BSAC FILM CONFERENCE 2014

"Exploring the blurring boundaries between film and other content"

Tuesday, 8 April 2014

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CHAIR'S WELCOME AND INTRODUCTION

Marc Samuelson, Conference Chair and Deputy Chairman, BSAC

Marc Samuelson welcomed guests to the 11^{th} annual BSAC Film Conference, which this year was being held at the Royal Institution. This building had been host to a wealth of scientific innovations over the years, including Michael Faraday's presentation of the discovery of photography in 1839: an essential forerunner of film, had this process never been discovered then cinema, BSAC or this Conference might never have come into being.

BSAC was a sector body of senior executives that advised Government on a broad range of matters, encompassing such broad topics as the regulation of television to film tax reliefs. Most recently, BSAC had played an active role in the extension of the tax relief systems to encompass high end television drama, animation and games.

A model of convergence, BSAC's Membership included film and TV; producers, distributors and exhibitors; broadcasters, such as the BBC and Sky; and new media companies, such as Google and Spotify. BSAC provided a forum for these organisations to meet and understand one other a little better. One way that BSAC did this was at regular Council meetings, which were a private forum where discussions about new developments and the direction of travel in today's rapidly changing world could take place. BSAC Membership was offered on an invitation only basis, but anybody that was interested in being considered for Membership should discuss this with BSAC's Chief Executive, Fiona Clarke-Hackston.

In today's changing world: brands were producers; viewers were producers; actors were producers; film producers were TV producers; people watched football from BT and bought their car from Amazon; cameras were really phones; and phones were also smoke detectors… the Conference would explore this new landscape, and had been themed accordingly around the topic, 'Exploring the Blurring Boundaries between Film and other Content.'

He thanked Time Warner for their longstanding sponsorship and support, without which this Conference would not have been possible.

MOVIE MARKET UPDATE

Ben Keen, Chief Analyst and Vice President, Media, IHS

This review is presented annually at the BSAC Film Conference. It is accompanied with the publication of a BSAC Business Briefing, a copy of which can be downloaded here: http://bsac.uk.com/briefing-papers.html?download=278:uk-movie-market-update-2014

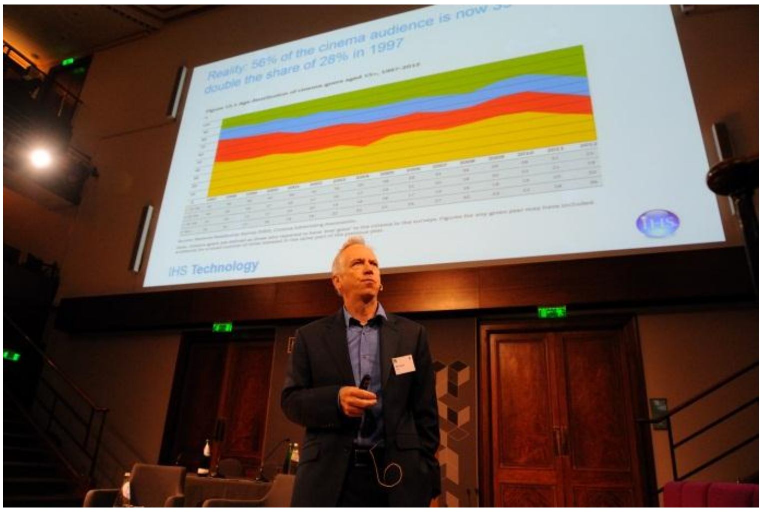
Ben Keen explained that he would be seeking to debunk 10 myths of the modern film business.

Myth 1: that the film production sector was in a state of constant crisis. While this was a commonly held view, the statistics showed that globally, production levels were rising almost every year – developed economies had seen a slight dip during the year of the financial crash, but, in the rest of the world, production had kept rising throughout. What had happened was that the major studios had reduced their output by almost 60% over that period; however, this had been compensated for by independent studios, who had increased their output over the same period, primarily in the under £75 million budget range.

Myth 2: that the oldest media technology, cinema, was in decline. In fact, over the last few years the box office had been the major driver of studio revenue growth. The US box office figures had been relatively flat, but not in decline, over the last six years; however, driven by big emerging markets such as China, the international box office had been growing rapidly. Ticket prices were rising everywhere as a result of digital and 3D, and the box office take was forecast to see 7% compound annual growth for international revenue until 2017.

Myth 3: that exhibitors tended to be conservative and resistant to innovation. In fact, over the past decade, 87% of all screens in the world – across all countries – had been upgraded to digital, and, by the end of 2015, celluloid would be effectively dead.

Myth 4: that, 'the Hollywood majors are ever more dominant in international markets.' On a global level, the non-US share of box office had been growing steadily, and the US box office share was particularly low in the growth markets of India and China. Even within the US, the majors had been losing market share and six independents now accounted for over 20% of the US box office; however, the rest of the independent cinema box office in the US had been left with less than 5% of that market.



Myth 5: that 'Cinema is all about the teenage market'. Today, 56% of the cinema audience in the UK were now aged 35 or above – a share that had doubled since 1997 – and content would increasingly need to follow this audience shift.

Myth 6: that digital distribution had reinforced the status quo. In fact, digital distribution had made it possible for different kinds of content to appear in the cinema, something that had been termed, 'Alternative Content' or 'Event Cinema,' which would, by 2017, generate a global box office of almost $1 billion a year. In 2013, the UK had seen screenings from The Royal Opera House, The Royal Ballet and the *Doctor Who* finale, amongst others, which had generated over £20 million at the UK box office, a sum that was equivalent to the number 14 ranked movie in the charts.

Myth 7: that domestic retail was dead. While a number of specialist retail outlets had closed, the impact upon home distribution through DVD or Blu-ray was less clear and consumer spending on physical discs was still the dominant sector of the home entertainment market, accounting for over 70% of all spending on film or TV content. However, the forecast declines were dramatic: between 2012 and 2017, on a global basis, there would be a 50% decrease in revenue for the US studios from the physical product market, both rental and retail. The digital alternatives were a very fragmented landscape and were nowhere near compensating for this decline.

Myth 8: that the US was the digital pioneer. In fact, the market for digital purchases and rental of movies was developing much faster outside of the USA that inside, and would continue to do so for the foreseeable future. This was because there were far more platforms internationally, particularly on the pay TV side, mainly because VoD services were increasingly being bundled with pay TV deals. In the near future, Apple would be implementing an expansive roll out, across 100 countries, of content delivered over their iTunes platform. This growth would significantly increase the returns to the US studios through to 2017 by about 11% compound annual growth in transactional digital revenues.

Myth 9: that streaming subscription VoD services would provide the next great source of acquisition and spending on content. Netflix had been aggressively expanding its footprint outside the US – first into Canada, then into Europe and Latin America – and had been particularly successful in the UK, even challenging Sky's online platform, Sky Go, in terms of market share. However, Britain was an anomaly, and there were few other countries where VoD services had successfully entered the marketplace.

One noteworthy development in subscription VoD services in recent years had been that, having mostly been launched with a strong emphasis on movie content, they had now realigned towards delivering TV content. 80% of Netflix viewing was now of TV series, and most of the recent attention around VoD services derived from the original TV content that they were commissioning directly, such as *Lilyhammer* and the *House of Cards* remake from Netflix. Exclusive VoD releases were becoming the new event content category and were now driving the competitive edge in the VoD market.

Myth 10: that the UK was no longer an important movie market. In fact, between 2008 and 2013, the UK had remained the third largest market in the world in terms of all spending on movie through every platform. There had been dramatic changes over this period, including that the Russian market had increased in value and Malaysia had moved into the top 25 for the first time. Most dramatically, China had risen from the fourteenth to the fourth most valuable market since 2008, an increase in value of 450%; however, this was almost entirely due to the expansion of their theatrical market, and their other outlets' development had been much more constrained.

He invited questions from the audience.

Michael Gubbins, Film Agency for Wales asked whether Netflix might develop levels of dominance over the audiovisual markets similar to that which iTunes had over the music industry.

Ben Keen explained that the key challenge, when discussing any market or examining market dominance, was to define the market accurately.

When Netflix had first launched, they had delivered DVD's on a rental basis through the post: effectively they had been buying discs during the retail release window, but allowing their customers to access content on a subscription basis, thereby shrinking the length of the retail release window. When they had moved into VoD services they had found that they were increasingly trying to obtain rights for content while it was at an earlier stage in the release cycle; consequently, for most movie content, the subscription windows had been locked up and were unavailable to them. They had sought to bypass these restrictions by identifying and utilising second windows within the subscription pay window. Consequently, it was difficult to clarify whether Netflix should be defined as being within the pay TV market, or within the online video market, something that was necessary in order to determine their level of market dominance.

Also, while Netflix was currently the dominant player within subscription VoD, there was plenty of scope for the established pay TV giants to respond and compete. For example, within the UK, Sky had launched a subscription VoD service, Now TV, which offered a number of high end TV series and had already proven itself to be an aggressive and effective competitor in the VoD market.

Geoffrey Macnab, Screen International asked what trends were developing regarding piracy, and whether it was being successfully addressed on a global level.

Ben Keen explained that the most effective method of combatting piracy was through the creation of effective and user friendly legitimate services that could out-compete them. Russia, despite its reputation as an internet piracy wasteland, had seen successful implementations of this and developed one of the strongest legal VoD markets in Europe, albeit funded by advertising rather than subscriptions. If the right kind of services were provided then it was possible for real differences to be made. These lessons had been learned by the music industry, where companies, such as Spotify, had caused significant drops in piracy by providing compelling legal services.

Chris Auty, NFTS asked two questions. Firstly, why were VoD services shifting away from feature films and towards TV series; and secondly, why was the Australian market so valuable?

Ben Keen described how Netflix had historically sought content at a later point in the release window schedule, and had only recently started to compete for first pay window access to movie content, while the established pay TV providers had usually obtained rights on an exclusive basis. In recent years, VoD platforms had started to differentiate themselves through their exclusive offerings of TV content – for example, *House of Cards* was only available through Netflix and *Game of Thrones* was exclusive to Sky – as they had realised that this was driving acquisition growth for subscribers. Consumer appetites had a two way relationship with the marketing messages that were being presented.

With regards to Australia, the value of the market was currently inflated due to a strong exchange rate, but it was and always had been a key market.

Robin Baker, Ravensbourne asked whether 3D movies had a future.

Ben Keen had considered including 3D as one of his myths, however, there had been a number of recent examples – most prominently, *Gravity* – where 3D releases had been both incredibly commercially successful, and improved the viewer experience. When a film was conceived and designed to work in 3D, it was clear that this could add considerable value to the cinematic medium.

KEYNOTE CONVERSATION

Jane Tranter, Head of BBC Worldwide Productions and Adjacent Productions

***in conversation with* Jane Lighting, Non-Executive Director, Trinity Mirror**

Jane Lighting introduced Jane Tranter, who had launched BBC Worldwide Productions in Los Angeles in January 2009 with the twin aims of building upon the success of *Dancing with the Stars*, and of creating a slate of both scripted and unscripted US formats of BBC programming. She had gone on to launch Adjacent Productions in 2012, a label that sat alongside BBC Worldwide and produced original programming, and which had already become a leading player in the US television market across all genres, producing such acclaimed titles as *Top Gear US* for History, *Life Below Zero* with National Geographic, *Da Vinci's Demons* for Starz, *Ladies of London* with Bravo, *Us and Them* with Fox, *Getting On* and *Criminal Justice* for HBO, and a further 10 cycles of *Dancing with the Stars* for ABC.

Before moving to Los Angeles, Jane Tranter had been Controller of BBC Fiction in the UK, in which role she had been responsible for commissioning all of the BBC's drama, comedy, film and acquisition output. Some of her highlights included *Little Dorrit*, *Criminal Justice*, *Gavin & Stacey*, *Heroes*, *House of Saddam*, *Doctor Who*, *Rome*, *Blackpool*, *Bleak House* and *A State of Play*.

Before this, Jane Tranter had served as Controller of BBC Drama and Commissioning, with responsibilities over in-house drama at the BBC, and had also worked at Carlton for five years. She had received the BAFTA Special Award in 2009 in recognition of her outstanding creative contribution to the industry.

Jane Lighting explained that this interview would cover BBC Worldwide and Adjacent Productions' work, and would examine: how BBC Worldwide and Adjacent were working in the US; what the US market and programming trends were like; how Jane Tranter's role currently linked with the American players; and what future developments were likely to occur.

Jane Lighting asked Jane Tranter how BBC Worldwide – the part of the business that was repackaging and delivering established British formats to an American audience – had grown over her tenure, and also how many shows was she now responsible for producing?

Jane Tranter explained that BBC Worldwide had launched in 2009 with the hit sensation, *Dancing with the Stars*, the success of which had been an incredibly advantageous foundation for building a production company around. One of her first priorities had been to ensure the success of *Top Gear US*: NBC had been experimenting with the show and had taken it to the pilot stage, but had not been interested in developing the show further; she had negotiated a return of the format and taken it instead to Nancy Dubuc, the then President of History, where it had been both more editorially compatible and successful.

She had also launched a second big strand of work around live reality TV – which the Americans termed 'unscripted business.' Building upon the success of *Dancing with the Stars*, she had concentrated on learning everything that she could about the genre, recognising that it would provide a major revenue stream for BBC Worldwide and therefore provide funds for the development of the scripted side of the business.

Jane Lighting asked why the scripted business had been set up separately as Adjacent, and not run through BBC Worldwide Productions.

Jane Tranter explained that the purpose of BBC Worldwide Productions was to enhance the Licence Fee and strengthen the BBC's creative reputation. Its business model was to reformat successful pieces of BBC owned content to appeal to an American market, whilst retaining the strength and feel of the BBC brand. BBC Worldwide had very specific commercial targets to meet, and much of the money made was returned to the BBC in the UK.

There had been a number of considerations that motivated the formation of Adjacent Productions as an independent label. Firstly, reformatting BBC content for the American market did not, by itself, generate enough work to keep BBC Worldwide's production teams fully occupied, so it was necessary to undertake additional projects to fully utilise capacity. Secondly, as a result of the BBC's commissioning strategy, the rights to an increasing amount of BBC content were owned by independent production companies: they frequently were also seeking to capitalise upon their IP by selling their formats to foreign markets, something which undermined the uniqueness of one of BBC Worldwide's selling points, that it was delivering successful BBC content to the American market.

She had consequently decided to differentiate from reformatted content by forming a different label from the BBC Worldwide brand for original works. However, she stressed that all of the monies raised by this venture would go back into the BBC and be used to enhance the Licence Fee.

Jane Lighting asked how big the two businesses were, and how much autonomy there was around production decisions or the allocation of budgets.

