as the music sharing iLike,³¹⁵ were being touted as the *next big thing*. Equally, the highly connected nature of all social media networks used by young people, make them impossible to ignore.

TWEENAGERS TO TEENAGERS

While tastes vary dramatically between ages (and to a certain degree between genders), the personalised media habits observed in younger children are even more pronounced once they reach an age to be given (or take) a great autonomy over their viewing decisions.

That coming of age arrives much more quickly than it did for previous generations. The emergence of a significant 'pre-teen' or 'tweenage' demographic – roughly starting at seven-years-old – has changed media habit in ways that would have been inconceivable before the Internet. They represent a cultural phenomenon that has grown faster than the rise the teenager in the 1950s and 1960s (although the term 'tweenage' has no currency among young audiences themselves).

³¹³ <http://theconversation.com/facebooks-so-uncool-but-its-morphing-into-a-different-beast-21548>

³¹⁴ <http://www.theguardian.com/technology/2013/dec/27/facebook-dead-and-buried-to-teens-research-finds>

³¹⁵ <http://en.wikipedia.org/wiki/ILike>

The Internet, mobile phones, messaging, and social networking have all become profound influences, with connectivity becoming as important as content. Despite the fact that the main social networks have a 13+ age limit, around 38% of nine-to-12-year-olds now have a social-media profile, according to the EU Kids Online survey from the London School of Economics (LSE), rising to 77% of 13-16-year-olds.³¹⁶

By the time tweenagers become teenagers, on-demand, multimedia entertainment is already second nature. The prevalence of 'personal' media, such as mobile phones, MP3 players, PCs, handheld games players and televisions in bedrooms have all been agents of cultural change.

It should be added that this culture is not universal; there is a growing and worrying divide between the multi-screen richer young people and those deprived of access to devices and networks, normally for economic reasons. And yet what research consistently shows – confirmed by many more scientific reports – is that we are not seeing a simple shift from 'old' to 'new' media. Box-office figures for 'family' films remain robust.

Television in some respects remains equally resilient, as the success of a few tentpole must-see reality TV and talent shows has demonstrated across Europe. And the advent of HD and 3D television may help concentrate these kind of shared event-television experiences around a single family television (though their attention may be elsewhere, see below).

Despite the soul searching from industry, the relative decline in young audiences is less about rejection of cinema and more about the large number of alternative ways to spend time. In practice, the task is to create films that feel relevant and entertaining enough to create social-media conversation, and marketing that uses the right channels without seeming to be exploitative.

MULTI-TASKING AND SECOND SCREENS

Although home entertainment has increasingly become fractured into a series of individual experiences, peak-time communal family viewing has been boosted in recent years by reality television and quiz shows (now both in decline), and by the rise of talent shows.

The talent show has partly been responsible for ensuring that 'linear TV' figures remain healthy. And yet, it may not be the case that the national talent show is a family experience – in fact, many younger audiences are actually conversing with friends over mobile devices and laptops, even if they are physically in the same room as parents and siblings.

Research from 2011 showed that 56% of teenagers used their mobile phones to text friends while watching television, and 70% used a laptop to browse content.³¹⁷ Those numbers will

³¹⁶ <http://www.lse.ac.uk/media@lse/research/EUKidsOnline/Presentations/ICA2011/Staksrud.pdf>

³¹⁷ <http://mcst294-03.tumblr.com/post/50280273621/teens-tv-and-twitter-embracing-the-second-screen>

have risen strongly over the last two years. (US research suggests that 88% of all US consumers now use mobile phones while watching television).³¹⁸

The move to mobile may be the most important single trend in youth culture across the age groups. A survey of young people between 12-and-15-years-old revealed that 52% said they most miss their smartphones if all devices were taken away (far ahead of any other option).³¹⁹ That statistic may change soon but only because of the rise of another mobile device: the UK recorded the first fall in smartphone ownership among five-to-15-year-olds in 2013 (43% to 49%); but a big jump in the number of tablet owners from 7% to 26%.³²⁰

These mobile devices are often used at the same time as watching television (second screening, or multi-tasking). The television may be situated in a family room but the engagement may be elsewhere. Brands have been successfully inserting themselves into the 'second screen' conversation,³²¹ while some media companies are integrating it into their programming.³²²

A survey for the European Interactive Advertising Association suggests that these media multi-taskers are the most avid users of the Internet for entertainment with 38% watching film, television or video clips on the web (compared with 21% of non multi-taskers).³²³

Multi-tasking is a potential marketing tool, allowing content and opinion to be shared instantaneously through friends, with social media sometimes spreading reaction virally. Exploiting these routes to young audiences is tough, however, not just because of legal restrictions, but also because younger audiences have become hyper-sensitive to any hint of inauthentic marketing.

And there is also some scepticism: a study from Stanford University suggested that multi-tasking is less evidence of a new ability to simultaneously focus on many forms of media than the inability to focus on one. Multi-taskers have become "suckers for irrelevancy" it suggests.³²⁴

PRICE AND VALUE AT CINEMAS

The position of cinema in the hierarchy of children's pursuits is a longstanding concern for film. Most older audience members probably fell in love with the cinema before acquiring their passion for film.

³¹⁸ <http://www.businessinsider.com/a-majority-uses-mobile-as-second-screen-2013-5>

³¹⁹ <http://stakeholders.ofcom.org.uk/binaries/research/media-literacy/oct2012/main.pdf>

³²⁰ <http://www.bbc.co.uk/news/business-24384814>

³²¹ <http://www.marketingweek.co.uk/sectors/media/news/itv-heralds-second-screen-as-the-new-advertising-medium/4009136.article>

³²² http://www.huffingtonpost.com/2013/09/16/disney-the-little-mermaid-second-screen_n_3915815.html

³²³ www.eiaa.net/news/eiaa-articles-details.asp?lang=1&id=203

³²⁴ <http://news.stanford.edu/news/2009/august24/multitask-research-study-082409.html>

The proportion of young cinemagoers has dropped in some countries; and cinema does not easily slot into the culture of a multi-tasking generation, brought up on videogames, social media and YouTube. Yet there is no unequivocal evidence of a shift away from cinema, other than a mathematical reality that more time is being spent on other forms of entertainment that might once have been spent at the box office.

