



Nostradamus
Screen Visions 2016

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Göteborg
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LINDHOLMEN
SCIENCE PARK

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Introduction

The Nostradamus Project is an attempt to predict the close future of film and television – 3-5 years from now. Through the generous participation of industry leaders, who are at work daily creating that new reality, we produce seminars, online analysis, and this annual briefing on selected trends in the marketplace.

In this, our third year, we have looked in particular at distribution, exhibition, virtual reality and the emergence of the new global majors. It has been interesting to see trends and tendencies transform into directions. The following pages sketch out a future where streaming has found its place, new majors have emerged, and the reality of changing business models is finally hitting home in advertising-financed media. Virtual Reality becomes a vibrant site for creative experimentation, and so do independent cinemas, whose inspiring work today is a testing ground for mainstream practice tomorrow.

One update to last year's report has become necessary as new information and a changing conversation is driving rapid improvements in female and minority representation across the industry. But we are happy to report that the previous two reports are still valid and useful reads; they cover many questions that are not mentioned here, and are available as free downloads on our web site, nostradamusproject.org. Online, you can also find additional analysis on trends in drama content, day-and-date releasing, and a special series on action against piracy based on our recent in-depth seminar.

One hot topic we have not covered in these pages is Europe's Digital Single Market. Beyond observing that it seems unlikely that the current financing system would be allowed to collapse without any functioning replacement, its development is currently too difficult to predict.

The Nostradamus Project is a joint initiative from the Nordic Film Market at Göteborg Film Festival and Lindholmen Science Park. Martin Svensson at Lindholmen is our staunchest supporter. This year we have received additional funding from The City of Gothenburg, Göteborg & Co, Business Region Göteborg, Västra Götalandsregionen and Nordisk Film & TV Fond

Finally, without our industry experts, there would be no report. Where they are directly quoted, opinions are theirs. Everything else is based on an aggregate of conversations both formal and informal, on industry research, and on our best judgement.

Johanna Koljonen, *report author and project editor*

Cia Edström, *Head of Nordic Film Market and the Nostradamus project, Göteborg Film Festival*

FOR THIS YEAR'S REPORT, WE HAVE INTERVIEWED THE FOLLOWING EXPERTS, ENORMOUSLY GENEROUS WITH THEIR TIME AND THOUGHTS:

Carsten Andreassen, Head of Market Insights for Northern Europe, Google/YouTube

Julie Bergeron, Head of Industry Programs, Marché du Film in Cannes

Stefan Borgquist, Head of TV, TeliaSonera Sverige

Liselott Forsman, Executive Producer International Drama, YLE, and Head of European Fiction, EBU.

Peter Gerard, Director of VOD, VIMEO

Tine Klint, CEO, LevelK ApS Film Sales

Matthijs Wouter Knol, Director, European Film Market.

IN ADDITION, WE OWE A DEBT OF GRATITUDE TO THE FOLLOWING EXPERTS AND THOUGHT LEADERS FOR THEIR TIME AND GENEROSITY:

Åsa Bernlo, City of Gothenburg; Åsa Garnert; Annika Gustafsson, Boost Hbg;

Bo-Erik Gyberg, Swedish Department of Culture; Sara Lindbäck, Rättighetsalliansen;

Karin Lundén, Swedish Police; Clara Massot, Marché du Film/NEXT; Hjalmar

Palmgren, Swedish Film Institute; Klas Palmqvist, Nordisk Film; Monique Simard,

SODEC; Bengt Toll; Gila Bergqvist Ulfung, Breidablick Film; Daniel Westman,

Stockholm University

Summary

1. Distribution: Difficult and Different

Sales, distribution and marketing will start early, happen in parallel, and increasingly be provided by the same companies, driving some out of business and everyone to change how they work. All films and programming will need individual release strategies. Harder times for drama ahead are temporary and may not hurt quality content.

2. Rapid Changes in Representation

Audiences, industry minorities and business logic are forcing the industries to act on representation. Studies show that discrimination is systemic, but the same correlations suggest positive change could have powerful ripple effects, measurably changing ratios.

3. Post-Television

The viewing of streamed content is growing in all age groups while TV audiences are getting older. Networks and TV providers offering good user experiences online can still do well. In effect, the digital revolution has re-created the TV ecosystem, only slightly slimmer with much more flexibility.

4. The New Majors

Although competing with local know-how in hundreds of markets is not trivial, Netflix, Amazon and perhaps a few others will become global players in the OTT space. This is neither much more nor much less of a worry than vertically integrated global media conglomerates are in general.

5. Getting It Out There

Windows and holdback times will continue to develop, overall becoming more flexible and shorter. Self-distribution and other unconventional releases show potential for niche titles. TVOD is growing, as are specialty SVOD services. Festivals will be increasingly important.

6. Cinemas & Circulation

Independent theatres have become laboratories for innovative audience work and we seem to be at the cusp of an arthouse renaissance. There are still hard years ahead for independent cinema, but by perhaps 2020 digital distribution will be finding its form.

7. At the Vroovies

Virtual Reality filmmaking is coming into its own, attracting funding and talent. The medium's cinematic potential makes it interesting to the film industry, but it is not inherently suited for linear storytelling. Learning from less linear traditions like games and performance is vital.

8. The Advertising Wars

Advertising fatigue, in particular the practice of adblocking, is affecting the economic landscape of film and video. Distributing content on proprietary platforms with shared revenue models raises questions but shows potential.

9. TV and Video Advertising Floods

With audience behaviour and business models out of sync, commercial TV needs to trim its advertising load to protect linear viewing. Competition in online video from traditionally text-based media companies is growing.

Further Reading Online

In November, we organised a seminar on the state and effects of piracy in the Nordic market. Interviews, presentations and panel discussions suggested an alarming development. From 2014 to 2015, illegal streaming in particular grew 25% in Sweden, an increase that coincided with a radical drop in linear viewing. A third of the population now regularly view pirated content and the behaviour has been entirely normalised. Collaboration within and across sectors will be necessary to quell this tendency; the good news is that efforts are likely to pay for themselves. For in-depth discussion about legal strategy and audience behaviour, please refer to the continuing series on our site.

nostradamusproject.org

1. Distribution: Difficult and Different

Three to five years from now expensive studio fare will increasingly dominate in mainstream cinemas, as is clear from the high-profile releases already announced through to 2020. Online, services like Netflix, Amazon, HBO and a handful of others will operate globally or nigh-globally and demand exclusive global rights for their content. Tentpole titles on screens both big and small will increasingly have global releases.

All films and programming will have individual sales, distribution and marketing plans. Often this work will happen closer to writers, directors and other key talent, as best practice in audience development and immersive storytelling continues to migrate from the “transmedia” space to mainstream film and TV production.

Sales, distribution and marketing will start early, happen in parallel, and increasingly be provided by the same companies, driving some out of business and everyone to change how they work.

“The sales agents are becoming distributors, the aggregators are becoming distributors, the distributors are becoming sales agents... I think that that area of middle men is going to merge and the ones that are going to be successful are the ones that are good marketing companies. It's no longer necessary to have a middle man who's just going to take your video file from one place to another, which is effectively what a lot of them exist to do...”