Jane Tranter said that there were currently 16 shows in production, and a core staff of 32 people, plus additional freelance staff who were used when required. BBC Worldwide did not have the capacity to act autonomously, being totally reliant for ideas from BBC in-house productions, and could also only proceed with projects that the BBC had made available for reformatting in the US, something that might be influenced by rights issues or larger strategic plans. However, this was an amicable relationship and BBC Worldwide had budgets of its own with which to make sizzler reels or to get early treatments from writers.

Most of Adjacent Productions work was produced by BBC Worldwide employees around their BBC Worldwide schedules. Adjacent Productions had small amounts of development money, which could be used to develop shows to a state where they could be sold to broadcasters.

Jane Lighting asked whether, as a relatively new business, BBC Worldwide was generating a profit. Further to this, she noted that one criticism to the business was that it was risking Licence Fee payers' money in the States, and asked how true this was.

Jane Tranter was proud of BBC Worldwide's record under her leadership: at the end of the financial year, BBC Worldwide had returned over $100 million in profit to the BBC. She also completely disagreed with the claim that BBC Worldwide was risking Licence Fee money: BBC Worldwide covered its costs completely, and if there was ever a chance that it would not, then she would reduce the size of the business in the same way that any other production company would. She was vigilant in ensuring that BBC Worldwide delivered good programmes, but also that the business remained successful. A return of $100 million profits, generated from a small staff of 32 people and 16 shows, clearly showed that the model was working.

Jane Lighting asked whether BBC Worldwide was big enough to compete in the US, given the size and resources of some of the established players.

Jane Tranter felt that BBC Worldwide was about the right size and shape for what it was seeking to do: it was transparent and controllable enough for the BBC to oversee and manage, but not so big that it would become a major liability if things went wrong. While the business model of BBC Worldwide was unusual, in that its profits were not directly reinvested into the production company, she took great pleasure in seeing these monies put back into BBC in-house and recognised that the programming that this funded would provide a rich seam of future work for BBC Worldwide to reformat in years to come.

Jane Lighting asked what the likely mix of scripted and unscripted programming would be in the future, and what the perfect balance for this was.

Jane Tranter explained that producing unscripted programming gave her the financial space to make scripted pieces. This was not due to the cost of development, as BBC Worldwide always structured deals so that the broadcasters would lay off development costs. However, content such as *Da Vinci's Demons* or *Intruders*, which BBC Worldwide had both produced and acted as the international distributor for, had required a huge commitment in terms of cash flow, as all costs were incurred up front, but profits were not generated until later in the projects' lifetimes.

This was less of a concern for programming where BBC Worldwide acted as an editorial producer, as this carried a smaller overhead cost. Such programming included *Criminal Justice* and *Getting On*, which had been made on behalf of HBO, and *Us and Them*, which had been made for Sony Studios.

The US was a very different business environment to the UK for independent producers. There were no terms of trade that enshrined producers' rights; there was nothing analogous to the UK systems of production fees, contribution to overheads or laying off of legal or business affairs or comms; and there was no transfer of rights ownership. Instead, the only fee that an independent producer could expect to receive would be an executive producer fee, which would be quoted for at the start of the project and that, for new entrants to the US market, would typically be set at a very low rate, regardless of any prior experience from outside of the US. Producers of scripted content would simply get a percentage of the back end, although, unless the programme turned out to be amazingly successful, this was a cosmetic amount. The only real money generated from scripted content was from up-front fees, but these were not sufficient to run a viable business on.

Unscripted content was therefore vitally important as it generated the funds, on a day to day basis, that allowed scripted content to be produced in the hope that a big hit might emerge in the future. This was also a normal situation in the US, where, unless they were attached to one of the majors, the majority of producers in the scripted content business usually had either also ran large and successful unscripted content businesses, or had prior backgrounds in making successful feature films from which they had then branched out into television. It was very rare to find people that only made scripted TV.

Jane Lighting asked if UK super-indie producers should consider launching US operations, and if this was a vital part of any international expansion.

Jane Tranter considered that this was necessary for anybody that was seeking to properly enter the US market, by which she meant commissioning content purely for US television, and not co-production, which was a totally different field. However, it was essential for anybody considering such a move to have both a clear idea of what they were seeking to achieve, and an understanding of the business environment and foundations of US television, in order to work out whether opening a US operation was justified. The UK industry was considerably easier to work in and much more lucrative.

However, if it was feasible, then a move into the US was definitely something that she would recommend. Most of the super-indies had moved in this direction and, while the industry was totally different, there was a great market and real opportunities to increase the longevity of a business.

Jane Lighting asked how the US market was currently changing, what power shifts were occurring and who were the main players were. She was particularly interested in how the various changes to formats and technologies and the emergence of new entrants with different business models, as described by Ben Keen, was affecting the established networks.

Jane Tranter felt that American network television was very detached from other forms of content. Five or six years ago, network television had garnered the majority of attention, and increasingly it seemed to need a new strategy. She had seen an editorial separation away from people with the storytelling skills to make stories last for 22-26 episodes, something that did not offer very much time off, space for creative renewal or the development of any sense of ethereal voice. The key behind making this quantity of episodes every year was to produce things in a printable format, and while there were successful exceptions to this rule – such as *Lost* – it seemed increasingly difficult for series to maintain their consistency at this length, year after year.

Of all of the American networks, CBS had best managed to sustain their output by sticking to a formula of procedural orientated, high quality and repeatable printable formats, with episodes that made sense if viewed out of sequence. CBS was also atypical in having been successful in exporting their shows, something that was also helped by their slot lengths, which were in line with those used in international territories.

However, she conceded that network television was not the format that attracted the greatest attention or critical acclaim. Instead, the US cable market, whose recent hits included such high end narrative driven series as *House of Cards*, *True Detective*, *The Walking Dead* and *Breaking Bad*, was the area of greatest interest to her. These shows were all examples of interesting shifts in the US production model, as they had all moved away from many of the norms that had long been commonplace. For example, *True Detective* had gone straight to series, without piloting, and consisted of 8 episodes, instead of the 10 that was normally a minimum series length. By bypassing the pilot process, writers, directors and actors had been able to commit to the project without going through the time consuming process of being optioned and then waiting to see if the show would be picked up. This made it especially attractive to the talent as it reduced their downtime and, along with the shorter series length, allowed them to move on to the next project faster.

This model was closer to that which predominated across the UK industry, but with much bigger budgets. The premium cable networks, HBO, Showtime and Starz, and also increasingly Netflix, were able to bring significant sums of money to the table, enough to fund the crossover of feature film talent into television with huge above the line costs. Programmes in the premium cable space would command budgets of at least $3 million per hour: *Game of Thrones* probably had a budget of over $5 million per episode.

The process by which above the line costs were calculated in the US was different from that used in the UK, although the process for below the line costs were more comparable. There were also differences in production methods, with the Americans tending to complete shoots within a shorter timeframe, and being unionised in a way that the British industry was not. In general, for an equivalent production spend, an American production would produce less content than a British production would. However, the budgets available were very much higher in America.

Jane Lighting asked how companies that were distributing content over the internet were changing the market: Netflix had been mentioned already, but Amazon, Microsoft and others were also making inroads into this space and investing considerable sums into original programming. To what extent were these likely to become serious players or customers in the future?

Jane Tranter said that Netflix was positioned in a similar space within the market to AMC, and the reputation that they had built, that of being an organisation that would pick up interesting and clever projects, such as *House of Cards* or *Breaking Bad*, would allow them to build further successes.

Amazon and Microsoft were both at a stage where they had not clearly defined what their focus would be, what areas of the market they would compete in, how they would be seeking to structure deals or what sort of pieces they would be commissioning. This did not mean that they would not be able to make significant inroads into television in the future – Starz had taken 3 or 4 years to clearly define itself and HBO had been running for years before finding success with the *Sopranos*. However, she was certain that these and other new players would be around for a long time and transform the face of television. Network television would increasingly focus on business rather than art, while cable would adopt a more combined approach.

Jane Lighting asked if the technology of catch-up was liberating creativity by reducing the restrictions of the episodic format, or would it reduce the social aspect of the water cooler moment by extending viewing habits away from the point of broadcast.

Jane Tranter considered that the water cooler moment was primarily a means by which viewers would discover new content. *House of Cards* had benefitted from the word of mouth effect, as being launched straight to VoD had been both a talking point and an integral part of its marketing strategy.

In terms of the changing nature of televisual storytelling, she welcomed the increasing complexity that VoD allowed dramatic television to use. Allowing viewers to watch and re-watch episodes at their leisure meant that they could better follow complicated plots or spool through particular narrative story arcs in greater detail. It also allowed viewers to structure their viewing around other commitments in their life, a development that she considered to be very positive. However, the one constant that would always remain was the desire for great stories, told well.

Jane Lighting asked how the blurring between film and television was developing. The crossover between writers, producers and actors had been developing for a while, but was also starting to be seen in terms of business models. She asked what was causing this development, and where it might lead to.

Jane Tranter thought that the appeal of high end television lay in its ability to tell longer stories or to explore situations in greater depth than a 90 minute film could, something that was of great appeal to writers. Television also placed a different sort of pressure around moving a story forward than film did – this was not to say that television production was not highly pressured, rather than the pressure was of a different type – and offered more scope for experimentation.

Another difference from film was that, when making television, the show runner had far more freedom, within parameters, and also usually had the final say over how the production would be made. This was very different from film, where – director's final cut notwithstanding – the financier usually made the decisions.

However, the main appeal of television was that it offered people the opportunity to make good work and to get it released.

Jane Lighting noted that British talent and television was sometimes said to be in the midst of a golden age, and asked whether this was also the perception from the States.

Jane Tranter said that the Americans had always loved and welcomed British talent in the feature film world. It may have been the case in the past that US television had been more parochial and hesitant to hire British talent: this was no longer the case, and almost every network loved fresh faces, embraced talent and had British actors playing leading roles on their schedules. A big advantage that British actors had over their American counterparts was that they frequently had more stage experience, something which was a great asset when progressing through the brutal auditioning processes of American television. There were 28,000 British actors living around Santa Monica and Venice in Los Angeles, most of who worked in the industry in one form or another, and she was delighted at the number of opportunities available.

Jane Lighting asked what the key factors in attracting attention to projects were, and what the recipe for success was.

Jane Tranter did not know if she rationalised decisions in that way, it would be hard enough to explain how she had identified successful ideas when she was working in Britain, let alone within a totally foreign culture. Broadly speaking, it was important for people to display a real commitment, because if someone did not believe in their own project then there was little reason why anybody else would. Other than that, she tried to identify projects that she felt that she cared about, maybe because the writer had an interesting perspective or a highly skilled voice. The only advice that she could give to prospective programme makers was to work really hard.

There was no guaranteed recipe for success: sometimes stars could align on a particular production and deliver something amazing; at other times, projects could bring together a lot of talent and everybody involved could put a lot of effort in, but not end up delivering anything to show for it.

Jane Lighting asked Jane Tranter about herself: as somebody that had displayed extraordinary determination and energy throughout her career, and who had carved out a role in the US, did she see herself as a creative executive first and foremost, or was she now a business executive.

Jane Tranter felt that the two roles were not mutually exclusive, and stressed that she would never want to be anything other than a creative person. However, it was necessary to create the right environment in order to justify people's support and financing of projects. Stability was important, and, within the parameters of what could be done on behalf of the BBC, she felt that she could best describe herself as an accidental entrepreneur. This was not something that she had set out to become – she had originally just wanted to make programmes – but she had had to think around corners a lot, and to learn how best to build upon the different approaches that she had learned from her background in British television.

When she had first arrived in America she had spent the first year learning how the US industry worked. She had realised that she was at her strongest when bringing a different perspective to productions, instead of trying to replicate the typical approach of an American producer. It had taken her about four years to get to the point where she understood enough about the American industry to work out how to approach projects.

The single biggest difference from Britain was that the US market model was structured around vertically integrated studios, rather than production companies. It required real tenacity for an independent producer to fight through this.

Jane Lighting asked how much of a cultural shift there had been from moving from the BBC environment to Los Angeles, and what the biggest challenges and differences had been.

Jane Tranter felt that the biggest change had been the driving. In the BBC, getting to a 45 minute meeting with a channel controller involved walking down a corridor; in the US it required a 45 minute drive each way through a very hot and dusty climate. She had had to learn how to plan routes in advance, and how to arrive physically and mentally prepared to make a pitch. The political and industrial landscape was also very different.

Jane Lighting thanked Jane Tranter, and invited questions from the audience.

Rebecca O'Brien, Producer asked how the Hollywood television market related to the Hollywood film industry: was Hollywood in its old form completely dead, or were people moving from film into TV, or was TV now the main creative industry?

Jane Tranter did not feel that the Hollywood film industry was dead in any way. The big difference was that it was now receiving far fewer spec scripts than it once would have. Hollywood had developed into a circle of only making franchises, because they were only offered franchises, because they only made franchises… While Hollywood still had the money to make amazing high end productions, the big studios' were increasingly seeking to mine new sources of material for film at the $5 million, $15 million or $25 million level, and were reaching out to TV in a way that they had not in the past in a search for new writing, directing or other sources of talent. Television was providing a new input for the film industry.

Fiona Clarke-Hackston, BSAC asked Jane Tranter how and to what extent international co-productions played a role in her thinking, and also what sort of partners would she be willing to work with.

Jane Tranter said that she considered co-production as akin to the Holy Grail. The biggest problem was making each of the co-producers feel that they were the producer, as opposed to the co-anything. BBC Worldwide had never made a true co-production to date: *Da Vinci's Demons* had the look and feel of an entirely British production, but had been made for distribution over premium cable in the US for Starz and the international distribution rights had been bought Fox International. *Da Vinci's Demons* had been shot in Wales, on the preference of the producer, Julie Gardener, but Starz had insisted on retaining overall editorial control to ensure that the final product would complement their brand.

While there was definitely a place for co-productions, they were harder to structure when making serious television series, as opposed to miniseries or single films, because this form of content was so domestically defining for a broadcaster. Nevertheless, the world was changing, and she felt that co-productions would become more widespread in the future.

Jane Lighting asked a final question through the medium of the game show, *Snog Marry Avoid?*: Given the choice, in ten years' time, would Jane Tranter rather be the Head of a US Studio, a UK Global Super-indie or a UK Broadcaster?

Jane Tranter replied that she would Avoid, Avoid and Avoid. She did not really want to be Head of anything: her goal was, and always had been, to produce really good pieces of content, primarily drama. She was glad that she was useful to the audience and to different broadcasters on both sides of the Atlantic, but did not feel that making shows was something that she could do better by becoming Head of anything.

Jane Lighting thanked Jane Tranter for her insights into her role, the BBC and the developments that were occurring to the business in the States.

