

UNDERSTANDING THE HEARTS AND MINDS OF UK AUDIENCES

**Senior industry figures discuss how to build on the
British love of film**

16 October 2012

1. Introduction

How can the UK industry build on the national passion for film in the emerging on-demand era?

That was the central question of a debate at this year's BFI London Film Festival, called "Understanding the hearts and minds of UK audiences – the films we watch, the ways we watch them and what this means for the UK film industry."

The event on 16 October 2012 was prompted by a BFI report, *Opening Our Eyes – How film contributes to the culture of the UK*, which, demonstrates how film moves and inspires the UK public based on a survey of public attitudes. The report makes clear that watching film is at the very top of UK leisure activities with a profound influence on how we see ourselves and the society around us.

The question for a panel was how to build on those foundations in a digital age, when the relationship between audience and content is changing, not least through unprecedented on-demand access to film.

The speakers and panel at the event, moderated by journalist and analyst Michael Gubbins, were:

Presenters

- Chris Chandler, Northern Alliance
- Mike Kelly, Northern Alliance
- Sean Perkins, Head of Research and Statistics, BFI

Panel

- David Kosse, President of International, Universal Pictures
- Andrew Macdonald, CEO of DNA Films
- Ben Roberts, Head of the BFI Film Fund
- Julia Wrigley, Head of the Film4 channel

This report brings together some of the critical questions raised in the debate.

2. In brief

- The UK consumes more film than at any time with an estimated five billion viewings per year
- The UK has a strong film culture with cinema among the most popular leisure pursuits
- The Internet and new on-demand formats have, to an extent, changed the relationship between audience and content
- Sophisticated audience data is theoretically available but there are issues for the UK industry about cost, access and transparency
- Most audience knowledge, including box office, is retrospective but new ways of judging future potential are emerging
- The studios use data as a means of mitigating risk and building consumer awareness
- Independent film largely starts without prior audience knowledge and creating demand is the big challenge

- Audience demand cannot simply be measured and anticipated – inspiration and surprise are often the key to success.
- The Internet and on-demand platforms have fragmented demand, raising questions about traditional business models and the collective experience at the heart of UK film culture
- Ironically, the threats to business come from the desire to watch more film in more ways, not any decline in the passion for cinema.

3. A golden age for film?

The BFI-commissioned report *Opening Our Eyes* offers a big counter-intuitive idea – that we may be entering the “golden age” of film.

And, for all the disruption of digital change, there is every reason to believe that demand for film will continue to increase. Cinema attendances have been buoyant, even during the recent economic downturn, and the proliferation of new television channels, online on-demand services, tablet computers, etc have provided new ways of watching. The report stated that there are now five billion film viewings every year on a variety of platforms with every reason to believe in future growth.

The changing nature of demand, however, does open up questions and challenges for the film industry. Most particularly, there is a threat to smaller independent films, which make up the bulk of UK production. While more films are being watched, audiences are also fragmenting, with viewing no longer tied to cinema release, television schedules, or shelf space in DVD rental stores or shops.

Today’s audiences can watch what they want, where and when they want. Optimists talk about the emergence of ‘long-tail’ economics, in which a very wide range of films make money over a much extended shelf life; but finding sustainable business models based on that idea is a challenge.

The issues for the industry in an on-demand culture are becoming clear, and are addressed in the BFI’s five year plan, *Film Forever*, for example copyright theft and infringement (piracy), VoD and cinematic release models.

At the centre of all these issues are audiences and the patterns of demand they create in a world of unprecedented choice and fierce competition for limited time and money.

4. How far do we understand our audiences?

In theory, it is becoming increasingly easy to track aspects of audience demand; market research is becoming more sophisticated, while every online interaction leaves behind a footprint of data and metadata that can be measured. It is even now possible to take a fair snapshot of consumer sentiment through social media tracking, while audiences are often now willing to reveal more of their tastes in return for personalised services.

Access to such data, however, is not easy, particularly for the small and medium-sized companies that make up most of the independent film sector. There are also longstanding and difficult issues around the transparency of film data.

Perhaps even more importantly however, is the problem of translating knowledge into revenues.

Kosse acknowledged that much of the audience data, which influences decisions in production and distribution for the studios is retrospective. We can know with certainty how a particular title performed at a particular date, or how people say they feel about the concept of a film in development but it is difficult to draw definitive conclusions from such research about future potential, given the years it generally takes between development, production and exhibition.

All kinds of variables enter the equation during that time, from too much hype of a particular genre, competition from rival titles or alternative entertainment options, or aggravating factors, such as the weather.