I think we need to get to a place where films and series and shows are released roughly on the same day worldwide... Either rights are going to be handled by worldwide agencies, or the international distributors are going to collaborate more. “

Peter Gerard, Director of VOD, Vimeo.

“Google Play is also [in the Nordic countries], iTunes is established, everything is localised and it's become a part of the distribution chain. ... There are a lot of aggregators, a lot of competition, so you have to develop. An aggregator is the middle man between the platform and the rights holder. ... merged with our role as a sales agent, we're becoming a digital partner world-wide [with] a different responsibility in terms of participating in making the local digital release plan, being involved prior to local theatrical release and involved in local promotion, social media, marketing etc. And the digital strategy. [It is the] most important!”

Tine Klint, CEO, LevelK

Rights optimisation (constructing the patchwork of deals and alliances best fitted to the work for each market, language area and platform) will be central but very time-consuming as the new digital marketplace searches for its shape. Not only will arthouse film and young filmmakers still be struggling to get cinema distribution; films

not considered safe bets may find even getting sales representation increasingly beyond reach. The situation will improve as the new landscape emerges, but the next five years will be rocky. The better opportunities in TV and online video will discourage young talent from considering cinema as a career.

“It can also be the sales agents that will disappear. Because right now... not even festival titles [sell] any more, or in such a limited way it makes it difficult to survive on this income alone. Arthouse has to be high-end with a known cast, something that can play theatrically. You used to have a distributor that would take video and TV rights. We don't see that anymore. What is possible to sell is something where there's limited or no risk to the distributor, it has to play theatrically, and look – it is not possible to get arthouse films in the cinemas, unless it's really, really strong, established directors and so on.

Most of us are limiting the number of films because we cannot sell the mid-budget films, or smaller arthouse films. So you have a lot of titles without sales agents. We all limit our risk.

We cannot pick up too many titles a year, because the work load in order to actually generate successful sales is huge!”

Tine Klint, CEO, LevelK

This problem should help drive innovation in independent distribution, including experimental alliances with alternative exhibitors and a range of new digital solutions. Indeed the problem of bringing new voices and arthouse fare to audiences could be solved five years from now, but this would require producers and rights holders on all levels to show real bravery in engaging with experimental business models today.

A likelier scenario is that things will get worse, or at least even more scattered, before the successful practices are identified. If the market withdraws its hand entirely from low-budget films and unproved talent, film funds and public institutions might need to play a part in creating distribution schemes for them specifically.

How early do you start work on a film?

“Usually on script with 50% financed, or something like that. Very very early.”

And would some of the strategy around audience engagement already start then?

“Yes, always.”

Do producers understand that it needs to happen so early?

“Depending on the country. For most producers it's a new process and something they need to learn to think about. They have to consider who's seeing their film prior to, or [while] writing the script. If the target audience is limited, then they should not calculate a cinema

release, if it even gets made. But not all films should be made for cinema.”

Tine Klint, CEO, LevelK

“There might soon be too much ‘international’ TV drama on the market. Film producers are inspired to enter and everyone is competing for the big talent... to develop things with an international potential. But the truth is that the content that ends up traveling was developed in peace and quiet somewhere by a person with a visionary idea. Projects that start as a business idea seldom reach that level, or in the end get the funds they’d like.”

Liselott Forsman, Executive Producer International Drama, YLE

More films are already produced annually than can reasonably expect to be sold through the traditional channels, especially since these channels are narrowed by the major studio practice of milking anywhere from three to twelve movies out of each successful IP. At the same time content providers’ offensive commissioning of high-profile serialised drama, and a 10% increase in US network and cable scripted episodes between 2014/2015 and the previous year¹, as well as smaller nations waking up to the export potential of TV content, are creating a glut on the international market. Quality TV content competes with independent cinema in particular, especially since the mid-budget film has all but disappeared, and ambitious TV drama seems to be achieving better value on the dollar than many movies in the same price bracket.

Even though especially TV drama is much more diverse today than 30 years ago, successful content can be divided into genres, styles and formulae the same as always. And where there is a formula, people will try to copy it, which is not sustainable in the long run. Weaker works are especially sensitive in a crowded, competitive market.

“There are a lot of tales from the past at the markets now. Historical drama and adaptations of literary classics, and content that has worked before in another media. Stories and styles travel fast. I met a Slovak producer who said that Turkish melodrama was now so popular that she would only get commissioned to make Slovak drama that feels like Turkish melodrama. Turkey makes great melodrama! But what about national expression? How do we maintain diversity?”

Nordic Noir would never have happened if the Nordics had not tried to dig deeper into man and society than the ordinary family series and thriller do. ‘Deep’ drama does not mean ‘heavy’ or ‘difficult to follow’. It has to grab our ever-cleverer mainstream audience. Issues tackled today are increasingly complex. Suddenly the war is in our welfare countries too. And you can’t close your eyes to crises in other places... There is so much black and white in political debates in other media. How can drama help us ask more nuanced questions? Three to five years from now we will absolutely see more complex drama.”

Liselott Forsman, Executive Producer International Drama, YLE

Our interviewees disagree about whether the talked-about drama “bubble” exists, and if there is, what would a crash look like in this context? One possible answer would be that aggressive investment in expensive drama content to win the volumes game ends up splitting the attention of a fragmenting audience between too many channels for some of them to survive. On the network or production company level, intense competition and the lure of international sales certainly drives the premature greenlighting of weaker, immature or far too derivative projects.

There are also questions about the sustainability of the big-budget preference of the US majors. But while it is possible that a series of box-office failures could force the studios to diversify their lineup, growing theatrical markets like the Chinese are likely to cushion that risk for at least the next five years.

1. Director’s Guild Of America: DGA TV Diversity Report

2. Rapid Changes In Representation

In last year's report, we wrote about how the increasing disconnect between filmmakers and audiences is in part a demographic observation: the film industry is dominated by white middle class men whose concerns and experiences do not reflect those of the majority of their audiences². That chapter is still valid, in all but one detail. We now believe good business sense, in combination with programmes to address representation, will result in measurable change within five years.

"I think that different backgrounds are reflected in the films and the stories that are told. There is a need for different storytelling, and I completely think nationality reflects the story that is being told... I think that it's something that the investors and the funders should look at."

Tine Klint, CEO, LevelK

"We're developing something with a young writer from a redneck area in northern Finland, who really understands people who are afraid of refugees. He is working [on the project] with people who had to leave their countries and some have experienced fundamentalist schools. This double gaze is vital."

Liselott Forsman, Executive Producer International Drama, YLE

It is uncontroversial in the film and TV industries that audiences respond well to content from their own country, in their own language, describing their own culture. We know sexual minorities consume LGBT cinema, that teenagers enjoy films with teenagers in them and female-dominated films about culturally female subject matter perform better with female than male audiences. The whole concept of target audiences is based on the understanding that representation matters.

