



Australian Government



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# ISSUES IN FEATURE FILM DISTRIBUTION

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# About this report

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This paper sets out some of the challenges of the contemporary distribution landscape for feature films and how filmmakers and distributors are trialling new ways to reach audiences. It aims to summarise new developments for the benefit of the broader industry and, where possible, provide useful case studies – acknowledging that the lack of data and available information in this area is a major constraint.

In providing an overview of some new approaches, Screen Australia has sought to outline some nascent opportunities while recognising that, for the foreseeable future at least, existing models of distribution – centred on theatrical release as the ‘premiere’ platform – will remain the main game in terms of release ambitions, audience awareness, revenue and downstream performance.

Our function under the *Screen Australia Act* is to support a creative, innovative and commercially sustainable Australian screen production industry. This involves supporting Australian businesses to deliver to Australian audiences and to take advantage of market developments. We are keen to keep re-evaluating our own practices in light of the changing market, and this paper forms part of our conversation with industry about how best to do this.

We cannot, however, unilaterally direct change. Any substantial changes to existing models must be developed collaboratively across the industry.

Screen Australia has a key leadership role as a facilitator of industry-led collaboration and partnership. We will continue to host industry forums, discuss options and explore means of working with a range of approaches as the industry and the market respond to ongoing and significant change.

If you would like to respond to this paper or share your experiences of feature film distribution with us, please write to [feedback@screenaustralia.gov.au](mailto:feedback@screenaustralia.gov.au). Let us know if you would like your comments to remain confidential.

# Introduction

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The feature film distribution landscape worldwide is currently undergoing a profound structural transformation, creating major challenges and uncertainty as well as some glimmers of opportunity.

Digital distribution is radically rewriting the rules of the feature film business in much the same way it did with other creative industries such as music and publishing, altering not only established release patterns and revenue models but causing (as well as responding to) seismic shifts in audience behaviour and expectations. While the internet has enabled greater audience numbers to watch more feature films than at any time in history, it has also caused these audiences to fragment across multiple platforms.

These changes are affecting the industry globally, impacting not only on Hollywood studios but also on distributors, sales agents, exhibitors, home video retailers and small independent producers. While no one in the industry is immune, this new fragmenting distribution landscape poses a particular and acute challenge for independent films and those engaged in their production and distribution worldwide. Given that this is the space most Australian films inhabit, navigating this new distribution landscape represents the single biggest immediate issue facing the Australian feature film industry.

The challenge for independent feature film distributors today is monetising feature films in a time of content abundance, when audiences expect everything to be everywhere, and where there is a diminishing appetite to pay for content.

Established models of distribution have been built on concepts of scarcity and exclusivity, with the cinema at the apex and a number of ancillary markets – DVD, TV and subscription TV – built into a sequenced release chain designed to maximise the exploitation of the film asset over its economic lifetime.

The opportunities for independent films in this system, which has privileged blockbusters with large global marketing campaigns, have always been constrained. Nonetheless, the system has allowed space for independent films to carve out a niche and have an economic life. While not all independent films would break out and become box office hits, many were able to find audiences and generate a respectable income over their life cycle across the various ancillary markets.

New forms of online distribution are fundamentally changing the game.

On the one hand, they have created opportunities for filmmakers, breaking down barriers between creators and audiences, creating the capacity to build communities of interest, reducing the power of established gatekeepers, and potentially allowing films to be marketed and distributed to a global marketplace. For lower-budget niche films in particular, the internet has become a powerful tool to finance and release projects that would previously not have been conceivable.

On the other hand, the rise of digital distribution has radically disrupted the established business models and revenue streams that have underpinned the feature film sector without yet replacing them with viable alternatives. In Australia, the VOD industry is still at a nascent stage, with services such as Netflix, Presto and Stan introduced only recently. However, early indications and international experience suggest it is unlikely, at least in the short term, that these new services will provide rivers of gold. As has been observed in many quarters, analogue dollars are being traded for digital cents.

It is perhaps not surprising in this scenario that cinema, which was tending to be outstripped by ancillary markets at least in terms of revenue, has once again risen to the apex of the value chain. Cinema currently represents the only place to earn blue-sky revenues, retain asset value and, in an era of content inundation, gain substantial audience attention.

Overall box office may be static, but cinema is setting the weather.

Studio release strategies are now deliberately targeting the cinema platform in a big way, backing bigger tentpole films with bigger marketing, taking more screens and dominating available exhibition shelf space.

This, alongside a marked increase in the number of films in release each year, is creating an ever more challenging and competitive market for independent films. Independent and arthouse films are doing less box office worldwide than they were as recently as five years ago.

The news is not all bad. There are still Australian films that play well in theatrical, most recently *The Water Diviner*, *Mad Max: Fury Road* and *Paper Planes*, and we are looking at a much stronger local box office for Australian films in 2015 than last year. Home entertainment is still providing substantial, if declining, revenue, and Australian talent continues to punch above its weight on the world stage.

But positive outcomes in the short term should not mask the need to address the longer-term structural issues we face as an industry.

There is no doubt that the challenges will continue – in order to get to screens, producers and distributors will need to be savvier and more strategic than they have ever been. For the bulk of independent films, which previously would have been able to find a pathway through the chain, we now need to adapt and navigate ways most suited to each film. We need to find new distribution models, and to work harder to build audiences and communities of interest.

Some producers, distributors and exhibitors are trialling innovations that may provide some new opportunities for local films. We have outlined a few of these in this paper, along with some of the ways Screen Australia is facilitating discussion and supporting new initiatives.

While Screen Australia cannot act alone in directing change in the industry, it does have an important role in supporting creatives and businesses to take risks, and to lead conversations about potential pathways forward.

As an industry, we will need to work closely together, and to learn from failures as well as from successes, in order to make good decisions and provide the best possible opportunity for films in this changed marketplace. We want to ensure that our local films continue to resonate with audiences and to create a cultural legacy for future generations.

Feature films contribute powerfully to Australian identity, irrespective of their financial success. From *Mad Max: Fury Road* to *Samson and Delilah* and from *The Water Diviner* to *52 Tuesdays*, they will continue to provide unique experiences and connections – to our sense of ourselves, to ideas and to singular creative voices – that Australian audiences could not find elsewhere. It is important that audiences still have access to these films and that we continue to have a system that can support them to get made.

# The evolving distribution landscape: impacts and challenges

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The distribution landscape for feature films is a complex web of relationships between producers, distributors, exhibitors and other retail platforms, underpinned by deals done at different stages of a film's life, from financing to completion and release, both in domestic and international markets.

Shifts in technology, market dynamics and audience behaviour have had impacts on the environment for feature film distribution at each stage, creating new opportunities as well as challenges.

## What's changed?

- **For producers, the need to understand the film and its audience – from the beginning – has become even more critical.**
- Given recent shifts in audience behaviour and expectations, producers need to think and act creatively to connect their film with its identified audience, and be more aware of distribution opportunities and challenges.
- As business models across the various platforms continue to evolve, distribution deals done at financing stage may be less straightforward; it is both more important and more difficult to make the right distribution deals with the right partners at the right time.
- For the same reasons, producers need to be more engaged and better informed in working with their chosen distribution partners, understanding and using their expertise.
- New opportunities are emerging for producers to earn revenue directly on digital platforms, although mostly at very low levels, and to exploit back catalogue.
- **For distributors, getting the strategy right is now much more complex:** where and when to premiere, how the windows and territories work together; effective marketing promotion at different stages, new ways of harnessing word of mouth.
- The theatrical market has become very crowded, especially for independent films, and the pressure on box office performance in a film's first week is intense. See page 15.
- Home entertainment and broadcast markets are in flux, and the revenue potential is not necessarily where the audience is. See page 19.
- From an audience point of view, digital access to content is now global, which makes control of territory releases difficult, and may also be a factor in exacerbating piracy.

## Impacts across the release chain

Feature film distribution traditionally begins with domestic theatrical release – an exclusive run in cinemas. The film will then move to the home entertainment market – DVD, Blu-ray, download-to-own and online rental – followed by subscription television and, finally, a screening on free-to-air television. A film might skip a theatrical release if the distributor feels the potential cinema audience is not large enough to sustain the expense, or if the film is better suited to the home entertainment market.

### Windows

The exclusive window between the theatrical and home entertainment releases was set to encourage audiences to watch films at the cinema rather than at home (see page 13).

There has been some experimentation in the US and UK with concepts such as 'day-and-date' releasing – whereby a film is released on multiple platforms at the same time (see Magnolia Pictures case study page 28, for example). Overall, however, these new approaches have been undertaken at the margins, largely in the independent sector, and the concept of the theatrical window remains a central plank of release patterns worldwide.

In Australia, this window has shrunk over the past two decades from six months to the current 120 days, reflecting what was happening to the theatrical window for studio films in the United States (where 90 days is now the norm).<sup>1</sup> This means a film cannot be released on home entertainment formats in Australia until 120 days after the start of its theatrical release.

In 2014, the larger Australian exhibition chains agreed to trial 90-day windows for some films; exhibitors granted the exemption for three films per year from each of the major distributors for two years, viewing the initiative as a trial. *Anchorman 2: The Legend Continues* was the first US title released in the shorter window, followed by *The LEGO Movie* and *A Million Ways to Die in the West*.<sup>2</sup>

Even with the 120-day window, a standard theatrical and home entertainment release is still a powerful distribution strategy for some Australian films. *Red Dog*, for example, grossed \$21.5 million<sup>3</sup> at the Australian box office and went on to be one of the year's highest-selling films on DVD and transactional VOD.

However, for other films with a more limited scale of release and a shorter theatrical run, 120 days represents a long wait between the marketing for the theatrical release and being able to attract buyers on home entertainment platforms.

### International sales

International sales agents are operating in territories where ancillary markets such as DVD and television have contracted even more sharply than in Australia, and where distributors are looking for better terms as a result. So the international market for Australian films remains tight, as it is for all independent film, and the value of sales has fallen slightly. But a title that generates buzz at a festival, for example, can still command a good price. It's also worth noting that, for

<sup>1</sup> Jock Given, Rosemary Curtis, & Marion McCutcheon, *Cinema in Australia: an industry profile*, Swinburne University, 2013

<sup>2</sup> <http://if.com.au/2014/10/28/article/More-calls-for-earlier-release-windows/RQIBYOMVDE.html>

<sup>3</sup> Motion Picture Distributors Association of Australia

independent films, the sale of North American VOD rights can deliver a substantial amount to the right title. Possibly due to its scale, and the relative maturity of its digital platforms, the US is so far the only market for independent films where the opportunities promised by digital access are close to being realised.

## Territory releases

The timing of releases in Australia and overseas territories is important because once a film has been released on a digital format such as DVD or VOD it can easily be uploaded to a file-sharing site, which may enable piracy and undermine revenue in other territories.