The multiplex cinema experience is generally geared towards younger audiences and blockbusters remain popular. The problem of convincing teenagers to try arthouse alternatives is more of an issue. (See also Chapter 5)

The independent sector has struggled to attract younger audiences. There is a common perception that arthouse cinemas are (to quote a participant at a SampoMedia-backed conference in 2013) places for “old people and student hipsters.” The conference at the Tyneside Cinema in the UK city of Newcastle, was based on research about young audiences,³²⁵ which revealed a reticence to enter an environment that was deemed to be old and elitist (a view that evaporated for many after spending time there).

There was, however, a common factor, which may become a serious concern for all cinema: price (See p25). Research suggests that there is a growing resistance to cinema ticket prices among younger audiences. The premium cost of 3D has certainly had an influence on perceptions of value, particularly as the predominant target audience is teenagers.

That might be a manageable problem with greater use of discounting and variable ticket pricing. Actively targeting young audiences with ticket schemes, special screenings and lower prices has made a significant difference to the Tyneside audience mentioned above.

But there is a second factor in the value-for-money perception that is harder to combat. Subscription VOD services, such as Netflix and LoveFilm, now offer instant access to considerable choice at extraordinarily low cost (free if purchased by parents for the home).

Cheap services may help reduce piracy (See p36) but all-you-can-eat services could also change attitudes to a fair price for film, with potential knock-on effects for cinema attendance, and by extension, other platforms that rely on strong box-office performance.

EDUCATION AND PARTICIPATION

Film education has been a weak spot in most of Europe (with some very notable exceptions) despite active campaigning over many years. The strong case that film should be taken as seriously as literature, art and music in the curriculum has often fallen on deaf ears.

In recent years, however, the momentum has grown, driven by belief at national and European level that media literacy generally is an essential economic driver. The European Commission considers it “an extremely important factor for active citizenship in today's information society. Just as literacy was at the beginning of the twentieth century, media literacy is a key

³²⁵ *Seeing The World Differently* (Morris Hargreaves McIntyre, 2013)

pre-requisite of the twenty-first century. It is also fundamental for European cinema: media-literate people can make more informed choices.”

Education is becoming more balanced in its aims, and is not just about trying to instil young people with an appreciation of the European canon. The new Film Nation organisation for the UK, for example, talks about “encouraging and enabling watching, making and critical understanding of film in one accessible offer.”³²⁶

The idea that film is something you do, rather than just watch, is key. Better tools for film-making appear every day and there is now almost universal access in Europe to low-cost video cameras, editing and distribution. The success of other forms of activity (such as Lego, see Case Study) demonstrates the value of active participation and interaction.

The tools are already in place, and not just in terms of technology: German director Volker Schlöndorff has talked about film as “another *lingua franca*, the language of the images.”³²⁷

The MEDIA programme has identified content creation as one of three fundamental principles of its media literacy policies, alongside knowing how to access content and to nurture critical faculties towards content. The biggest obstacle may be another demographic divide: most teachers are far behind children in audiovisual know-how.

CASE STUDY: LEGO

Danish toy company Lego is one of the world’s most successful children’s brands – but it was close to bankruptcy in the 1990s. It has made a remarkable recovery yet the base bricks have not changed shape since the first one came off the production line in 1949.

Its success in recent years offers clues to film in engaging young audiences. The first step is creating stepping stone products, which allow young users to grow up with the brand. For example, the brand finally managed to find a path – Lego Friends – that kept girls interested in what had been a male-dominated toy.³²⁸

The sets become increasingly more sophisticated, encouraging a much greater degree of interaction as children get older.³²⁹ “What had been a brand built around replication is now about uniqueness of expression,” Ian Davidson, senior manager of brand insights at children’s brand consultancy Creative Consumer Concepts.³³⁰

KEY LESSONS: Lego has succeeded by understanding the strengths of the core product and bringing in opportunities to create new ideas, rather than following instructions. It also understands the ways that children mature – through long and painful experience.

³²⁶ <http://www.filmnationuk.org/>

³²⁷ www.europeanfilmacademy.org/2009/06/09/a-plea-for-the-emotional-side-of-europe

³²⁸ <http://www.telegraph.co.uk/culture/9314640/Little-girls-big-business.html>

³²⁹ http://www.utalkmarketing.com/pages/article.aspx?articleid=23132&title=how_lego_reinvented_its_innovation_system_and_conquered_the_toy_industry

³³⁰ <http://www.adweek.com/news/advertising-branding/legos-consistency-has-been-key-its-success-148553>

CHAPTER 9: SHAPE OF THINGS TO COME

140-CHARACTER SUMMARY

- *GLOBALISATION: Multinational giants are exerting greater influence over film while borders lose their meaning.*
- *SCALING UP: Smaller businesses and smaller countries are cooperating to build scale.*
- *MICRO-FILMS: Some businesses have exploited the benefits of being smaller and more nimble and of low-cost technology*
- *CREATIVE COOPERATION: Creative businesses and film companies are increasingly working in diverse hubs, clusters and networks*



IF ONE SET out to construct an ideal industrial structure for film based on the realities of audience demand and economic change, it is unlikely that it would look like today's business.

This report has argued that the value chain for film was created for a different era of physical products.

The business is still largely shaped by the limitations of national borders, release windows, public-sector investment and the centrality of the cinema.

The multinational conglomerates, to which the Hollywood studios belong, have been through a long period of change, partly driven by the influence of other multinational online giants, such as Google, and Apple, Amazon and Netflix.

As a rule of thumb, the big are getting bigger. "I think things are going to tend much more toward scale," suggested James Murdoch, deputy chief operating officer of News Corporation. "Content groups are going to get much larger."³³¹

³³¹ *The Economist* (June 22–28, 2013). P.68

Scale, as the next section argues, allows a degree of influence over the shape of the coming film market, both driven by, and increasingly tempered by the complexity of consumer demand.

Creating scale is a problem for the European industry, and independents more generally. There are, however, some signs of restructuring, much of it in terms of vertical integration.

European VOD platform UniversCiné, for example, is a rights aggregator, publisher and distributor, founded by a group of 49 shareholding film companies.

The site is itself part of another 11-member international network, EuroVOD.³³² (See p71 for more).

Companies, such as Picturehouse Cinemas³³³ and Curzon Film World³³⁴ in the UK, have expanded with interests in both distribution and exhibition (theatrical and on-demand), while others have been diversifying into alternative forms of audiovisual production or rights ownership.

Both Picturehouse and Curzon have been experimenting with new forms of releasing, including day-and-date multimedia launches. (See p32)

Other companies are joining forces to exert an influence over the on-demand environment and to build economies of scale.

In all these cases, there is a growing sense of the need to achieve the right fighting weight for the global competition for consumer time; and the requirement for new skills, finance and resources for a multimedia age has led independents naturally to look at means to scale up.

