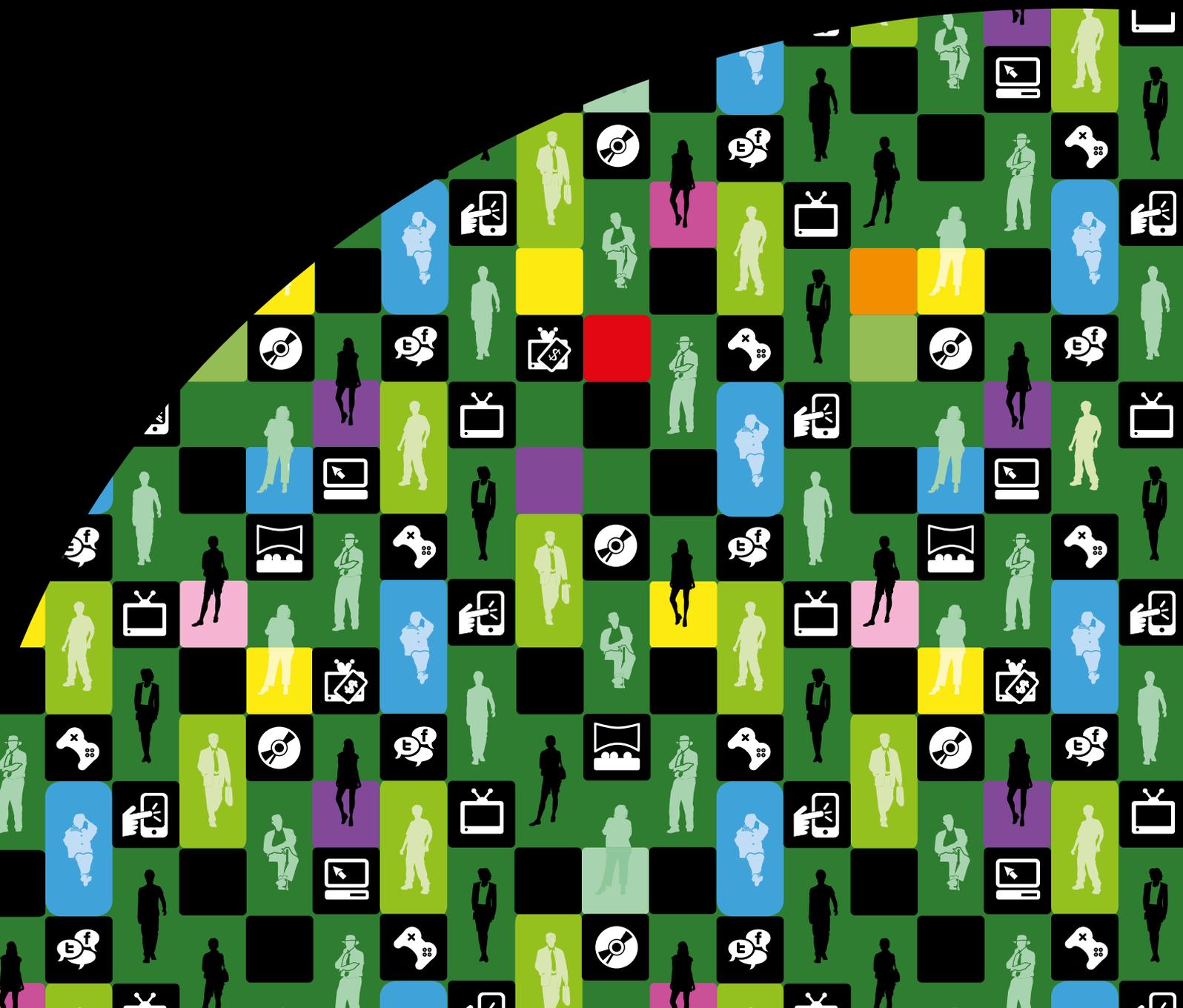


BEYOND THE BOX OFFICE

UNDERSTANDING AUDIENCES
IN A MULTI-SCREEN WORLD



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This report draws from a number of sources. Screen Australia has undertaken all reasonable measures to ensure its accuracy and therefore cannot accept responsibility for inaccuracies and omissions.

The screen industry is in transition as distribution mechanisms converge and access points increasingly fragment. There is no better time to take stock of our audience and consider the best ways to ensure that Australian stories thrive on Australian screens in a period of rapid change.

This report analyses patterns of screen media consumption in Australia, helping to understand shifts in media penetration and offering never-before-published insights into consumption of DVD/Blu-ray and online video.

