



FILM, TV & GAMES CONFERENCE 2015

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Session 6: Danny Perkins, CEO, StudioCanal UK *in conversation with* Chris Auty, Head of Producing, NFTS

This report summarises a session that took place at the BSAC Film, TV & Games Conference 2015.

Chris Auty led a guided conversation with Danny Perkins in which they discussed StudioCanal's recent successful films and creative approach, the company's position as a Mini-Major and the challenges around international distribution.

Summaries of other sessions from the day and a complete report of the Conference are available from www.bsac.uk.com

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ABOUT BSAC

The British Screen Advisory Council (BSAC) is an independent, industry funded membership body for the audiovisual sector.

We uniquely bring together the widest possible range of interests, knowledge and contacts to exchange ideas and information about business and policy issues. Our Members are invited to join on the basis of their personal qualities, experience and expertise, and are drawn from the major TV broadcasters, independent film and TV producers, distributors, exhibitors, US studios with major operations in the UK, trade associations, trades unions, training providers and new media companies, such as Google and Spotify.

Many of our activities take place privately, which enables business leaders to freely discuss the fast changing nature of the industry.

On policy, we provide opportunities for industry and policy makers to hear a breadth of viewpoints and, wherever possible, for the sector to speak with a single and authoritative voice. Over the years we have worked closely with the Treasury, HMRC, DCMS, BIS, IPO, the European Commission, WTO, and WIPO.

We also enjoy the support of Associate Members, which are businesses with a particular interest in the sector. These include legal firms, accountancy practices and investment management firms, and are an important port of call for obtaining views and expertise.

We commission and generate research and reports to underpin our work.

We host a series of events that are open to a broader invited audience. These include an annual Film, TV and Games Conference, an Interview Series and occasional seminars. These provide high quality debates and networking opportunities.

More information can be found at www.bsac.uk.com

DANNY PERKINS, CEO, STUDIOCANAL UK IN CONVERSATION WITH CHRIS AUTY, HEAD OF PRODUCING, NFTS

Chris Auty congratulated Danny Perkins on StudioCanal's recent successes with *Paddington* and *Shaun the Sheep*. StudioCanal's had a fascinating history. In the early 2000's, Vivendi – Canal's owner – had run into difficulties, achieving a €23 billion loss. This had forced them to restructure heavily over the next four years, 2002-2006, and they had sold off a huge number of businesses, choosing to focus on their music business and Canal.



The results of this had been the formation of a very new kind of business, which in hindsight had been a very intelligent move. Canal had steadily bought a number of television production outfits, notably Nicola Shindler's Red Production Company in the UK. They had also strengthened their distribution arm, acquiring Optimum, the independent distributor that Danny Perkins had created with Will Clarke in the mid 1990's; Kinowelt in Germany; and Hoytz Distribution in Australia and New Zealand. Consequently, StudioCanal, who had formerly been a boutique and Franco-centric film making organisation, had been able to reposition into a quite interesting space.

He observed that Danny Perkins had previously been quoted explaining that, because StudioCanal were based in five key territories – UK, France, Germany, Australia and New Zealand – they had access to 220 million customers in the most literate and affluent parts of the globe. From a producer's perspective, this gave them a powerful base and meant that they did not have to wait behind a monster P&A package or navigate the vagaries of the North American market when seeking to generate real profits from a hit film.

As the head of a thriving business, Danny Perkins was obviously in a position of considerable authority. He asked him what the future held for StudioCanal

Danny Perkins agreed that StudioCanal had a strong base. They had established and successful companies in the biggest European markets and, importantly, these had a good track record of effectively working together, which was something that multinational conglomerates occasionally found problematic. He attributed this to a strong sense of mutual harmony in terms of StudioCanal's beliefs and understandings about what a good film should be. For example, their recent successful hits, *Paddington* and *Shaun the Sheep*, had been very family focussed and had accorded with markets all across Europe. StudioCanal would be seeking to make more family films in the future.

Chris Auty asked if StudioCanal's decision to focus on family entertainment had resulted from *Paddington's* success, or if it had been a longer strategic focus.

Danny Perkins explained that the decision to focus on family entertainment had come first. StudioCanal owned Mwave, a Belgian animation company and had long recognised the potential market opportunities of the genre. Although they generated some ancillary value through television and digital suppliers, and a declining amount from physical sales, their revenues were primarily driven by box office performance. Having films that worked theatrically was therefore core to their business, and they had identified family entertainment as a market with particularly strong opportunities for this.

Chris Auty observed that Ben Keen had presented data showing the shifting business trends, particularly that the decline of DVD sales and the rise of digital distribution were changing the origination in revenues. He estimated that, for a mid-level film that might generate £3-5m at box office, theatrical and TV sales might each account for 20% of revenues; and that DVD and digital respectively in recent years had would have shifted from respectively providing 35% and 25%, to 25% and 35%, of returns.