These raise difficult questions for policy-makers at regional, national and European level – the balance between competition and cooperation; the role of national policy in an international market; the definition of national and European culture, etc.

European companies have sometimes resented the fact that competition and other business laws have put them at a disadvantage compared with, for example, some stateless globalised on-demand service providers (See p108 for more) when trying to grow.

And the independent industry is aware that size matters.

³³² www.eurovod.org/

³³³ <http://www.picturehouses.co.uk/>

³³⁴ www.curzonfilmworld.com/

CASE STUDY: GERMANY'S GOLD

Multinational giants may face delays and obstacles in breaking into markets but they have advantages over local providers in terms of tax and regulation.

In 2013, German public-service broadcasters, ZDF and ARD, were forced to drop plans for a VOD service – Germany's Gold – after the national competition regulator ruled that their involvement would be anti-competitive.

The service would have been a dedicated platform for German film and television productions.

Alexander Coridass, President and Chief Executive of ZDF Enterprises said: "It is deplorable that the realisation of this ground-breaking and future-oriented project cannot be achieved. It seems that German competition law prevents companies like ZDF Enterprises from playing an active role in the development of VOD markets.

"In times of the changing use of media, of modified viewer needs, and of the fragmentation of offers, it would have been important to have a portal with a focus on German and European content."

KEY LESSON: The regulatory system in Europe has a clear set of rules and is intended to allow the flourishing of an open and diverse market, in which small and innovative services can make a mark. The difficulty for the EU is that it is much harder to put the same constraints on the global giants of the digital age.

HOLLYWOOD AND THE GLOBAL GIANTS

In the year 2000, just four films were made with budgets above \$100m but in 2013, 29 of the top 50-grossing films worldwide had budgets of more than \$100m. Even accounting for inflation, the big gambles on tentpole features have got bigger.

So-called 'Four Quadrant' releasing, aimed at the widest possible demographic, is a high-stakes game as the disappointing start to the US domestic summer tentpole season showed. Steven Spielberg warned that the reliance on globally-marketed movie behemoths risked the long-term "implosion" of the industry.³³⁵

The expansion of a large-scale globalised business model, capable of exploiting economies of scale across the world, has not just been a case of Hollywood grandiosity. The previous model of most studios had been on a more diversified model, with specialist film arms delivering high-quality, award-winning fare. But the strategy had been constructed on what proved to be

³³⁵http://www.slate.com/articles/business/moneybox/2013/07/steven_spielberg_hollywood_imploding_how_he_predicted_a_disastrous_summer.html

a private equity bubble – a survey in 2007,³³⁶ for example, suggested that the studios had collectively lost \$1.9bn (€1.5bn).

The Hollywood studios are all parts of multinational diversified conglomerates with film as just one part of the company. (*The Economist* estimates, for example, that cable sports network ESPN accounts for “40% of Disney’s operating income, 60% of its free cashflow and as much of its share price.”)³³⁷ Television is playing an ever greater role in the studio business. (See p112).

The film arms of studios then need to pay their way and concentrate on business that is as stable as an entertainment medium can be – through exploiting scale, not just of tentpole features but also through distribution of some of the most commercially-promising independent and even foreign-language film where it can make a profit.

Hollywood has reason to focus on the international market because increasingly it is where its audiences are found. Slow US domestic growth means the attention of Hollywood has shifted overseas, and particularly to the big emerging markets of China (See below) and Russia.

The top-20 studio films in the US market all did bigger business outside the US, with the number-one box office hit *Iron Man 3* making \$409m (€300m) at home but nearly twice as much – \$806m (€590m) – abroad. The international market sometimes even bails out domestic flops, as with *Pacific Rim* in 2013, which took three quarters of its \$400m (€295m) revenues abroad, \$114m (€85m) of it in China³³⁸. Ten years previously, 12 out of the top 20 had earned the majority of revenues in the domestic market.

Hollywood tentpoles require the maximum number of screens and it is a rational concern that growth comes at the expense of smaller films, and not only in terms of screen space.

The scale and size of the big franchise films is arguably redefining the cinema experience for many young people.

Much of the digital environment in which European cinema now has to operate has *Made In Hollywood* written all over it. Certainly it is the studios that have largely dictated the direction and the pace of the transition to Digital Cinema, notably through Virtual Print Fee agreements and the D-cinema DCI standards, which govern the quality, interoperability and security of projection and digital prints.³³⁹

Hollywood needs big numbers because international hits do not deliver the same revenues to the bottom line, with expenses including taxes, levies and exchange rates.

³³⁶ <http://www.screendaily.com/study-suggests-studios-took-a-1.9bn-hit-on-blockbusters-in-2006/4035854.article>

³³⁷ *The Economist* (March 23–April 5, 2013) P.72

³³⁸ <http://online.wsj.com/news/articles/SB10001424052702304682504579153241399905968>

³³⁹ <http://www.dcinovies.com/>

There has been another side to the studio strategy: scaling up has gone hand-in-hand with reducing costs and rebalancing the investment away from upfront payments.

“We don’t mind sharing the upside [of a movie with talent] as long as we don’t have a downside, or we have a sharing of that risk,” said Viacom CEO Philippe Dauman, chief executive of Viacom, which owns Paramount Pictures.³⁴⁰

THE ON-DEMAND GIANTS

One of the biggest influences over price and demand will be competition and scale among the global on-demand operators and the social media giants.

It is also one of the problems in the commentary on the future because today’s competitive and diverse market today may become much less so through mergers, acquisitions and takeovers.

Google acquired YouTube in 2006;³⁴¹ Amazon bought European SVOD service LoveFilm in 2011;³⁴² and among a number of major deals in the last year, Yahoo spent \$1.1bn (€0.8bn) on blogging site Tumblr. There have also been highly significant market changes with both Facebook and Twitter³⁴³ going public in high-profile IPOs (Initial Public Offering) in 2012³⁴⁴ and 2013 respectively.

One-time giants have also tumbled during the same period, including MySpace, which was the most visited site in the US until 2006 and the world’s leading social media site until being overtaken by Facebook in 2008. It was bought by Rupert Murdoch’s News Corporation in 2005 for \$585m (€430m), and two years later was valued as high as \$12bn (€8.8bn); it was sold in 2011 for a mere \$35m (€26m).³⁴⁵

There is a point to this for film. Funky startups that capture the public imagination can, through viral growth, become corporate giants within a few short years, even when their underlying business model and profit potential is far from clear.

