

EXECUTIVE SUMMARY

Digital Revolution: The Active Audience is a report commissioned by CineRegio, offering a broad view of the changing film market in Europe.

It argues that the current period of digital transformation is more revolutionary than any previous change in film history. And those involved in European film at every level need to understand that, in many areas, protecting the existing industry is incompatible with seizing the digital opportunities.

The report calls for a rethink of practice and policy to reflect the realities of the market. Those realities, it argues, will be driven by audience demand, not industrial process, and old policies of “artificial scarcity” are dangerously unsustainable.

The nature of a new active audience needs to be understood because our long-term future depends on it. The music and publishing industries offer a fair guide to what happens when you fail to understand how your customers think and act.

Hollywood, arguably, has the scale to adapt to these changes and to service what remains robust demand for the cinema experience. But European film is already exposed to serious dangers, from an ageing audience to a real threat to its theatrical infrastructure.

Success in this on-demand world is every bit as challenging as the sceptics claim but the potential for a new era for European film exists, argues the report, and there is nothing to gain from trying to hold back the tide.

Background

- Existing models have been crumbling, not just because of digital change but because the industry has been caught in a perfect storm of a global downturn, a banking crisis, new technology and changed consumer behaviour
- Customer demand for film has remained robust even in a recession, but Hollywood films remain dominant
- Film has become increasingly polarised between ever-bigger global Hollywood franchises at one end and ever-smaller budget independent work at the other
- The response to digital has been highly protectionist and insular. The digital discussion has been less about the future of film than the maintenance of the existing industry.
- The balance of the “film industry” has changed as the 35mm world disappears and deep divides are becoming apparent

European film

- The visibility of European film, particularly beyond national borders, has always been a problem but it is becoming more marginalised, opening up a worrying generation gap
- The market for European and arthouse film is ageing and attracting young audiences is a major concern

- Europe's production levels are out of kilter with distribution and audience demand and there is a serious over-production problem
- Cultural diversity policies are heavily weighted towards production. Being made is more important than being seen
- Tough action on piracy has not been accompanied by equally robust action on increasing access and visibility

The active audience

- Audiences are increasingly demanding choice in where and when they consume film
- New technologies are constantly creating new ways to consume and each innovation creates new and challenging forms of demand
- Engagement with audiences may open up new business models but require a complete rethink of existing practice
- We already have a net-native generation which demands choice and think differently about how they interact with each other and the entertainment industry
- Interaction and social networking is opening up new opportunities for film
- We are all now part of the active audience

New approaches

- Cross media experiments are emerging that are in tune with the way that a growing media-agnostic audience consumes entertainment
- New forms of finance are opening up but remain untested. Other parts of the world are experimenting to a far greater degree.
- Too much attention has been given to VOD platform building
- New business models need to be unchained from current restricted models. New models cannot be simply integrated into the old ones
- The fight is not between media but for customer time

The report was commissioned by CineRegio in collaboration with Filmby Aarhus.

Links to further reading and sources are contained in the text as numbers. The Links chapter begins on page 61.