Focusing initially on feature films, Screen Australia has also developed a new standardised metric to evaluate the number of times content is viewed across its first-release lifecycle. Modelling the slate of domestic features released since 2007 not only highlights the size of their total audience but also the propensity of some theatrical releases to find a proportionally higher number of viewers beyond the box office.

FIVE KEY ISSUES EMERGE

1. The overwhelming trend of recent years has been the addition of new screen activities to old.

The proportion of people watching free-to-air and subscription television has remained steady over the last five years, while cinema and console gaming have slightly increased. Participation in DVD or Blu-ray video fell during this time, but online video has offset the fall.

2. There are warning signs that the ongoing strength of old screen activities should not be taken for granted.

Early adopters are driving change and free-to-air television has the most to lose. These people tend to be younger, innovative, interested in technology and want to experience life, believing they can 'have it all'. They have the highest participation rates across most screen activities, yet they are less likely to be watching free-to-air television than they were five years ago.

3. Gross revenues tell a vital, but incomplete, story about the performance of screen content. Just as content makers need to adapt to changing audiences, so too do the methods of measuring success.

Audience size needs to be considered alongside return on investment to ensure a more comprehensive understanding of performance. For Australian feature films, Screen Australia modelling indicates that box office admissions account for less than 10 per cent of all viewings.

4. The migration of video away from the purchase and rental of physical discs to online services presents an opportunity to better monetise the home entertainment market.

Despite a drop in participation rates, a large proportion of viewings is still occurring via DVD or Blu-ray video. In particular, the rental market accounts for the largest share of viewings for feature films released in Australia. This platform has typically offered low distribution returns, but as formats evolve, new opportunities may emerge for revenue-sharing with online aggregators.

5. The ubiquitous nature of television enables Australian feature films to be seen by more people in more areas across the country.

Box office is typically seen as the key determinant of downstream performance for Australian feature films. While this may hold true for video on DVD/Blu-ray or online, the same can't be said for television. Below-average grossing films perform far better on television than their theatrical release would indicate.



Patterns of screen media consumption

Analysing screen media participation rates – the proportion of people in the population who consume screen content across a variety of distribution access points – can provide insights into how the proliferation of new platforms and communications devices is affecting consumption patterns.

Screen Australia has compiled statistics from a range of sources, including Roy Morgan's *Single Source* data covering the five years to September 2010, to comprehensively map the screen media participation of 18.1 million people in Australia aged 14 years and above.

The participation rates cover all forms of screen content consumption, including the established distribution points of cinema, rental or purchase of DVD or Blu-ray video, console gaming, free-to-air television and subscription television, as well as the emerging platforms of social media and online video.

This analysis not only identifies what platforms can be used to build audience awareness, but also what modes of access can best serve the creative vision by delivering the right experience to the right audience.

In five years social media has not only changed the way we think about marketing screen content; it has also demonstrated the broadcasting power of the internet.

Trends

The overwhelming trend of the last five years has been the addition of new activities to old ones, with established distribution access points proving to be resilient.

In a decade of major technological change, participation in a broad range of screen-based activities has grown. There are more screens delivering more content in more ways and audiences are embracing these new experiences. Consumer desire for a diverse media diet presents opportunities for growing market demand but there are also challenges in meeting this demand in an increasingly fragmented environment.

Television remains the leading method of viewing screen content, at over three hours on average per day. In 2010, 96 per cent of people indicated that they had watched a television program in the preceding week, similar to the rate for the last five years. Free-to-air and subscription services have each remained steady with participation rates of 94 per cent and 19 per cent respectively.

Cinema participation has grown slightly over the last five years, with the proportion of people attending in the preceding four weeks rising by almost 2 percentage points to 29 per cent in 2010. **Console gaming** achieved stronger growth, with those ever playing a console up by 4 percentage points to 30 per cent.

Watching video on DVD or Blu-ray remains an activity regularly undertaken by the majority of the population but is the only access point to record a decline in the last five years. The proportion of people renting or purchasing video in the preceding three months has fallen gradually by 5 percentage points to 52 per cent.

However, the dominance of traditional forms of access should not be taken for granted. In just a short time we have seen the rise of **social media** as a new way of engaging with screen content. Facebook and YouTube are at the forefront. At current growth rates, by the end of 2011 more than 50 per cent of Australians will be engaging with Facebook at least once every four weeks, and more than 30 per cent with YouTube. This has not only prompted new considerations in marketing methods but also highlights the broadcasting power of the internet.