Although questions are beginning to be asked of search engines and social media companies, particularly in terms of net neutrality³⁴⁶ and privacy, film commentary tends to cast studios as cultural imperialists and acquisitive global capitalists and the web giants as much more benign and democratic institutions. The personal relationship with sites, such as Facebook and Twitter contrasts with the buyer-seller relationship with Hollywood.

³⁴⁰ <http://www.homemediamagazine.com/paramount/viacom-ceo-declining-dvd-sales-have-altered-moviemaking-economics-28359?print=1>

³⁴¹ <http://news.bbc.co.uk/1/hi/technology/6034577.stm>

³⁴² <http://www.ft.com/cms/s/0/9aa7315e-2482-11e0-8c0e-00144feab49a.html>

³⁴³ <http://www.theguardian.com/technology/2013/nov/06/twitter-ipo-explained>

³⁴⁴ http://en.wikipedia.org/wiki/Initial_public_offering_of_Facebook

³⁴⁵ <http://www.theguardian.com/technology/2011/jun/30/myspace-sold-35-million-news>

³⁴⁶ <http://www.imdb.com/title/tt1856010/>

The importance of film to the emerging VOD platforms, and particularly of the big players, is still not clear. Sport remains the main focus for many of the big media conglomerates, who have been paying huge sums for the rights to screen the biggest events, while VOD company investment has tended to be in television series, such as Netflix's *House Of Cards*. (See p37)

Future investment may depend on the success of models that will allow VOD companies to charge different prices to meet different demand. In December 2013, in a sign that the goalposts are already moving, Netflix announced that it was planning to experiment with a pricing plan that would charge extra for logging on to more than one screen for the same account.³⁴⁷

Premium VOD: The hope for Premium VOD is that consumers will be prepared to pay a higher price for simultaneous release of films in cinemas and on on-demand platforms. Early experimentation by the studios at \$30 (€22) for Premium VOD home rental in 2011 attracted little public support.³⁴⁸ But more recent experiments in Europe have shown a little more traction, though at a price close to a single cinema ticket.

UltraVOD: Ultra-VOD means that a film is screened before theatrical release, usually as an exclusive screening for the customers of a VOD channel, Russian director Andrei Marmontov's *The Gold*, for example, screened on CinemaWell.com³⁴⁹ in 2013.

Exclusivity: Exclusive content may be more important than time for many consumers. Netflix's exclusive screening of the final season of hit television drama *Breaking Bad*, was a considerable coup. That kind of exclusive content may open up new options for VOD subscription companies.

SCALING UP IN EUROPE

For much of the European industry, restructuring has been more a case of scaling down than growing. Most change is reactive, responding to economic pressure or to a reduction in public funding.

Some of that change is highly visible, particularly where businesses have been forced to close, such as independent distributor Revolver Entertainment in the UK in 2013³⁵⁰ but there has been much less obvious downsizing in many businesses. The fact that there have been so few bankruptcies may owe more to the sustainability of public-sector funding than lack of market turbulence. But the need for European companies to compete in terms of scale has been recognised by many industry and political leaders as vital in a competitive globalised market.

³⁴⁷ <http://www.bbc.co.uk/news/technology-25579246>

³⁴⁸ <http://latimesblogs.latimes.com/entertainmentnewsbuzz/2011/07/not-much-demand-yet-for-premium-video-on-demand.html>

³⁴⁹ <http://www.cinemawell.com/sfs/80>

³⁵⁰ <http://www.screendaily.com/news/distribution/revolver-office-shut-as-company-future-in-question/5052592.article>

Many in the European film industry feel that Hollywood has been allowed too free a rein in flexing its international muscles; and some have actively pursued the idea that a European studio is unfinished business, following the demise of its previous incarnation in PolyGram Filmed Entertainment in 1999.³⁵¹

A number of businesses in the last decade have made attempts, more or less explicitly, to create a PolyGram-style entity; and while economic downturn has curtailed some of those ambitions, there has been no relenting in the belief that Europe needs a muscular tier, capable of controlling its own destiny.³⁵² Through takeovers, mergers, and indeed business failures, the search for scale will become a bigger factor in European film, although the global nature of business may make it more difficult to define any international business by location.

Canadian company Entertainment One, for example acquired Alliance Films, which included Spain's Aurum Producciones and the UK's Momentum Pictures in 2013 to become one of Europe's biggest indie distributors.³⁵³

Many of the bigger European film companies have been transforming for years into much bigger international companies, able to exercise big economies of scale across many different media.

FOCUS: SUPER-INDIES

Superindies are diversified, international multimedia companies, normally created through merger and acquisition.

The Zodiak Media Group,³⁵⁴ for example, is owned by Italian conglomerate De Agostini, and comprises 45 companies in 15 countries. They include Yellow Bird³⁵⁵, the Swedish independent producers behind the Millennium series of films (*Girl With The Dragon Tattoo*, etc), and hit television series *Wallander*, based on another bestselling book series. Zodiak now boast revenues of more than €600m.³⁵⁶

Elizabeth Murdoch's Shine group, which acquired Scandinavian producer Metronome Film And Television for SEK719m (€81m) in April 2009. Shine was itself controversially purchased in 2011 for £415m (€509m).³⁵⁷

The list of multimedia, international and diversified super-indies also includes the Banijay Group, All3Media, Endemol and Fremantle Media.

³⁵¹ http://en.wikipedia.org/wiki/PolyGram_Filmed_Entertainment

³⁵² www.universcine.com/

³⁵³ <http://www.torys.com/OurExpertise/TransactionsandCases/Ps/EntertainmentOneAcquiresAllianceFilmsInc.aspx>

³⁵⁴ <http://www.zodiakmedia.com/>

³⁵⁵ <http://www.zodiakmedia.com/our-companies/nordic/companies/yellow-bird.php>

³⁵⁶ <http://zodiakmedia.com/includes/zodiak-brochure-2013.pdf>

³⁵⁷ <http://www.shinegroup.tv/>

National boundaries are even more difficult to discard than release windows. The sale of film rights to a specific territory *is* the business model for European independent production. The Internet, however, was constructed specifically as a global network free of the shackles of nationality.

The European industry is struggling with the practical issues of cross-border sales and the effect on the existing value chain. But the discussion touches on much bigger debates that are at the heart of the European project.

The European Union was conceived and built as a free trading zone, in which member countries could freely exchange goods and services. Imposing borders runs counter to that thinking.