If the lives, jobs, experiences, agency, physical bodies and aspirations of on-screen characters do not reflect the makeup of the audience (or what is worse: if they are actively insulting) audiences will make other choices – or call you out. Films refusing to reflect contemporary realities will feel stale and implausible not just to the groups whose lives are erased on screen, but also to white men who can't recognise their communities, neighbours or sisters in these stories.

If it seems like the #OscarsSoWhite or #WheresRey outrages³ are accelerating in frequency and intensity, it is because the audience is getting increasingly fed up with having to point out the same failures. With social media recommendations at the core of content selection

today, and even more important in the next several years, no one can afford to ignore this unhappiness.

Expanding the range of roles available to women and minorities, and enabling projects with women and minorities in central roles, is not "politically progressive". It is responding to market signals and choosing to reflect reality. Refusing to do either is both poor business sense and artistically incompetent. If our commissioners, funders and filmmakers are incapable of speaking to large sections of the audience, then they are not representing the interests either of the movie-going public, the shareholders, or the taxpayers ultimately underwriting public funding.

Getting on-screen representation right is not difficult, and just as a mission just as critical today as taking an interest in digital distribution. TV drama is already benefiting both in audience response and access to talent from its slightly greater diversity. If the film industry had ever cared for its female and minority talent, we would speak of a brain drain; instead its continuing indifference is driving innovation in serialised drama.

The inability of the film industry to deliver on diversity is intimately connected to the homogenous profile of its film- and decision makers. In the fall of 2015, the federal US Equal Employment Opportunity Commission (EEOC) started an investigation into Hollywood hiring practices, initially focused on directors. The numbers clearly point towards systemic gender discrimination. Directing programmes at film schools produce many female graduates, but on every step in their professional careers, women – including women with proven track records – are underemployed. As a recent study curtly observes, Hollywood has fewer women per capita directing blockbusters than the US military has female generals and admirals⁴.

There is a real possibility that the EEOC could file a class action lawsuit against the US industry⁵. History suggests a straightforward courtroom win would be quite unlikely, but also that the cost and public scrutiny of a lawsuit (not to mention the PR nightmare of defending the status quo) is likely to drive change. In the next few years, studios and other industry players are therefore likely to compete in at the very least symbolic programmes to promote women and minorities on and off screen.

As we go to print, the Academy of Motion Picture Arts and Sciences has just announced changes in its membership criteria to promote diversity⁶. At the same time, across the world, everything from high profile festival juries to film school recruitment is under scrutiny on similar grounds.

In the US in 2014, 7% of the directors of the 250 top grossing films were female⁷. Of the top 100 titles, women represented 1.9% of directors, 18.9% of producers and 11.2% of writers⁸. Disney and Universal hired zero female directors for their live-action films in 2013 and 2014. Sony Pictures employed 2% female directors.

Out of the 3910 episodes produced for over 270 scripted shows in the the 2014-15 network television season and the 2014 cable television season, white men directed 69%. Women of all groups directed 16% of these TV episodes; minority women directed 3%⁹.

A recent study, *Hollywood's Gender Divide and Its Effect on Films*, broke down 4000 films on whether they passed the so-called Bechdel test and by the gender of writer, director and producer. The Bechdel test asks whether a film has at least two female characters, who speak to each other about something else than a man. It is obviously a very blunt tool. It does not measure the quality of the film nor how female characters are portrayed. And it only looks at that one kind of representation; other tests are needed to measure minority presence. Women are a minority in the film industry, but they are the majority of the world's population. Given how low the Bechdel tests sets the bar, it is actually astonishing how common it is for films to fail it. Crucially, the study finds that about 50% of all-male teams produced films that fail this test. Adding just one woman in an executive role lowers the failure rate to one third. Interestingly, smaller studios, independents, and European productions are likelier to make movies that pass the Bechdel test.

As reported in *Forbes*, all of this supports findings by the Annenberg School at USC's Media, Diversity & Social Change initiative, whose annual report looks at representation in the 2014's top 100 highest-grossing films in the US. 28.1% of characters in the films were female. Only 21 titles had a female lead or co-lead. The report also found that female producers, directors and writers make films

with more women on screen, including middle-aged women, and less sexualisation.

Similarly, the Center for the Study of Women in Television and Film at San Diego State University has found that women in executive roles are likelier than men to hire women in other roles. Only 8% of films with male directors are written by females; the number for films with female directors is 52%. On films directed by men, 15% of editors are female; on films directed by women, 35% of editors are women, and so on.

Any action forced by the EEOC inquiry or by outrage among industry minorities and audience groups is therefore likely to have rapid systemic effect, promoting the hiring of women in many roles. It also seems reasonable to assume that the mechanisms operate similarly in the case of minority representation.

The financial success of female-driven franchises and films in recent years should lower resistance to these changes somewhat. By 2021, the first effects should be visible on US screens, helping shift norms all around the world. Europe has an opportunity to lead the way. Especially countries like Sweden, whose recent affirmative action programmes have shown excellent results, and Denmark, whose film industry has been astonishingly equal for a generation, will be turned to for solutions.

The entrenched establishment is presented with an important choice. Over the next five years, you either listen to and work with young people (to whom much of all this is already obvious and often automatic) or find yourself increasingly irrelevant. And whoever you are – if you would like your work to be seen by everyone, make sure to test on audiences different from yourself.

"I actually think the experienced talent is also welcoming new talent. But I think maybe the experienced talent can learn something from the new talent. Since the whole market is changing, the experienced talent needs to change as well. We all do."

Tine Klint, CEO, LevelK

2. Koljonen: 'Engaging The Audience'

3. Boehm: 'Where's Rey? Insider Says Lucasfilm Vendors Removed Star Wars Character to 'Improve Sales'

4. Friedman et al: *Hollywood's Gender Divide and Its Effect on Films*

5. Robb: 'Gender Issues In Hollywood Will Be Even Bigger Story In 2016'

6. Rainey: 'Diversity In Hollywood: Failure In Inclusion Plagues The Entire Industry'

7. Johnson: 'Employment Commission to Interview Women Directors In Gender Discrimination Probe'

8. Robehmed: 'Hollywood's Diversity Problem Begins In The Writing Room, New Study Shows'

9. Director's Guild Of America: *DGA TV Diversity Report*.

3. Post-Television

Five years from now, consumers will be used to constructing their viewing from a combination of television and internet-delivered content of all types¹⁰. Connected TV (smart TV) will keep growing, although especially younger viewers will just be streaming content from their computers or handheld devices, finding distinctions between “real” TV and digital services completely incomprehensible.

“Exclusivity is an interesting thing. TV was always exclusive, right? You would only be able to watch one show on one channel. In a transactional world it doesn’t make sense to have things exclusive, because people will have their affinity with whatever store [but subscription services need to create that loyalty through exclusives]. Also now, people like us [at Vimeo] are funding things. If you’re funding something, you need to make the money back and, if it’s being sold on iTunes at the same time, then we don’t get the return on the investment.”

Where will this lead?