EVENT CINEMA

***Chair:* Michael Gubbins, Chair, Film Agency for Wales**

Marc Allenby, Director of Distribution, Picturehouse
Christine Costello, MD and Co-Founder, More2Screen
Emma Keith, Producer, Broadcast and Digital, National Theatre Live

Michael Gubbins introduced the topic by explaining how, five years earlier, he had been to a conference on the topic of how nobody was watching foreign language, art or classic films in cinemas anymore: after leaving, he had walked past a small independent theatre, where people had been queuing around the block to watch the screening of an opera from Puccini – Italian, arty and very much a classic. Since then, the UK market had seen an expansion of 'Event Cinema', which was atypical and non-cinematic content, but screened in cinemas on very limited release.

He asked Christine Costello what was driving Event Cinema forward. The market was estimated as being worth £20 million, but who was attending these screenings?

Christine Costello described how opera and ballet had been the first genres to make significant inroads into the Event Cinema market – The New York Met and the Royal Opera House had been pioneers in this field – and both were still doing very well. However, theatre had since become the most successful entrant to this space. Event Cinema had proven its credentials as a provider of cultural content, and had been especially successful at serving an older demographic. Popular music had made inroads, with Robbie Williams' farewell concert having been a great success; however, the big barrier in this genre was obtaining rights. Additionally, anything with an established and sufficiently committed fan base had the potential for making a successful event.

Michael Gubbins asked if Event Cinema was reaching new audiences.

Christine Costello explained that opera and ballet – opera in particular – had been very successful at drawing audiences from the 50+ and 60+ demographics. Opera was expensive to visit in person, due to high ticket prices and geographically focus in London or other cities. Event Cinema gave audiences the opportunity to view cultural content in their local cinema, and also provided a focus for socialising.

Michael Gubbins asked Emma Keith why the National Theatre had become so successful. Also, was a limited screening essential for making Event Cinema into an 'event?'

Emma Keith said that the very fact of something being an 'event' made it special. NT Live was not necessarily all live, or even released on a one night only basis, although screenings were limited period and exclusively available in cinemas, which gave created an atmosphere of 'miss it, miss out.' Audiences definitely approached Event Cinema with the same high expectations that they would when visiting the theatre.

One noteworthy point was that the audience demographic could differ drastically depending on the content that was being screened. *Frankenstein*, starring Benedict Cumberbatch and Johnny Lee Millar, had seen auditoriums packed with young teenage girls, which was a very different audience from *King Lear*, with Simon Russell Beale, which had appealed to a more seasoned demographic.

Michael Gubbins noted that NT Live made use of lots of different angles, close ups or exciting cinematography, and asked if the one thing that had not worked for Event Cinema was attempting to recreate the illusion that the viewer was sitting in a fixed seat in a theatre.

Emma Keith agreed that Event Cinema was more akin to watching a sports match, in that every moment was captured from the same performance in real time. There was no amalgamation, post-production or editing.

Michael Gubbins asked if Event Cinema was driving audiences back to theatre going.

Emma Keith said that the National Theatre was fortunate enough to operate at capacity already, but anecdotally she had heard that local arts venues, especially in more rural locales, were reporting increased engagement and participation. She considered it likely that Event Cinema was helping to increase interest in the arts.

Michael Gubbins asked Marc Allenby how successful Event Cinema had been for Picturehouse, and how important this audience was to them. Were they finding a crossover between the audiences for Event Cinema and conventional films? And was Event Cinema was changing cinema programmes?

Marc Allenby outlined how Event Cinema made up 15-20% of Picturehouse's annual box office, and was now a core part of their business – this was something that he had heard echoed by other independents, although it was probably lower for the industry as a whole. It was also delivering full auditoriums at low inventory times and maintaining the viability of cinemas during periods when they could not rely on conventional feature films to fill seats. Picturehouse was definitely seeing increased levels of engagement, particularly around older audiences; this was something that the rest of the cinema industry was also seeing. He felt that it was dismissive to view, for example, opera audiences in isolation to film audiences: screenings of opera made particularly successful Event Cinema because opera had such devoted followers, but many of these viewers would have already been cinemagoers.

Michael Gubbins noted that Ross Fitzsimons was in the audience, and, given his background in alternative production and distribution, invited him to share his thoughts.

Ross Fitzsimons, Arts Alliance described how in 2013, the Royal Opera House had produced some research on both ballet and opera audiences for two different events: they had shown that a large proportion of the audience had never been to a live ballet or opera and were experiencing the art form for the first time in the cinema. Additionally, the ballet audiences were 80% female and demographically much younger than the opera audience, possibly because it attracted women who had practiced ballet in their youth, or mothers and daughters who were going together. While the ballet audience was of a similar demographic age distribution to a conventional cinema audience, the audiences for opera were on average 10-15 years older than would be typical, and were definitely being attracted by the Event Cinema content.

Michael Gubbins noted that sport had clearly not made inroads into Event Cinema, and asked if there were reasons for this.

Christine Costello explained that this had been experimented with in the past. In part, the demand had not been there: sport was already widely available; dedicated fans would already have Sky subscriptions; and screenings in pubs provided an outlet for social viewing. Around four years ago, FIFA had tried to distribute 3D screenings of the World Cup through cinemas, but very few territories had managed to obtain rights. The next World Cup would be shot in 4K, but she doubted whether this was enough of a selling point to draw a crowd.

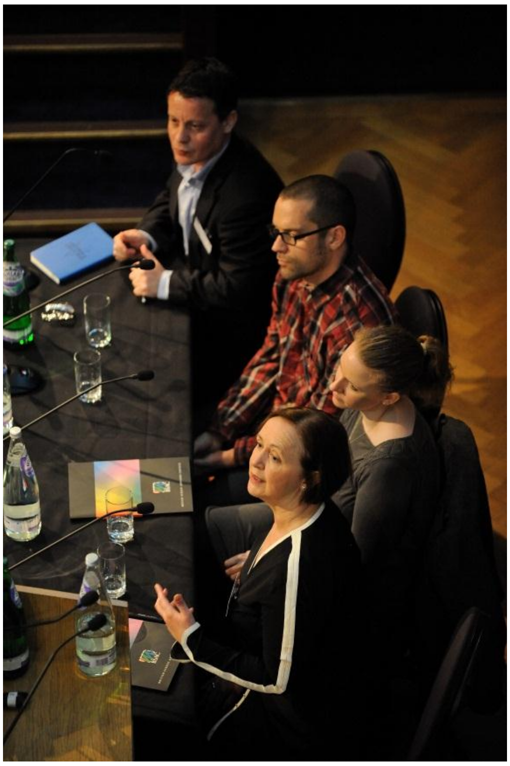
Michael Gubbins asked if there were concerns over the sort of audience that a sporting event might attract.

Marc Allenby disagreed with this: as community hubs, Cinemas' had been screening football for a long time, often on a free to view basis. Football had broad appeal and the Premier League had been a gentrifying influence in recent years, so it was definitely not the case that screening a football match would attract hooligans. In fact, due to terraced seating, licensed bars and a big and easily viewable screen, watching sport in a cinema was quite a pleasant experience. However rights clearances, and the ability to make any money, were complicated by the need to navigate TV rights and global sponsorship deals, so there was not really enough access for the model to work.

Christine Costello agreed that there was no business model if cinemas could not charge their viewers to watch the match.

Michael Gubbins asked the panel about art screenings, such as the recent Viking exhibition at the British Museum.

Christine Costello explained that this was an extension of the interest in cultural content. Last year, the British Museum's Pompeii exhibition had run for over 6 months, attracted 470,000 people and been booked solidly throughout. The British Museum had decided to expand on this appeal by creating *Pompeii Live*, a special 60 minute cinematic documentary, originally intended to be broadcast for school groups, but which had gone on to attract 110,000 theatrical admissions worldwide – 50,000 in the UK alone. Building on this success, they had made a similar project, *Vikings Live*, around their current Viking exhibition. The educational aspect was a new and interesting area, and both the Royal Opera House and the Royal Shakespeare Company were now considering producing educational content for school groups.



Michael Gubbins asked if, at heart, this was also being driven by scarcity, with cinemas reproducing the act specific of visiting a museum.

Emma Keith agreed that scarcity definitely drove tickets, but highlighted that accessibility was also limited more generally by geography, money and a variety of other factors. Cinema screenings aside, big exhibitions were at heart inherently special, one off, once in a lifetime, never again see this collection of art in one place events.

Michael Gubbins asked if there was a geographical split in viewers: was there a national appetite for Event Cinema, or did it still focus around London.

Emma Keith said that there was a very widespread appeal. NT Live had released content across 520 cinemas in the UK, from Scotland to Cornwall, and many viewers would never otherwise have been able to see this content.

Michael Gubbins wondered if film might become part of Event Cinema, for example, Lars von Trier's *NYMPH()MANIAC*, had been screened as a one-off special. Was it beneficial to compress a film release into a single event, as opposed to distributing it normally? And was this something that might become more common in the future?

Marc Allenby saw a definite trend: *NYMPH()MANIAC* had been hugely successful as a one-off event, but the idea of creating a live element around a small film, such as by limiting it to a single screening, had also been seen with *A Field in England* and *The Pervert's Guide to Ideology*. It was not a solution that would always work for all films, but if done well was definitely a method of attracting audience attention.

Michael Gubbins noted that Lars von Trier had a reputation and pre-existing appeal based around his unconventionality, and *A Field in England* had been the first simultaneous cinematic, free to air television broadcast and DVD/VoD release. He asked what components a film would need in order to achieve the appeal by being a one-off.

Marc Allenby considered that this was a consequence of scarcity. Cinema offered the opportunity to view a film in the best environment, and everything from marketing to creating added content and added value needed to focus on this. There were many different ways that a film could be an event, which went beyond distribution or theatrical screenings. For example, late night screenings and sing-alongs were increasingly popular and initiatives, such as Cinema On Demand, which allowed people to programme screenings in their own cinemas, were keeping cinema relevant and central to viewer enjoyment.

Michael Gubbins noted that video games were an area that might benefit from being played in a social environment, such as in a cinema. He noted that Jo Twist from the games trade association UKIE was in the audience, and invited her to offer her thoughts.

Jo Twist, UKIE discounted three myths about video games: that they were played mainly by children and teenagers; that they were ultra-violent; and that gaming was a solitary experience. In fact, games had made considerable inroads into the event space in Korea and America and there was a thriving scene of people watching gaming. One example of this was the user generated content website, Twitch TV; another was the eSports scene, where gamers competed against each other in video games, such as the arena games *League of Legends* or *Defense of the Ancients*.

Secret Cinema, an Event Cinema organiser, could creditably be characterised as a sort of live action role playing game, due to the mystique and costumes around their screenings, and there was definitely a consumer demand to approach stories in different and immersive ways. Nevertheless, it was interesting that video games had not yet made inroads into the cinema as a physical space, especially as the equipment in cinemas – incredible surround sound systems and very big screens – seemed to offer obvious attractions for gamers seeking to enjoy an immersive experience. The only example of a successful gaming event in cinemas that she was aware of had been of a game called *Rengar*, where the onscreen action had been controlled cooperatively by audience members through use of laser pointers. This had been a fantastic collective experience, and she would love to see similar projects in the future.

Michael Gubbins wondered if there was a point of difference around video gaming and other forms of Event Cinema: screenings of the opera or theatre were attempts to replicate a social experience that already existed, but gaming in an event space would be an attempt to bring the gaming experience into a social space.

Jo Twist, UKIE agreed with this. While there were a lot of examples of games being played cooperatively and competitively within virtual communities, such as gamers from different cities collectively competing against each other, there was a potential opportunity for this to be amplified by events being organised in cinemas.

Michael Gubbins wondered what the barriers were to Event Cinema: were there economic factors that could be overcome, or were there natural ceilings to the growth of this sector? If every theatre company were to organise Event Cinema screenings, would the offerings surpass capacity? Or would only established brands manage to attract an audience?

Emma Keith agreed that the brand was important, as this gave the audience the expectation that that they would be seeing a production of quality, and it was already noticeable that different Event Cinema audiences were displaying brand loyalty. NT Live had grown beyond expectations, but constantly sought to ensure that it was only screening content that people wanted to watch: of the approximately 25 shows that the National Theatre had put on last year, only 8 had been released for broadcast by NT Live, and she doubted whether this would increase above 10 in the foreseeable future. NT Live had also entered partnerships with the Manchester International Festival and the Donmar Warehouse, but, as with their own productions, were very careful to only distribute shows that would work in a cinematic environment.

This was an artistic, not an economic, decision. The National Theatre had three different spaces and, while producing a range of work, encompassing new writing to classics, remained a theatre company at heart and retained this as its primary purpose. Consequently, its productions were designed around on-stage performances, meaning that many simply were not suitable to be filmed.

The key factor behind the success of Event Cinema was that there needed to be really good and well filmed content, supported by good marketing, from a brand with an established ethos of quality.

Michael Gubbins noted that Alastair Roberts, Managing Director at the Royal Opera House was in the audience. He asked whether Event Cinema could bring an international perspective to the Royal Opera House by allowing them to export their productions across national borders. Also, was opera especially amenable to export, especially compared to theatre, as language barriers did not detract from the universality of the art form.

Alastair Roberts, The Royal Opera House explained that opera and ballet were international art forms. The Royal Opera House Live was expanding its cinematic distribution rapidly, and while the UK still accounted for half of their viewers, it would reach an increasingly international audience as more territories came online.

The Royal Opera House Live was currently well established in Western Europe, and would shortly be launching into Latin America, Japan, Russia and North America.

He agreed that bypassing the language barrier increased the international appeal of certain types of content, especially opera or ballet. For example, screenings of ballet were amazingly popular in Japan. Another important consideration was that many artists in opera and ballet were international figures themselves, with the Royal Ballet Company alone featuring performers from over 20 nationalities.

Emma Keith disagreed that language was an insurmountable barrier for theatre. When NT live had first launched, translation and subtitling had been a considerable cost; however, they now translated content into multiple languages for encore screenings and been successful in entering foreign markets. England and the UK were internationally renowned for being a great cultural hub, and, having launched in Japan, Korea and South America, NT Live had found there to be a huge appetite for high quality theatre.

Michael Gubbins wondered if Event Cinema would cannibalise film: if cinema managers could fill cinemas at £30 per head with theatre screenings, would this come at the expense of screenings of art house films? Also, in the future, might Event Cinema move from traditionally unpopular slots to headlining the Saturday night main screenings? Was there a limit to the number of screenings that could be accommodated before Event Cinema lost the attraction of being an 'event?'

Marc Allenby detailed how Picturehouse had first launched their Event Cinema programme with 10 events a year, before increasing to first one, and then two events a month; they were now considering moving up to one event a week. There was definitely potential for further growth, however, the limiting factor was attracting different audiences. From an industry perspective, since 2006 there had been a focus on culture and high art, but the breadth of the programme – encompassing opera, ballet, theatre and exhibition – meant that there had not been a reliance on the same audience attending multiple screenings to fill seats, nor was the market glutted such that events no longer felt special. There was scope for Event Cinema to grow, and new areas for experimentation might include music, comedy and potentially sport.