Australian films are usually released in the domestic market before being released overseas, and may have different release dates in different territories. However, where an overseas release is to precede the domestic release of an Australian film, the timing needs to be coordinated as much as possible to minimise the risk of piracy.

## Distributors

### *Distribution companies in Australia, theatrical market share, and vertical integration with home entertainment and retail/exhibition activities, 2014*

Company	Theatrical distribution			Home entertainment distribution	Retail/exhibition	
	Box office 2014 <sup>1</sup>	Share of box office 2014	No. titles <sup>2</sup>			
<b>'Majors'</b>	<b>\$973.1m</b>	<b>88%</b>	<b>163</b>			
Roadshow / Warner Bros	\$294.2m	27%	61	Yes (Roadshow Entertainment)	Yes (Village)	
Fox	\$241.7m	23%	26	Yes	No	
Walt Disney	\$147.6m	14%	16	Yes		
Paramount	\$98.1m	9%	21	Yes (Universal and Sony formed a joint venture in 2011 to distribute their titles in Australia, <sup>3</sup> and Paramount recently announced that its DVD/Blu-ray distribution would be handled by Universal outside the US <sup>4</sup> )		
Universal	\$85.7m	8%	19			
Sony	\$73.9m	7%	20			
<b>'Independents'</b>	<b>\$133.8m</b>	<b>12%</b>	<b>472</b>			
eOne					No	
Transmission					No	
Dendy/Icon					Dendy Cinemas, [+Dendy Direct]	
Palace				Mostly handle all rights – theatrical and home entertainment – sometimes working through one of the majors for home entertainment release, or partnering for the theatrical release of individual titles.	Palace Cinemas	
Madman					No	
StudioCanal					No	
Others, eg Sharmill Films						Sharmill Films' Cinema Nova

Source: Motion Picture Distributors Association of Australia (MPDAA), compiled by Screen Australia.

<sup>1</sup> All box office revenue earned that year, including from films released in previous years.

<sup>2</sup> Includes all films that earned box office revenue that year, regardless of their original year of release.

<sup>3</sup> Universal Sony Pictures Home Entertainment Australia: See <http://www.filmink.com.au/news/universal-amp-3-sony-pictures-australia-announce-new-joint-home-ent-venture/>; accessed 26 July 2015

<sup>4</sup> <http://deadline.com/2015/02/universal-paramount-international-distribution-dvd-disc-1201372105/>; accessed 26 July 2015

## Piracy and its impacts

Piracy has become a major issue for the Australian feature film industry, as digital forms of distribution have lent themselves to copying and sharing of films to an unprecedented extent.

Australia has high rates of film and television piracy, with 29 per cent of Australian adults admitting to being active pirates in 2014, up from 25 per cent in 2013.<sup>4</sup>

Although it has largely been confined to Hollywood films, in recent years an increasing number of independent Australian films have been affected, including *Wormwood* (see case study page 25), and *A Little Death*, which became the fourth most downloaded title in Australia, after *American Sniper*, *Interstellar* and *Taken 3*, following its home entertainment release on 21 January, 2015.

A number of factors can increase the risk of a film being viewed illegally, including, as noted on page 8, the timing of releases in different territories. If the film has already been released somewhere on a digital platform, but is not yet available locally, audiences wanting to see the film may be more tempted to attempt to view the film illegally.

Recent developments expected to have an impact on the incidence of piracy in Australia include the outcome of the case surrounding illegal downloading of *Dallas Buyers Club*. However, it is still too early to make firm predictions about illegal downloading trends in Australia in light of these developments.

## The importance of reporting and information sharing

One of the things that makes it difficult to devise a commercially viable distribution strategy is the lack of data about the performance of titles across different platforms and the performance of the platforms themselves.

In particular, with the emergence of online video services and new business models, the home entertainment market has become increasingly fragmented and complex, and more information is needed about the performance of film titles in this market, including online revenue. Without a common measurement such as box office takings or television ratings that provide a guide to audience engagement, the industry as a whole will remain in the dark about the reality of online release.

There is also a movement towards the creation of a scheme to share information on local films' global revenues across all platforms, enabling producers to compare data for similar films.<sup>5</sup> This can only be as successful as the quality and amount of data producers and sales agents provide. Producers may be unwilling to share commercial-in-confidence information, particularly on those films that did not perform as well as expected. However, it is an important first step towards industry-wide cooperation on breaking down the information barriers.

<sup>4</sup> Intellectual Property Awareness Foundation, 2014 Research: Online Behaviour and Attitudes of Australians to Movie and TV Piracy

<sup>5</sup> <http://if.com.au/2015/03/19/article/Call-for-greater-transparency-in-screen-industry/JFEFTRIOSV.html>

## SUMMARY OF IMPACTS ACROSS THE RELEASE CHAIN

Upfront commitments from distributors and sales agents to the production budgets of Australian films have typically halved over the last decade (see page 11), as the market struggles to cover its costs and generate revenue across the evolving release chain. While all films are different – as are their deals and paths through the market – it's useful to summarise some of the key changes and their typical points of impact.

### THEATRICAL

Access to cinema audiences has become much more competitive as the market for independent films has become more crowded. At the same time, blockbusters with ever-wider releases have increased their box office domination (see page 15).

With changing audience behaviour (see page 14) it can be harder to make advertising expenditure work to reach the film's target audience. In addition, the savings for distributors in the shift to digital exhibition have not yet been fully realised, with the cost of physical prints largely replaced by 'virtual print fees' (see page 17).

### HOME VIDEO AND TELEVISION

Many films have traditionally relied on the ancillary markets of home entertainment and television to break even. But the changing economics of these markets have made this more challenging.

VOD has added several new pathways to audience that didn't exist 10 years ago. However, it has also added competition for eyeballs, and directly or indirectly, contributed to the erosion of viewing on traditional screens. Effectively, 'analogue dollars have been traded for digital cents.'

#### **PHYSICAL VIDEO (DVD/Blu-ray)**

10 years ago DVD sales could be the main source of revenue for some films. Revenue from physical disks is declining as audiences turn to online alternatives (see page 19).

#### **TRANSACTIONAL VIDEO ON DEMAND (TVOD)**

With much lower price points, the potential for revenue from TVOD is currently well below the levels generated by the sales and viewings it has replaced (see page 19).

#### **TELEVISION AND SUBSCRIPTION VOD**

In the past, television sales for feature films could often cover a significant proportion of a film's upfront costs. The changing television market – both free-to-air and subscription, along with the introduction of SVOD services – has limited television revenue for many films (see page 20).

##### **FREE-TO-AIR**

A decade ago films were often scheduled during prime time, and it was more common for top-rating titles to reach well over a million in metro markets. With reality programs and drama series now dominating prime time schedules, it's rare for films to reach these levels. As a result films in general are generating less advertising revenue for the broadcasters, leading to lower licence fees.

##### **SUBSCRIPTION TV**

The consolidation of the movie channels in the Australian STV sector, in addition to competition with subscription VOD services, means that the sector is generally offering lower licence fees for films as it prioritises securing other types of programming.

##### **SUBSCRIPTION VOD**

Like television, SVOD services pay rights holders a fee to licence content. As relatively new players, these services may offer new opportunities for revenue from back catalogue, but the impact of their contribution to new films remains to be seen.

## The production environment: financing impacts

Finance for Australian features comes from a range of sources, including government agencies, private investors, industry sources such as distributors, sales agents and broadcasters, plus, for eligible titles, the Producer Offset. In recent years new sources such as crowdfunding are being added to the mix for some films.

Much of this finance has implications for the eventual distribution of the film: for example, a contribution from a distributor provides some confidence that the film will be actually released, while eligibility for government tax incentives can depend on the film's release strategy and demonstrated pathways to audience.

### Finance from the marketplace

Distributors and international sales agents play an important role in building a film's budget by guaranteeing a minimum amount of revenue to the producer (a 'guarantee') or paying a certain amount of future revenue up front (a distribution or sales 'advance'). The amount that the marketplace contributes to film financing varies considerably and depends on the distributor or agent's assessment of the revenue potential of the film. Commitment from a marketplace entity also helps attract other sources of finance, for example from government agencies or private investors.

Overall trends in marketplace finance for Australian films can best be seen by looking at two-year rolling averages for the 'core' production slate – which excludes co-productions, projects fully financed from overseas and high-budget titles majority financed by US studios. Although important, these films are excluded because they are exceptional both in their presence (which fluctuates year-to-year) and their financing.

#### Films with Australian marketplace contribution

Two-year period	Average no. films <sup>1</sup> per year	Av. budget per film	Av. Australian marketplace <sup>2</sup> contribution per film	
			\$	%
2003/04–2004/05	9 films	\$4.7m	\$625,000	13%
2012/13–2013/14	20 films	\$5.1m	\$320,000	6%

#### Films with foreign marketplace contribution

Two-year period	Average no. films <sup>1</sup> per year	Av. budget per film	Av. foreign marketplace <sup>3</sup> contribution per film	
			\$	%
2003/04–2004/05	4 films	\$7.6m	\$1.8m	24%
2012/13–2013/14	9 films	\$5.4m	\$650,000	12%

Source: Screen Australia

<sup>1</sup> Australian films excluding co-productions, projects fully financed from overseas and high-budget titles majority financed by US studios

<sup>2</sup> Mainly from distributors but also including broadcaster presales for some titles

<sup>3</sup> Mainly from international sales agents

Over 10 years, the number of 'core slate' films with **Australian marketplace finance** has doubled, average budgets for these films have remained around the same, but the typical marketplace contribution has almost halved.

A smaller number of films include **foreign marketplace finance** in their production budgets, generally provided by international sales agents.

In this case, the trend toward more films and smaller contributions from the international market mirror what has happened overall with local market finance. Also, in the past, films with foreign marketplace finance tended to have significantly higher budgets than those that just had Australian marketplace finance. There is little difference now.

Several factors are at play in the changing financing models for Australian films – including the introduction of the Producer Offset, the abolition of 10BA finance and reduced availability of direct government funding. These figures show that, in general, producers are needing to raise production budgets with smaller up-front contributions from the local and international marketplace.

### **Funding from government sources**

**The Producer Offset** is worth 40 per cent of qualifying Australian production expenditure for feature films. To be eligible for the 40 per cent rebate, a producer must be able to demonstrate that the film is intended for theatrical distribution in Australia. Otherwise, the film may only qualify as a single-episode program eligible for the 20 per cent offset. The Producer Offset is governed by tax legislation.

Linking eligibility for the higher offset level to a requirement for a cinema release creates a market distortion that limits a film's ability to engage a non-theatrical target audience. It can force a film into the theatrical market even where this may not be the most appropriate or cost-effective strategy for its release.

**Production funding from Screen Australia and other state screen agencies** generally requires that feature film projects come with some kind of commitment for a theatrical release from a recognised distributor. The 'strength' of the marketplace attachment is then considered among other criteria in assessing whether the agency should provide funding for the project.