Removing internal borders in Europe but not for the rest of the world is clearly a major political issue, highlighted by the sometimes fractious negotiations over the EU/US trade treaty in 2012. Globalisation offers the opportunity to expand European film into new markets but it also opens it up to competitors, in the case of film, in the form of Hollywood and media and on-demand giants.

DIVERSIFICATION

Film companies have often worked in television and advertising but convergence is driving the economics, and to some extent the production of all content closer. In fact, that word ‘content’ is frequently used as ugly shorthand for any form of audiovisual work.

Europe has a number of innovative companies, which have been strongly focused on the potential of working across the full range of audiovisual media, including Warp,³⁵⁸ Aardman³⁵⁹ and French music and films company Pulse.³⁶⁰

It is likely that diversified, multimedia companies, working across many media will become the norm and the super-indie model combining many different media interests is already making an impact in Europe. (See Focus p112)

In 2013, one of the giants of the US indie world, Harvey Weinstein announced that his company – a champion of independent and indeed European film – was planning to invest more heavily in television.³⁶¹

French producer-distributor StudioCanal, already part of the conglomerate owning premium television service Canal+, bought UK television outfit Red Production Company. Other growing

³⁵⁸ <http://warp.net/films/warp-films-general>

³⁵⁹ <http://www.aardman.com/>

³⁶⁰ <http://www.pulsefilms.com/>

³⁶¹ http://www.nytimes.com/2013/11/25/business/media/the-weinstein-company-seeking-hits-shift-to-tv.html?_r=0

multimedia companies include Germany's Koch Media³⁶² with interests across Europe in film, games and software.

The key to diversification is the growing understanding that content is essential to the strategy of technology companies. Owning pipelines and infrastructure only makes sense if there is compelling reasons for consumers to use them.

Vodafone, for example, bought Germany's biggest cable TV operator Kabel Deutschland in 2013,³⁶³ after a battle with Liberty Global³⁶⁴, which is itself the number-one cable operator in nine European countries after a series of buyouts, including the 2013 acquisition of the UK's Virgin Media.³⁶⁵

What is not yet clear is how bigger diversified media companies will view film as a business priority. The perceived economic interests of the whole group may outweigh the specific interests (or objections) of film, perhaps in areas, such as release windows.

On the other hand, internationally-focused film interests, particularly looking towards emerging markets, such as China, may in fact become more important.

SMALL COUNTRIES

The challenges of scale are best illustrated by the position of Europe's smaller countries. More than half of European countries have populations of less than six million people and only eight have populations above 20 million. Europe also includes significant regions with their own distinctive cultural identity and sometimes language.

Analysis of the production numbers produced in the last European Audiovisual Observatory Focus Report³⁶⁶ shows that in 2011, the five biggest countries of the EU (Germany, UK, France, Italy and Spain) accounted for almost 72% of the 100% nationally produced fiction feature films (569 of 792 films). France alone produced more fiction features than the combined total of those produced in the 15 (of 27) EU countries with populations below 10 million.

The sense of a unique culture is no less strongly felt by individual citizens small nations than those of larger neighbours; in many cases it is felt more strongly given the domination of bigger states, some of which, at various times in history, have tried to suppress national cultures and languages.

What smaller countries do not have is the size of population or scale of internal market to build a large and self-sustaining cultural business sector, to express that cultural identity. If

³⁶² <http://www.kochmedia.com/company/vision.html>

³⁶³ <http://www.reuters.com/article/2013/12/20/us-kabel-vodafone-idUSBRE9BJ0T920131220>

³⁶⁴ <http://www.libertyglobal.com/>

³⁶⁵ <http://www.bbc.co.uk/news/business-21347814>

³⁶⁶ *ibid* footnote 52

film has a realistic claim to be a means of expressing all of Europe's diverse culture, then the domination of film production by a small number of large countries is clearly an issue.

Film-makers in small countries are often more reliant – sometimes uncomfortably reliant – on national government support. That can become a problem where film-makers are critical of the ruling party in government – Oscar-winning Bosnian director Danis Tanovic, for example has been vociferous in attacking his home government policy, saying: “They do not understand the importance of culture but do understand they have to shut it down.”³⁶⁷

And Serbian Srdan Golubovic, director of the multi-award winning *Circles*³⁶⁸ in 2013, said film-makers from the smaller Central and Eastern Europe were increasingly obliged to look abroad for support: “The toughest thing is to get the money in my own country. I was afraid I would not get the money for *Circles* but it was easier to get money in Germany and France. All doors were open.”³⁶⁹

All smaller countries face the same core problems. The internal market is not big enough to attract serious returns on investment from domestic release, and language becomes an issue in trying to reach international audiences.

Anna Kokourina, Vice-President Of Production, at Fox International Productions, the arm of Twentieth Century Fox devoted to foreign film productions put the case clearly:³⁷⁰ “Since we are a studio, the primary determination for us to invest in a film is what are the chances of making that money back.

“While any non-English language film has a chance to cross over and become an international success, the initial assumption is that it has to make its money back in its home territory. That's why when we pick a market to work in, we usually pick one where domestic films present a sizable portion of the market. Something like Germany, Italy or the UK.”

The options then are limited under the conventional system: co-production with a bigger international partner, or making films with the specific aim of international release, often in the English language.

The promise of the international reach of VOD is unsurprisingly then attractive to many film-makers in small countries. Danish producer Peter Aalbaek Jensen put the case in blunt terms at Les Arcs European Film Festival in 2013:

³⁶⁷ <http://www.screendaily.com/news/top-balkan-directors-reveal-struggles/5064850.article?blocktitle=News-archive&contentID=278>

³⁶⁸ http://www.imdb.com/title/tt1839522/?ref_=ttawd_awd_tt

³⁶⁹ *ibid*

³⁷⁰ <http://www.screendaily.com/news/nymphomaniac-producer-optimistic-for-european-cinema/5064825.article?blocktitle=News-archive&contentID=278>

“When you see that prices are going up in the States because of video on demand and Netflix, there is a life for small, shitty countries and our very small, very shitty films. There are 7.5 billion people and some of them might accidentally drop in and buy a Danish film.”³⁷¹

FOCUS: ENGLISH LANGUAGE

There were only three non-English language films in the top-100 worldwide box office releases in 2013³⁷² – Chinese fantasy adventure *Young Detective See, Rise Of The Sea Dragon* at number 69 and Won Kar-Wai’s *The Grandmaster* (75) and Han Jae-Rim’s South Korean epic *The Face Reader* (83).