The emphasis today was shifting, suggested Kosse, to looking behind the box office numbers at the variety of ingredients that helped generate success or indeed failure. More sophisticated thinking was now employed to try to understand the DNA of a film, the essential elements which elicited a response from an audience.

But research techniques are emerging which help understand how particular audiences think and behave. To understand if the audience was ready for *American Pie: Reunion*, for example, the studio tested a trailer out of clippings from previous films and tested it online. A similar technique was used with *Snow White and the Huntsman*, and the studio has found that measuring audience reaction in new ways can produce surprising, and surprisingly accurate results.

A test on 2008 hit *Mamma Mia!*, before Meryl Streep was attached as the star, indicated it would gross £50-60m at the UK box office, which seemed highly unlikely at the time, but turned out to be a fair indicator of success (it went on to gross more than £68m in the UK, according to Rentrak).

Significantly Kosse suggested that, while the Internet offered many new ways of understanding audiences and marketing, it could also distort results. For example, there was an enthusiastic online response to 2010 release *Scott Pilgrim vs the World* but this did not translate to box office performance. The imbalance in the way that different audiences and demographic groups use online media is now more clearly understood.

Another barrier in the effort to understand audience behaviour in a digital age is a lack of transparency. Perkins said it was difficult to get really accurate data on performance on VoD channels, leaving a significant knowledge gap to be filled. That gap is a significant problem for independents, trying to assess potential audience reach without the resources to carry out the kind of market research that has become standard for the studios.

And, of course, most independents face an uphill battle in trying to get the public's attention with limited marketing budgets, and generally without the benefits of bankable stars, an already known story.

The theoretically free and infinite reach of the Internet does not really level the playing field with the studios. The BFI's Ben Roberts warned that marketing costs might even increase as indies try to find an audience in the face of vast competition.

Creating audience demand online is now, of course, a significant area of experimentation, marked by innovative approaches to strategies, greater audience involvement in the funding and development of projects, and new release strategies.

The last of those opens up new questions and controversies for the industry, particularly the sequencing of release windows between VoD, DVD, television and theatrical release. For example, some see an early VoD release as a means of driving awareness of a film before its theatrical launch but changing release windows remain deeply unpopular with most exhibitors.

However it is achieved, the panel was largely agreed that there remained much work to do to close the gap between theoretical access to audience understanding and practical application.

5. How far does greater understanding of demand influence the films we make and how they are distributed?

Audience data and understanding clearly plays a strong role in the way that studios make films, not surprisingly given the size of the investment made in production and global distribution.

Kosse said the whole business was about mitigating risk, understanding as far as possible what has the greatest likelihood of attracting audiences. That is why there is such focus on the alchemistic task of finding tentpole franchises to which the public will keep returning. He suggested that with any tentpole release, it was necessary that 65-70% of the UK was aware of it through marketing or prior knowledge (meaning an adaptation of a hit book or comic series, a remake of a previous hit, etc).

But if the studios are about mitigating risk, many independent films rely on taking risks. In fact, their success may rely on being different and distinctive in a crowded market.

So where does audience knowledge fit in?

Roberts said it was a matter of balance. The BFI had a responsibility to present a range of films to a range of audiences and data was important in ensuring diversity in both content and audience. On the other hand, he suggested, the BFI Film Fund only invested in c.20 films per year and the driving influence had to be quality. No one would thank the BFI for backing a poor film on the basis of audience research, he suggested.

Data did become more important at the distribution stage, he suggested, where it was essential to maximise reach. The factors that made particular film-goers decide to choose a particular film needed to be analysed and the ways that films entered the public consciousness, through distribution strategies, media and advertising was becoming a more prominent concern for policy, he said.

Wrigley acknowledged that performance data was important to Film4 channel, particularly since its 2006 shift from a subscription to a free service. Broadcasters had access to a wide range of data, not least from the overnight rating service provided by BARB. She said the channel had a pretty clear view of who its audience was.

The service also has tools to analyse the potential audience appeal of big movies and brands, not least the evidence of prior theatrical and DVD release. But often the choice of smaller to be screened is based on instinct. She quoted Yorgos Lanthimos' 2009 film *Dogtooth* as an example, which the channel saw at a festival and backed it because they believed in it rather on the basis of any data.

Instinct and inspiration clearly remains critical for independent production. Macdonald said that market research would not have suggested the potential success of a film like *Trainspotting*. On the other hand, Macdonald accepted that as a producer it was important to retain at least a strong sense of an audience, making sure that there was accessibility, even in original and challenging work.

New forms of audience interaction, using social media and other tools, may support that process, allowing at least a sense of response at an early stage of development.