In the case of Screen Australia, low-budget features are able to apply for up to \$500,000 through the agency's Multiplatform program without a market attachment, although the involvement of a relevant marketplace entity may improve the competitiveness of the application (see page 37).

## The cinema environment

For most films, a primary cinema release continues to be appropriate and important to its overall success. The initial release period, along with the marketing and advertising campaign that accompanies it, and the response from both critics and audiences, will often greatly influence the value of the feature on other platforms and in other territories around the world. This remains the case despite the significant contributions to revenue from other platforms such as home entertainment, as well as shorter initial release periods.

### The exhibitors' perspective

Together, three cinema chains account for more than 1,000 screens or over half the national total (2,041 in 2014). These chains are Event Cinemas (formerly Greater Union) and its subsidiary Birch Carroll & Coyle (which operates mainly in Queensland), Hoyts and Village. Smaller chains include Reading, Palace and Wallis Theatres, Dendy and Grand, together accounting for 16 per cent of screens. Other smaller independents account for 32 per cent of screens.

Exhibitors hire films to show on their cinema screens. They negotiate with the distributor to set the number of screens and sessions for a film and decide when to reduce sessions and to take the film off screens, considering how much revenue the film is generating compared to potential revenue from other films or content.

Exhibitors earn revenue from concessions (popcorn etc) as well as ticket sales. In the Australian market the standard arrangement is that the exhibitor's share of ticket sales increases over the run to provide an incentive to keep films on screens longer. Exhibitors typically receive around two-thirds of the gross over a title's entire theatrical run.

A key element of the exhibition sector's business model is the concept of exclusivity – of being the only way the film can be experienced during its first release into the market. This is particularly relevant in an environment where content is ever-more accessible at home, and encouraging people to go out and watch a film at the cinema has become increasingly challenging. This period of exclusivity is achieved by insisting on a time-based 'window' that holds back the release of a film on ancillary platforms following its first theatrical run in cinemas. The current Australian theatrical window is 120 days for most films (see page 7).

#### Challenges for exhibitors

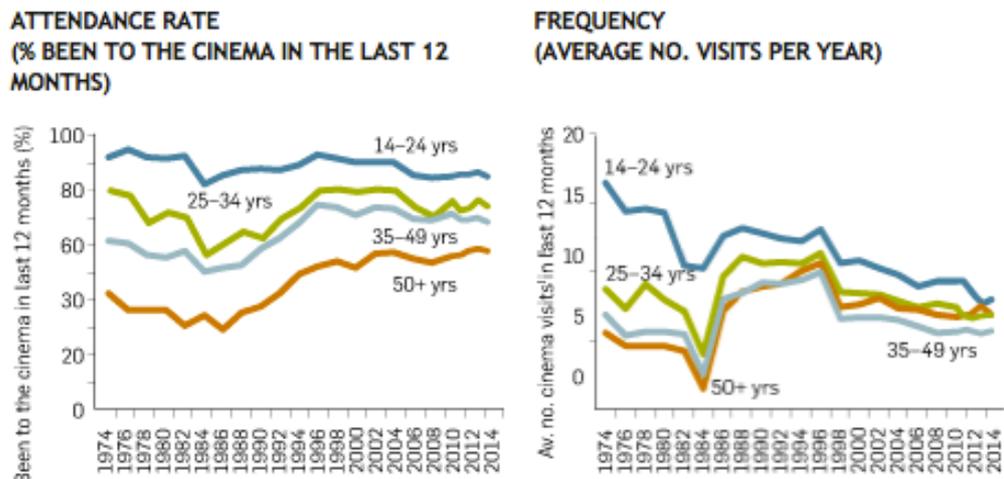
- Increasing competition from other viewing platforms means cinemas have to work harder to draw people to experience a film on the big screen. Maintaining the exclusive theatrical window is seen as important.
- Any reduction in the length of this window, even for independent films where the run may be quite short, might act as a precedent and reduce the cinema's overall revenue potential.
- Conversion to digital projection technology required a large upfront investment, which has been difficult for smaller exhibitors, but has added some flexibility in terms of scheduling screenings, and programming alternative content.
- The marginal nature of the exhibition business requires a high turnover of films, with weekly assessment of the performance of titles in release, and replacement of any films that are underperforming.

## For audiences, going to the cinema is seen as an event

Despite the growth in alternative ways to access movies, cinema-going remains a very popular activity: 68 per cent of Australians aged 14 years and over went to the cinema in 2014.<sup>6</sup>

While cinema attendance was most popular among younger people (aged 14–24) in 2014, the overall trend for this age group is downward. The trends of the three remaining age groups are upward, with the 50+ year olds experiencing the greatest overall increase.

Similarly, 14–24 year olds recorded the highest number of visits in 2014 but the frequency of visits has been in steady decline for over a decade. The only age group with an overall upward trend is the 50+ year olds.



Source: Val Morgan & Co (Aust) Pty Ltd/Roy Morgan Research Centre, in Screen Australia  
<http://www.screenaustralia.gov.au/research/statistics/audiencescinemaattendage.aspx>

The experience of watching a film at the cinema is unique. Screen Australia research<sup>7</sup> has found that, for many people, ‘going to the movies’ is seen as an event, not just a way of consuming screen content, with respondents citing the ‘cinema ambience’, ‘big screen’, ‘relaxation’ and ‘socialising’ as reasons they had seen a particular film in that way.

When asked to identify the single most important reason, ‘socialising’ topped the list, followed by ‘tagged along’ with others. It is these kinds of motivations that the ‘cinema on demand’ and ‘event screening’ strategies draw on (see pages 23, 24).

However, desire to see the film itself was also strong for many people, with ‘saw the trailer’ ranked number three overall and number one for young people. Young people were also more likely to mention the desire to see the film ‘as soon as it launched’.

Older audiences cited ‘word of mouth’ as particularly important and they were less likely to want to see the film immediately. This makes them difficult targets for independent films, which can tend to open more slowly and have only short runs.

<sup>6</sup> Val Morgan & Co (Aust) Pty Ltd/Roy Morgan Research Centre,

<sup>7</sup> ‘What to Watch?’ Audience motivation in an online world, Screen Australia 2012.

## Cinema ‘shelf space’ is tight, particularly for independent films

Over time there has been steady growth in the number of films and alternative content titles competing for screens and audience attention.

Ten years ago an average of 300 films were released into Australian cinemas each year (annual average 2003 to 2005). That number has increased by a third to an average of 398 films each year (2012 to 2014). And these figures don’t include the increasing number of alternative content screenings in cinemas, such as ‘live’ theatre, opera and ballet.

Over the same time period, the capacity of the cinema market – in terms of the number of screens and seats – has seen much smaller shifts up or down: screens increased by 6 per cent while seats fell by 6 per cent (reflecting the introduction of more higher-priced premium-seating options).

The increase in films in the market sits squarely in the independent space. The number of films released on fewer than 100 screens has grown by nearly 50 per cent from 191 per year to 284 per year. The number on less than 20 screens has grown from 132 to 284 per year – a 67 per cent increase.

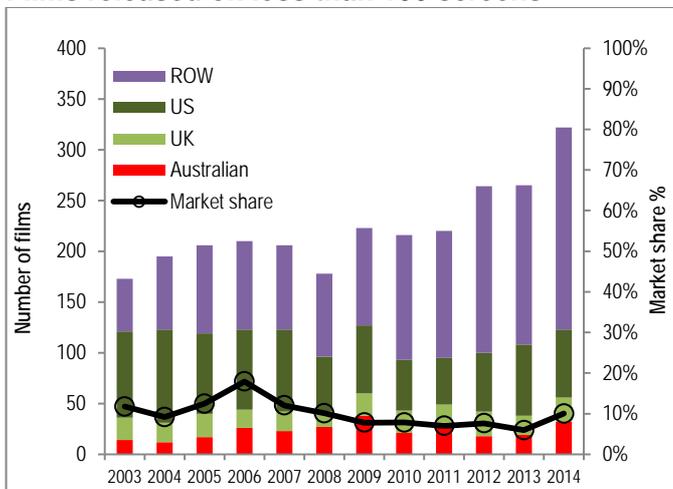
Meanwhile the number of broadly released films (over 100 screens) has increased only slightly from 108 to 115 per year, with a strong movement towards very large releases on 200 or more screens.

The widest releases are dominated by Hollywood studio films. The vast majority of Australian films continue to compete with the growing numbers of independent films (from all countries) for space and attention on the narrower-release ‘shelf’ (under 100 screens).

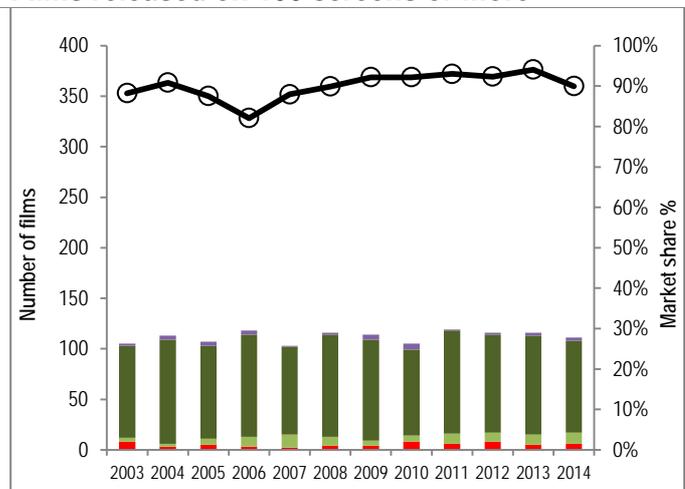
And with ever-wider releases of Hollywood fare (and their accompanying marketing budgets), those films are taking an ever-larger share of total box office revenue. The share of the box office taken by films released on 100+ screens rose from 89 per cent to 92 per cent over the last decade, even though they now account for a smaller share in terms of numbers of films (dropping from 36 per cent to 29 per cent).

### Number of films with narrow and wide releases, and their box office market share, 2003-2014

Films released on less than 100 screens



Films released on 100 screens or more



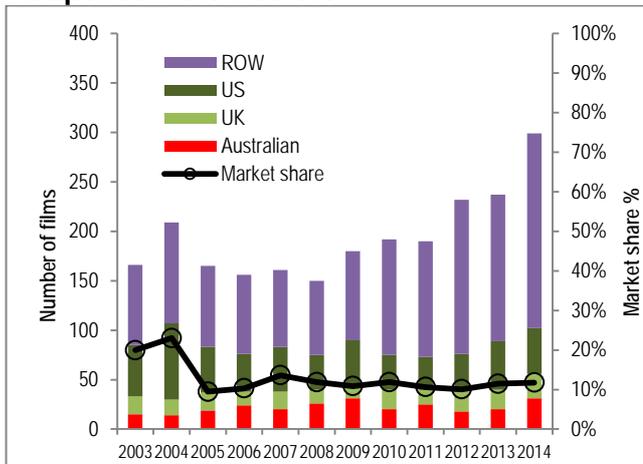
Source: Screen Australia analysis of MPDAA data 2003 to 2013 based on opening day prints. 2014 estimated by MPDAA based on number of shows per day per location.