“When there’s ten different services, and people are choosing 3 or 4 to subscribe to, we’re basically re-creating TV. That’s where we’re headed. You choose what channels you’re going to pay for. You get to watch on-demand whenever you want to watch the show, but you’re choosing your providers.”

Peter Gerard, Director of VOD, Vimeo.

“When we look at changes we tend to think they will happen faster than they actually do, but also to underestimate their significance. By 2020... I definitely believe that for anyone below 40, [linear television] will be a small part of media consumption. My guess is something like 75% [of usage will be] streaming.

For everyone below 40 there are huge changes going on right now. Young people are moving to streaming. I think for any TV station in the Nordics, if they don’t get them onto their streaming platforms they might have very serious problems in years to come. A lot of people in the industry say that when [the young people] have children they will get back to TV. I personally believe it’s the opposite... Children

love streaming. They love to repeat watch the same piece of content again and again and again.”

Carsten Andreasen, Head of Market Insights for Northern Europe, Google/YouTube

Even in markets where the linear decline seems to be slowing, it remains radical among younger demographics. According to a recent TNS/Sifo survey for Google, in Sweden¹¹ streaming already makes up 25% of all viewing time. Among the 15-29 year olds, that number is 51%. An impressive 55% of Swedes use a streaming service daily. Light TV users, who watch less than three hours of TV a week, already make up about 33% of the population. Of these, 35% watch Youtube daily, and they watch it five times longer than heavy TV users¹². (Google is not sharing the details on the light TV users’ other online habits, but we can assume they complement their average of 23 Youtube minutes with other online video choices).

For every passing season, technologies for online content viewing become easier to use, requiring less knowhow, fewer plugins, remote controls and wires. Inevitably, this will grow online video viewing also among the 50+.

There is no reason today’s TV companies could not thrive in this landscape, assuming they can pay for online rights for their window, and take interface design and the wider user experience very seriously. Online advertising revenue may more than compensate for the drop in linear, helping broadcasters care for their brands, pay-TV services retain viewers, and support content production.

“Ease of use is really really important and it’s been cracked by Youtube, Netflix and others. This pushes the needs for local services to innovate. Everyone need to see user experience (design, speed, ease of use, reliability) as the first thing to solve...”

Carsten Andreasen, Head of Market Insights for Northern Europe, Google/YouTube

The sustainability of the subscription models is a worry. Of course, pay-TV is a subscription model too, but especially if the growing trend in content exclusivity shrinks the number of sales windows, money would seem to be disappearing from the production side of the ecosystem.

In our conversation, Peter Gerard of Vimeo on Demand pointed out that all subscription models are not created equal.

“The problem with the Spotify model is that it is based on dividing the total plays by the total revenue, which means that small artists can never make any money... if they changed their model just a little bit so that the ten dollars I put in each month is divided among the artists that I actually am interested in, then that starts to make sense for the artists and for the filmmaker.

I totally still believe in transactional. But there's a growing trend towards these all-you-can-eat subscriptions... Our research is based partly on our own data, partly on surveys that we've commissioned. [It] shows the number one factor people consider when they're making

a purchase is price and the second one is quality... if you think about spending 4-5 euros to rent a movie, it's only another 4-5 euros to have a month long subscription to a service that has thousands of movies. So, the value proposition is challenging there.

[Viewers have] this dream to get... a Spotify experience for film and TV. If that dream came true, and all you had was Netflix, that would be a horrible thing for the world, because of two problems: there isn't enough money flowing around to produce all the different things that we want to watch, and it means that there's one organisation making all the content decisions. And I don't think that's a future that anybody really wants...

But if you have lots of different services that are providing experiences that are interesting and unique to your individual taste... Imagine that people signed up for six different services. It's a similar amount of money to what they would pay for cable in the past. So the finances start to make sense, but also the diversity starts to make sense.”

Peter Gerard, Director of VOD, Vimeo

10. We wrote last year about the frustrating lack of searchability across platforms. This should be resolved in the next few years.

11. For context: Sweden has a high tech maturity, high fibre penetration (and

therefore very fast broadband even for a Nordic country). Most people have at least a passable knowledge of English.

12. The Swedish Video Landscape.

4. The New Majors

It does seem inevitable that five years from now, a few global OTTs will have a central position in the marketplace. This should be worrying to some companies competing for the audiences' attention, but no reason for immediate panic on the production side.

“The US players have always been a challenge. For the whole world. Are they more threatening now? Are Netflix and HBO more threatening than Universal Studios? Sometimes it's the same executives! I think Europeans can compete. They have their own stories to tell and it's distinctive cinema. And there's lots of money in Europe to make films, compared to other regions of the world. A lot of filmmakers in the world are envious and come knocking at the door of [European funding]... without it we would have even more of these US films everywhere.”

Julie Bergeron, Head of Industry Programmes, Marché du Film

If the existence of Disney, Sony or Viacom has not killed independent cinema, national broadcasting or drama as art form, then probably neither will Netflix or Amazon in and of themselves¹³.

Certainly the global OTTs will be important tastemakers. On one hand their reach means high-profile niche content can reach unprecedented audiences, and their financial muscle allows them to compete for the strongest voices in each market. On the other hand, their business models will still be dependent on providing tentpole moments that have to appeal to broad swathes of the audience. Viewers clearly love the OTT experience, but their loyalty to the Netflix brand is less certain. The SVOD behaviour can easily be transferred to new competitors or local incumbents, if their content offering is more appealing.

Netflix does like to say they are trying to globalise palates by commissioning local content that can also travel from many of their markets. HBO is already impacting the production landscape in Latin America and Eastern Europe. But in all likelihood their focus will be on finding or shaping internationally viable expressions of local stories.

Realistically, global players are unlikely to commission all that much programming in small languages. And the big language groups are insatiable. Even in the Spanish-speaking world, where anglophone US companies are supported by a 54 million person bilingual home market, taking a deep cut out the cake will not be trivial. A 2016 report on the Latin American TV market shows Spanish language broadcasters such as Univision have begun overtaking English language opposition in the key 18-49 demographic¹⁴. And the Netflix Original *Narcos*, apparently designed both as a vehicle to train anglophone audiences in accepting subtitles, and as an attempt to appeal to a Hispanic viewership, was well received in many markets, but mocked in Latin America for its range of Spanish accents, not least that of its Brazilian lead¹⁵.

“We have a future now where [Vimeo's] users can create their own mini-Netflix. And that's really exciting, because we see the ones that are working are exactly those that focus on a particular genre area or niche, maybe underserved on Netflix. One of the first ones that really started to take off was an Ethiopian movies channel. They just had tonnes of Ethiopian films which are obviously going to be hard to find on some other subscription service, but there's a lot of Ethiopians around the world who want to watch their home content.”

Peter Gerard, Director of VOD, Vimeo

The likeliest scenario is that the current and future global majors will be complemented by an abundance of alternative content services organised around genres, interests, identities or curation, whether by individuals, institutions, media companies or socially by members.