Michael Gubbins asked whether it was wrong to treat Event Cinema as a single category, considering the wide range of different audiences for different types of screenings, or did all Event Cinema screenings have features in common?

Christine Costello agreed that there were different audiences to different types of event. She had recently screened a burlesque show, which had attracted a very different audience from the attendees of *My Little Pony: Equestria Girls*. Children's and educational content, screened in late mornings and lunchtimes and targeted towards school outings, were a good way for exhibitors to fill seats during quiet times.

Currently, one of the biggest barriers to the growth of the sector was in convincing content owners to consider cinematic distribution in the first place, as there were upfront commitments in time, resources and funding. However, she considered it likely that Event Cinema would continue to grow.

Michael Gubbins invited questions from the audience.

Alison Thompson, Sunray Films asked two questions: firstly, were there any regional differences in taste or take up of Event Cinema; and secondly, was there a point at which theatres might want to create content primarily for distribution through cinemas, in which case, would they be seeking international partners to help co-produce or finance these?

Christine Costello described how she worked with international producers, including EuroArts in Germany and AG Live: content definitely had to be crafted so that it would best appeal to different international audience tastes. She also noted that the demand within the UK for overseas content should not be overlooked.

In terms of geographical take-up, the single area where Event Cinema was currently generating the largest audiences was Cornwall, followed by Wiltshire, Wales and Dorset. A lot of these areas had populations of affluent retired people, who had strong interests in cultural content, but were disinclined to travel into London.

David Kelly, DK-Soda Films asked what sort of film content was being displaced from cinema schedules by Event Cinema. In particular, was the programming of local British independent films being reduced, and was there a risk that Event Cinema might drive a younger audience away from cinema, by causing screenings to be refocused towards an older and wealthier demographic? Also, was there an element of high culture piggy backing on the success of a 'low cultural conduit?'

Marc Allenby explained that Event Cinema scheduling usually displaced films that were in their fourth week of release: films were not being displaced during their opening weeks. This made sense from both a business and audience perspective.

He disagreed with the premise that Event Cinema was destroying film, instead he argued that it was keeping cinema relevant and alive. Event Cinema provided an income stream that did not rely on the output of the big Hollywood studios, and was increasing audience breadth and satisfying niche demand, something that would only increase as it expanded into different genres.

Phil Clapp, Cinemas Exhibitors Association highlighted how Event Cinema was providing solutions to the issues of availability, accessibility and technology. The recent Doctor Who finale, *The Day of the Doctor*, had been broadcast simultaneously on free to air terrestrial and in cinemas and had generated a theatrical box office of £1.8 million. The audience had been overwhelmingly young, and 97% of cinematic viewing had been through 3D, so cinema was delivering a service that was unavailable elsewhere. Event Cinema was broadening cinematic audiences and continuing to expand the footprint of cinema at a time when audiences were stretched financially.

Michael Gubbins thanked the panel and all participants. He recapped that the discussion had shown that there was no longer a monolithic idea of Event Cinema, and how different types of event were attracting different audiences and driving a renewed interest in cinema.

BRANDED CONTENT

***Chair:* Ajay Chowdhury, CEO, Seatwave and Deputy Chairman, BSAC**

James Abraham, Digital Strategy Director, Sunset+Vine
Digby Lewis, Head of Multiplatform, Gravity Road

Ajay Chowdhury recalled that one of the trends that had been discussed at the previous year's Film Conference had been the range of new entrants and new sources of money into production: speakers had included ChannelFlip, a multi-channel network with vast numbers of followers; and Netflix, who had spoken about *House of Cards* and their content commissioning strategy. Since then, Microsoft had revealed that they would be developing six original series for the Xbox One, and hired Nancy Tellem, the former President of CBS, to lead this workstream; and Amazon and Yahoo! had also announced that they would be making inroads into this area.

This panel would examine a slightly different perspective, the rise of Branded Content. A relatively new development, this was content created, by brands, around their advertising campaigns and distributed at events, in installations, or through films, video games and television. While it could be argued that this was not completely new – 'soap operas' had originally been funded by soap manufacturers – Branded Content had seen a new momentum in recent years, including Coca-Cola, the soft drinks manufacturer, having recently replaced their corporate website with a series of original content videos, termed the 'Coca-Cola Journey.'

The two companies represented on this panel had entered this space through different routes. Before moving into advertiser funded programming, Sunset+Vine had been a leading global supplier of sports programming: James Abraham had worked in television for over ten years and had been the executive producer for the *Red Bull Stratos*, an event where, watched by 8 million people, Austrian skydiver Felix Baumgartner had jumped to earth from a balloon 39km above the ground, becoming the first human to break the sound barrier in free fall in the process. James Abraham now produced projects for a variety of clients, including BT Sport, the IOC, MCC and Asics.

Gravity Road had formed in 2011 and sought to better meet the needs of the brands that they represented by producing content that went beyond the scope of conventional advertising. Digby Lewis had two decades of experience in creating world class content.

He noted that, before joining Gravity Road, Digby Lewis had been Head of Digital Content at Shine Group, and asked him what had encouraged him to make this move, and how different he had found the working environments to be.

Digby Lewis explained that Gravity Road had been formed out of the idea that content marketing, the field of creating interesting content that consumers wanted to spend time with, and which was frequently dismissed as a fringe activity by the established advertising agencies, had the potential to form the core activity of a business in itself. He had decided to leave Shine as he had felt that the opportunities for multi-platform extensions around TV brands in the UK were limited, and he had wanted to have a greater level of control over the full user experience than the broadcasters, who had been his clients there, had been prepared to cede.

He illustrated how Gravity Road operated by describing a recent campaign, *The Imagination Series*, which they had run for Bombay Sapphire, a brand of gin.

Prior to working with Gravity Road, Bombay Sapphire had wanted to build a campaign around the theme of 'imagination,' a sentiment that they had wanted consumers to associate with their brand, and which they tried to convey through their unconventional sourcing of botanicals, unorthodox distillation methods and atypical packaging. To this end, they had experimented with non-traditional methods of advertising, such as sponsoring the Tribeca Film Festival; however, their market research had shown that this relationship had neither succeeded in increasing their brand awareness amongst festivalgoers, nor generated a sense of association between their brand and independent film.

At the start of their working relationship, Gravity Road had suggested that Bombay Sapphire could both build upon their relationship with Tribeca, and deliver their brand message without relying on traditional advertising mediums, by organising a short film festival for their customers. However, a big stumbling block for this would have been the need for entrants to have an idea and produce a film, something that would have been especially problematic for Bombay Sapphire, as they were seeking to appeal to a customer base that were not necessarily professional film makers.

To bypass this barrier, Gravity Road had suggested refocussing the competition around producing an imaginative reinterpretation of an existing script, rather than submitting a completed film. To this end, they had commissioned a script from Geoffrey Fletcher, an Oscar winning screenwriter, which consisted solely of dialogue and was devoid of any characterisation, genre or setting: this had been published online and entrants were invited to submit an interpretation of it, with a prize of the most creative entries being made, by Gravity Road, into a short film.

The competition had generated significant interest: 170,000 people had downloaded the script and large numbers of entries were received, hailing from 34 countries, which was triple the number that similarly sized international film festival competitions usually received. Twenty were shortlisted for consideration by a committee at the Tribeca Film Festival, chaired by Geoffrey Fletcher, and five were selected to be professionally produced, with a budget of approximately £50,000 per film, to be premiered at the following year's Tribeca.

The completed films were distributed as widely as possible, including over Vimeo and YouTube, with the full backing of Bombay Sapphire's owners, The Bacardi Group. While Gravity Road had hoped to significantly increase Bombay Sapphire's brand awareness through the campaign, they had far surpassed their expectations when James W. Griffiths' script, *Room 8*, had won the 2014 BAFTA for Best Short Film.

Ajay Chowdhury noted that, prior to Sunset+Vine, James Abraham had worked on a range of projects for Channel 4 and BBC Worldwide, but that his work on *Red Bull Stratos* was probably his biggest credit. He asked how this had developed.

James Abraham described how *Red Bull Stratos* had been a difficult project to work on, partly because there were no precedents for how the project should develop, and partly because, while there was a rough timescale of approximately a year, there was no deadline for the project. This had made negotiating marketing and online distribution quite problematic, although this had been partially resolved by providing access to a lot of the testing and preparations, including releasing interviews with Felix Baumgartner and the other team members, to help promote the jump.

The project had been an amazing experience. He had found himself working with a very eclectic team of specialists, many ex-NASA, ranging from people capable of calculating telemetry data from great distances and speeds, to specialists on fitting cameras onto space capsules, to space suit designers. This had resulted in some of the most unusual production meeting discussions that he had ever been at.

Ajay Chowdhury presumed that the overall budget had been greater than £50,000?

James Abraham confirmed that this was the case. The total budget had never been released and was confidential, however, the total return on investment had been around 3:1, which everybody involved had been satisfied with.

Ajay Chowdhury asked about Sunset+Vine's work around sports: considering the recent investments that BT and others were making, was sport going to become a saturated market, or would the opportunities in this field continue to multiply?

James Abraham felt that there were still opportunities as sport was such a broad spectrum. While it was easy to focus on the competition between BT and Sky over professional football rights, there were a large number of smaller sports rights that could either be owned or created, so that a brand could monetise and obtain value from them – Red Bull had a particularly strong track record of generating successes in this area. Sunset+Vine had been responsible for having introduced the Hawk-Eye analysis technology to cricket when it had been broadcast on Channel 4; this had helped to demystify some of the rules and better communicate the on-screen action to viewers at home.

Ajay Chowdhury wondered whether brands really understand what consumers wanted when it came to content. What was there to indicate that brands knew more about the sort of content that their customers wanted than conventional producers did, and why would consumers want to have the sort of relationship with brands that brands wanted to have with them? Also, could brands balance between associating themselves with content that was consistent with their values, while not deterring viewers by overly intrusive product placement?

James Abraham felt that if there was a brand funded programme, most viewers would judge it on its merits as a programme. In general, brand associations did not inform audience viewing choices.

On the production side, the biggest single issue with brands was in ensuring that content fitted within a broader marketing strategy, something which frequently was dictated by people with backgrounds and mind-sets from marketing, not content creation. There were often cultural conflicts around how to connect with an audience on their terms, rather than seeking to have fun on platforms that the audience was already using. Some brands had recently sought to redress this conflict by creating Head of Content roles, and filling them with people from TV backgrounds: he considered that these brands would be most successful in this space.

Digby Lewis felt that, at present, most brands did not really understand the brand creation process, and that new entrants to the publishing space were only starting to understand the commitment required. There was a significant difference between moving from campaign-based strategies, where activity was focussed on a clear objective, to being an always-on publisher of content. However, one interesting development was that of brand funded publishing platforms, such as Nowness, a lifestyle website that was funded by Louis Vuitton, where the brand acted as a curator of content that supported their brand, rather than producing content directly.

The primary objective of Branded Content was to create something that people would not just consume, but also share. Websites, such as Buzzfeed and Upworthy, were typically gaining 75-80% of their traffic through social referrals, mostly through Facebook; in comparison, Jamie Oliver's cookery website, jamieoliver.com, only generated 5-7% of its referrals through social media.

Ajay Chowdhury asked how the second screen would play into this. BSAC had held an interview with Andrew Fisher, the Chairman of Shazam, who had described how Shazam was used to provide alternative content that complimented the main screen. He asked how brands were incorporating second screens into their content strategies.

Digby Lewis had found that the thinking had shifted away from seeking to design different content for multiple screens, to ensuring that content was readily accessible on every type of device, regardless of screen size or viewer behaviour patterns. The other big trend was that longer form content was increasingly developing separate spaces of its own. Co-existence was possible, but the producer needed to understand how to optimise content to different viewing habits.

Ajay Chowdhury asked if this was different for sport-related content.

James Abraham agreed that sport was a very different environment, and one that had seen some spectacular failures. For example, Heineken, a beer company, had launched a project called StarPlayer, which had been intended to complement football matches. This had been a sort of game, where viewers could use their phones to predict when goals would be scored: while it had been beautifully designed, it had failed because it tended to distract its users from being able to watch the actual match.

However, there was a space for second screen applications in sports, and he was currently working with BT to deliver additional camera views or live data, similar to that which was provided to the commentary team, but in a format that would be digestible for a home user. Sports, such as rugby or tennis, which had an element of start-stop in their pacing, might find these sorts of services especially useful.

Digby Lewis stressed the necessity to differentiate between different sorts of content. Certain genres of programming attracted vibrant real-time conversations over social media, to the extent that viewer attention was focussed more on these than on the actual programme; sports' viewing was very different and extra detail or information needed to supplement, not distract from, the live action.

Ajay Chowdhury asked if Branded Content was funded out of conventional marketing budgets, or was it attracting new sources of money?

James Abraham described how *Gillette World of Sport*, a sports' highlights show that Sunset+Vine had produced for twenty five years, had been a brilliant example of a brand producing content that complimented their values. There was an increasing appetite from brands to experiment in this area, and while they might initially seek to test the waters with cheaper projects, additional monies were being made available.

Ajay Chowdhury asked if brand funded content would continue to be primarily distributed over the internet, or did the recent cinematic biopic about Yves St Laurent, made by Yves St Laurent, herald a new era of brands directly producing content for TV and theatrical distribution?

James Abraham felt that, while there were exceptions – Red Bull had released motion pictures about extreme sports and made TV series around their sports rights – the internet would remain the primary distribution medium for the foreseeable future. Internet distribution required a distinct skillset from content creation: 60% of efforts into internet content were currently devoted to search optimisation, as it was pointless to release content over the internet unless the target audience could find and view it.

Digby Lewis highlighted the importance of understanding platforms and priorities. His favourite example of branded content was the Michelin Guide, originally formed over a century ago by the Michelin brothers, who manufactured car tyres; this had created an indelible association between their products and the act of driving to a luxury destination.

One big advantage of digital platforms was that it cost less for brands to enter the market than a film or TV release would, something which allowed greater experimentation and innovation. As demonstrated by Bombay Sapphire's *Imagination Series*, it was perfectly possible for brands to create content that could be viewed in cinemas, on television or over a mobile phone, and these delivery mediums were not mutually exclusive.

Ajay Chowdhury thanked the panellists, and invited questions from the audience.

Adam Clyne, TVC asked how Gravity Road's recent work on Cadburys latest marketing campaign had differed from the traditional advertising agency approach.

Digby Lewis explained that Cadburys had wanted to improve their TV advertising campaign, which had been based around celebrities lip syncing popular songs. In particular, they had wanted to connect with a younger and more tech savvy audience. Gravity Road had felt that the comedian, James Corden, who was also due to host that year's Brit Awards, would have been ideal for this role; they had approached him to participate in this campaign, and he had enthusiastically agreed to do.