This is reinforced in distributors’ market share trends. The five Hollywood studios and Roadshow Films – which distributes films from Hollywood major Warner Bros as well as its own titles – continue to command the lion’s share of the Australian box office, without releasing significantly more films. In contrast, the number of titles released by the independent distributors has increased significantly, making it much more difficult for these smaller releases to find their way to target audience. See page 8 for more market share information.

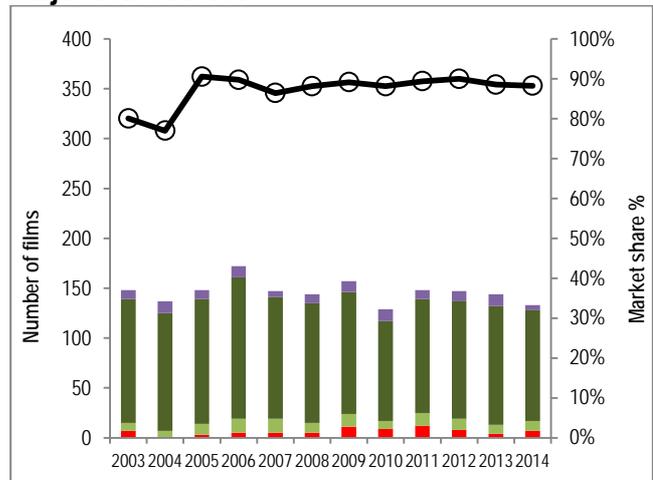
The most prolific distributors of Australian films over the past five years have been Transmission/Paramount and Roadshow, both classed as ‘majors’, and the independents Hopscotch/eOne and Madman.

**Number of films released by independent vs major distributors, and their box office market share, 2003-2014**

**Independent distributors**



**Major distributors\***



Source: Screen Australia analysis of MPDAA data  
 \* Roadshow/Warner Bros; Paramount, Fox, Universal, Sony, Walt Disney

The shrinking theatrical ‘shelf space’ for independent films in Australia market mirrors box office trends in international theatrical markets including the US and UK. In the US, the share of the box office taken by the six major studios has dropped below 80 per cent only twice in the past 10 years, in 2005 and 2013.<sup>8</sup> The majors have been able to maintain their domination of the box office despite releasing fewer films each year. At the same time the theatrical market has become increasingly crowded, with a steady increase in the number of films released by independent distributors competing for the same share of the box office.<sup>9</sup>

In the UK, the BFI reports on the proportion of the box office earned by the highest-grossing films each year. Between 2008 and 2014, the top 20 highest-grossing films consistently took around 50 per cent of the box office, despite the steady increase in the number of films released over the same period.<sup>10</sup>

<sup>8</sup> Box Office Mojo, Studio Market Share 2005 - 2014  
<sup>9</sup> MPAA Theatrical Market Statistics 2014  
<sup>10</sup> BFI Statistical Yearbook 2015

## Box office performance is related to scale of release

It's difficult if not impossible for a film released on fewer than 20 screens (as the majority of Australian films are) to achieve a significant box office result when faced with competition from films released on 200 to 400 or more screens.

The scale of release is governed by several factors including target audience, forecast revenue and negotiations between distributors and exhibitors to determine the optimum number of locations and sessions to achieve the best result for all parties. Availability of marketing resources is also critical. Generally speaking, a limited release of around 20 screens would require a P&A budget starting at \$100,000, while at the other end, a wide release would need at least \$1 million. How this budget is spent has shifted over time (see box page 17).

Since 2012, only four Australian films that opened on less than 100 screens have made over \$1 million<sup>11</sup> at the domestic box office: *Wish You Were Here* (37 screens) and *Return to Nim's Island* with conventional theatrical releases of 37 and 77 screens respectively; and *Tim Winton's The Turning* and *That Sugar Film* with a nationwide tour of event screenings, expanding the scale over time (see case studies page 23).

How well a film is received by the public in its first week of release will also have an impact on its theatrical run. Those films that make less money at the box office than anticipated in that period will be likely to have a reduced run in the cinemas.

### Shifts in 'prints & advertising' (P&A) costs

Overall P&A budgets for Australian films have not changed substantially over the past 10 years, although the balance has shifted, with the 'prints' component accounting for a bit less, and more needing to be spent on 'advertising'.

These days most cinemas screen films digitally. This means the distributor no longer has to cover the (quite substantial) cost of supplying a particular number of physical prints of the film. Instead, they now supply the film as a 'digital cinema package' (DCP) and pay the cinema a 'virtual print fee' per screen in acknowledgement of the cinema's investment in digital screening technology.

In Australia, the slightly lower cost of supplying digital 'prints' means it would be possible for a distributor to put a film out wider than before for the same print cost, but the expansion would require a commensurate increase in advertising spend to service the expanded market. Advertising costs themselves have also gone up overall, and the fragmentation of audiences adds further expense. Substantially more of the budget now needs to be devoted to online advertising.

Virtual print fees will eventually be phased out – once the cinema industry's digital conversion costs are covered and the relevant agreements between the major studios/distributors and exhibition chains expire (from 2016). P&A budgets should then shift even more towards marketing, advertising and promotional costs.

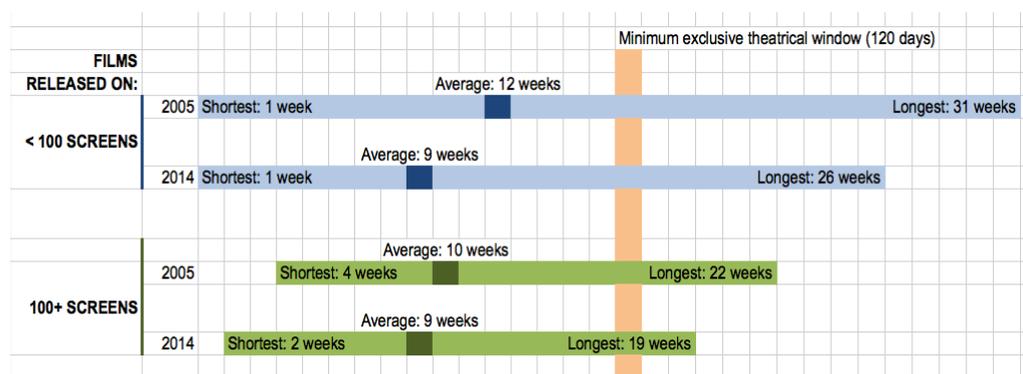
<sup>11</sup> Motion Picture Distributors Association of Australia

## Films are screening in cinemas for a shorter time

Across the board, average run times in cinemas have contracted over the last decade. A film released on fewer than 100 screens in 2005 averaged 12 consecutive weeks in cinemas, while the longest run that year was 31 weeks. By 2014, the average had reduced by a quarter to nine weeks, and the longest run was down to 26 weeks.

The contraction for films released on 100 screens or more has been less marked – down from 10 to 9 weeks on average, with the longest run falling from 22 to 19 weeks.

### Number of consecutive weeks in release, 2005 and 2014, for films with narrow and wide releases



Source: Screen Australia analysis of Rentrak and MPDAA data.  
Based on top 100 films at the box office in each category and each year.

## The stakes are high for an independent Australian film in theatrical release

In such a tight and unforgiving theatrical market, an independent Australian film needs creative strategies to maximise the potential of a cinema release, whether the aim is to earn significant revenue at this stage, or to maximise revenue from downstream platforms. And not all films warrant the expense of a cinema run. It is important that producers and distributors are able to manage the release strategy in a way that is appropriate for each film.

### Opportunities for producers and distributors in the theatrical market

- *Cinema on demand*: web-based services that enable anyone to request a screening of a participating film at a cinema. Connects audiences directly with films, harnesses the cinema visit as an event, and reduces risk for both exhibitor and distributor. See page 23.
- *'Event' screenings*: Creating special-event screenings in cinemas hired on a flat-fee basis to create buzz. Cost and risk borne by producer or distributor, but potentially greater rewards. See page 23.
- *Working with the theatrical release window* in conjunction with other platforms in a variety of ways: for example, bringing forward a home entertainment release, which may be possible where the film is classed as 'alternative content'. See page 26.

## The home video and television environment

### The home entertainment market has seen huge change

Home entertainment is no longer just DVD, but also includes transactional video on demand (TVOD) – electronic sell through (EST) and streaming rental services. In Australia titles appear simultaneously or within a few weeks of each other on these platforms. All Australian films with a theatrical release since 2008 as well as some older films are available on online video services.

**The business:** While online audiences are growing, revenue potential on online platforms is small in comparison to more established distribution platforms. Online revenues are increasing, but not fast enough to make up for the fall in physical video revenues, which is placing pressure on distributors operating in the Australian market.

According to statistics from the Australian Home Entertainment Distributors Association (AHEDA), physical video wholesale revenue peaked at \$1.4 billion in 2008. Since then, wholesale revenue has fallen steadily to \$0.9 billion in 2013. Revenue from rental has declined faster than sell-through, dropping by 71 per cent between 2008 and 2013. Movies accounted for 49.5 per cent of total DVD and Blu-ray retail sales value in 2014, down from 57.7 per cent in 2013.

#### Home video revenue 2008-2014

Year	Wholesale revenue <sup>1</sup>			Retail revenue <sup>2</sup>			
	Physical video			Physical video Total physical	TVOD		
	Rental	Sell through	Total physical		Rental	EST	Total TVOD
2008	\$230.4m	\$1,166.8m	\$1,397.1m				
2009	\$187.8m	\$1,189.4m	\$1,377.2m				
2010	\$146.1m	\$1,142.4m	\$1,288.4m				
2011	\$119.1m	\$1,094.0m	\$1,213.1m				
2012	\$77.7m	\$973.9m	\$1,051.6m	n/a	n/a	n/a	\$127.8m
2013	\$67.8m	\$823.9m	\$891.7m	\$1,057.0m	\$72.5m	\$71.2m	\$143.7m
2014 <sup>1</sup>				\$951.3m	\$83.4m	\$76.6m	\$160.0m

<sup>1</sup> Australian Home Entertainment Distributors Association (AHEDA). <http://www.aheda.com.au/statistics>  
Wholesale physical video figures not available for 2014.

<sup>2</sup> AHEDA *Statistics 2014*, GfK retail tracking data and AHEDA analysis; at [www.aheda.com.au/publications](http://www.aheda.com.au/publications)

The decline in physical video is less rapid than in other parts of the world, perhaps because of Australia's lower penetration of subscription TV, as well as its slower broadband infrastructure.