Success in that market will depend on meeting the basic audience expectations: having excellent user interfaces, searchability, personalisation and customer services, and working fluidly across devices. In content, however, the new “television” ecosystem is likely to be just as varied as TV has been.

Making money on derivative copies of international successes will be harder when the originals are so easily available. Those who have

made a decent living producing so-so localised variants of commercial international genres, may find the space for bland mainstream entertainment diminished or disappeared. On the other hand, that makes space for a “mainstream” with a specific flavour. Locally specific broad-appeal hits, like *Bron*, which in its third season delivered a 35-40% market¹⁶ share in its five-country Nordic home market, can also travel and achieve impressive numbers even though it globally reads as niche content.

On the production side, talent will work with the new majors when they can, just like they are lured by “Hollywood” today. And especially in the establishment phase big players will absolutely be throwing money at experimentation and content development. But it is mathematically impossible for the majors to own every good idea and every talented storyteller in the world, or to serve all target audiences with as broad a range of products. Just like always, it will be possible to compete with quality, heart, form, depth and the culturally specific.

“Earlier ‘the market’ was seen in a narrow way. The concept of mainstream [equalled] getting a big audience in a restricted geographical area. But as ambitious projects now find their own audiences globally the level of ambition is rising in many countries. We see so much of each others’ drama, audiences get used to new things. Mainstream was seen as avoiding the strange or edgy. But from an audience perspective mainstream is what interests the average viewer. And that is developing fast. The young generation reads complex stories and visuals fast and suddenly everyone wants to, need to, challenge themselves.

At YLE... we used to have a clear distinction between the 6 + 6 episode mainstream series... and the edgier miniseries. But today we go for the ambitious things in longer formats too. The craft is to combine depth with episode volume. Dostoyevsky’s Crime and Punishment was originally written in 12 instalments! ...TV drama as an art form was born in the 50s. Its maturity today is on the level cinema was around 1950. We now identify classics. My gaming oriented sons cannot wait to see the new seasons of The X-Files and Twin Peaks, series that I grew up with.”

Liselott Forsman, Executive Producer International Drama, YLE

13. For now, HBO is part of TimeWarner.

14. Birchenall: ‘Understanding Latin America’

15. Betancourt: *The Problem With Netflix’s Original Shows...*; Kumar: *Netflix’s New Show Is Full Of Spanish...*

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5. Getting It Out There

Today, producing countries and producing companies vary enormously in digital maturity and their understanding of the changing marketplaces. Over at least the next five years, all producers will need to keep up-to-date on changes in these complex spaces. This places immediate demands on the way we structure education today and the kinds of support available from local film institutes.

“Producer and rights holder can work without a sales agent. But to have any impact it requires huge market support. You could team up with an aggregator, you could [use] Distriby, but it doesn’t really matter if you don’t have money to spend on marketing. This is not about making a Facebook campaign. If no sales agent wants to pick up the film it’s because they have a feeling no distributors want it. And why don’t the distributors want it? Because they evaluate that the film will not be interesting for the local market. Then why should direct distribution work? I don’t really see it.”

But festivals are having an impact, in terms of smaller titles that will not get traditional distribution. If it’s selected for a festival in Greece, it could be a distribution model to release it digitally in connection with the festival, and coordinate the subtitles with the festival to share and save the cost. It just requires a lot of time and revenues are still on the smaller scale. The reason why the sales agents are not doing it is that we can’t survive doing this.”

When distributors say “this film won’t have a market locally”, is that really a way of saying “this film just ain’t good enough”?

“Yes. Or saying that the film is too small. Basically that they can’t generate enough revenue to make their time worth the while. So yes, it’s not good enough.”

Tine Klint, CEO, LevelK

“I talk a lot [at festivals] about how to run your own marketing campaign with no money, and a number of people really get a lot out of it. But there’s always a couple of people who say, ‘What can Vimeo do for me?’ Or, ‘will you fund my film? I don’t have an audience, will you get me an audience?’ There’s still that disconnect. The number

one thing people should get is: know who your audience is and make your films for those people. That’s still hard for a lot of people to understand.”

Peter Gerard, Director of VOD, Vimeo

Niche films can already do very well online. There is even a reasonable chance of some kind of general taste backlash against the “must-see”, towards the small-scale, roughly hewn, or lesser known. But regardless of whether this happens, especially films that require the viewer to take some kind of chance – unknown cast, unfamiliar subject matter, formal experiments, uncommercial approaches – always have to be sold to audiences on trust. To choose to commit time, attention and money, viewers will need a guarantee that the work is worth it.

The impact of both recommendations and criticism from friends will keep growing even from today’s high level. In audience communication, collaboration with trusted brands, curators, and existing communities will be increasingly central. Film festivals, which combine these three with the excitement of the “live” event, will be strategically important for more and much bigger titles than today. And smaller arthouse films may play many festivals, without distribution. Similarly we will see more collaborations between VOD providers or broadcasters, distributors and festivals; touring and/or sponsored screenings, sometimes in very surprising environments; celebrity endorsements; vertical consolidation and formalised networks in the independent cinema space¹⁷.

One thing is certain: no-one can afford to waste any attention. Marketing has to be coordinated across windows.

“As a digital partner we actually have to be involved when the distributor buys the movie. We have to be given most of the material, like trailer and meta data, at least a month before theatrical release... and this really depends on the distributor, but we should make the strategy and set release dates for EST and TVOD prior to the theatrical premiere. Not all distributors are used to [thinking ahead like] that – yet.”

Tine Klint, CEO, LevelK

Electronic sell-through and VOD rentals are expected to grow, but will not have compensated for DVD income in three years and probably also not in five. Windows and holdback times will continue to develop, overall becoming more flexible and shorter but not necessarily fewer. In the Nordics, where EST and TVOD have had the same release date, early EST is showing promise.

“Both the total transactional volume and the proportion of the rentals is growing... Many of our customers complement their channel packages with Netflix, ViaPlay and that kind of thing, and even so, the number of rentals on our platform is growing... A large part of the customers who combine our TV offer with Netflix rent fewer movies than before Netflix, but are often the ones who rent the highest numbers of movies in total.”

Stefan Borgquist, Head of TV, TeliaSonera Sverige

“Within the next year both EST and TVOD will be much stronger. In the Nordic countries for sure. I see more and more titles not being released on DVD or Blu-ray. Promotion changed and now creates awareness of digital sales – where to buy online.”

And will we have more day-and-date releases?

“I think so, hopefully including ultra releases. In 2020 the whole pack will be more flexible, from cinema to VOD. And it should be. I respect the cinemas, but I think for some titles it is not reasonable to require four months holdback.”

Tine Klint, CEO, LevelK

“There’s going to be a lively and a growing space for people who are selling direct... Transactional always represents the first year of my recommended [distribution] strategy. Only when you’re in year two you think about subscription services. You need to capture the value of the better customers, when they’re willing to pay 5 or 10 bucks to watch it.”

Peter Gerard, Director of VOD, Vimeo

For niche content, and creators or brands with existing audiences, direct sales to consumers through specialist services like VHX, Vimeo on Demand or Distrify will play an increasingly important role. In the next window, curated or alternative-content streaming services like Mubi or Fandor will be important for films that are drowning in the wider market.