The highest ranking European films were Norway’s *Kon-Tiki* (110) and France’s *Haute Cuisine* (135). Some leading European producers and distributors have long experience making English-language films, such as Gaumont and EuropaCorp.

But one strategy performing strongly is the sale of English-language remake rights to a Hollywood system where ideas are at a premium. Sweden and Denmark have become recent masters, taking the ‘Nordic noir’ wave in books, film and television in English to the US market.

The Swedish film adaptations of Stieg Larsson’s Millennium trilogy, beginning with *The Girl With The Dragon Tattoo*, took impressive worldwide revenues of \$104m (€83m) but it only took \$10m (€8m) in the US.

David Fincher’s English-language remake in 2011, made \$232m (€185m) around the world, half of which came from the US domestic market. The remake of the sequel, *The Girl Who Played With Fire* is currently in production.

CO-PRODUCTION

Small countries are highly reliant on co-production as the main mechanism for financing production and reaching international audiences. In 11 of the EU 27 countries, co-productions equalled or surpassed national fiction production.

Co-production though is playing an essential role in European film. Much European film falls into the difficult bracket between micro-budgets and blockbuster projects. It represents, to borrow a political phrase, a ‘squeezed middle’, which cannot be fully supported by the market in its current form, and is reliant on public funding to survive (though there are impressive exceptions that prove the rule).

European co-production respects matured from the heyday of the ‘Europudding’ in the 60s and 70s. Co-productions made up around 41% of all European production in 2012,³⁷³

³⁷¹ *ibid.* 179

³⁷² <http://www.boxofficemojo.com/yearly/chart/?view2=worldwide&yr=2013&p=.htm>

³⁷³ *ibid* footnote 52

supported strongly by national co-production treaties, regional film funds and Eurimages.³⁷⁴ The new European Commission Creative Europe programme has also committed €1.9m to support co-production funds in the hope of increasing their impact.³⁷⁵

More than half of the best performing films at European box offices in 2012 were co-productions.³⁷⁶ They take a variety of forms, backed by a range of tax incentives and soft money, and helped by a rising number of co-production agreements between countries. France, for example, currently has co-treaties in place with 50 countries, and leads the way in international co-production, with 65 films made in 2011.³⁷⁷

Co-productions between European companies and US partners have made a particularly strong commercial impact. Nearly a quarter of the top-25 highest-admission films in the European market in 2012 were co-productions with the US, including the number one, *Skyfall*, while *The Hobbit: The Desolation Of Smaug* (UK/US/New Zealand), was the fifth biggest box-office hit worldwide in 2013.

Some of the best-established auteurs have long understood the value of co-production, not least because they can be as loved, and sometimes more loved, outside their home country.

Ken Loach's films are now routinely co-produced with French companies; Lars Von Trier's *Nymphomaniac* is a Danish, Belgian, French and German co-production (in English); and Woody Allen has been working with European companies on projects that have made more money in Europe than in the US. There are broader issues about the relationship between co-production and culture. Harvey Weinstein, for example, told French industry representative in Paris that France should avoid a co-production agreement with the US in order to protect the integrity of its cultural film-making.³⁷⁸

HUBS, CLUSTERS AND NETWORKS

Convergence ought to have made the creation of closer links between creative industries a necessity. Working together helps close skills gaps, identify new expertise and to share scarce, or infrequently used resources.

Social networking is becoming much more focused on the needs of business with services, such as LinkedIn, Google+ and Skype, increasingly part of the business ecosystem.

There are many cross-media, cross-cultural and academic institutions creating either actual, or virtual clusters. The expanding partnership group, the European Creative Cluster Lab, is exploring the potential of sharing knowledge and building scale.

³⁷⁴ http://www.coe.int/t/dg4/eurimages/default_en.asp

³⁷⁵ http://ec.europa.eu/dgs/education_culture/documents/calls/c_2013_8314.pdf

³⁷⁶ *ibid* 182

³⁷⁷ www.filmfrance.net/telechargement/IncentivesGuide2013.pdf

³⁷⁸ <http://www.screendaily.com/news/production/dont-sign-co-production-treaty-with-us-weinstein-tells-french/5043110.article>

The value of shared physical clusters is more complex. Part of the digital advantages for the mainly small-and-medium-sized companies that make up the film industry ought to be to move outside the expensive core of media cities. But it may be the nature of a contacts-driven media world that so much of industry is still sucked into high-priced cities.

Yet within those cities, there are lower cost ways of working, such as co-working spaces, and coffee shops, where an underestimated amount of business takes place.

A number of innovations have forced the European industry to find ways of combine individual small interests into a bigger force. In the transition to Digital Cinema, for example, different parts of the value chain and competitors came together in a common interest. (See p57) In the UK for example, the BFI has instituted the creation of a series of regional hubs, each representing dozens of individual cinemas.

CASE STUDY: UK FILM AUDIENCE NETWORK

The British Film Institute announced the launch of the Film Audience Network (FAN) in 2013, dividing the country up into nine regions, with a lead organisation (normally a cinema or a group of cinemas).

The project has been awarded £7.9m over four years with a brief to “bring the full diversity of film to more people, as well as an understanding of, and engagement with, film.”

The advantages of the network include greater sharing of best practice, the gathering and analysis of audience data and the distribution of programmes of specialised content, including shared screenings and special events, such as Q&As. The data element of the plan is a central database with the potential to become a vital source of audience intelligence.

KEY LESSON: Most independent cinemas around Europe are labours of love without the potential to expand or innovate. The opportunity for bigger arthouse cinemas and independent groups to share experiences, ideas and programmes is a compelling idea.

DIY AND THE MICRO-WAVE

The evolution of the traditional film business is increasingly suggesting that scale is a critical factor, squeezing out the mid-range film. But at the other end of the spectrum of budget levels, those rules do not apply.

Films can be made at a fraction of what they would have cost in the pre-Internet era. There has been big growth for what some call a micro-wave, where audience engagement, innovative business models and an open-minded and imaginative approach to distribution are second nature.

The vast majority of micro-budget films would never have had the remotest chance of being made on expensive film stock.

Much of it is amateur enthusiasm but that should not be taken lightly. It may be driven by the same variety of motivations inspires people to take up music: for the pleasure of a few friends, as a vanity project, as fan fiction (see p91), because it is possible...

There will not necessarily be an industry to support the work and much of it will be rudimentary. YouTube may be the primary distribution platform.

The YouTube micro-wavers, however, are likely to be younger and of a far wider social mix than those making films within the boundaries of what is generally labeled as the 'film industry.' Out of that democratic mix may emerge the challenging talent and new voices that the industry needs.