Gravity Road had created an advertisement without any overt Cadburys branding, instead subtly including lot of purple, of the same shade as the Cadburys chocolate wrapper, throughout the background of the shot. This had been released at the same time that James Corden had launched his marketing campaign for the Brits, which had allowed it to benefit by association from a lot of music related cross promotion on social networks that related to him.

The video had received over a million views during its run and had gone viral over social networks. While YouTube viewing scores alone were now fairly irrelevant – people had worked out how to inflate these figures by 'buying views' – assessments of the levels of viewer engagement were far more significant: these metrics, such as shares, likes and comments, indicated that this campaign had been incredibly successful at attracting attention. Cadburys had been very satisfied with the results.

James Halton, Channel 4 asked how returns on investments were measured.

James Abraham said that, for the *Red Bull Stratos* project, this had been calculated by Red Bull's media agency, using a formula where every conceivable form of media activity – such as Facebook shares or likes of a YouTube video, as well as traditional metrics, such as column inches – were assigned a monetary value, so that a total value could be calculated and compared against the project's budget.

Digby Lewis explained that Bombay Sapphire's *Imagination Series* had used a different methodology to calculate this. This was a continuing campaign, so it would be possible to measure the increase in the number of script downloads or competition entries as the competition became better established. Bombay Sapphire had received 434 pieces of editorial coverage and achieved a reach of 157 million from the campaign, which were great scores for the brand. They had also sold a lot more gin.

Bijal Kotecha, Secret Cinema described how Secret Cinema had recently organised a screening of the Wes Anderson film, *The Grand Budapest Hotel*, where, on the basis that the film was set a fictional European state called Zubrowka, they had approached Żubrówka vodka to provide drinks for the event. While this had been a successful collaboration, Secret Cinema had generally found that brands were reluctant to participate in or integrate with their events. She asked if the panellists had found brands to be fearful of exploring new avenues of brand integration, and if so, why they thought that this might be?

Digby Lewis felt that this was probably a consequence of a traditional marketing mindset, meaning that the opportunities from these sorts of partnerships were simply not recognised; also, that there was a reluctance to move into areas that brands did not feel that they had 'permission' to enter. He suggested that proactively approaching brands, and pitching on the basis of common strategic objectives or values, was the best way to build partnerships. Red Bull was noteworthy in having partnered with extreme sports events, something which provided a good synergy around the youthful and energetic rebelliousness of their brand, but any event should be able to find potential brands to partner with by identifying shared areas of mutual interest

The Panel was asked if their experiences extended to full length feature films. Two recent examples of brand driven feature films – Google's *The Internship* and Swarovski's *Romeo and Juliette* – had neither been critically or commercially successful. Was it possible for brand funded content to extend into this space?

James Abraham explained that he had no previous experiences in the field of dramatic film, however, there was potential for brands to fund cinematic content: he had worked on Red Bull's *The Art of Flight*, a feature length documentary about snowboarding, and Sunset+Vine was currently making a feature length documentary for another of their clients. The barriers around feature film were similar to those around brand involvement in any form of content creation, which was that they were hesitant to invest too heavily in new areas. However, with the right client, idea and script, this should definitely be possible.

Digby Lewis noted that the film industry itself struggled to deliver a particularly high success rate for feature films, so brands would likely assess the risk in these areas as being prohibitively high, especially as they would not be able to minimise their exposure by spreading investment across a number of projects.

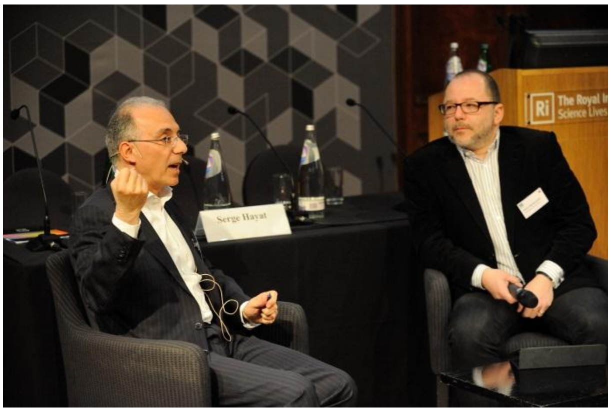
However, he could see that extending a competition mechanic, similar to that used in the *Imagination Series*, might potentially build up to a full feature film, although it would be very difficult to find a project that would appeal to a large enough group. Due to the funding requirements, such a project would also probably require a number of brands to work in partnership.

Ajay Chowdhury thanked all panellists and participants in the conversation.

SERGE HAYAT

Serge Hayat, DG, Cinémage

***in conversation with* Marc Samuelson**



Marc Samuelson introduced Serge Hayat. As summarised in his biography, Serge Hayat had a very broad and successful range of experiences and a large number of remarkable achievements, especially considering the number of changes that he had successfully navigated. He was also a citizen of France, a country that had quite a different business environment from that of Britain.

He asked how the blurring boundaries between film and TV might develop, especially given the rise of alternative methods of distribution and viewing.

Serge Hayat disagreed that blurring boundaries between film and TV were a new development: ever since television had been invented, cinema and television had been entwined in a love/hate embrace. In France, the broadcasters were now the major purchaser of films, but were increasingly disinterested in acquiring film rights. This was because, due to distribution windows, most films would have lost their novelty value and been viewed by their potential audience, in cinemas or on DVD, before they could be broadcast on TV. Also, as stand-alone pieces of content, films were not able to sustain a recurring audience in the same way that television serials could. In contrast, TV content could be exclusive and original.

However, while broadcaster interest in film was declining, producers were increasingly dependent on television sales as a source of funding, with the consequence that French film producers tended to make films that would appeal to French television networks, rather than seeking to attract an international audience. This was compounded by the French rights systems, which meant that when broadcasters bought films they also obtained exclusive rights over the broadcast windows, something which was stopping the development of the VoD or SVoD market in France. The result of this was that, while rights holders were increasingly disinterested in films, new entrants to the market were not able to grow into a position where they could replace this income stream, so there was no easy way for alternative funding models to develop.

He illustrated this with the example of Netflix's use of their exclusive content, such as *House of Cards*: while Netflix had used this to attract subscribers in the USA and Britain to their VoD platform, in France they had sold their rights to Canal+.

Marc Samuelson noted that Britain was currently seeing some experimentation around relaxing windows for certain types of content, particularly some of the more 'arty' independent films. He asked Serge Hayat if the current windows system was a sustainable solution for securing income streams for the film industry.

Serge Hayat felt that this varied drastically from country to country: typically, France was very conservative until the revolution happened…

He had recently had a similar conversation with a financier of 'arty' movies, who would frequently see their content distributed in 40-80 screens for two weeks, before disappearing without trace for four months until the next window became available. While there was clearly a potential audience, many of the viewers who might have been attracted by the promotional and advertising campaigns around the cinematic release would have already disengaged and lost interest before a film could be released over VoD.

He had spoken with a number of the bigger French exhibitors and the Centre Nationale du Cinéma (CNC), the French organisation responsible for their indigenous industry, to discuss the possibility of experimenting with VoD releases that immediately followed the end of a theatrical run, so that they could benefit from the publicity of the theatrical exposure: the exhibitors had uniformly responded that this would make the VoD windows much wider, because they would have refused to ink deals for any film without an exclusive window.

It was his feeling that changes to distribution windows would only happen if the US majors were to take a lead in such a campaign.

Marc Samuelson noted that this argument was unfolding very differently in Britain.

He asked Serge Hayat, given that he was a major player in the SOFICA system of film investment, what sort of returns the French market was currently delivering, either for indigenous French content, or for independent productions. From a purely commercial perspective, was there a decline in returns, and were there any areas where the French industry was either especially vibrant or facing problems?

Serge Hayat said that there were no problems around the theatrical box office: there was a push market, so when offers were made it was possible to generate a return. The biggest future challenge would be the failure of new services to replace broadcast television as a source of funds: while VoD services were seeing two-digit growth across most of Europe, in France they were actually in decline.

From a financial perspective, there were several ways to make money. SOFICA's, a French form of tax shelter funds, did not deliver high profits as they were heavily regulated by the CNC; however, he also invested in a whole range of other funds and generated 10% annual IRR, so it was still possible to make money.

Marc Samuelson noted that a recent analysis of the UK market, published by Screen International, had shown that only around 7% of British films made a profit. He asked if this overlooked how large sections of the value chain were generating profits, even if a project as a whole did not achieve 100% recoupment.

Serge Hayat said that it was often possible to find movies that would never see a return upon their investment. His perception, based on the French cultural exception perspective, was that this did not mean that the movie should not be made – he considered it perfectly acceptable for the Government to put some soft money into certain sorts of productions for artistic reasons. However, if you only examined films that were based on solid foundations of innovative financial engineering, it was quite possible to find ways to earn money and optimise the couple risk versus profit.

Marc Samuelson asked Serge Hayat how much potential there was to raise project finance through crowd funding, given that he had been a pioneer in this space in France.

Serge Hayat explained that he had entered this field as a fun experiment. He had been approached by some young people who had achieved some success in music crowd funding, who had convinced him to see if cinematic crowd funding might also work. The concept had been interesting for a number of reasons: firstly, in a world where internet piracy was rampant, it would be an amusing reversal if he could get the internet to pay for something; secondly, he had wanted to see if online word of mouth was a viable alternative method of running a marking campaign.

He had firstly set up a model where people could invest money into movies over the internet, from which he would calculate producer revenues as a return. Administratively, this had been overly complex, so he had then tried raising funds for financing distribution, considering that it would be easier to calculate returns on a per ticket basis.

Using this model he had launched 14 films in total, but had found the process to be nightmarish for three reasons. Firstly, while distributors had been happy to share the risk, they were less inclined to share the profits. Secondly, distributors did not really understand the internet, and were afraid of it: they had often sought to restrict critical commentary over social media sites, without realising that this was impossible to control. Thirdly, keeping track of large numbers of often not particularly well documented micro-investors was quite difficult.

Nevertheless, he had found that it was possible to raise money through this method, and he had gained a lot of experience over how to negotiate this sort of contract with distributors. The biggest lesson had been that crowd funding should not be approached or structured as a conventional investment; instead, the Kick Starter based model, where contributors would receive a clearly defined reward, such as a T-shirt or a DVD, instead of a share of royalties, was a much better approach.

He warned that crowd funding was not a free lunch. Typically, 40% of funding raised would come from people that were already close to the project, such as friends of the director, so it was important to involve everybody on the project in the fundraising in some way; a further 20% would come from friends of the first 40%; so only the last 40% of crowd funding money would actually be coming from the crowd.

The second thing to note was that the average project on Kick Starter only raised $5,000: while this worked for the music industry, as it was sufficient to produce a demo disc, it would never be a viable mass alternative source of funding for films.

This did not mean that crowd funding could not play a valuable role in raising project finance for films: It was fairly common for producers to struggle to raise the last 20% of their budget from conventional pre-sales, and it was possible that crowd funding might provide this last little bit.

Marc Samuelson invited questions from the floor.

Bertrand Moullier, Narval Media noted that the funding model for French cinema was dependent upon preselling the television rights, with this typically providing around 35-40% of the financing for French film productions. In terms of decongesting the regulatory environment, a central issue was that Canal+ was required to invest 12% of their consolidated turnover into the acquisition of film rights, mostly for French films. He asked whether the rise of Netflix might prompt the French regulators to take a bolder view as to the central and monopolistic market position of Canal+ within this system, and to consider introducing more competition.

Serge Hayat noted that, at the start of the Conference, Ben Keen had presented some statistics about take-up of VoD platforms, including showing that Canal+ Infinity was much less popular than Netflix. This was because Canal+ had decided to kill this project, almost from its inception, after realising that, were it to succeed, it would have cannibalised their existing business. In France, Canal+ was so central to the funding model that it would effectively take the French film industry with it if it died. France was very different from Britain in that the broadcasters were obliged to invest in French original film productions, something that provided a huge source of pre-production funding, and which was one of the main reasons why French cinema was so prolific. Everybody involved in the system was committed to protecting Canal+ because the ramifications of its collapse would be so climactic.

Marc Samuelson thanked Serge Hayat and all participants.

MURIEL JOLY AND PETER GERARD

Muriel Joly, Head of Business Development, Under the Milky Way
Peter Gerard, CEO and Founder, Distrify

in conversation with Marc Samuelson

Muriel Joly explained that Under the Milky Way was a VoD aggregator which distributed content over the internet. The distribution value chain in the digital era was no longer linear, as access to VoD platforms by the final consumer could be made by any one of a number of VoD aggregators or local distributors. Also, the emergence of global VoD platforms was making the traditional all rights sales model, with the MG on a per territory basis, increasingly unsuitable for a large number of films. There were a lot of opportunities emerging for new global distribution models, with aggregators playing an active role.

Since its formation in 2010, Under the Milky Way had acted as an intermediary between rights owners and the main global VoD platforms to ensure that films were delivered and exploited most effectively.

To do this, Under the Milky Way provided interfaces on various levels: they would pre-negotiate industry standard deals with VoD platforms, with exclusive and non-exclusive mandates tailored to each platform and film; they would coordinate the required technical treatments, ensuring that content was encoded into formats that were compatible with the VoD platforms' technical standards; and they would organise all schedules and deliveries, using their relationships with encoding houses to obtain favourable rates for their services. Once projects had been released, Under the Milky Way would use their on the ground relationships with local platform teams to promote content from their rights catalogues and ensure proper placement, and would help with marketing, such as by designing customised film pages. Financially, they would provide rights holders with transparent quarterly reports that showed detailed breakdowns of each film's performance.

Under the Milky Way had worldwide deals with the main global platforms, including iTunes, Google Play, Sony, Amazon, VUDU in the USA, Daily Motion in France and, most recently, Netflix. To date, they had inked deals with more than 250 rights holders, and delivered over 2,000 films across 100 countries.

Under the Milky Way provided domestic rights aggregation to international distribution and their business model was based on revenue sharing, where they applied a commission from 20-30% from payments from the platform, and no MG was applied. On a domestic level, they could service the VoD distribution window on behalf of the rights holder, but their speciality was in providing a tailored distribution of movies in international territories through their international network of 13 representatives, covering more than 100 countries. They would arrange deals and liaise between rights holders and the local teams of VoD platforms, and would coordinate simultaneous releases across different territories.

Under the Milky Way was also experimenting with day and date releases and were currently participating in the TIDE Experiment, an EU sponsored project to trial simultaneous international multiplatform releases of films. They acted as a distributor of content to local cinemas and worked with the Media Mundus project, which sought to foster cooperation between European and non-European media professionals. They had also recently developed a social marketing tool, called Waveback.

Marc Samuelson thanked Muriel Joly, and invited Peter Gerard, CEO and Founder, Distrify, to take the floor.

Peter Gerard explained that Distrify was a platform that could help film makers and distributors connect with, sell directly to and better understand their audiences.