Consumers will be able to interact contextually with film services while browsing the internet, so that for instance upon reading a film review or some social media discussion about a programme, it takes no more than a click or two to pre-order it, buy a download, or queue it on a subscription service.

So what should the veterans do, careers that have 20-30 years left, trying to survive in this marketplace?

“Get smart, get training, learn about how to do these things. But I still think there’s a market for films [that are hard to direct sell]. I go to a lot of documentary festivals and know that market really well. There’s a different type of film that tends to get funded by European broadcasters and film funds that doesn’t work so well for direct marketing. It’s the kind of thing that you love to watch at a festival, when you’re thinking ‘I want to discover something really interesting and different’. That works in a festival, it works on tv. It’s hard to do that in a transactional space.”

In order for someone to want to transact for a film, they have to have a certain amount of urgency, or passion that makes them say that this is worth getting out my credit card, typing in my credit card number and paying 5 or 10 dollars. Whereas if there’s something that looks like an interesting story, and it’s on TV or on your subscription service, you’re more willing to take a chance on it.

I think there’s still a market for those types of films. It’s harder because the budgets are shrinking. But if you’re going to make those types of films you don’t necessarily have to learn all the new skills or the market. You just need to get it on to the right platforms that have people waiting for interesting things.”

Peter Gerard, Director of VOD, Vimeo

6. Cinemas & Circulation

Innovative practices explored in arthouse cinemas are pointing the way for a cinema renaissance, but many films will still be excluded from theatrical releases. Release strategies from the digital games industry should be studied as alternative circulation models are designed.

One key question is whose job it is to create a film culture and a culture of going to the cinema. In Europe, public funds are currently invested in a great number of feature films that will never reach theatrical distribution. Supporting diversity in the cinema marketplace, festivals, cinema in schools, and innovative screening environments might be a better investment in the survival of the industry.

“The majority of films produced are not finding their way to the audience, either in theatres or on the digital platforms. At the same time box office is rising, of course on a limited number of studio films. There are less and less theatres. In many countries there is no access to world cinema. And in countries like France where there are still many theatres, competition is harsh... it’s very difficult to keep the films in the theatres, and they have no time to find their audience.”

Julie Bergeron, Head of Industry Programmes, Marché du Film

“Theatres themselves, they make money. It’s just that the P&A (prints and advertising cost) means that a theatrical release doesn’t return a lot to the content owner, apart from that marketing. But it is the place where we come together and talk about films. No one’s going to buy something online if they haven’t heard anything about it. The theatre is still the place where the word of mouth begins.

I think theatres are going to be doing even more with event cinema where there’s alternative things going on in the theatre and it’s not just going to be taking up all ten screens to show Star Wars. It will be more about community experiences. Communal experiences of films that people want to care about.”

Peter Gerard, director of VOD, Vimeo

The cinema is one of the few public places that you can visit alone

and still have a communal experience. It is not surprising, therefore, that arthouses are taking the lead in audience development and in innovation in audience engagement. As they build communities and champion titles, it also makes sense to expand in the value chain, into distribution, VOD, film writing, and enabling discussion online and offline.

Post-screening conversations – not just with filmmakers, but experts, academics, politicians, ordinary people with relevant experiences – is one relatively low-cost way to massively boost engagement and create events even around old releases. Digitalisation also allows for realtime conversation with talent who are not physically present, and allows physical, participatory events to be shared online in real time and after the fact.

Independent cinemas are continuously increasing collaboration to coordinate marketing and communication efforts, and to build shared event and curation brands that can nudge the audience to try lesser known titles. They expand with restaurants, coffee shops, and book stores, and in collaboration with other cultural institutions. In a longer perspective, you can argue that the passive, top-down consumer model of cinemas of the last few decades is shifting back to the more active, participatory and “live” cinema experience of the art form’s first sixty or seventy years¹⁸.

The cultural divide between commercial exhibition and alternative culture-driven businesses has widened in the past few years. As mainstream cinemas have lost interest in auteur titles, documentaries and world cinema, the strongest titles in those categories have migrated almost exclusively to the arthouses. This is great business (except distributors, who would rather maximise reach), but squeezes “riskier” content further into the margins.

Five years from now, cinemas will still be going strong, the market share of independent theatres will have grown, and their impact on cultural conversations and local communities will have soared. The number of titles in wide release might still be smaller than today.

How will we construct and communicate a digital premiere? Will one theatrical screening be enough, or even one “premiere screening” in each market? How do you generate urgency without scarcity? One interesting opportunity lies in the shift of linear TV towards events – live sports, event reality, concerts and so on. If TV works as a platform for event drama and live musicals, then it is also a feasible platform for making film widely available for a limited moment in time.

A useful thought experiment is to imagine that cinemas and even TV have never existed. How would movie releases be handled then? The digital games industry manages this perfectly well even though their “cinemas”, the arcades, effectively disappeared in the medium’s earliest decades. Community building, targeted advertising and taking the customer relationship seriously are at the core of that industry’s success.

Perhaps the greatest lesson from all the work that successful independent cinemas are putting into building a relationship with their audiences is that, excepting major releases from major studios, we shall all have to do those things now.

“If we want, in five years, to still have audiences, we need cinema education for the young public so that they don’t only know video games, that they can still experience film in a theatre and understand why it’s different, why it’s as powerful.”

The festivals have a big role to play. In some countries it’s the only way to see what’s new. It’s become a business for the sales agents – not as big as DVD or theatrical of course ... You have festivals who have started a VOD platform, festivals who have started distribution companies, exhibitors that are distributors, exhibitors that are very creative in reaching local communities around the films they defend... It can be seen as a bigger opportunity than before for films, because there are more ways of presenting independent film today. And public institutions all over Europe need to support diversity and the creative initiatives of the exhibitors and distributors.”

Julie Bergeron, Head of Industry Programmes, Marché du Film

“It is very easy to sit back and say that we want new ideas to convince us. To convince us about a new technology, new media, that it is compatible with the way we make films ... It [is time for] a paradigm change. To find solutions in the film industry ourselves, and not just wait for others to come with a brilliant idea. It’s also about taking more time and finding ways of developing new prototypes of how we want films to be seen, how we want them to be distributed. Not just saying ‘that can’t work.’”

Matthijs Wouter Knol, Director, European Film Market

7. At The Vrovies

“I recently came across an article about Virtual Reality from 1992 by Roger Ebert, imagining what it would be like to go see a Virtual Reality movie – which he calls a ‘vrovie’. It was very funny and interesting because what he was imagining almost 25 years ago is just at our door. In 2016, now it is for real and announced as the next revolution. Lots of money has been invested by new players such as Samsung and Facebook ... and to succeed they need content. It is much closer to the cinema experience in terms of the storytelling possibilities than any transmedia project I have seen. Although it is not a collective experience like seeing a film in a theatre, there are already visionaries thinking about the cinemas of the future...”