This 'micro-wave' of film-making cannot easily be accommodated in an already over-crowded theatrical market, but could, and perhaps should, pioneer new forms of production and distribution.

DIY distribution is not longer limited to the margins. New tools (See p120), better infrastructure, and an absence of alternatives is broadening interest.

In the US, many smaller independent companies now see cross-media, DIY releasing as Plan A, rather than a consolation prize at the end of a narrow and modest traditional run in cinemas.

DIY digital radicals, particularly, in the US have been re-energising sections of the indie business, using cross-media tools and pioneering transmedia ideas, with the active championing of crowd-funding and VOD platforms, and festivals, such as Sundance, Tribeca and SXSW.

Experiments in so-called 'ultra VOD', in which a film is released to on-demand platforms before limited theatrical release, has been an important facet of the new approach.

And in any case, straight-to-VOD need not have the same pejorative reputation as straight-to-DVD, particularly when coupled with cross-media elements that extend the narrative to new audiences. In the US, the DIY culture is led by a self-sustaining community of film-makers, willing to share knowledge through sites, such as Workbook Project.

They see film-making (or cross-media/transmedia storytelling) as an activity more like music - something to be done as well as consumed. A punk sensibility has kicked in for some young film-makers, often accompanied with a carefree attitude to copyright infringement.

The fact that so-much self-produced work is rudimentary or banal does not excuse the widescale - and complacently self-serving - indifference to this trend from the mainstream film business.

The encouragement of a participatory culture looks to be among the most promising directions for film policy and industry, fostering interest in cinema and the cinematic language on one hand, while allowing talent to be nurtured and encouraged by both industry and audience.

The micro-wave could become an incubator for new talent and ideas, rather than merely a calling card for those wishing a career in conventional film-making.

CASE STUDY: DISTRIFY

Distrify³⁷⁹ is a service that allows films to be distributed and sold through a disparate range of social media and web sites. It claims to “turn the entire Internet into a viral distribution platform.”

It builds on two important trends in the digital world: impulse buying and the power of recommendation. The service allows third-parties to embed trailers and other materials, on their own site with full instant ecommerce capability, which means that someone can see the film recommended by an trusted friend and instantly buy.

Distrify is supported by the European MEDIA Programme, which has allowed them to develop new services and partnerships.

KEY LESSON: The strength of Distrify is its simplicity and the fact that it responds to known consumer habits, in terms of the power of word-of-mouth marketing and the impulse buy. It is a rare example of a service that genuinely offers, even demands, that film-makers and rights-holders work with their audience.

DIY AND DISTRIBUTION SERVICES

Even among those producers, who do have the inclination to explore new routes to market, there is often a skills and resources gap.

Greater control over the Intellectual Property (IP) of a film, with the consequent potential for a better revenue share, is an understandable ambition. Unfortunately, the time, investment and skills are often missing.

It is natural then to be looking for access to third-party expertise without handing them all rights. A distribution service layer, that allows producers to draw on scale and expertise while retaining rights, may be an emerging trend, particularly given the pressures on independent distributors

It is happening to an extent in music, where artists and boutique labels have struggled to find the scale to make an impact in the international market but cannot risk increasing costs and employment.

So-called ‘label services’ allow the freedom to enter international markets in an industry that, like film, has historically been based on national territory sales. Michael Roe, managing director of Universal’s label service Caroline International said the aim was: “to bring together the culture and spirit of independents with the support and resources of a major music

³⁷⁹ <http://www.distrify.com>

company to deliver a truly global solution.”³⁸⁰ That might be a mantra for the independent film sector too.

³⁸⁰ *Music Week*, September 13, 2013. P.13

CONCLUSIONS

SUMMARY IN 140-CHARACTERS

- *FILM REDEFINED: The Internet Era has redefined film but not yet the industry.*
- *CINECENTRICITY: New kinds of production and distribution raise questions about the link between cinema and film.*
- *BUSINESS MODELS: Fragmented demand may mean many new models not a single replacement for the old system.*
- *AUDIENCE IN THE MIND: New models need to emerge from audience engagement.*

WHAT IS FILM? That is the pertinent but largely unasked question about the future of a still relatively young industry.

The answer was easy for the first century of its existence. Film was defined by the process of producing it, founded on the 35mm print, with its iconic four perforations per frame.

“Photography is truth,” Jean-Luc Godard’s hero says in *Le Petit Soldat* (1960),³⁸¹ and cinema is truth at 24 frames per second.”

Film was also shaped by where it was seen. The cinema, or ‘the Flicks.’ was as much a place as a format. When VHS and DVD were introduced, they were self-consciously a means to recreate the cinema at home, not to introduce a new form. ‘Straight-to-DVD’ became a pejorative term, meaning the runt of the cinematic litter, not good enough to justify a big screen.

The film industry grew as the means to turn process into product.

The industry evolved, of course, partly driven by the impact of the biggest pre-Internet technology, television. And there were significant differences in scale and culture between, for example, Hollywood and Europe.

But essentially, there was one core product, a basic set of processes, and a common, if not entirely consistent, business model.

This report has suggested that these structural certainties no longer apply, and indeed can be dangerously anachronistic.

³⁸¹ <http://www.youtube.com/watch?v=Mo2PrKvJras>

FILM AND THE CINEMA

Since the 1950s, television has usurped big parts of cinema's early role. Cinema survived because it retained its place as: a low-cost, out-of-the-home experience; as a place of entertainment that television could not replicate; and most of all through the adaptability and cultural power of the art form.

Only over the last quarter of a century, after a period of steep decline, has the film business achieved stable growth, finding a balance between the cinema experience and the lucrative home entertainment market. That balance was built on the idea that theatrical provided the central creative drive for film, and home entertainment the economic muscle.

That stability has begun to erode. DVD has been in decline for a decade and television audiences have fragmented; and the arrival of VOD revenues have been insufficient to cover the loss from physical media.

From an economic perspective, the future is cloudy; but there is perhaps a more salient point: a potential break, or at least transformation, of the link between film and the cinema.

It is not a far-fetched idea: in publishing, 'news' has become separated from newspapers, while television is becoming divorced from the television set. The adaptation to these new realities in those industries led to fresh thinking and dramatic restructuring.

Film may, in the coming years, be forced to evaluate the relationship between theatrical and other forms of release. Certainly, there will be pressure from VOD services to remove the theatrical dominance in terms of release windows and borders.