Like physical video retailers, TVOD retail platforms such as iTunes take a share of sales revenue before passing the rest on to the distributor, who then takes a share according to the distribution deal with the producer. The deal structures underpinning these arrangements are evolving and can still reflect pre-digital world, even though, for example, the costs of servicing TVOD platforms such as iTunes are very different for distributors than those associated with physical disks.

**Audience motivations:** When content is provided on demand, people are looking for depth of catalogue and control over when and how they watch it.

According to Screen Australia's research into motivations for watching screen content on various platforms,<sup>12</sup> a combination of the in-home environment and

<sup>12</sup> *What to Watch? Audience motivation in an online world*, Screen Australia, 2012

flexibility of DVD and Blu-ray viewing saw around three-quarters of respondents agree that watching in the 'comfort of their own home' and the ability to choose their 'own time' were reasons for seeing a movie on this platform.

Online, the most commonly cited main reason for watching a feature film was that it was the 'easiest way' to watch it. This was less important for older people, who cited the ability to watch it 'in the comfort of their own home'. Although 'cheaper' was further down the list as a main reason for online viewing, it was mentioned as one of the reasons by around 70 per cent of people.

The most commonly cited content-related main reasons for watching a movie on DVD or online were 'saw the trailer', and 'word of mouth' from friends and family, which were particularly important for young people. Successful titles can build momentum from their first release, with the buzz intensifying as they make their way onto other platforms.

These findings were reinforced by Screen Australia's 2014 research into online viewing,<sup>13</sup> which found that viewers continue to rely on familiar trusted sources, even with recommendation engines pushing content choices. First and foremost among these trusted sources was talking to friends and family, followed closely by traditional advertising, program guides and then social media recommendations from friends and family. The continuing popularity of the more traditional discovery tools highlights why the marketing of content ahead of its first release (whether in theatres or on television) is vital to ensure viewers find out about new things to watch.

### **Movies are not as important to television broadcasters as they used to be**

Feature films are typically broadcast on free-to-air television after they have been released in cinemas and on home video formats and often after broadcast on subscription television.

In the past, Australian feature films on free-to-air television have attracted large audiences in prominent schedule slots. For example, *Bran Nue Dae* and *Australia* both had their free-to-air broadcast premiere at 8.30pm on 23 January 2011. *Bran Nue Dae* attracted a national average audience of 1.1 million,<sup>14</sup> just ahead of *Australia* with 978,000.<sup>15</sup> More recently, on Friday 2 February this year, *The Sapphires* attracted a combined metro and regional average audience of 1.2 million viewers on Channel 7 in an 8.30pm timeslot.<sup>16</sup>

However, with reality programs and drama series now dominating primetime schedules, it's rare for films to reach these levels. Broadcasters are also tending to program Australian feature films on multichannels and/or late at night, limiting their potential audience. Of the 20 Australian films that had their first free-to-air screening in 2014, 10 were broadcast on a multichannel.

Catch-up services can make these more accessible than their timeslot might indicate, but there's no doubt that movies are generally no longer seen as valuable advertiser-attractive programming, leading to lower licence fees generally being paid for movie content.

<sup>13</sup> *Online and On Demand*, Screen Australia 2014

<sup>14</sup> OzTAM and RegionalTAM, 5-city-metro, combined markets, total people, consolidated. Metro viewers totalled 760,000

<sup>15</sup> As above. Metro viewers totalled 668,000

<sup>16</sup> As above. Metro viewers totalled 687,000

In subscription TV, consolidation of the movie channels, in addition to competition with subscription VOD (SVOD) services, also means the sector is generally offering lower licence fees for films as it prioritises securing other types of programming.

The SVOD services have a growing subscriber base, with US giant Netflix launching in Australia in May, joining incumbent Quickflix. Several broadcasters have also partnered with others to create their own SVOD services focusing on movies and 'TV' series: Stan (Fairfax and Nine) and Presto (Foxtel and Seven). Again, as with subscription TV, licence fees for movies on SVOD are generally low, especially for older titles.

Across all these broadcast and SVOD services, however, higher licence fees may be paid for newer content, or a period of platform-exclusivity.

Audiences also have access to a limited selection of movies through ad-supported video on demand (AVOD) services such as SBS On Demand, which offers hundreds of films at no direct cost to the viewer, and SnagFilms. In this case, rights holders will generally take a share of advertising revenue, although revenue potential in the Australian market remains low compared to other platforms.

#### **Opportunities for producers and distributors in the home entertainment market**

- *Elevated digital premiere*: Primary release is on VOD, but with an elevated marketing campaign. May be suitable for some films with identifiable niche audiences, especially genre films. See page 30.
- *Integrating 'premium VOD' with a theatrical release ('ultra-VOD')*: so far only occurring in the US, and often where the distributor and exhibitor are vertically integrated. See page 28.
- *Platform exclusivity*: for example, where a particular title is seen as a selling point for subscription services, including SVOD, the platform may make a contribution to the production budget, or pay a higher licence fee, and feature the content more prominently on release. See page 32.
- *Direct-to-fan VOD distribution*: enables rights holders to sell or rent films through a video player that can be embedded on any website and share through social media. May or may not be part of an online catalogue. Can be integrated with any other distribution strategy. See page 33.
- *Sales of back catalogue on home video*: new platforms may offer opportunities to monetise back catalogue, and sometimes the success of a director, an actor or adaptation will also rekindle interest and sale for an older film. For example, DVD copies of *The Devil's Playground* (Fred Schepisi, 1976) sold out at retail outlets in Australia after broadcast of Foxtel series *Devil Playground* (2014), an extension of story of the original film.

# Responding to change: Some new strategies and business models

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In summary, it is clear that much change has occurred in the ways audiences expect to consume feature films. They want to see what they want, when they want, where they want and on the device they want.

At the cinema – historically the core platform for any ‘movie’ – the viewing experience is becoming more a special event/occasion where the shelf space is crowded and smaller films – including most Australian films – are having difficulty reaching their potential.

At the same time, as content becomes easier to access overall, viewers are getting steadily more impatient waiting for films to be released at the cinema or move down the distribution chain, resulting in a high level of piracy and a significant loss of revenue to content producers and rights holders.

Other than for the cinema, where there’s a sense that they’re paying for the whole experience, not just the film, audiences expect content on demand and, unfortunately for revenue streams, at little or no cost.

This is perhaps the greatest challenge for distribution – finding ways for Australian feature films to reach an audience willing to pay.

Producers and distributors are beginning to experiment with alternative distribution strategies in order to gain maximum engagement with their audiences.

A standard theatrical release, which requires a large upfront investment in prints and advertising, may still be the best distribution strategy for some films, but it is no longer the only way to connect with audiences.

# 1. Cinema on demand

## Reducing risk for exhibitors | Directly connecting with audiences | Building word of mouth | Potentially supplementing a conventional release

Cinema-on-demand services enable anyone to request a screening of a participating film at a cinema. They provide a conduit between a person or group who request a screening and the cinema. Tickets to on-demand sessions are purchased through the service's website and sessions do not go ahead unless a set minimum number of tickets have been purchased.

Incentives may be provided for people to request and promote screenings, such as giving the promoter or 'host' a small percentage of the box office for successful screenings.

Cinema-on-demand platforms take a cut of the box office for successful sessions, and the model can be an exclusive offering or used in combination with conventional theatrical distribution.

Two cinema-on-demand services launched in Australia in 2014: US-based Tugg (<http://tugg.com.au/>) and new Australian service FanForce (<https://fan-force.com/>). FanForce launched its first participating title, low-budget Australian horror *Wyrmwood*, in February 2015 (see case study overleaf) and most recently featured the documentary *That Sugar Film*. Films screening through Tugg in Australia include environmental issues documentary *The Frackman* and LGBT road movie *All About E*.

Australian films have also had screenings in the US through cinema-on-demand services. Notable examples include issue-based documentaries *I Am Eleven* (155 screenings to date) and *I Am a Girl* (55 screenings to date). Both documentaries used cinema-on-demand service Gathr.

### ***That Sugar Film* (Australia)** Cinema on demand | Event screenings

*That Sugar Film* is a feature documentary about the harmful effects of excessive sugar consumption. The film's release strategy successfully combined a traditional theatrical release with cinema-on-demand screenings commencing 1 March 2015. In total, as of July 2015, *That Sugar Film* has grossed \$1.7 million to become the highest-grossing Australian documentary at the local box office.<sup>17</sup>

Madman Entertainment distributed the film theatrically and collaborated with cinema-on-demand platform FanForce to facilitate additional sessions, where audience demand called for them. *That Sugar Film* was initially released on limited screens, expanding to 54 screens at the widest point of release. In some cases, cinemas booked the film for regular sessions following well received on-demand screenings. Madman Entertainment also released 'community screening kits' for individuals, community groups, institutions, businesses, health practitioners and not-for-profits to help them host their own screenings. As of July 2015, more than 60 FanForce sessions had been held.

Writer, director and producer Damon Gameau was heavily involved in promoting the film's release, presenting the film in person at 64 sessions in the first month of release, as part of a nationwide tour of Q&A screenings featuring expert panels.

*That Sugar Film* also benefited from exposure to potential promotional partners as one of seven documentaries presented at the inaugural Good Pitch<sup>2</sup> Australia in 2014, a new funding and audience outreach program run by the philanthropic agencies the Documentary Australia Foundation and Shark Island Institute. The film was released to the home entertainment markets on 1 July 2015.

<sup>17</sup> Motion Picture Distributors Association of Australia. Excludes IMAX documentaries

## 2. Event screenings

**Reinforcing the cinema as a premium viewing experience |  
Building word of mouth | Reducing the risk to exhibitors |  
Producer/distributor can bear costs and risk but take 100% of revenue**

Event screenings make the visit to the cinema a premium experience for the cinema-goer, for example through themed screenings encouraging fans to come in costume, or screenings in local areas featured in the film. The distributor may also decide to enhance the events by including cast, and/or Q&As with the filmmakers.

Such screenings are usually held in cinemas on a 'four-wall' basis, ie the producer or distributor pays a flat fee to privately hire cinema screens in a cinema complex for special screenings. They take all the box office receipts themselves.

Films screening in this way are not usually required to hold an exclusive window and can be released into the home entertainment market when they choose.

Event screenings can be used as a way to build a profile for a film ahead of a home entertainment release. Successful sessions can sometimes also give cinemas the confidence to book a traditional season of the film.

### ***Tim Winton's The Turning (Australia)*** **Event screenings | Multiplatform release on ABC and iview**

*Tim Winton's The Turning* is an omnibus feature adaptation of Tim Winton's short story collection of the same name. Producers Robert Connolly and Maggie Miles selected high-profile Australian filmmakers to adapt each of the 17 stories. The distribution strategy was a collaborative idea developed by Madman Entertainment in partnership with Arena Film's company Cinema Plus and executed by Madman Entertainment.