At Power to the Pixel, I experienced some VR films and felt it was close to the experience of cinema. It's really powerful. When you see a film in VR, the emotion is very, very strong. You feel empathy for the characters. The more people will get used to that kind of emotion in storytelling... the more it will change the way they want to experience films and the relation they have with the stories and characters. It might change the appetite, I think, of the audience. They will be looking for stronger experiences in terms of emotions. It will be more difficult to go see the “traditional” films we're used to. More and more filmmakers are tempted by VR. Maybe [this will be] a very fast revolution for cinema.”

Will there be a VR market at the Marché?

“Why not? This year VR will be a strong element in the program of NEXT (the Marché du Film pavilion and programme for new models and trends in the industry). We strongly defend, and we will always defend, the film theatre. This year at Sundance there was a special section for VR films and I think it's going to come fast at many festivals in 2016. For Cannes, I can speak only for the market side where we definitely are dedicated to showcasing the new business models. VR is definitely one of them. I always meet a lot of young producers during the year, and it's quite interesting to see how many [already] have some VR production activities.”

Julie Bergeron, Head of Industry Programmes, Marché du Film

Virtual Reality is an immature medium. Like film in its early days looked like stage plays and early television copied radio, VR is still finding its form. For classical narrative strategies – the kind of storytelling we associate with film – it is not optimal. Guiding focus is difficult, making linear storytelling challenging. As the events unfold, the 360° camera places the viewer is inside the scene, sometimes diegetically, which creates its own problems.

Role-playing games theory suggests that experiential media are not for telling stories. Instead they offer frameworks for exploring worlds and events, which inevitably become individual and are only structured as stories after the fact. Storytelling in these spaces is about structuring the agency and choices available to the viewer/participant, so that

the story they end up experiencing will always support the themes and goals of the author¹⁹.

As with all interactive experiences, the key question is what kinds of activities the participants will engage in. VR is showing great promise in games, where narrative can be constructed for instance through exploring a space, and in 360° documentary, which recreates the experience of witnessing specific events.

Reading film is an acquired skill. Five years from now, a rudimentary language for VR filmmaking will have been developed out of traditional cinema, games and VR experiences, and there will be audiences that will also have learned how to parse it.

The technology can spread into homes with surprising rapidity, primarily for gaming. Once it is there, not only can the new kinds of VR film be distributed on existing digital games and film platforms. It would seem wasteful not to also use VR for some kind of personal wrap-around IMAX experience in the home.

“It will be huge for games. This might be words I'll have to eat later on - but I don't believe in it for traditional feature movies or TV series. I think we will see very interesting artistic forms in between movies and games. That will be a thriving, fantastic community for the next years.”

Carsten Andreasen, Head of Market Insights for Northern Europe, Google/YouTube

“When I experience this powerful sense of immersion in a 360° film, I imagine that the sensation I'm feeling must be similar to that felt by the first people to see Train Pulling into a Station, who legendarily jumped out of the way of the approaching train on the screen. Similar to back then, what we are seeing in this space now is at the infancy of establishing techniques for storytelling in a new medium. In a non-gaming context, the format is missing three key things we rely on heavily in 'flatties' – what the VR people are calling normal video: it's not a communal experience, POV has been replaced by position-in-space, and editing within a scene doesn't exist. Time will tell if 360° storytelling or non-gaming VR entertainment will hit the mainstream.”

Peter Gerard, Director of VOD, Vimeo

“I'm excited when I see a film like Son of Saul [in which we see only what the main character sees]. That is an immersive experience. It's a totally new way of telling a story, of using a camera, of using the possibilities of cinema. You're totally immersed ... But it is made in a traditional way. These new filmmakers are taking inspiration from many of these new technologies to continue making very exciting films. Son of Saul [comes across as] almost a VR film.”

Julie Bergeron, Head of Industry Programmes, Marché du Film

19. Stenros: *Aesthetics of Action*; Montola: *On the Edge of the Magic Circle: Understanding Pervasive Games and Role-Playing*, pp 86–94. Waern: *Why I Don't Believe In Emergent Narratives*; Storymaking In Larp; *Larp Design For Storymaking*.

8. The Advertising Wars

In 2015, online media started seriously worrying about the increasing number of consumers installing adblockers (technology that stops ads from displaying) in their browsers. Last summer, around 200 million people worldwide were using adblockers²⁰. In September, when Apple enabled ad-blocking apps through its new mobile operating system iOS9, the “adblockalypse” seemed to be upon us²¹. Newspapers and magazines have been most vocal about the effects, but the impact on the film and TV landscape is significant.

Blocked advertising on media companies’ web sites means disappearing income; blocked ads advertising film and TV content elsewhere on the web lowers the effect of ad buys. But adblocking also plays directly into the wider issue of migration from TV to online viewing. As linear TV shrinks, advertising will follow the viewers. The key battle of adblocking will not be about banners, but video.

Un-skippable pre-roll ads and autoplay technologies, which start ads without the viewer clicking them, are particularly contentious. Some adblockers already stop such ads; in response, some publishers use technology that bypasses the adblocking – and so on in a perpetual arms race²².

Consumers seem to be installing adblockers for two main reasons. Increasingly, worries about privacy, data collection, slow internet speeds from advertising overload, and malware play a part: many adblockers conveniently deal with all that. But mostly, it is to avoid exposure to online marketing, both on the open web and on social media platforms. Adblocking is a symptom of the wider phenomenon of advertising fatigue.

To summarise the complex adblocking debate very briefly, most people now agree that intentionally designing online advertising to intrude on and frustrate consumers was, in retrospect, astonishingly stupid. A better user experience leads to better conversion rates for the ads, and to greater loyalty towards the medium from the consumers.

But the media industries also still feel that consumers who adblock are essentially thieves. If you are not paying for content, then your attention is in fact what is being sold, and withholding that attention is breaking an implicit contract. While this is true, it also unreasonable

to expect consumers to understand or agree. Advertising-financed media have worked very hard for a century to make their audiences feel like allies, fans, recipients of gifts – anything except products. And they have succeeded. Audiences have generally speaking not felt exploited.

But neither have audiences felt that consuming the content implies a duty to also pay attention to the commercials. We have always reserved the right to channel surf, turn down the volume, or flip the page when the advertising does not interest us. In fact this behaviour was vital for advertising in mass media to work at all. Since every consumer of mass media cannot be the target audience for each product or service, self-selection was a natural part of the advertising landscape. Instead of becoming angry at the car ads, non-drivers could mute or skip them. To consumers, adblocking comes across as a reasonable response to ads that refuse to play by these rules.

Some media have now started responding to adblocked browsers with paywalls; if you refuse the ad you must pay for the content in some other way. Pedagogically, this is not bad. It makes the business model very tangible. Whether it is a good choice psychologically is probably a question of tone and wording. Consumers can tell immediately when you don’t like them, and might take their business elsewhere even if they intellectually know you have a point.