He asked if these figures accorded with StudioCanal's experiences, and how they saw the development of digital distribution affecting their business in the future.

Danny Perkins agreed that these proportions sounded about right.

In the past, films that had not achieved huge theatrical success had still been able to find an audience through DVD sales, and this was no longer possible. The physical market was very tough and very much driven by theatrical success: box office figures essentially dictated the price of a DVD release and the amount of shelf space that they could get in retail stores, which had a massive bearing on sales.

In terms of digital distribution, StudioCanal had been working with Amazon for four years and, although VOD was still a growing space, it was now reaching a stage where the revenues were starting to compensate for the decline in the DVD market.

Chris Auty had spoken with some friends at StudioCanal's head office in Paris, and asked them where Danny Perkins fitted within the wider StudioCanal group; they had all replied, "He's the man!", which was quite an amazing compliment to pay to a non-French speaker.

He asked Danny Perkins if he had ever noticed any cultural differences between working for French and British organisations, and if he considered the different approaches to carry any particular advantages?

Danny Perkins felt that this had been an advantage. Having worked at StudioCanal for eight years he recognised and strongly respected the different approach with which the French approached business and life. However, far more important and fundamental to his successful relationship with the parent company had been the cultural 'fit' between Optimum and StudioCanal, in particular, that both organisations had always been driven by a desire to back great directors and to help them to realise the most amazing visions. This might be termed a typically Gallic approach, but it also strongly accorded with everything that he wanted to achieve. *Paddington* and *Shaun the Sheep* had both been commercial films, but had also been fantastically made and well received. He doubted that *Paddington* either

would have resonated so completely around the world had they not given the director, Paul King, the freedom to tell the story with absolute confidence, and he was delighted that his imprint had clearly been visible right throughout the film. *Paddington* had been StudioCanal's biggest hit – and biggest gamble – to date.

Chris Auty asked about cashflow. In 2013, *Rush* had generated nearly a third of StudioCanal's box office take, and in 2014, *Paddington* had accounted for nearly half, with *The Imitation Game* making up most of the rest. He asked if there were ever any tensions with the corporate side of StudioCanal about the unpredictability of revenues.



Danny Perkins said that film was a portfolio business, and joked that it was always easy with hindsight to say that you should only make the successful films. StudioCanal produced a slate of films and their success depended upon their being able to maximise the upside or, where they had concerns that something might not be going to work, to control the downside. In addition to the films previously mentioned, in recent years they had achieved successes with *Alan Partridge: Alpha Papa*, *Non-Stop*, *RoboCop*, *Under the Skin* and '71, so were clearly able to produce a broad range of successful films at different levels.

Chris Auty agreed that StudioCanal were clearly doing something right; in 2013, five of StudioCanal's thirteen releases had been their own productions, rather than acquisitions, and these had earned almost 40% of their total box office. In 2014, buoyed by *Paddington*, their own productions had accounted for £57m of their £88m total box office. He asked what they were doing to continue this success.

Danny Perkins explained that StudioCanal had quite a lot of flexibility in their model, which helped them to navigate the vagaries of the film industry. They did not set a fixed number of films to be released in any one year and, because they both produced and acquired films, they were able to be quite balanced in their activities and responsive to market conditions. Also, their head office gave their regional operations a high degree of flexibility, which allowed them to capitalise upon local markets – for example, *The Hunger Games* franchise had been hugely popular in Germany.

Chris Auty observed that StudioCanal operated quite different direct distribution strategies in all of their territories, but also operated an international sales operation from Paris. He asked if there had ever been any rivalries between the different territories and the head office around how to achieve the highest possible price for their titles.

Danny Perkins explained that StudioCanal did not design campaigns or set targets centrally, so the acquisition and production staff had to submit projects to the group for assessment and really convince the other territories why they should believe in the projects.

Having a mix of distribution and sales could be quite a beneficial advantage when they were seeking to sell a title to a third party in other territories. This was because any purchaser would know that StudioCanal would also be building a campaign in their home territories, so would also continue to have vested interests in the film's success. While there were sometimes political conflicts, the mix between distribution and sales gave StudioCanal a greater appreciation of all possible concerns.

Chris Auty asked about StudioCanal's pipeline of productions. They clearly had a strong relationship with Working Title and a good relationship with a number of comics, including such household names as Steve Coogan, Richard Ayoade, Simon Pegg and Russell Brand. However, they had also recently made *Tyrannosaur*, '71 and *Catch Me Daddy*, all of which were most definitely on the darker end of the spectrum. He asked if there was a rationale behind these.

Danny Perkins said that StudioCanal's output was led by their directors and they always to allow great film makers to tell the best stories that they could. This sometimes led to darker and less commercial films, but it was always fascinating to see how people's talents could span across a breadth of output.