The film had a two-week run of official event screenings from 26 September 2012. It opened on 14 screens and reached 37 screens at its widest point of release.<sup>18</sup> Tickets for the event screenings attracted a premium price of \$25 and included all 17 chapters of the film with a running time of three hours, an interval and a 40-page colour booklet. Over its cinema run, *Tim Winton's The Turning* grossed \$1.3 million at the box office.<sup>19</sup>

*Tim Winton's The Turning* was broadcast by the ABC on 23 February 2013, attracting an audience of 490,000. The producers worked with ABC to shape the multiplatform release. Eight chapters were broadcast on ABC1 as a single episode, with another nine chapters premiering the same evening on the ABC Arts Online and iview, along with additional exclusive content including interviews with key creatives.

The DVD was released in the same week as the broadcast, and the film is also available through TVOD platforms.

<sup>18</sup> Motion Picture Distributors Association of Australia

<sup>19</sup> Motion Picture Distributors Association of Australia

***Wyrmwood: Road of the Dead (Australia, US)*****Cinema on demand | Event screenings | Accelerated home entertainment**

*Wyrmwood* is a low-budget zombie movie by a first time director and producer. The film's target audience was 18–30-year-old males and fans of the horror/zombie genre. Distributor StudioCanal handled the theatrical and home entertainment release.

**An event screenings strategy** was considered an effective way to harness the enthusiasm of horror fans to raise awareness ahead of the home entertainment release.

Following screenings at international film festivals, *Wyrmwood* had its Australian premiere at five Moonlight Cinema sites nationally on 6 February 2015. The Moonlight Cinema marketing and PR team and StudioCanal collaborated on the publicity. Media screenings took place in early January and ticket giveaways, film merchandise and props were used to secure additional coverage.

One-off 'Friday the 13th' screenings were held on 13 February 2015 at 76 cinemas. The date was chosen to capitalise on the connection between Friday the 13th and horror themes, as well as provide counter-programming to *50 Shades of Grey*. Several screenings also took place the following weekend at a handful of locations including at Dendy Newtown. *Wyrmwood* grossed \$143,000<sup>20</sup> at the box office.

Between 14 February and 7 April 2015, tickets to screenings of *Wyrmwood* were available for purchase through the **FanForce 'cinema on demand'** website. The screenings do not go ahead unless a minimum number of tickets have been sold. Around 10 screenings were organised through FanForce.

On 2 April 2015 (11 weeks after the February screenings) the film was made available for **home entertainment release** – DVD/Blu-ray and digital platforms (both online rental and download to own). Because the cinemas only committed to one screening, the film was considered alternate content and not subject to the usual 120-day holdback on home entertainment release. According to the distributor, the physical disk sales performed very well, but the EST release under-performed, possibly due to the impact of online piracy.

Social media was a key marketing platform including Facebook and YouTube advertising and an official *Wyrmwood* Facebook page and Twitter feed. In addition, there was a two-week outdoor poster campaign in targeted inner city locations coinciding with the Moonlight Cinema screenings in the first week and the Friday 13th screenings in the second.

**In the US**, *Wyrmwood* was released by independent distributor and exhibitor IFC Midnight on Friday 13 February 2015, both its own cinemas and on VOD for online rental on iTunes, Xbox Video, Google Play and Amazon Instant Video.

Once the film was released in the US, it appeared on **file sharing sites such as The Pirate Bay**, where it was one of the top 10 most downloaded movies for 10 consecutive days.

The availability of the film on file sharing sites before the local home entertainment release could have undermined *Wyrmwood's* revenue potential in the Australian market. Those keen to watch the film at home as a result of the buzz generated in February might have been tempted not to wait for it to be available legally in April.

It is difficult to estimate the impact on *Wyrmwood* sales and revenue as a result of online piracy.

<sup>20</sup> Motion Picture Distributors Association of Australia

### 3. Customised approaches to the theatrical window

#### Adapting release strategies for individual films

The standard 120-day exclusive window for cinema release in Australia may be too long for some films. Where possible, releasing on home video release sooner can allow audiences stimulated by the initial buzz around the film's theatrical premiere to watch the film at home in their own way.

Films considered to be 'alternative content' are not subject to the 120-day holdback. Australia/Germany co-production *Maya the Bee*, for example, was allowed a 33-day window as an alternative content title because it was a children's animation that only screened in daytime sessions. (See case study next page.)

Cinema-on-demand or four-walled event screenings are also not subject to the 120-day window (see pages 23, 23). And smaller exhibitors may be open to special arrangements, as with Palace Cinemas' involvement with Transmission in 'Sydney Film Festival Presents' screenings of *Strangerland* (see case study below).

Where distribution and exhibition are 'vertically integrated' – owned by the one company – more customisation may be possible in setting the window between the theatrical release and home entertainment release, even enabling 'day and date' releases for select titles – at least in the company's own cinemas.

In Australia, the market is relatively small, and even where a distributor also has interests in exhibition (Roadshow, Icon/Dendy, Palace, and Sharmill Films/Nova), they rarely release films only in their own cinemas, so experimentation remains difficult.

In the larger US market, however, a distributor like Magnolia Pictures can partner with its sister company, arthouse cinema chain Landmark Theaters, to release films both in their cinemas and VOD. Their 'ultra VOD' program involves premiering films on VOD a month before they hit theatres. Many Australian films released in the US now employ this strategy – *The Babadook*, for example. (See case study page 28.)

#### ***Strangerland* (Australia)**

##### **Post-festival cinema run**

Director Kim Farrant's feature film debut starring Nicole Kidman and Ralph Fiennes had its Australian premiere at the 2015 Sydney Film Festival (SFF). Distributor Transmission then partnered with Palace Cinemas and the festival on a short theatrical run, followed by a home entertainment release one month later to capitalise on the attention generated by the festival and Palace screenings.

*Strangerland* screened at the festival on 5 and 6 June 2015, and the film then opened at Palace Cinemas and select independent screens on 11 June on approximately 25 screens. SFF was a promotional partner on the theatrical release, which was marketed as 'Sydney Film Festival Presents'. The film was booked for one week of screenings but many cinemas carried the film over to a second week as a result of several sell-out sessions.

Co-founder of Transmission Andrew Mackie told industry magazine *Inside Film* that the theatrical release had generated approximately \$100,000 and averaged around \$2,000 a session, a result that Transmission were very happy with and augured well for the home entertainment release on 10 July 2015.<sup>21</sup>

<sup>21</sup> <http://if.com.au/2015/06/28/article/Good-returns-for-mini-festival-releases/KBJWTRZYRU.html>

### ***Maya the Bee (Australia)***

**International success | Specialty cinema release in Australia as alternative content, and home entertainment one month later**

*Maya the Bee* (Germany/Australia) is an animated preschool feature based on the German book and European TV series of the same name. The film was released in 26 countries, generating over A\$28 million at the box office, and was particularly popular in European countries where the *Maya the Bee* franchise had a high level of awareness.

Despite strong broadcast ratings for the series on ABC, it was a relatively unknown brand in Australia, so the film did not have the same scale of cinema release here as in international territories. The Australian co-producer, Buzz Studios, a subsidiary of Flying Bark Entertainment, partnered with StudioCanal to release the film on 155 screens on 1 November 2015. The theatrical run was limited to one or two daytime sessions a day. This included sessions as part of the 'Hoyts Junior' program in Hoyts Cinemas. The theatrical release generated \$256,000 at the box office.

Barbara Stephen, Managing Director of Flying Bark Productions, stated that 'the strategy for the film was a specialty release with a reduced ticket price to make the film more affordable for families and generate awareness of the character and the film with the Australian audience. We feel this was the best approach to ensure a strong home entertainment release and drive ancillary sales of the film.'<sup>22</sup>

As an alternate content title, *Maya the Bee* had a shorter theatrical window and was released on home entertainment platforms by Beyond Entertainment on 1 December 2015, a month after the theatrical release. It has performed strongly on DVD and TVOD, significantly exceeding both parties' forecast sales.

### ***It Follows (US)***

**Rapid change of strategy | Theatrical release expands from 4 to 32 screens then 1,218 screens | VOD postponed**

*It Follows* is a low-budget horror film directed by David Mitchell. It was acquired by TWC Radius in August 2014, nine months after its world premiere at Cannes. With limited advertising, the film opened on 13 March 2015 on four screens in New York and Los Angeles, grossing US\$160,000 in its first weekend.

TWC Radius had planned to release the film on VOD two weeks after its theatrical release. Based on the opening weekend result, however, they decided to delay the VOD release and put the film into more cinemas to maximise its theatrical gross. In its second weekend *It Follows* expanded to 32 screens and then to more than 1,000 screens the week after.

The film went on to gross over US\$14 million at the US box office. With a low-profile cast and director and a small advertising spend focussed on social media, its success has largely been attributed to strong reviews and word of mouth.

Co-president of TWC Radius Tom Quinn told media outlets they had planned for a flexible release strategy including the possibility of expanding the theatrical release to 'allow the marketplace to dictate the best course of action'.<sup>23</sup> To achieve this flexibility, TWC Radius had to carefully manage its relationships with exhibitors as well as VOD services.

Rialto Distribution acquired *It Follows* for release in Australia. It releasing the film theatrically on 16 April 2015 and on home entertainment platforms 90 days later on 16 July, timed to coincide with the US home entertainment release. This is important as once films have been released on home entertainment platforms they can be easily uploaded to pirate sites, and horror films are particularly susceptible to piracy.

Major cinema chains declined the film due to the shortened window of exclusivity (Rialto and the other independent distributors are not party to major cinema chains' two-year agreement to allow 90-day windows for a limited number of titles – see page 7). Palace, Dendy and some independent cinemas took the film, enabling Rialto to launch it on eight screens. *It Follows* grossed \$279,000 at the Australian box office.

<sup>22</sup> <http://if.com.au/2014/11/03/article/Maya-the-Bee-Movie-Aussie-WW1-movie-unleashed/DFJZREZRLX.html>

<sup>23</sup> <http://variety.com/2015/film/news/it-follows-box-office-radius-twc-highest-grossing-release-1201462208/>

## 'Ultra-VOD' releases in the US

### Magnolia Pictures

#### Distributor partners with vertically integrated exhibitor

Magnolia Pictures is one of a group of distribution companies in the US successfully releasing films in cinemas and on VOD simultaneously or within a few weeks of each other.

Although the larger cinema chains in the US will not screen films unless they have a 90-day exclusive theatrical window, Magnolia Pictures and arthouse cinema chain Landmark Theaters are sister companies – both owned by parent company 2929 Entertainment – which gives Magnolia flexibility in how it can release its films. Landmark has 54 theatres and 220 screens in 21 markets across the US. It is the nation's largest theatre chain dedicated to exhibiting and marketing independent film.

Magnolia Pictures specialises in foreign and independent film. It releases 35-40 films per year, and about 25 of them go through an **'ultra-VOD' program**, which premieres them on cable VOD and iTunes a month before they hit theatres (cable VOD comprises approximately half of the transactional VOD market in the US.) The ultra-VOD films are screened in Landmark Theaters as well as other cinemas that agree to exhibit the film. The remaining films distributed by Magnolia Pictures either have a theatrical release followed by home entertainment release after the standard 90 days or are released direct to home entertainment.