The continued growth of YouTube can be attributed in part to its strategic partnerships with traditional broadcasters. As the site expands beyond a staple of video blogs and do-it-yourself content, clips streamed by professional content makers are driving up viewings. Examples include the broadcast of the Tour de France by SBS in July 2010. SBS screened complementary content via YouTube in support of its television screenings and other online offerings. Not only was there no evidence of cannibalisation in traffic to their main website, but YouTube attracted a different viewer profile, adding incremental growth to their total audience.¹

Fuelled by an increasing number of people accessing the internet through high-speed connections and the roll out of the National Broadband Network, there is growing capability and interest in viewing long-form **video online**. YouTube has reacted to this by extending clip lengths, and all major free-to-air and subscription broadcasters have recently launched web-based catch-up and on-demand services. This has contributed to the increasing number of people who have downloaded or streamed video online, doubling in just three years. In 2010, 20 per cent of people had used a computer to watch video online and 2 per cent had done so using a mobile.

The growth in these new screens has eroded some television viewing time, not surprisingly given the limited number of discretionary hours in a day

1 Source: Conversations with YouTube and SBS; March 2011.

and greater choice of device. Not everyone is multi-tasking; some are turning off. Leading this change is a small but influential group of early adopters – for example, the 6 per cent of people who use mobiles to participate in social networking. Although they are just as likely to watch television, they spend around three hours less time viewing programs per week than the average. The same can be said for the 7 per cent who use their game console to play online, who watched almost four hours less television in 2010.

The fact that around 95 per cent of these early adopters are still watching television weekly suggests that they are not abandoning this access point. A more discerning viewer is emerging, not limited to one screen but willing to consume across many. This is further illustrated by their high rate of participation in other activities. Mobile social media participants are around 30 per cent more likely than average to rent or purchase DVD or Blu-ray video and 60 per cent more likely to go to the cinema. Similarly online console gamers are 20 per cent more likely to be video consumers and 40 per cent more likely to be cinema-goers.

Given its dominant position, television appears to have the most to lose from this shift in market behaviour. But it, along with other established

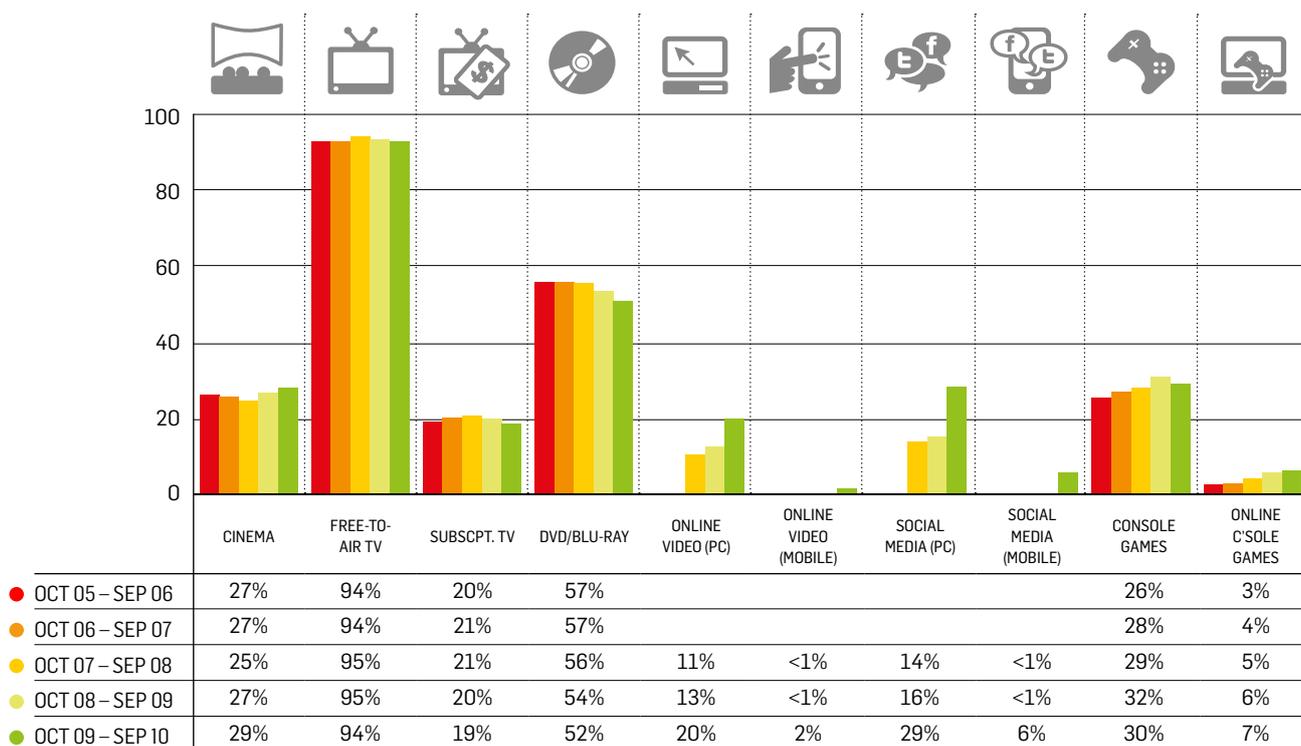
distribution points, is proving that innovation is not just the domain of interactive platforms.