He illustrated the Distrify interface operated with the example of a short film, *The Wholly Family*, a piece of branded content that had been funded by a pasta company and made by Terry Gilliam. Distrify powered a preview window on Terry Gilliam's home page with controls that allowed users to either view the trailer for free, or to pay to see the whole film through his site: these controls would work even if the clip was shared over social media or embedded into other websites. However, main difference between the Distrify model and other video distribution platforms was that they operated a commission model for sharing of content, so that if somebody were to pay to see the video after finding it on a third party webpage, then the third party would earn a percentage of this income; this would also apply to any individuals that shared the content through their own personal webpages. Therefore, Distrify was encouraging people to share content legally by making it more financially attractive for them than piracy.

He illustrated how Distrify operated with a case study a short independent film called *End of the Road: How Money Became Worthless*, by a director called Tim Delmastro, about the gold and silver trading business. This film had been launched online using Distrify from Tim Delmastro's website, and the first promotional efforts had been through direct email marketing, promotion over relevant blogs and a release of the trailer onto social networks and Tube sites. Distrify had quantified, in real time, exactly how many people were visiting Tim Delmastro's website or viewing the trailer, and also how many of these views were translating into sales – direct email was the most successful promotional activity on all counts. It also allowed Tim Delmastro to identify exactly where sales were coming from: one Twitter user, @jamesgrickards, with 10,000 followers, had tweeted a link to the player, leading to

115 sales; and sgtreport.com, a blog about the precious metals commodity markets, had posted a link to the film and generated 14 sales directly and a further 175 from referrals back to the film's home page.

The receipt of these figures, six days after release, had inspired Tim Delmastro to approach several of the participants in the film and ask them to promote the film to their followers on social network sites. One of these, Mike Maloney, had 70,000 subscribers over their YouTube channel and had edited the trailer to highlight his participation in the film: this resulted in 56,000 views of the trailer, but only 120 sales. This allowed the value of Mike Maloney's support to be quantified, but was also was a good illustration of the disconnect between YouTube views and sales.

This data had informed Tim Delmastro's actions when modifying his approach around releasing *End of the Road* through other marketing channels and to other countries. He had taken $36,000 within the first period of marketing, and covered his costs within the first week of sales – this had been a low budget film. Distrify had generated him 4,000 new customers and 1,000 new email subscribers, who he could then directly market his DVD to, something that had generated a much greater return due to bigger margins.

Marc Samuelson asked the panellists how their businesses were affecting established business models around the film industry.

Muriel Joly explained that Under the Milky Way focussed only on the VoD market, which was an area where traditional sales agents typically did not exploit rights effectively. Given the ubiquity and low technical costs of VoD platforms, she predicted that the industry would evolve so that specialist online distributors would dominate in the online space, but that that other windows, particularly theatrical and DVD, but also television and film festivals, would remain the preserve of traditional sales agents.

Peter Gerard said that, rather than being competitors, traditional distributors were now the main suppliers of films to Distrify. In the case of *End of the Road*, Tim Delmastro had sold the rights to Mercury Media, who had handled the TV and Netflix sales. Distrify could improve the established model by increasing the alignment of different marketing and interests across the value chain, particularly across different territories: currently, the agent that negotiated a TV sale had an incentive to try to restrict VoD rights, because this would maximise the value of the TV rights and also because they received no benefits from sales from other parts of the value chain. However, there were no easy solutions to this problem because everybody involved was very protective of and entrenched into their established positions.

Marc Samuelson asked Peter Gerard, if a producer were to bring him their back catalogue, would he cherry pick the content that he wanted, or would he distribute everything?

Peter Gerard explained that control was in the hands of the rights owner. In his experience, was most likely that rights owners would seek to release their newest and most popular films over Distrify, and once they had identified an audience – and obtained contact email addresses — go on to use this as a means of marketing the rest of their catalogue.

One of the strengths of Distrify was that it could reach a very international audience: half of their customers were in the US, but they had a large and growing number of customers from countries, such as India or Nigeria, which had large film industries and diaspora populations, but limited utilisation of conventional distribution opportunities.

Marc Samuelson invited questions from the floor.

Margaret Matheson, Bard Entertainment asked what sort of deal the panellists' organisations would typically offer.

Muriel Joly advised that no MG would be applied to the movie, and Under the Milky Way would take a 20-30% commission on the platform payment, depending on the geographical extent of the rights. They would either ask the rights owners to pay for technical expenses up front – these would be approximately €600-800 – or would offer recoupable expenses, where these costs would be deduced from revenues before the royalties were distributed. In terms of marketing, Under the Milky Way were experimenting with coordinating marketing campaigns with VoD platforms, but these were currently a work in progress and details had not yet been finalised.

Peter Gerard explained that, similar to Under the Milky Way, Distrify was a very open platform, which did not apply MG and that took a commission of between 10-30%, depending on what was being sold and at what price point. In addition, for any sales made through a third party platform, the third party would be given 10% of the net – this would be taken equally from Distrify and the rights owner's shares, so the rights owner would get 65%; Distrify, 25%; and the third party platform, 10%. Distrify's commission included all expenses. In terms of marketing, Distrify worked with a network of affiliates who could promote content to interested audiences; these were paid for on the same basis as any other third party commission, meaning that the only marketing costs would be the commission on sales.

Menhaj Huda, Director asked the panellists what the biggest title that that had distributed had been, and what sort of figures had it generated? And secondly, had they linked with any festivals?

Peter Gerard outlined two particularly successful recent releases: a lesbian drama, which had been very successful in the lesbian community; and an Indian film, which Distrify had also helped to crowd fund through their player by offering an increased affiliate share of 50% to investors. Both of these films had generated returns in the high five figures.

Distrify partnered with a number of festivals; however, the barrier that they had found was that the promotional cycle of festivals were focussed on the two weeks immediately around the event itself, whereas Distrify needed to build its marketing strategy around the whole year.

Muriel Joly said that Under the Milky Way were currently partnering with the International Film Festival in Rotterdam, where they had offered all participants a waiver on the technical costs of having their content encoded. They had recently agreed a similar partnership with uniFrance, the French film association, for the My French Film Festival, where they would be the worldwide VoD distributor for all content screened at this event.

Luke Randolph, Producer asked the panellists what the typical budget range was for the sort of films that they distributed. Was he correct in assuming that they dichotomised into offering services to the micro-budget area, typically dealing with content direct from the producer, and making deals with libraries, such as Pathé, at the other end of the market?

Muriel Joly confirmed that this was the case, but stressed that were big differences across different territories. In Scandinavia or Italy, Under the Milky Way primarily worked with big studios; in France, which was a more mature market with established local domestic aggregators, they tended to work with smaller companies or producers. They were currently working with some small French films with budgets of around €10,000, but were also distributing *The Intouchables* in Scandinavia and *Blue is the Warmest Colour* in Italy, so they handled a very broad range of content. If a film was good enough, there were always opportunities for it to generate a return on investment.

Lyndsey Posner, Independent Talent Group asked what sorts of revenues were being received.

Alison Thompson, Sunray Films noted, further to this, that traditionally when content was packaged to television, different amounts would be allocated against different kinds of movies depending on their size. She asked the panellists whether they rewarded the licence fees against the kinds of movies that they were selling.

Muriel Joly stated that they did not operate in this way. Instead, different kinds of movies might be distributed at different price tiers on the iTunes store, and different levels of exposures would generate different revenues. However, Under the Milky Way took their commission directly from the platform's payment: while this split might vary – typically from 50:50 to 70:30 depending on a number of factors, such as the age of the film – there was no difference in the treatment of the film

Marc Samuelson thanked all panellists and participants.

THE BATTLE FOR ATTENTION: WHAT ARE PEOPLE WATCHING?

Chair: **Adam Singer, Chairman, BSAC**

Presentation: **Mike Shaw, Vice President, Media, comScore**

Vanessa Bakewell, Head of Entertainment, Facebook
Edward Humphrey, Digital Director, BFI
Chris Ratcliff, MD, Portland TV
Stuart Saw, Director, EMEA, Twitch

Adam Singer introduced himself as chairman of BSAC. It was an honour to be standing on this stage. He had first been here before, when, aged 12, he had helped Professor Eric Laithwaite make the first of the Royal Institution's recorded television Christmas lectures for the BBC. On that occasion it had been prophesised that, by this stage in the 21st Century, everybody would be riding around in hover trains, a development that had never quite come to pass.

He noted that, thus far, the Conference had covered a number of key themes: one had been the inexorable rise of the subscription model as a form of funding; another had been how, given the increasing number of different ways of getting a message out, to attract an audience. This Panel would focus on the latter.

Claude Shannon, the father of information theory, had once said:

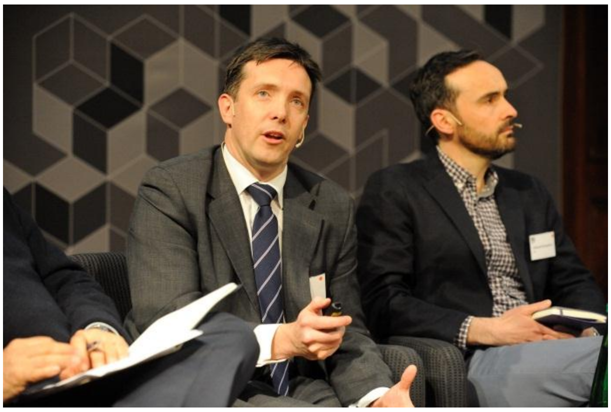
> *"For information to be information it must provide you with a surprise, because if it doesn't provide you with a surprise you already know it, so therefore it isn't really information."*

He wondered how future companies would provide surprises, and how they would relate to their audiences and get them to watch more films.

He introduced Mike Shaw, who would be delivering a presentation showing how much attention various competing devices were attracting.

Mike Shaw explained that comScore were a digital media analytics company that helped people quantify and understand consumer behaviour.

A majority of digital consumers were now multi-platform users: there were 44.8 million pc internet users in the UK, 72% of which – almost 32 million – were also using smartphones and/or tablets. This mattered, firstly, because it increased the number of different devices to which content would have to be delivered to; and secondly, because it made measuring consumer behaviour considerably more complex, something that was vitally important for understanding commercialisation in the industry and informing business decisions.



He presented some key figures for the UK: every day, 19 million users viewed digital video on a PC; 84% of the digital viewing population visited YouTube at least once a month; the average viewer viewed 238 content videos every month; and millennials – consumers under the age of 35 – were now spending 41% more time on digital activity than the average consumer.

He illustrated digital usage by platform over an average day: mobile usage was highest in the morning; PC usage during working hours; and tablet use peaked in the evenings. For video content, the peak for TV was even later, with 30% of TV viewing taking place in prime time.

Traditional broadcasting was changing. Far more people now viewed content over Google than through any of the traditional broadcasters, and even the Google sales team spoke about themselves as being a broadcast organisation, rather than an internet company, and presented pitches in terms of trading gross ratings points, not of streams.

It was important for measurement ecosystems to bring these sources of data together so that stakeholders and advertisers could better understand what was happening and continue to deliver content in a world with platform proliferation. comScore was working in partnership with the Coalition for Innovative Media Measurement (CIMM) and a number of broadcasters on a project, called Project Blueprint, which aimed to develop a system for following audiences across TV, tablets, PC's, phones and radio, so as to understand which audiences were unique or common to each. This was especially important for advertisers, who wanted to reach audiences, but were not particularly concerned with the time, place or medium that their message was delivered through.

Thus far, Project Blueprint had shown that people were using multiple devices simultaneously. In the US, around 22% of tablet or mobile usage coincided with television viewing, and Shazam was the most prevalent method by which viewers could engage with adverts. US data on Sony's VoD service, Crackle – compiled before Crackle had announced that they would cease operating in the UK – showed that, while the majority of viewers watched the service over their PC, if other platforms and co-viewing were taken into account, the total viewership was approximately 50% greater than the PC digital reach.

This created a fundamental challenge to the industry as it significantly reduced the reach of advertising: bypassing advertisements was much easier for digital media than it was for TV, and over 90% of the under 35 age group were skipping some or all of the ads that they were being exposed to. At present, Project Blueprint was seeking to understand whether this was a generational thing, or whether the technology that allowed users to do this would become more widely used across all age groups.

Adam Singer noted that most of the new technological devices were now also data generating devices that sent return path data back to the content provider. Was it the case that the provider that could collect the most data would be able to better understand their audience and how to engage with them? He asked how film and other media could take advantage of this: it was easy to see how YouTube or social networks could identify their users and categorise them demographically; however, the main point at which film was viewed, the cinema, did not allow data about filmgoers to be collected with anything like the same level of detail.

Mike Shaw felt that this was the wrong approach to take, instead, the goal should firstly be to identify areas where data could be collected, and then to work out how to improve this at these points. Another solution might be to enter partnerships and pool data with other organisations from different fields, something that would be mutually beneficial in understanding how individuals behaved. For example, the mobile phone company, Orange, had a longstanding successful collaboration with cinema exhibitors through their Orange Wednesdays promotion, and while he did not know the exact mechanics of their relationship, he suspected that this was delivering both sides with a rich seam of data about cinema goers, their habits, behaviours and tastes in content, which would enable them to better engage with their customers.

Adam Singer asked Mike Shaw about the figure that 90% of viewers were skipping advertising. BSAC, as a broad sector organisation, encompassed a lot of views, and many of the debates around funding argued that the advertising funded model of broadcast television was both completely sustainable and more successful now than it ever had been, a position which, as a prolific ad skipper in his personal life, did not accord with his experiences. He asked what the impact on the fiscal ecology for broadcasting would be.

Mike Shaw said that TV ad skipping was not currently measured to any particular degree, and therefore could not be quantified, so the scale of this problem had not yet been identified. However, as take-up of set-top boxes, which generated return path data, increased, it would become possible to develop a better understanding of this trend.

The biggest threat to the broadcast funding model was competition from other forms of media. Display advertising over the internet was currently held to a much higher standard than broadcast advertising, both in terms of reaching demographic target groups, and of delivering a return, as calculated by click-through rates. He predicted that increased digitalisation would increase the opportunity to target advertising on a personalised level, and that as brands increasingly became aware of this, there would be significant ramifications for the allocation of advertising budgets to conventional broadcast television. This was not to say that broadcast television viewing had collapsed – it had not – but it was being eroded; conversely, digital media did not receive the share of advertising money that its current attention should allow it to command. He predicted that this balance would be redressed in the future, partly through additional marketing money being made available, but mainly through shifts away from other platforms. This was the big elephant in the room.

Adam Singer thanked Mike Shaw. He noted that the Conference had, so far, covered data and devices, upon which no organisation was more ubiquitous than Facebook. He introduced Vanessa Bakewell, and asked her about Facebook's accumulation of data and emergence as a major presence in modern marketing.

Vanessa Bakewell outlined how she had started her career at Smash Hits, which had been considered a huge youth brand at the time due to its circulation of 80,000 copies a week. To put the changing nature of the business into perspective, Facebook currently had over 6 million teenage members in the UK alone.