6. How far does, or can, the British love of film extend to British film?

Macdonald has produced some of the most iconic British-set films, each with a strong sense of place, whether the (Glasgow-shot) Edinburgh of the 1990s *Trainspotting*, or the empty landscape of a post-epidemic London in *28 Days Later*. And he said that it was encouraging that the *Opening Our Eyes* report showed that, dollar for dollar, the right British films can beat international films in the UK market.

Nonetheless, he believed there was a line where Britishness could become parochial. If you made it too domestic and introspective, it would just be TV, he suggested. Most of the films that were shown as successful in the report are local in the sense of where they are set, but they tell a broad and universal story.

It was the authentic sense of a place that mattered. Macdonald said he was influenced by those US indie movies, such as the Coen Brothers' *Blood Simple* and *Fargo*, which were firmly rooted in a specific location.

The sense of a real place is important even for the most mainstream blockbusters, giving them some sense of authenticity and grounding. Kosse cited the sixth film in the *Fast And Furious* series coming to the UK. Nonetheless, the national identity can have an impact at the box office and the report suggested that the public likes stories located in the same world that they inhabit.

Roberts noted the box office success of Ken Loach's *The Angels' Share* in Scotland, where it was set; while Wrigley suggested that the Sheffield setting of 1997 hit *The Full Monty* was a major part of its success, and might not have had the same impact if it had been filmed elsewhere.

Given the need for international success, Macdonald suggested a universal story that had its roots firmly in the UK was perhaps more important than a film that appealed uniquely and exclusively to the UK.

7. What is the impact of the fragmentation of demand on sustainable business?

Mike Kelly and Chris Chandler, of Northern Alliance in presenting the *Opening Our Eyes* report offered a clear picture of the diversity of demand. The breadth of choice for consumers today is far greater than at any time in the history of cinema; and the number of potential ways to see a film has also dramatically increased in recent years, with the advent of VoD, iPads, Smart TV, and other devices.

This fragmentation of demand, however, has implications for business in a world of ubiquitous entertainment where film has to fight for scarce consumer time and money.

The British love of film will be tested in the coming years, and Wrigley pointed out that no one yet knows how consumption patterns will change, with on-demand services really only making an impact in the last two years with the arrival of Netflix to the UK and the growth of LOVEFiLM.

For Film4, the arrival of new platforms had not yet proven too disruptive, with viewing figures up 7% in 2012. And, while DVD has been steadily in decline, theatrical revenues have been remarkably resilient, even during the economic downturn.

There were reasons for concern, however, according to Macdonald, such as the access to terrestrial television for independent films. But the panel were largely convinced that traditional media would continue to retain a dominant influence over the next few years, even if the longer term future was not clear.

The fluid environment of changing demand, technology innovation and economic pressures was not just an obstacle to be negotiated, the panel suggested.

Roberts said the internet, VoD and digital cinema might actually increase opportunities for the distribution of indie films in the UK and the US. Previously arthouse or specialised films were usually restricted to certain metropolitan areas, but they can now efficiently reach outside those areas, and of course to international markets. On the other hand, a world of unlimited choice and ubiquitous media raises some social issues that might have an effect on our relationship with film.

The film culture described in the *Open Our Eyes* report to a large extent emerged from a collective experience of film. Until very recently, films entered the public consciousness at the same time and in the same way.

A limited number of films were released in cinemas, with considerable emphasis on a hyped opening weekend, or they were screened within set television schedules. Even VHS and then DVD releases were largely mirror images of a cinema release with a fixed window between theatrical launch and other forms of exploitation.

That social experience is now challenged – at least in theory – by the proliferation of potential channels, an exponential increase in available films, and by new release patterns, which will not necessarily begin with theatrical release.

8. Conclusions

The future of film is based on very strong foundations – an often underestimated British passion for movies.

The irony of the on-demand age is that that the business challenges come from that love of film, rather than rejection. Today's audiences want films on their own terms, to watch how, where and when they please, which fragments demand and makes sustainable business models more difficult.

Commercial and cultural success may depend on building a different relationship with audiences, and a greater understanding of behaviour and patterns of demand.

Kosse suggested that it would be desirable to have the kind of interactive relationship with consumers that was at the heart of the appeal of services, such as LOVEFiLM and Netflix. And he was clear about the growing importance of different forms of data analysis to studio releases.

The independent UK industry, however, does not have the benefit of the skills and financial resources of Hollywood. Indie successes, as Macdonald's career shows is often based on counter-intuitive projects that give audiences what they don't know they want.

Nonetheless, there are ways of connecting with the audience that may prove significant, including building social media relationships at the earliest stages of development, experimentation with release windows, and by finding new ways of studying and understanding audience demand.

The panel, from different perspectives, highlighted the challenges but kept coming back to the opportunities we win as a film industry by "opening our eyes" to the expectations and passions of audiences.

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