In recent years cinema has enhanced the viewer experience through a variety of seating options and resurgent 3D technology. The video market is hitting back amid slowing sales by bundling digital formats with DVD and Blu-ray discs for retail sale and exploring mail, kiosk and online rental alternatives to bricks and mortar shopfronts. As for television, the digital switchover is offering high-definition images and sound while manufacturers roll out sets that are internet- and 3D-enabled and broadcasters offer catch-up services and new channels that serve a public increasingly likely to use a personal video recorder to time shift their viewing.

Clearly, everyone is different and this is reflected in how certain segments have reacted to change. In 2010, the highest participation rate for television was for people over the age of 65 whereas the highest rate for console gaming was for people under 17; people in regional Australia had a higher propensity to be DVD/Blu-ray watchers than city dwellers, and city dwellers had a higher propensity than their regional counterparts to be cinema-goers. Finding the patterns among these activities is not an easy task, but they do appear.

The combined efforts of broadcasters and manufacturers will ensure that television remains a key content aggregator in living rooms for many years to come.

PARTICIPATION RATES FOR SCREEN MEDIA, 2006–2010



Source: Compiled by Screen Australia using Roy Morgan Single Source.

Demographics

Analysis by age, sex, location and household income is the first step in better understanding patterns of screen participation.

Age: This is the strongest demographic factor affecting screen media consumption, with younger people more likely to have above-average participation rates in most activities except television.

14–17-year-olds had the highest participation rates for both cinema and console gaming in 2010, at 46 per cent and 68 per cent respectively. Accounting for just 7 per cent of all Australians aged 14 years and over, they made up 10 per cent of cinema-goers and 15 per cent of console gamers.

18–29-year-olds had the highest rates of participation in DVD/Blu-ray video (64 per cent), social media activities (50 per cent via computer and 16 per cent via mobile) and online video (37 per cent via computer and 5 per cent via mobile). This group accounted for 21 per cent of the population in 2010, but significantly higher proportions of the audience for online video (38 per cent), console gaming via computer (34 per cent), and DVD/Blu-ray video (25 per cent).

18–29-year-olds were also the least likely to have watched free-to-air television in the previous week, with a participation rate of 90 per cent in 2010, marking a gradual decline over the last five years to end 4 percentage points below the population average.

People aged 65 years and above were the most likely (97 per cent) to be free-to-air television viewers.