Social media have three additional challenges in this area. Most of them promise, sometimes explicitly, to remain free. And on social media, the users themselves are also producing all of the content. This makes the business models – the trading of attention, content, information and money – very unintuitive for non-specialists. Many users of services like Facebook or Twitter also remember advertising as being less present when they joined. That advertising on these platforms has grown may be a business necessity, but to users it can still feel like an unfair change in the terms of the implicit contract.

Adblocking is a technological battle that will be waged for ever and can probably never be won by either side, but the issue having been brought to a head in 2015 has some immediate consequences.

Online advertising overall needs to get better. Targeted and contextual advertising will grow rapidly and needs to do it smartly. Audiences love seeing advertising aimed at them as a target audience, but are very wary about for instance remarketing, where a website you visit will haunt you in ads for days. Programmatic (automated) ad sales are growing everywhere online including video, and will allow for increasingly sophisticated targeting. The industry must pay careful attention to the balance between valuable and creepy communication. When, as an industry, we speak of big data or the value of user information, this is the most obvious application: figuring out what people want to see, whether programming (for content discovery) or advertising.

Freemium models will grow in importance, since at least some of the consumers willing to install technology for an ad-free experience would pay for the same effect if it were easy and relatively cheap.

During 2015, services like Facebook Instant Articles and the Apple News app started offering embedded news content with advertising revenue shared between the platform and the news organisation (similar to the YouTube business model). Platforms are moving aggressively to corral an increasing part of the users' browsing experience to their own services. In effect, Facebook wants to be the internet, and is starting to shift focus from user-generated content towards a partial syndication or aggregation model. Given that it is also expanding aggressively in the video space, it makes sense to prepare for more revenue share distribution for video content, including scripted.

Whether publishing content on other companies' platforms is good or bad for the media houses is under debate. It is almost certainly bad for the users, whose media consumption is driven to environments where all their data is monitored very closely²³.

20. Brill: *AdExchanger Industry Preview 2016 Keynote Address*

21. Bennier et al: *'Enabling of Ad Blocking in Apple's iOS 9 Prompts Backlash'*

22. Sloane: *'Video Becomes The Main Ad-Blocking Battleground For Publishers'*

23. Haile: *What We Might Break When We Fix For Ad Blocking*

9. TV & Video Advertising Floods

In print and online newspapers and magazines, advertising fatigue has driven investment in native advertising and branded content. Similar trends in factual and unscripted TV are complemented by interesting cases in scripted. In the next 3-5 years, brand collaborations and sponsorship are likely to develop rapidly for all kinds of scripted content, bringing both money and new marketing channels for the content to the table.

Advertising fatigue is probably a factor in the continuing decline of linear TV. In desperate response to the shrinking audience, TV networks in many markets have been stuffing and overselling their advertising slots, commercial minutes per hour inching steadily higher. Some US cable networks run 8-10 minute advertising breaks, and cut opening and closing credits on reruns, or even speed up the programming content of the shows, to squeeze more advertising into an hour. This lowers the impact of the individual commercial and the quality the viewing experience.

Since advertising revenue from online services will only grow, the smart money is on lessening the advertising load in broadcast to slow audience migration to streaming. The length of the commercial hour dictates the length of the shows (in the case of truTV, a half-hour show will grow from 22 to 25 minutes, see inset), affecting programme schedules and available ad space in all markets where the titles are aired. Whether or not the experiment pans out commercially, other networks will likely be forced to follow. Over half of US households already have at least one SVOD service, and it is becoming increasingly clear even to late adopters that the hacked-up linear experience is just not competitive with an ad-free SVOD environment.

In the US, Turner Broadcasting has announced it will cut non-programmed (that is, commercial and promo) time with 8-10 minutes per hour on truTV, TNT, and TBS, especially around original scripted, into which it is investing heavily. Viacom has announced it will cut ad loads on all its networks including BET, Nickelodeon, Comedy Central and MTV with around four minutes per hour in primetime. Remaining commercials will be priced higher²⁴.

The time of ad-financed content is clearly not over. Most households will have a limit to how many subscription fees they can afford, which still leaves ample space for ad-supported SVOD, as well as freemium AVOD, where perhaps you could pay to see certain programmes without ads. This is also one of the reasons transactional will continue to grow²⁵.

Of all the advertising environments, online video preroll is perhaps the least sensitive to advertising fatigue, since the tradeoff between watching ads and access to content is tangible. But this is only true within reason. When up to 7 minutes of advertising preroll on subscription online content is clocked in Nordic markets, viewers have plenty of time to reconsider how much they want to see the show, and may feel that they are being asked to pay for the content twice.

The growth in video advertising is driving development of video content on newspaper and magazine sites of every kind. In early 2016, Yahoo closed its dedicated Yahoo Screen video service to place its video content contextually across its magazine sites instead.

24 local Swedish newspapers have banded together around an embedded video player with ad financed content that can display local news and advertising but also has significant reach across collaborating websites. The service also screens features and original content; its first scripted drama premiered in 2015 with a three-month web exclusive release followed by the broadcast window²⁶.

“There’s definitely a trend in that space. The Guardian has their documentary section now where they commission documentaries. They are shown for free with ad support. They tend to be shorter, because if someone’s actually watching on a web site they are less likely to sit down for a long form.

At Vimeo, similar to what I did at Distrify before ... we’ve done some partnerships with different publishers who want premium long form content on their site. You can embed a player and someone can click and purchase and watch directly on a site. ...If you’re running an action sports publication focused on snowboarding, then you can have all snowboarding films right there on the site, and people will never have to leave.

That kind of thing I think works much better for documentaries than for drama to be honest. Simply because of the niche connections made by the publications.”

Peter Gerard, director of VOD, Vimeo.

The inability to compare reach and ratings across platforms has been the greatest hindrance to growth in the online video advertising space. In 2015 Swedish tabloid *Aftonbladet*, whose successful video service is sixth in weekly reach in the country²⁷ (just behind Netflix), was the world's first born-online video service to join its local TV ratings currency, Media Measurement Scandinavia²⁸.

Projected growth in online video advertising is impressive, but still lagging behind the growth in online video viewing. This is mostly because of problems with the quality of the data. Common measurement currencies for ad buying across linear TV and the online multiscreen environment are finally explored or rolling out in most significant markets. But questions remain: if ads start automatically as the user navigates across a page, for instance, how do you then measure whether that ad is seen?

Once advertisers really know what they are buying, growth predictions may prove to have been unnecessarily cautious – assuming, of course, that viewers won't wish, or be able, to shut the commercials down.

24. Poggi: 'TruTV Reduces Prime-Time Commercial Load to 10 Minutes'; 'TNT Plans to Reduce Ad Loads in New Dramas'; Steinberg: 'Viacom To Cut Back On Primetime TV Ads Starting In October'; Lafayette: 'Turner Launching Lab To Reinvigorate Advertising'

25. There are also vague indications that advertising fatigue may be boosting viewership of (ad-free) public service networks.

26. Lundin: 'Flow Network teamar upp med Hallpressen'

27. The Swedish Video Landscape

28. Wisterberg: 'Aftonbladet kliver in i MMS webb-tv-mätningar'

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