CINE-REGIO
AUDIENCE IN THE MIND

By Michael Gubbins, SampoMedia, 2014

cine regio

European network of regional film funds

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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

CONTENTS

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 mew 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.