Chris Auty observed that Russell Brand's recent film, *The Emperor's New Clothes*, had not followed the traditional release schedule. He asked if this had been a one-off, or if StudioCanal had further plans to experiment with different release windows.

Danny Perkins described how Michael Winterbottom had approached StudioCanal with the suggestion of making a political documentary with Russell Brand; he had hoped that this could be released to achieve the widest possible exposure ahead of the General Election to increase voter engagement. Given this, *The Emperor's New Clothes* had seemed particularly well suited to an unconventional release schedule and had been released in cinemas, accompanied with the screening of a live Q&A session with Russell Brand, before being made available a day later over Sky box Office, iTunes and a number of other digital platforms. StudioCanal had also worked with an organisation called ourscreen, which allowed viewers to organise their own screenings.

He recognised that technology was changing the nature of the business, and stressed that overshadowing everything was the problem of piracy. Accessing pirated content was easy and simple and, while he trusted that most people wanted to view content in an honest way, he felt that the best way to combat piracy was for legitimate services to deliver films to audiences in the most effective way that they could. Experimenting with different release models was an important part of this.

He also observed that this had created new opportunities to generate revenues in different ways. While *The Emperor's New Clothes* was a recent release, and returns were still coming in, it seemed likely that it would generate most of its money from digital distribution, and that this would come more from over the top (OTT) services than from the electronic sell through (EST) model.

Chris Auty thanked Danny Perkins and invited questions from the audience.



Lyndsey Posner, Independent Talent asked what the impact of new media upon P&A spend had been.

Danny Perkins felt that the industry had been in a sort of halfway house with this for the last couple of years, where distributors were experimenting with digital advertising, but were not yet brave enough to completely abandon posters and print. In addition, the sorts of content that distributors were

prepared to experiment with were typically their less commercially orientated releases, so it was difficult to judge the full impact of these changes.

New media significantly simplified the process of engaging with certain community interest groups, and return path data allowed the success of an advertising campaign to be quantified in ways that would not have been possible in the past. *The Emperor's New Clothes* was currently being promoted by Russell Brand over Twitter, and he would be interested to see whether and what effect this would have upon the success of the film.

For bigger releases it was still essential to have a base in traditional P&A, but new media could be an effective compliment to this. He illustrated this by describing how, having noticed that his two year old son enjoyed using YouTube, he had decided to promote *Shaun the Sheep* by producing some pre-roll adverts for YouTube; these had been very cheap to make, and had definitely been successful in increasing interest in the film.

Fiona Clarke-Hackston, BSAC asked if StudioCanal had views on the European Commission's Digital Single Market (DSM) proposals, particularly those relating to portability and territorial licensing, and if they anticipated having to adapt their activities in response to these.

Danny Perkins observed that, as StudioCanal already operated across all of the bigger territories in Europe, the proposals were not likely to significantly impact upon them. The DSM proposals would have a much greater negative impact upon the independent market because, by significantly diminishing the ability for smaller players to tailor their approaches towards different territories, it would lessen their opportunities to innovate and produce interesting content.

However, he stressed the differentiation between territoriality and portability. He considered that allowing consumers to view content that they had already paid for while travelling did not seem unreasonable, and observed that this would also lessen the appeal of pirated content services.

Martin Smith, Ingenious Media asked Danny Perkins to expand upon exactly how the Commission's DSM proposals would impact upon the development of business models in the independent sector if they were introduced as currently proposed. This was a critical business question for much of the European audiovisual sector.

Danny Perkins said that, in terms of distribution, DSM would favour players that were big enough to operate across huge territories and that had the scale and capacity to coordinate multi-territory day and date releases.

From an independent production perspective, DSM would lessen the ability for companies to raise financing, which currently were put together by selling rights to different territories. He predicted that this would lead to a polarisation of the market and a situation where only those companies that were capable of maximising the value of their rights across multiple territories simultaneously would be able to operate effectively. This would lead to a much blander content landscape.

Andreas Wiseman, Screen International noted that the Conference had previously heard from Stuart Murphy, who had spoken about Sky's diversity strategy. He asked whether StudioCanal had a diversity strategy.

Danny Perkins responded that diversity was not an issue that StudioCanal had addressed in detail: although they drew staff from a mix of backgrounds and supported a broad range of films, they did not set targets in this way. They judged their operations on their merits.

Chris Auty added that diversity was not nearly such a politically prominent issue in France as it was in the UK.

He concluded by observing that StudioCanal typically had 20-30 projects in development at any one time, of which maybe ten might actually be made. If StudioCanal were to increase their production activities, would they become progressively less available to independent producers.

Danny Perkins felt that there was a need to strike a balance. StudioCanal were distributors and financiers, and did not position themselves as producers; they needed to work with a wide range of different people and to empower producers to make films. They maintained a large breadth of good relationships and did not want to restrict themselves by closing off any avenues.

Chris Auty thanked Danny Perkins.

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