Her role currently involved working with record labels and movie studios, mainly around marketing, but also with their strategy and insight teams to help them to produce content that would work well over Facebook. This might include how they could identify and communicate with their target audiences, an area where Facebook could provide a lot of insight. She described how searches for the film, *The Hangover*, were predominantly made over mobile devices from people in the 13-34 year old demographic category: Facebook could provide advice on designing content that best reached this group, and also on how to construct a broader media strategy that would both amplify the effect of a campaign, and integrate with other activities. Another example of the sort of services that Facebook could offer was illustrated with the example of the travel website, Trip Advisor: Facebook provided login services to Trip Advisor, and also provided prospective holiday goers with reviews from people that they were friends with on Facebook, something that was much more effective at influencing peoples' holiday plans than recommendations from anonymous people were.

Adam Singer noted that Facebook users could opt to 'like' pieces of content, and that this information was far more useful to content providers than the number of views. He asked how specific the data that Facebook compiled was, and how Facebook used it.

Vanessa Bakewell explained that Facebook's appeal lay in having the best content, and by not delivering overly intrusive marketing. Movie content was much easier for social networks to gather data on than, for example, toothpaste, as, assuming that they liked it, viewers tended to share this sort of content to their friends, and so were effectively doing the marketing themselves.

Facebook could use their data on their users to identify their tastes and behaviours, and to socialise the creative brief by bringing their insights to the very beginning of the marketing process: Facebook was now working with some studios on developing marketing campaigns for films up to two years before they were released.

Understanding the audience was key: the number of 'likes' – which could ratchet up into the millions – would usually peak immediately after the end of a marketing campaign. However, connecting with a quality fan base, and engaging them with content that resonated, was a far more successful strategy than delivering marketing to people that would never actually go and pay to watch the film. While many of the conversations were focussed around real time marketing, value actually lay in delivering the right marketing, to the right people, at the right time.

Another important consideration was that, while people often talked about big data, it was just as important to know how to work with small datasets, but really effectively.

Adam Singer loved the idea of socialising the creative brief, and asked how early in the process this could be applied. Could it, be used to better design crowd sourcing campaigns, something that would help to get new projects off the ground?

Vanessa Bakewell agreed that this was a possible usage. Mike D'Arcy, Facebook's Chief Creative Officer, had recently illustrated the importance of identifying audiences with the example of *The Love Boat*, a classic 1970's TV show about romantic and amusing escapades aboard a cruise ship: this show had been amazingly successful when first broadcast, but with hindsight, had not really been very good. Nevertheless, at the time that it had been made, it had been good enough to appeal to everybody. Today, audiences had a plethora of choices, ranging from intellectually demanding gritty dramas, such as *True Detective*, through to cutesy reality TV shows, like *Here Comes Honey Boo Boo*. All of these programmes could find their audience, meaning that marketing had never been either so complex, or so exciting, in terms of the insights and direct communication with fans that could be had.

Adam Singer introduced Stuart Saw, and explained that Twitch was an online channel over which viewers could watch other people playing video games. He noted that the typical gaming demographic was possibly the audience that was most sought after by advertisers, and asked, given the competition for attention, how Twitch was finding and engaging with its viewers.

Stuart Saw explained that, while Twitch appealed to a very highly targeted audience, the audience itself had focussed upon and built a community around Twitch as they had found it to be one of the few services that provided the sort of content that they wanted. Twitch was very definitely orientated towards gaming or geek culture, and catered to a broad range of users, encompassing hard-core video gamers through to casual iPhone gamers, and also covered events such as Comic Con.

For the last three or four years, one constant refrain around Tube platforms, such as YouTube, had been that audience attention to short-form videos was very low. In contrast, Twitch users spent an average of three sessions of thirty minutes on the platform every day.

Recently, Valve, a games developer, had produced a documentary called *Free to Play*, which followed a group of gamers in the run up to a tournament and which included phenomenal human interest stories, such as that of the person who had lost their father in the run-up to the competition. This film had covered all of the strands that were usually represented in conventional filmmaking, but with particular appeal to a highly targeted audience: to borrow Vanessa Bakewell's words, it delivered the right product to the right people. Twitch held its users attention by being semi-specialised in a particular area.

Adam Singer asked Stuart to reconfirm Twitch's user statistics, which demonstrated a high level of user engagement.

Stuart Saw confirmed that the average Twitch user would visit the site three times a day, for over thirty minutes per session, which worked out as between ninety to one hundred minutes per user per day. Twitch was also growing by about 50% month on month: the last compiled numbers had been that Twitch was reaching 45 million unique users a month, but since then, within the UK alone, it had doubled in size to 2.3 million users.

The demographics of Twitch users were 95% male and from the 16-34 age group. Twitch currently ran skippable adverts at 30-90 second roll length, depending on where they were placed, but did not place any restrictions on the total advert length – to put this into perspective, YouTube's ads were skippable after 5 seconds, and had a maximum length of 30 seconds. One recent advertising campaign for the game *Elder Scrolls Online*, a fantasy MMORPG, had been launched with a beautifully designed 8 minute video, which must have cost millions to produce: around 10-20% of Twitch users had watched the trailer through in its entirety. If marketing was targeted correctly, it was possible to achieve very high levels of consumer engagement.

Adam Singer asked where Twitch fitted within the totality of the media environment. From the numbers provided – rounding down – it sounded as if at least 2 million UK males from the highly valuable 16-34 demographic were spending over an hour a day on Twitch. What had these users would have been doing before Twitch had been formed, and was their Twitch usage displacing other forms of entertainment?

Stuart Saw noted that he and Chris Ratcliff had worked together previously, when Portland TV had set up a television channel dedicated to covering competitive video gaming called XLEAGUE.TV. While this had produced some amazing content, it had failed because its core audience did not exist on television. Since then, several other companies had tried and failed to launch similar channels – DirecTV had invested $50 million in a video games channel in the US and Eurosport had launched a channel. However, there were examples in the Far East of these sorts of channels thriving. There were a number of massive live video games events: one recent one, hosted in the 950,000 square foot Staples Centre in Los Angeles, had sold out in under an hour. His feeling was that that, in the West, the internet had enabled video games based linear content to find a scale at which it could proliferate and reach its audience. There was a massive opportunity to gain a tangible viewer base from this.

Adam Singer noted that marketing was about building interconnected communities, something that the new media businesses had embraced. However, there was a flip side to this trend: in an internet age, with plethora of free content available – much resulting from piracy – how could the economics of certain industries continue to stack up if they were trying to find a price point that could compete with 'free.' As a result of improved internet connections and technology, these were challenges that would increasingly also be faced by film and television.

He introduced Chris Ratcliff, MD, Portland TV, who worked the legal adult film and entertainment industry, and asked him how the world looked from the perspective of being an economic canary down a mine.

Chris Ratcliff felt that it was interesting that Ben Keen had highlighted the continued importance of physical DVD's in the marketplace. Prior to joining Portland in 2007, he had been involved in running a DVD distribution business that, following changes to the BBFC's regulations from 2000 onwards, had been allowed to sell R18 – hard-core pornographic – DVD's in licensed sex shops. This had been very successful for four years, but, by about 2006-2007, the market had died.

He had then moved into broadcast TV. Portland operated ten broadcast channels across Sky, Virgin and Freeview, so was in every TV household in the country: they had a strong market position and an established track record, dating back to 1995. He stressed that Portland was a completely legal and Ofcom regulated service, which was restricted to showing content with a BBFC 18 rating – soft-core content – on broadcast TV, although they were also allowed to deliver R18 strength content over television on-demand services, which were protected by similar age restriction systems access controls to those used by the gaming industry. This was regulated by ATVOD.

However, these regulations were only applied to UK based operators, and market share was heading to unregulated services that were based in other countries.

A recent research report from ATVOD, conducted by Nielsen, had surveyed 45,000 UK users to assess the extent to which minors were accessing free and unrestricted adult content online: It had shown that 9.4 million UK users were accessing adult sites on a monthly basis, and that the average viewing of adult content was 2 ½ hours a month, split over 10 sessions of approximately 15 minutes each – making a total of 1.4 billion minutes. Viewing was primarily through foreign based Tube sites that offered free and explicit hard-core pornography on a click-and-play basis; these were not regulated within the UK, nor did they abide by UK legal restrictions. It was impossible for regulated providers to compete within the current regulatory framework and, as the world saw increasing convergence, he was concerned that regulation would lag behind events and serve only to suffocate those businesses that were properly regulated, in the same way that was already happening to pornography.

Adam Singer asked for clarification on where regulation was applied. Was it the case that, because Portland TV's content was broadcast over satellite services, it was bound by different regulations from content distributed over the internet, and that the subscription business was being eroded by free internet content? If so, it was unclear what could be done to address this. Clearly there was a societal question, which he would not address; however, from a purely economic perspective, was Portland looking for a regulatory intervention to protect their business?

Chris Ratcliff disagreed that this was the case. At present, Portland TV's on-demand services were able to provide hard-core content, but restrictions only applied to broadcast services. In terms of regulation, Ofcom were behind the curve and had not recognised that the adult industry had introduced robust age verification measures – similar to those for that had been approved for use by the gambling industry – nor did it permit compelling adult content to be taken to market over broadcast services that utilised these.

However, the real issue was that it was impossible to compete with the volume of content that was readily available over Tube sites, many of which operated on questionable business practices and were founded on distributing pirated content. These services were the scourge of the industry, not just within the UK but worldwide. They were the dominant force in the market and were marching forward without restrictions.

Adam Singer thanked Chris Ratcliff. He introduced Edward Humphrey from the BFI. He noted that the BFI was an essential part of British film culture, and asked him, with regard to the increases in other demands on audience attention, as outlined by the other panellists, how the BFI could continue to maintain and drive British film in the future.

Edward Humphrey felt that the BFI could continue to add value to the British film scene, particularly by preserving the cultural heart of the content that British people watched. The British film industry was tangibly creative, and the BFI's role was to serve as the custodians of this.

He agreed that the BFI could learn from the experiences of the other panellists. The BFI needed to play a role beyond that of cinematic windows, or of solely providing long form feature films or documentaries. It needed to participate across the full breadth of film in the broadest possible terms.

Discussions about the film industry often overlooked the meaning that films could impart to their viewers. Around 300,000 cinema goers had watched *Captain America: The Winter Soldier* on its opening weekend, as opposed to the 30,000 who had watched *The Double*; while this was a ratio of 10:1, it was important to value films in terms of the number of people that would remember and draw meaning from them, above and beyond the volumetric of attention.

In terms of engaging with its audience and seeking to make film more accessible to everybody, the BFI was engaged with a broad range of transformational activities. Since the merger with the UKFC, the BFI had put engagement with audiences at the heart of all of their activities. It had recently launched an online VoD service, the BFI Player, which would both answer the audience need for increased diversity of choice beyond that offered by the mainstream VoD market, and would allow the BFI to better engage with different geographical communities.

The BFI was also overhauling their film fund, which was now under the stewardship of Ben Roberts, and would be improving their engagement with film makers.

Adam Singer noted that Will Page, Director of Economics, Spotify, was in the audience, and asked him what impact internet streaming services had had on the economic landscape of the music industry?

Will Page, Spotify struggled with the concept of measuring content consumption by time: TV and radio viewing figures remained constant, despite the apparent success of other services. Instead, quality of attention was far more important than quantity, and it was more important to reach the right people than to just reach lots of people. Even if viewing figures showed a consistent daily average of four hours of television per person, it should be distinguished whether the viewer: had the TV on in the background; was consuming it; was paying attention to it; or was getting value from it. Due to the proliferation of different devices and increased multitasking it was very likely that, even if consumption remained constant, utility was in decline.

Mike Shaw agreed that this was the case. At present, TV was still receiving the advertising monies that it had historically received, while new digital media organisations were not receiving a share in proportion to the value that they provided. As measurement systems improved and provided better understandings of consumer behaviour, a shift in advertising spends would occur.

In retail, retailers commonly used econometric modelling to explain lifts in sales and assess the contributing effect that each of a variety of different factors – such as TV ad campaigns, sponsorship of a film launch or trade promotions – would have had on increased sales. The media measurement landscape did not utilise such methodologies to a comparable degree, so the impact of different forms of content delivery was out of alignment with the status quo, where advertising spend predominantly went to TV. This would only get more imbalanced as a result of increasing device proliferation. Even within digital, search was receiving a disproportionate share, in comparison to other forms of media or digital advertising formats, because it was driving more impact.

Adam Singer asked if there were parallels with the publishing industry. In particular, Nuts magazine, a Lads' Mag, had recently closed down and had cited competition from the internet as the primary cause of their decline.

Chris Ratcliff agreed that there was similarity in that the free to view model was taking all of the attention for adult content, but stressed that this this was not a suitable model for a reputable organisation to emulate, given that it was based around making content available with no safeguards at all. The regulated adult industry was committed to ensuring that their customer base was over 18 and was implementing age verification systems accordingly.

Vanessa Bakewell highlighted a number of ways that Facebook could better compliment the viewing experience. Television and digital should complement one another, and not be seen as being in competition. There should be more integration across services to deliver consumers with content that interested them, and also to allow consumer behaviour to be better measured across different platforms.

Adam Singer recapped how this discussion had highlighted the way in which the economics of the audiovisual industries were shifting as a result of changing consumer behaviour. Digital technology would increasingly be used to obtain data on this, and to identify and deliver content to target communities.

He thanked all panellists and participants in the discussion.

GRAVITY: A BRITISH SUCCESS STORY

William Sargent, CEO, Framestore

***in conversation with* Josh Berger, President and MD, Warner Bros. UK, Ireland and Spain**

Josh Berger described how, in 2011, Warner Bros. had produced three big films in Britain: *Jack the Giant Slayer*, at Longcross Studios; Tim Burton's *Dark Shadows*, at Pinewood; and *Gravity*, at Shepperton. In contrast with the other two, both of which had built elaborate and spectacular sets, *Gravity* had been shot in an amazingly Spartan environment. There had been a dark room, empty except for a 10ft by 10ft by 10ft light box, containing 1.8 million LED's, to create a facsimile of starlight. The cameras had been automated on robotic arms and were controlled by the director, Alfonso Cuarón, over a large and complicated looking computer that looked as if it had come out of a NASA installation itself: when he pushed a button, these would spin around while Sandra Bullock held on for dear life. It was a very different environment from the traditional moviemaking experience, and a good illustration of how the film industry was changing, with special and visual effects now being fundamental to the process.

He introduced William Sargent, the CEO and Co-Founder of Framestore, the multiple award winning production house behind *Gravity*, and asked him how he felt about the film.