In some cases the theatrical release will serve primarily as marketing to drive VOD sales, rather than as a revenue generator in its own right. In other cases, a film can perform well on both theatrical and VOD platforms.

Films released by Magnolia on ultra-VOD include *Melancholia* (Lars Von Trier 2011), which grossed approximately US\$2 million on VOD and US\$3 million at the box office, and *All Good Things* (Andrew Jarecki 2010) US\$5 million on VOD and US\$582,000 at the box office.<sup>24</sup>

### *The Babadook*

#### Australian film with successful 'ultra-VOD' release in the US

Australian horror movie *The Babadook* was distributed in the US by IFC Midnight with an ultra-VOD strategy. DirecTV, a cable TV provider, had exclusive rights to the film for 30 days before its theatrical release, making the film available on demand to its 20 million cable VOD subscribers. The initial release in three cinemas on 28 November 2014, concurrent with VOD, was expanded to 80 cinemas at its widest point.

*The Babadook* grossed over US\$950,000<sup>25</sup> in US cinemas, and according to IFC Midnight was ordered 200,000 times on cable VOD and 160,000 times through TVOD (iTunes, Google Play etc). The film was released on DVD and Blu-ray in the US on 14 April 2015.<sup>26</sup>

The film had been released through Umbrella in Australia earlier in 2014, opening on 10 screens, reaching 13 screens and grossing \$268,044.<sup>27</sup> It was released in the home entertainment market approximately four months later on 31 October 2014. Information on local home entertainment sales is not publicly available.

<sup>24</sup> <http://www.thewrap.com/vod-rescue-how-one-format-saving-indie-film-33085/>

<sup>25</sup> Rentrak Corporation

<sup>26</sup> <http://if.com.au/2015/03/15/article/The-Babadook-shines-for-IFC-Midnight/BCICPVZBSE.html>

<sup>27</sup> Motion Picture Distributors Association of Australia

***Snowpiercer* (US release of Korean film)****Theatrical release expanding from 4 to 250 screens | Accelerated VOD release | Capitalising on audience anticipation**

*Snowpiercer* is a Korean film that received a lot of attention for its successful theatrical and VOD release in the US. The film was the English-language debut of Korean director Bong Joon-ho, with a US\$40 million budget and a cast of high-profile international actors including Tilda Swinton and Chris Evans. Bong Joon-ho had an established fan base in US due to the popularity of his earlier Korean-language films including horror film *The Host*, which grossed over US\$2 million at the US box office in 2007.

Distributed by TWC Radius, the film opened in eight cinemas on 27 June 2014, expanding to 250 screens and grossing US\$4.5 million at the box office over its theatrical run. It was released on VOD two weeks after the start of its theatrical release, earning US\$6.5 million on VOD in two months.

*Snowpiercer* shows the revenue potential of a distribution strategy that eschews a conventional release pattern in the US. However, some unique circumstances helped generate audience awareness and anticipation prior to its release.

The Weinstein Company (TWC) acquired the film at script stage with the intention of giving it a wide theatrical release. TWC did not consider the completed film to be appealing to a mainstream audience and asked Bong Joon-Ho to allow the film to be edited and a voice-over added. He did not give permission and the release was delayed by several months. Eventually, the original version was released as described above – a smaller theatrical run with a two-week exclusive window before being made available on VOD. In the meantime, media reporting on the delayed release generated online discussion by viewers who wanted to watch the original version.

## 4. Elevated digital premiere – primary release to transactional VOD

**Cost-effective audience-focused strategy | Maximised marketing impact |  
Harnessing social media word of mouth**

A high-profile or 'elevated' digital release is where the expensive theatrical window is replaced with a highly promoted premiere on transactional VOD, followed closely (or day-and-date) by other home entertainment platforms.

This may be an appropriate and viable strategy for some films. To raise the profile of the film outside the cinema context, the distributor or producer needs to spend more on marketing than usual for a VOD release, targeting an online audience, generating buzz through social media and harnessing communities of interest relevant to the film. Special event cinema screenings may also be incorporated as part of the publicity campaign.

One of the risks associated with such a release is that mainstream media outlets may not cover titles not screening in cinemas. A newsworthy hook such as the source material, subject matter, well known cast or an established director may be necessary to attract media coverage and reviews.

The first platform in the release chain generally commands the highest price for audiences, as this is when demand is strongest. However, where the initial platform is VOD, the challenge is finding a price that does not devalue the film, while at the same time meeting audience expectations of the online environment.

Distributors may also have difficulty competing with theatrically released films for shelf space at DVD/Blu-ray retailers. They would have to convince retailers that there is a DVD/Blu-ray audience for the film.

Currently, there may be financing implications if the film is not made with the intention of releasing it theatrically, as it may not be eligible for the 40 per cent Producer Offset.

Australian film *The Mule* is a good example of an elevated digital release. Although the film was initially intended for cinema release, once completed, the distributor and producer both felt a digital premiere would be more appropriate. See case study next page.

## ***The Mule (Australia)***

### **Digital premiere**

*The Mule* is an Australian dark comedy distributed by eOne in 2014. The target audience for the film was identified as male-skewing, 18-44 years old and fans of comedy/crime thrillers and commercial 'gross-out' humour.

eOne initially acquired *The Mule* for a theatrical release. However, together with the producers of the film, they decided that video-on-demand would be a more viable primary release platform. The producers also wanted to reach potential viewers beyond those who had access to the inner-city cinemas that typically screen limited-release films.

eOne described the release as an 'elevated digital premiere', meaning that the publicity and marketing campaign used similar strategies to build hype around the digital release as would be used to promote a theatrical release. This also meant a larger marketing spend than a typical direct to home entertainment release.

*The Mule* was available for pre-order on iTunes from 29 September 2014, and for download-to-own in Australia on 22 November 2014 on iTunes, Google Play, Dendy Direct, Xbox Video and Playstation Store. 10 days later, the film was available for online rental on the same platforms, and on DVD/Blu-ray.

Hugo Weaving, Leigh Whannell and Angus Sampson undertook a publicity tour the week of the digital release. Weaving and Sampson also participated in preview screenings followed by Q&A at Cinema Nova in Melbourne on 18 November 2014 and at Dendy Newtown in Sydney on 19 November 2014. There was coverage of the film and its digital release strategy in media outlets across print, radio and online.

On 7 December 2014 Sampson and Whannell, along with surprise guests, 'live tweeted' a running commentary on the film, offering insights from both sides of the camera as well as hosting trivia and giveaways. Fans were encouraged to press play on their digital, Blu-ray or DVD copies of the film at 3pm AEDT, and follow @themulemovie on Twitter, tagging tweets #TheMuleLive to join in.

*The Mule* was released in North America on 22 November 2014 (the same day as the Australian download-to-own release) for download-to-own and online rental on over-the-top VOD platforms Vudu, iTunes, Target Ticket and Xbox Video.

## 5. Platform-exclusivity deals on broadcast and SVOD platforms

### Getting more value out of licensed platforms

Broadcast and subscription platforms tend to sit towards the end of the value chain, and revenue from these platforms is relatively low as a result. However, where the film is seen to have the potential to attract advertising or subscription revenue, higher fees might be paid for screenings earlier in the cycle – even as the film's premiere – or for a period of platform exclusivity.

A broadcast premiere can be part of a broader distribution strategy, especially where the broadcaster has provided an upfront contribution to the budget in the form of a presale. For example, telefeature *Underground: The Julian Assange Story* was screened at the Toronto Film Festival and the London Film Festival ahead of its broadcast premiere on 7 October 2012. The average audience for the broadcast was 2 million viewers.<sup>28</sup> *Underground* was released on DVD/Blu-ray a month later on 7 November 2012. It then had one-off cinema screenings followed by Q&A in capital cities and regional centres from March to April 2013.

17 telefeatures premiered on free-to-air television between 2012 and 2014, with average audiences ranging from 248,000 to more than 2 million (two titles, including *Underground*).<sup>29</sup> Three telefeatures, including *Exchange Student Zero*, premiered on subscription TV over the same period.

To date, there are few examples of feature films premiering on subscription VOD (SVOD) services, although this is changing. See box below.

### **Investment in movies from SVOD services**

**Netflix** has made some high-profile feature film acquisitions, picking up the rights to war thriller *Jadotville* at the European Film Market 2015 for US\$17 million and the rights to Cary Fukunaga's African war drama *Beast of No Nation* for US\$12 million.

Netflix has also acquired Australian director David Michôd's satire *War Machine* starring Brad Pitt. Principal photography on *War Machine* starts in August 2015 for a 2016 exclusive release on Netflix and in select theatres.<sup>30</sup>

In January 2015, **Amazon Studios** announced it would produce original movies for theatrical release and availability on its SVOD service Prime Instant Video. Amazon indicated it would produce around 12 movies a year, with budgets ranging from US\$5 million to US\$25 million. The films would be available on the SVOD service within two months of theatrical release. Its first film *Chi-raq*, written and directed by Spike Lee, wrapped shooting in July 2015.<sup>31</sup>

On 30 July 2015, Screen Queensland announced a partnership with **Australian SVOD service Stan** to develop and finance a \$1 million feature film that will premiere exclusively on Stan.<sup>32</sup>

<sup>28</sup> Source: OzTAM and RegionalTAM, 5-city-metro, combined markets, total people, consolidated. Metro viewers totalled 1.5 million

<sup>29</sup> Source: OzTAM and RegionalTAM, 5-city-metro, combined markets, total people, consolidated.

<sup>30</sup> Source: IndieWire, Netflix Acquires David Michôd's 'War Machine' Starring Brad Pitt, <http://www.indiewire.com/article/netflix-acquires-david-michods-war-machine-starring-brad-pitt-20150608>

<sup>31</sup> Fortune, Amazon is working with Spike Lee for its first original movie <http://fortune.com/2015/07/15/amazon-spike-lee/>

<sup>32</sup> <http://www.screenqueensland.com.au/news/onscreen-news/1683-australian-first-as-screen-queensland-offers-1-million-feature-film-with-stan-.html>

## 6. Direct-to-fan distribution

**Available to producer as well as distributor |  
Can supplement other release strategies to maximise long tail**

Direct-to-fan services enable rights holders to sell or rent films through a video player that can be embedded on any website and shared through social media. They enable producers/rights holders to sell titles individually, rather than as part of an online catalogue.

Rights holders set their own prices and the platform takes a commission from gross sales revenue. The services usually do not charge upfront fees.

The platforms also have 'affiliate' programs, which enable third parties that embed or share the film to take a commission from sales from their website or social media account.

The video players can be embedded on any website anywhere in the world and each of the platforms provides geo-blocking tools. Rights holders are responsible for uploading their films in appropriate video formats.