But a bigger problem for film in a broader sense, is the sheer number of films being produced, compared to the available screen (and commoditised production and distribution technologies will keep a lower cost of entry, ensuring still greater numbers).

There is a cliché in commentating on the numbers of new films, particularly when supported by public funds, that it is "not a human right to make a film." That view should be challenged: freedom of expression is certainly a human right, and in the growing audiovisual culture, filmed content may become as important as written content.

But it is not a human right to have a film shown by a commercial cinema, or indeed broadcaster. The arrival of Digital Cinema may mean the current exhibition sector flourishes, particularly in its metropolitan heartlands. Exhibition, and new businesses combining distribution and exhibition, could exert greater control over programming, meaning a concentration on those films that are deemed cinematic.

With greater influence from audiences, and flexible thinking about price and value, there is reason for optimism but it will leave the majority of films out in the cold.

What can be done about a film culture in which most films will see only a tiny cinematic release, if any at all?

There are alternatives. The big-screen 'experience' might be recreated through the development of networks of screens outside the traditional exhibition sector, offering new ways to show film in social spaces.

Equally though, lack of access to the cinema, might drive film-makers away from the idea that cinematic release is the only form of validation. New forms of innovative content, including perhaps previously over-hyped transmedia formats, might find traction in a new digital economy.

Film industry bodies and policy-makers ought to give serious consideration to the consequences of these changes; how to encourage skills development and to tap into new ideas and talent. They would do well to bring these new forms into the big tent of film.

But an industry fragmented into cinematic and digital release has dangers, not least in losing some of the core skills that underpin the cinema experience – the ability to paint on that bigger canvass.

BUSINESS MODELS

Other industries, including music, took years to accept the inevitable: that their old value chain was not able to adapt to new circumstances.

Eventually, they were forced to realise there was no grand unifying new business model for the Internet Era but many and varied options.

They also learned the hard way that it was not in their gift to decide the future; while industry tried to find solutions for progress without change, brash new players came in and snatched the family silver, including iTunes and Spotify (not to mention piracy).

With support from the public sector, European film has been protected from the impact of digital change. It has afforded it the dubious luxury of looking for a neat replacement for its 35mm scarcity model, preferably reached through tidy tipping points where digital revenues rise as physical ones decline.

It is important to remember that the old system only really worked for a few. A survey from the British Film Institute³⁸² suggested that just 3.1% of films with budgets below £0.5m made a profit; just 4.1% of those between £0.5m and £2m (€0.6m–€2.4m); and just 4.6% between £2m and £5m (€2.4m–€6m).

Their point was that the odds of making a profit increase as budget rise (12.1% of films make a profit with budgets between £5m and £10m (€6m–€12m) and 17.4% of those over £10m (€12m).

³⁸² <http://www.screendaily.com/news/only-7-of-uk-films-make-profit/5064187.article>

But in the old system, at least there was a kind of trickle-down effect, public money, and the creative spark kept the wheels turning.

The old model, however, is out of kilter with the realities of the Internet Age. The online world plays by different rules. (See graphic, right)

The tensions are evident in disputes over windows and boundaries that remain at the heart of the business model; and talk of the 'broken' film industry is based on the idea that the value chain is unfit for purpose.

ANALOGUE	DIGITAL
Windows	Immediate
Rights	Access
Industrial	Democratic
Borders	Global
Closed	Open

The problem is that the alchemistic search for a new unified single business model to replace the old 35mm one has borne little fruit. It is the idea of a one-size-fits-all model that is broken.

Over the next two, or three years, new models and ideas ought to be tested that are as diverse and fragmented as the audience. The film industry is not just polarising into big companies and little companies; is fragmenting into a variety of models to reach different consumers in entirely different ways.

Business models will depend on size and scale of investment; they may be predicated on exclusivity, perhaps commissioned by a VOD channel; or non-exclusivity, probably meaning revenues from many sources and a long tail.

Some models will be about identifying and aggregating viable audiences from the vast matrix of consumers; and in many cases, the model will be about film-makers and rights-holders retaining the Intellectual Property from their work.

The advantages of keeping a degree of control over the channels between production and audience should lead to innovation and diversified business structures, including potentially a new form of distribution, acting as a service layer for producers, rather than taking rights.

The debate about windows and territorial rights is currently conducted as if there had to be one rule for everyone in the film industry; and yet as the notion of a single industry fragments, demand may simply drive different rules for different kinds of business.

The uniting factor for a film industry may only be a common ancestry and a visual language.

AUDIENCE IN THE MIND

The temptation to see the changes affecting the film industry as a technology revolution is oddly comforting. From its earliest years, film has grappled with new technologies and adopted the best of them. Some, such as sound, had a highly disruptive effect on the industry.

But seeing the Internet as just another technology challenge to be mastered and overcome is the same mistake every industry has made.

The film industry has been a sucker for what technology writer Paul Saffo³⁸³ calls 'macromyopia' – a tendency to overestimate the short term and underestimate the long term in digital developments.

Saffo suggests that such thinking is inevitable and hype is actually part of the evolutionary process: "It happens to feel like this revolution and the change of technology is this ongoing juggernaut that's unstoppable. Quite the opposite is true.

"The technology is fragile, it's unpredictable, it's extraordinarily susceptible to being stopped and the hype is part of the process of getting through that. Mark Twain put it very nicely as a commentary on human nature when he said 'I'm all for progress, it's change I don't like.'"³⁸⁴

The distinction between progress and change is useful; much of the industry discussion is about how the opportunities represented by digital technologies might be seized without fundamentally altering the structure of the film value chain.

Yet technology, like the value chain, needs to be seen today as a link between content and audience, not an end in itself.

If this report can be reduced to a single point, it is that progress depends on audiences, and the current value chain and industry practices create a barrier, where it should provide a gate.

The opportunities for film are real and achievable, and technology can be a key asset, particularly if that means linking with the experts across the creative industries. But the audience must always be in the mind.

Demand will always find a way to exert itself, so while the industry is dipping its toes into the water, the on-demand giants, and potentially new, as yet unheard-of alternatives may dive in headfirst.

The history of developments in other industries suggests that demand will always win in the end; industries either rewrite their rulebook, or someone else does it for them.

³⁸³ <http://www.saffo.com/>

³⁸⁴ <http://www.pbs.org/wgbh/ps/frontline/cyberspace/saffo.html>

cine  regio

European network of regional film funds

CINE-REGIO

c/o Film i Skåne · Friisgatan 19B · SE-21421 Malmö
c/o VAF · Bischoffsheimlaan 38 · BE-1000 Brussels