William Sargent was very proud of *Gravity*. He had seen the film at least 10 times and always found something new every time: for example, in one of the scenes, there was a reflection in a visor of a fake camera crew, holding a boom and a camera, as if they were filming up in space. There were lots of things hidden in the reflections that would have to be watched over a DVD in slow motion to identify.

Josh Berger asked what the original vision behind Framestore had been, and how the company had developed to the present.

William Sargent said that Framestore had been formed exactly 28 years and 5 weeks before the Conference, on 2 March, 1986. He and three colleagues had been at a dinner party, where they had felt that – the first digital devices having recently become available – applying computers to film making would be an interesting avenue to explore. Framestore had opened for business 17 weeks later and had started off by producing a number of music videos for bands, such as Culture Club, David Bowie, Dire Straits and A-ha. Initially, they had added effects to individual frames using rotoscope animation – the methodology of selling content by the frame had inspired the company name.

Framestore had then made a number of title sequences for BBC programmes, before producing the digital effects on the acclaimed series, *Walking with Dinosaurs*. He loved projects that allowed him to tell a story, or to help a film maker to tell a story. His personal favourite shot was the scene in the 1994 film, *Notting Hill*, where Hugh Grant walked along Portobello Road while the seasons changed around him and, if watched closely, one of the recurring women in the background grew steadily more pregnant until, at the end of the scene, she was holding a baby. From there, Framestore had gone on to work on films, such as *The Golden Compass* and the recent *Batman* films.

Josh Berger noted that the technological side had obviously changed immeasurably, and asked William Sargent if he could give a sense of that evolution and where it was leading.

William Sargent explained that the first device that he had used could store 90 seconds of material, and had then taken six hours to transfer this content onto a different device. In contrast, when making *Gravity* it had been possible to download the film in its entirety and play it back in real time.

More's Law, on the exponential growth of computer processing power, had been critical to underpinning the growth of Framestore. Back in 1986, it would clearly have been impossible to produce a film by shooting 90 second chunks at six hour intervals, and Framestore had had to wait until the storage costs and processing power of computers could catch up with their aspirations. However, their strategy had always been to deliver the best possible work that they could with the available technology.

Today, Framestore was the only company in the world that produced work for and operated across all platforms: from iPad to IMAX; to festivals, such as South by Southwest; to high end TV, including *Game of Thrones*; to new technological platforms, including Oculus Rift, the virtual reality headset that Facebook had recently bought for $2 billion. Story telling had evolved a long way from the passive experience of sitting in front of a television screen, and it was now possible for viewers to immerse themselves in all sorts of virtual environments.

Josh Berger asked about how Framestore had gotten involved in *Gravity*, what the original brief had been, and what the ups and downs had been.

William Sargent said that Alfonso Cuarón was, first and foremost, a film maker who understood the art of pulling you in to a cinematic experience. Before even starting the scripting process, he had had a meeting at Framestore and explained his vision and the motivations behind telling this story. Framestore had been eager to work with him and had been involved throughout the entire process, including sending an artist to work on some of the pre-vis, when Alfonso Cuarón and his son, Jonás Cuarón, who was the scriptwriter, had started writing the film. A pre-vis of the first 12 minutes of the film – the final cut of the opening scene was a single 13 minute shot – had, along with the script, been integral the film's pitch to Warner Bros.

The process of getting *Gravity* green-lit had been a story in itself. The basic story, of a single actress trapped alone in a tin box in space, had limited marketing appeal, and a condition of the film being given the go ahead had been that it be made to budget. Consequently, one of the interesting things about the film, ignoring its creativity and impact on the audience, was that all of the production techniques and methodology, and all of the problem solving and inventiveness, had been designed first and foremost around meeting financial targets.

Josh Berger asked what happened after the film had then gone into production. How did Framestore's plans and methods change over the project's lifetime?

William Sargent described how *Gravity* had been composed of 30-35 sequences that were made as complete scenes. In terms of mind-set and methodology, this was closer to producing a feature animation than a conventional feature film. There was a very different dynamic: feature films required the producer to focus on composing a single shot at a time, and all of the finesse would be directed onto scenes – usually less than a minute in length – in isolation. In contrast, for feature animations the entire film had to be put together in a rough form from the very beginning, and the focus was always on ensuring that the film worked as a unified whole and that the humour and character remained consistent throughout. This approach tended to result in output that was more coherent, and that better adhered to budgets, as it made it possible to identify areas where more work was needed at an earlier stage in the process, before the entire film had been shot and assembled.

He screened a short video that demonstrated the original pre-vis of *Gravity* and how the various different layers of CGI had been added on as the project progressed. The creative process was surprisingly mathematical. Fundamentally, the entire film, except for the faces, was computer generated. However, every shot was made up of and stitched together from a wide variety of different techniques.

Emmanuel 'Chivo' Lubezki, the Director of Photography (DoP), had regularly met with the Framestore team in the year leading up to the shoot in order to help structure the lighting for the film: even though all of the scenes were being created by 100 people with computers, rather than on a physical set, Chivo had been very much responsible for directing the photography; although he had been able to move 'the sun' by hundreds of thousands of miles, instead of shifting lights by 15 feet, The processes of directing the lighting and camera angles, and of understanding how to shoot a film well, were exactly the same. CGI did not remove the role of the director, the DoP or the actors from the film making process.

However, one very big change between *Gravity* and previous films had been that the visual effects teams had been listed at the top, rather than at the bottom, of the credits: he thanked Warner Bros. for recognising the contribution from the CGI teams to the project. Another incredibly unusual thing had been that Alfonso Cuarón had credited "my two fellow film makers" when making his BAFTA acceptance speech for Best Director, a statement that had been both unprecedented and astonishing to have made.

Josh Berger had seen how the working relationships for visual effects heavy films had changed, with work moving away from traditional roles to being largely computer based. He asked how much variation and specialisation there was for the different programming roles.

William Sargent outlined how the average studio blockbuster now made use of 25-50% digital content, and that work on CGI typically continued for twelve to eighteen months after the conventional shoot had finished. It would be usual for around 1,000 artists, heralding from two or three different companies, to work on a film, making around 12,000 man months of digital production work. To contextualise this, a conventional shoot might average 150 people on set over a four month period, making 600 man months of work, so over 90% of the work spent on producing a major blockbuster was now performed by digital artists. Nevertheless, it was unusual for more than a fraction of the digital production team to be listed on the credits.

The Framestore team was a very varied group, including members from every European nation and from a diverse range of backgrounds: many computer sciences people, but also animators and illustrators. Framestore employed a lot of PhDs' in mathematics and physics – Tim Webber, the VFX supervisor on *Gravity*, had a First in Physics – as these were vital for recreating the world in a way that looked realistic. Framestore's employees currently spanned over 50 different types of graduate job categories, and, if you examined their job descriptions, 50% of the roles would not have existed five years ago.

Josh Berger asked why there was such a preponderance of these skills in London, especially centred on Soho.

William Sargent felt that this was partly because of a particularly British cultural sensibility towards lateral thinking and seizing opportunities that translated into creative problem solving, both in digital and physical production. He was unsure where this originated from, but directors loved this type of flexible mind-set.

The digital sectors of the industry had started out by producing pop promo videos, and from here, had expanded into making advertisements. Britain had been world class in this field and, in creative terms, the sector had been internationally dominant from the late 1970s until the late 1990s and had honed their skills by handling tough briefs. Consequently, when the film industry had started using CGI techniques, the

British industry had the capability and experience to work on high level productions, such as *Harry Potter*, by scaling up the methods that they had spent twenty years learning how to apply to different formats.

It was also important to remember that central London had long been a creative hub: David Bowie had been hanging around Soho since the 1960s; the fashion industry had long been centred on Carnaby Street; and Soho was not just the centre of film, but also of advertising, music and video games. Until quite recently, the UK had produced a third of the world's retail value of video games, which was a larger sector than film and television put together. The money may not have come back to the UK, because the publishers were based abroad, but the people that were making these games were based in the UK. The London creative scene was very active, and both complimented, and fed off of, itself.

Companies, like Framestore, were part of a constantly evolving wave within this cluster. CGI was currently at a comparable stage of development to that which film had been at about a century ago. In terms of milestones, the Al Jolson film, *The Jazz Singer*, had brought sound to the cinema screen; *Snow White* had been the first feature length animation; *Toy Story* had been a breakthrough for its CGI use; *Avatar* had been a milestone; and *Gravity* was the next phase in showcasing CGI's potential.

The next big step would be the delivery of a story that was told across all platforms, not just as an exploitation of the rights – such as movie tie-in games – but as valid deliveries of a story across different elements and different platforms. It might be possible to deliver different elements over a phone, so that people might receive different parts of a story as they walked around London. Content could also be delivered over different timescales, so a theatrical film might only cover one aspect of a wider story that had already been unfolding over a longer period.

For example, *The Archers* on BBC radio was structured such that it was possible for a listener to dip in and out of the story for extended periods and to pick up at a later date: regardless of what plotlines had unfolded, it only took a couple of episodes to get back into Ambridge. Storytelling in the future would be similar: once a setting, characters and storyline had been established, fans would develop a sense of empathy around them and seek to explore their backgrounds in greater depth. Framestore had recently created the *Ascend The Wall* experience, a virtual reality experience where people could take an elevator ride up The Wall from the *Game of Thrones* universe, using Oculus Rift: while this was a very different form of storytelling from linear broadcast television, it was just as relevant a part of the story as the TV show, as well as being an exciting experience.

He was a big fan of Secret Cinema, the event cinema organiser, and admired their inventiveness in partnering with The Guardian newspaper, which had recently run spoof stories to compliment one of their events. The physical experience market was an area with great potential for growth – the Secret Cinema version of *Prometheus*, the recent Ridley Scott film, had taken more money than the IMAX version had – and could not be pirated.

Josh Berger invited questions from the audience.

Robin Baker, Ravensbourne asked whether the film, *Tron*, was also a cinematic milestone for CGI.

William Sargent explained that he could probably name thirty or forty films that had been ground-breaking in terms of their special effects: *Tron* was absolutely a milestone, as were the *Star Wars* films and Ray Harryhausen's stop-motion works. Framestore had previously worked with Spike Jonze – who some people saw as God – but there were dozens of other films that he could name.

Luke Crawley, BECTU noted the huge growth of the special effects sector. He asked whether the working conditions, long hours and dedication were properly rewarded. He also asked whether the demand for skills, re-skilling and re-training, which were required if the British industry were to continue enjoying worldwide success, were currently being met, and asked what provision was made in this area.

William Sargent observed that the average salary at Framestore was £54,000 pa, which was in the top 3% of UK earnings – the average UK wage was currently £26,500 – so he hardly felt that this was an impoverished sector to work in.

In terms of training, he had been involved for many years in the Government's agenda on training, and had always found the assumption that companies needed to be forced to train their staff upsetting. The starting salary for graduates in the industry was approximately £28,000, and Framestore often found that their competitors would poach staff within 24 months by offering salaries of £40-50,000. It seemed to him that to add £20,000 of value within two years must involve some sort of input from Framestore. Framestore currently employed full time trainers and spent £500,000 a year on training staff.

There was a big divide between the digital sector and the production sectors of the film industry: freelancers working in physical production tended to go on shoots that lasted 3 or 4 months, and to work on 8 or 9 projects a year; in contrast, digital workers tended to be employed by companies on a permanent basis. While there were long hours – something that Framestore did its best to alleviate – he did not feel that conditions were exploitative. He disputed whether BECTU's recent surveys presented an accurate picture of the industry; nor did he feel that there was currently any particular pressure across the sector to organise.

Mike Kelt, Artem asked whether it was sustainable or healthy for the industry to continue to congregate around Soho, and what possible plans there might be to diversify this to other regions.

William Sargent felt that the UK was unique in having a cluster effect: other countries' industries were not nearly so compacted – in Los Angeles it was usual for competitors to be based several hours drive from one another. However, this was a great benefit to the UK industry as it facilitated communication and made it possible for big projects to be shared between a number of smaller companies. While Soho rents were high – averaging £50-60 per square foot – they only consumed 5% of Framestore's budgets. He had experimented with moving to different locations a few times, including Camden, Pinewood and Shepperton, but had faced revolts from his staff, who had disliked being isolated from their friends and colleagues in the freelancing and contracting community. He had since concluded that the benefits of being in a cluster outweighed all of the reasons for seeking to be less concentrated.

Nick Toon, Time Warner asked whether Alfonso Cuarón's acknowledgement of Framestore as co-film makers on *Gravity* heralded the birth of a more collaborative approach to film-making.

William Sargent thought that there had long been examples of amazing collaborations and partnerships between different areas of the filmmaking craft. However, the increasing extent to which CGI was being incorporated alongside physical images had made successful partnerships critical to delivering good content. This was as much a psychological as a technical change.

In respect of *Gravity*, while there had been a good working relationship, much of the technology used already had established uses in other industries, and the cleverness had really lain in drawing things together for the purpose of making a film. However, the attitude, approach and methods of *Gravity* would definitely set new standards for future film making, particularly the extent to which pre-vising was incorporated into projects from their very inception.

He stressed again that *Gravity* had been produced at below the line, costing less than 40% of the cost of a typical blockbuster, without any reduction of quality. This had been made possible by the re-engineering of the production process, and was clearly another area where the methodologies developed could be applied to future films.

Fiona Clarke-Hackston, BSAC asked if the actors had found the production experience isolating and, given that so much of the set was virtual, how did they know how to interact with the environment? Also, while being attached to the project was undoubtedly an incentive, given that so much of the film was created digitally, could the actors really say that the film was theirs?

William Sargent explained that, while Sandra Bullock had spent much of the shoot in a 10ft by 10ft box with 2 million LED's – and had insisted on staying inside the box between shoots to increase her sense of isolation, which she felt had helped her to stay in character – there had always been one other person inside the box with her. That said, she had not really spoken to this person over the entire two or three months, instead she had been taking directions almost constantly from Alfonso Cuarón over a headset.

The light box had been created so that Sandra Bullock could get a sense of and react to the environment, particularly whilst spinning, so she probably had had a more 'real' experience than traditional green screen – where actors would commonly act towards a tennis ball – would have allowed. Also, despite the CGI, *Gravity* had been a physically demanding and strenuous role, and the need to hold poses had required Sandra Bullock to be in training for six months prior to the shoot.

Even conventional films were an increasingly digital experience: many of the mansions in *The Great Gatsby* had been created digitally and added in to the scenes afterwards. However, the pre-vis process better enabled the actors to visualise what the totally digital set would look like and understand how to interact with it. It also allowed the director to play a scene back afterwards or to create mock-up visuals that could be viewed by the actors in real time. Developments such as these, which had emerged over the last decade, provided a better working environment than traditional green screen.

Josh Berger thanked William Sargent and all participants. *Gravity* had been a well decorated movie, and he concluded by playing a short sizzler reel detailing the awards that it had received.

Marc Samuelson thanked all speakers and delegates for their participation, and Time Warner for their sponsorship, and brought the Conference to a close.