Direct-to-fan distribution is unlikely to be the primary revenue driver for a film but does provide opportunities to generate additional revenue and viewers. Vimeo, VHX, Spondo and Distrify are examples of services that enable direct-to-fan distribution.

### Vimeo On Demand

**Films available:** *Chasing Ice, Silver Bullets, Ned Rifle, Bill Cunningham New York*

**Commission/fees:** 10 per cent after transaction costs. Annual subscription fee of \$199 to join Vimeo PRO.

**Affiliate program:** N/A

**User payments:** Viewers can pay via Pay Pal or credit card.

**Payments to rights holders:** Rights holders need a verified PayPal account in order to receive earnings. All VOD payments are made in US dollars. Sales made in currencies other than US dollars will be converted to USD based on the final exchange rate of the day each purchase was made.

Funds are deposited into rights holders' account 30 days after the month's end. For example, a payment for all sales made in the month of June will be transferred from Vimeo to the nominated PayPal account on or around 30 July.

**Other:** Vimeo provides content ratings for users. Vimeo asks creators if their VOD works contain nudity, violence, profanity, or drug/alcohol references. Based on the categories selected – or not selected – one of the following badges will appear on the Vimeo On Demand page: All Audiences, Mature, or Not Yet Rated.

Vimeo On Demand videos can be embedded and sold on other websites. Viewers will be able to rent or buy the videos embedded on other website with the 'Purchase from' prompt in the top right corner of the player.

### VHX

**Films available:** *The Act of Killing, Life Itself, Upstream Colour and Indie Game: The Movie.*

**Commission/fees:** 10 per cent + 50c per transaction. No upfront costs or charges for transcoding.

**Affiliate program:** VHX has a beta affiliate program called Partners. At this stage the program is not automatic – rights holders have to contact VHX to use the Partner program. It allows rights holders to decide what percentage of their money goes towards another individual or company. Partners are typically paid on the same cycle as rights holders.

**User payments:** Viewers can pay via Pay Pal or credit card.

**Payments to rights holders:** VHX makes payments outside of the US via PayPal. Rights holders connect their accounts using their PayPal email address and password.

Funds are deposited into rights holders' accounts by the 15th of each month for the previous month's sales. Example: if you sold 100 copies of your film in January, you will receive payment for those sales by February 15th. Payouts are made on a monthly basis.

**Other:** Audit rights – With 10 days notice to VHX, rights holders may appoint a certified public accountant to examine VHX's records with respect to rights holder's income. Audits may not occur more than once in any 12-month period. Should an audit reveal that the VHX has overcharged VHX fees by five per cent or more, the rights holder is entitled to a refund in the amount of the overcharge and reimbursement for reasonable costs associated with the audit.

**VHX statistics** (as at February 13, 2015, statistics are updated daily on the VHX website <https://www.vhx.tv/stats>) Since March 2012, VHX has achieved:

- US\$4,931,396 total gross sales
- 579,460 paid transactions
- 1,038,251 total customers
- 79,445 repeat customers
- 4,006 titles on sale.

The majority of VHX sales come from the US. Australia is VHX's fourth-largest market, with 23,656 sales to date.

## Spondo

**Films available:** Australian feature films *The Jammed* (2008) and *Fell* (2014) and Australian documentary *2 Degrees* (2013).

**Commission/fees:** 25 per cent. No upfront costs or charges for transcoding.

**Affiliate program:** To join the affiliate program users contact Spondo via a form on the website and Spondo then calls the user. If an affiliate sells content from their site, they will receive 25 per cent of every sale and the producer receives 50 per cent. Spondo always gets 25 per cent.

**User payments:** Viewers can pay via their PayPal account or use PayPal to pay with their credit card if they don't have a PayPal account.

**Payments to rights holders:** At the end of the month, assuming rights holders have reached an agreed amount of revenue (usually around \$100), they will automatically receive their payment in their preferred PayPal account.

**Other features:** Users can watch for free with advertising. Spondo's advertising platform allows 'smart ads' which combine video content, survey questions and

demographic information gathering. The price of video content offered to end customers is subsidised either partially or wholly through the integration of an advertisement placed to reach a target audience and gather demographic information for the advertiser's marketing purposes.

## **Distrify**

**Films available:** Classic films from the British Film Institute (BFI), Terry Gilliam's short film *The Wholly Family*, social issue documentaries, Indian feature film *Lucia*.

**Commission/fees:** 30 per cent. No upfront costs or charges for transcoding.

**Affiliate program:** Anyone logged into Distrify is automatically included in the revenue-sharing affiliate program. Users who buy the film or subscribe to the mailing list are automatically logged in. This means that if they use the sharing tools in the video player, or copy and paste the embed code or URL, it automatically includes a unique code that tracks their sharing. Any sales generated from their sharing qualify for the affiliate revenue-share program. Affiliates can choose between PayPal transfer, UK bank transfer or international bank transfer to receive their revenue share.

The minimum revenue-share for an affiliate sale is 10%. Rights holders have the right to offer a greater revenue-share to encourage their audience to share the film more. The first 5 per cent of the revenue-share comes out of Distrify's revenue-cut, and the remainder comes out of the film owner's payout, ie if the affiliate share is 10 per cent, the rights holder/Distrify/affiliate split becomes 65/25/10.

**User payments:** Viewers pay via Pay Pal or credit card.

**Payment to rights holders:** Rights holders can access their income report at any time. They are paid at the next quarterly pay run following a withdrawal request provided that the sum due to the rights holder exceeds the minimum payment threshold. Minimum threshold is advertised on the payment pages of the Distrify website from time to time.

**Other:** Rights holders cannot make content available for free on advertising video on demand (AVOD) platforms at the same time as it is available through Distrify. For this reason, Distrify requires rights holders to grant an exclusive licence to AVOD rights to any content made available through Distrify for the duration of the term applicable to that content.

**Confidentiality –** Rights holders have to agree not to disclose any details about this service and/or their use of it (other than the fact they use the service) to any third party for the duration of the agreement with Distrify and for a period of two years from the termination of the agreement. Rights holders cannot make any PR or other press announcements about their use of Distrify without Distrify's written consent.

### **Distrify statistics:**

- 38% of VOD sales are referred by affiliates
- 15% of VOD sales come from social media
- 5.2% of trailer views lead to VOD sales
- 2.2% of film site impressions lead to VOD sales

English-speaking countries are leading VOD consumption with the US at the top, followed by the UK, Australia, and Canada. Czech Republic has a very strong VOD market followed by Germany, India, France and Italy.

# Supporting transition and innovation

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These are challenging times for independent film. In order to maximise opportunities for Australian films in the current environment, our screen industry will need to be ever more strategic. All players will need to maintain a strong focus on the audience through all stages of production and release. As an industry, we will also need to be prepared to innovate around certain kinds of films and to take some risks.

Screen Australia cannot act alone in addressing change in the industry, but it does have a role in supporting business to take these risks and in leading conversations about the challenges. Some of the ways the agency is facilitating discussion and supporting new initiatives are outlined below.

## Current Screen Australia programs

### Enterprise funding

The Enterprise Program provides support to businesses to implement initiatives that contribute to the development of the sector as a whole, in addition to fostering the growth of individual businesses.

It provides production and distribution companies with enhanced, multi-year development funding targeted towards ideas, talent and innovative business initiatives.

The objective of the Enterprise program is to support local companies to fund activities that are difficult to resource on a project-by-project basis, that will underpin not only their company's longer-term strategic and commercial positioning but also contribute to the development of the sector as a whole.

The program has been allocated \$10 million over three years from 2014/15.

For more information see

[http://www.screenaustralia.gov.au/funding/Enterprise\\_Funding/default.aspx](http://www.screenaustralia.gov.au/funding/Enterprise_Funding/default.aspx)

**In 2014/15 Screen Australia supported three businesses through the Enterprise Industry program to implement initiatives focused on alternative distribution strategies.** The funding allows these businesses to test out new approaches and models for maximising audience engagement with Australian content that they could not realise without additional support.

Arena Film received funding to strengthen its Cinema Plus concept, which creates events around cinema screenings.

The Independent Cinemas Association of Australia (ICAA) received funding to perform a two-year trial and feasibility study to grow the independent cinema audience for Australian films through the 'My Cinema' platform.

See Pictures received funding to progress their development slate and low-budget production arm, Ticket to Ride, and to trial direct-to-digital distribution for suitable films produced through the scheme.

## Direct funding to support distribution

P&A Plus is designed to enhance the distribution and marketing of quality Australian films across traditional and alternative release platforms.

Funding is available to support the traditional theatrical ANZ release of completed feature films that have an established local distributor attached. In certain circumstances, funding can also be sought for alternative release campaigns and/or innovative marketing approaches that extend a release campaign. See [www.screenaustralia.gov.au/funding/Distribution/PA\\_Loans.aspx](http://www.screenaustralia.gov.au/funding/Distribution/PA_Loans.aspx)

## Production funding through Multiplatform Drama program

Through the Multiplatform Drama program Screen Australia invests in the production of narrative projects that take risks and push the envelope of fiction storytelling on traditional and non-traditional platforms. Applications may be for any amount up to \$500,000 per project.

To date, Screen Australia has received no applications for low-budget feature films through this program. However, they are eligible to apply, regardless of their intended release platform, and marketplace attachments are not required, although the involvement of a relevant marketplace entity may improve the competitiveness of the application.

See [www.screenaustralia.gov.au/funding/drama/multiplatform\\_drama.aspx](http://www.screenaustralia.gov.au/funding/drama/multiplatform_drama.aspx)

## Industry seminars, workshops and guides

Screen Australia organises and supports initiatives including seminars, workshops and networking events to facilitate collaboration and knowledge exchange between industry sectors.

In the first half of 2015 Screen Australia hosted industry seminars on film distribution in Sydney, Melbourne and Brisbane, in collaboration with the IP Awareness Foundation and state agencies. Local and international industry experts including producers, distributors and exhibitors were brought together to discuss challenges, risk and innovation opportunities and share knowledge. Watch video of the Sydney session, 'Stories valued: Audience and Revenue in the New Distribution Landscape' on [YouTube](#).

Screen Australia recently hosted DigiPitch, an event to bring together digital marketing specialist agencies and Australian production companies to encourage an exchange of ideas around ways to engage and build audiences using digital strategies.

Screen Australia also publishes how-to guides on its website with resources around marketing, digital strategies, multiplatform storytelling and transmedia production [www.screenaustralia.gov.au/marketing/guides.aspx](http://www.screenaustralia.gov.au/marketing/guides.aspx)

These activities, events and conversations will continue as we work with industry to better understand and align our practices with the changing distribution environment, with the aim of finding the best possible opportunities for Australian films.

If you would like to respond to this paper or share your experiences of feature film distribution with us, please write to [feedback@screenaustralia.gov.au](mailto:feedback@screenaustralia.gov.au). Let us know if you would like your comments to remain confidential.