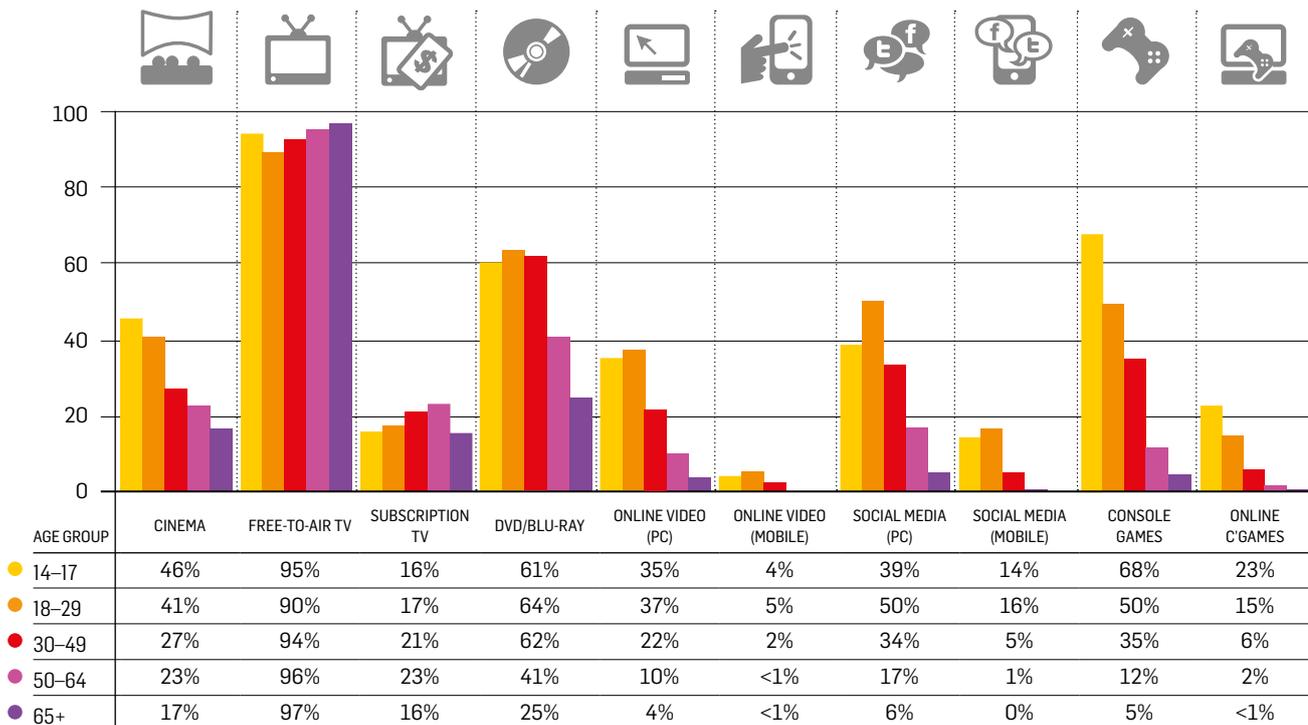
Subscription television was the only access point where 50–64-year-olds had the highest rate of participation (23 per cent).

Sex: Females were more likely than males to participate in cinema and DVD/Blu-ray video, with participation rates of 31 per cent and 54 per cent respectively, compared to 27 per cent and 50 per cent for males. However, there was less than 1 percentage point between the sexes for social media activities and free-to-air television, both led by females, and subscription television viewing, led by males. The greatest disparities occur for console gaming where 37 per cent of males participated compared to just 23 per cent of females, and online video, with 27 per cent of men streaming or downloading using a computer compared to 14 per cent of women.

Location: Only a few activities are affected by whether people live in metropolitan areas or not. The most significant among these are cinema and social media participation. Thirty two per cent of city dwellers went to the cinema compared to 23 per cent in regional areas in 2010. A similar difference occurs for social media activities with 32 per cent of people in the city participating compared to 36 per cent in the regions.

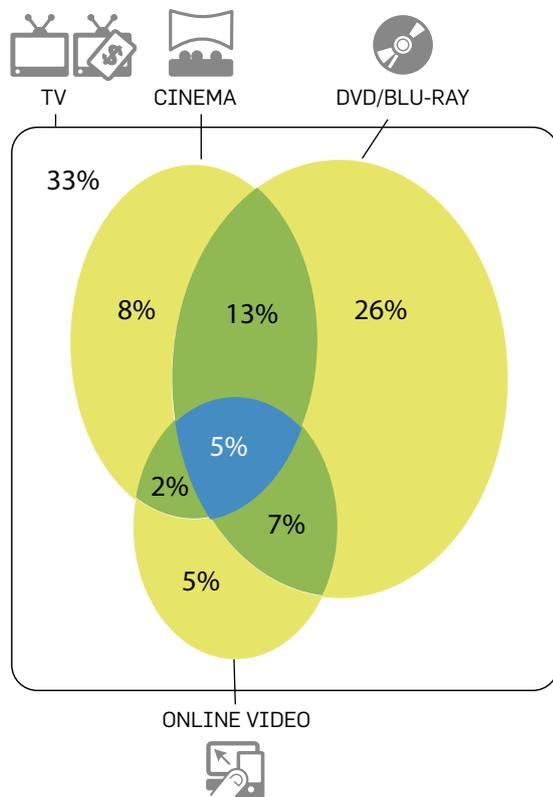
Income: Social media participation increases with income, as do cinema and subscription television. Just 12 per cent of those with household incomes of less than \$20,000 per year participate regularly in watching subscription television, compared to 28 per cent for households with income of more than \$130,000; for cinema, the rates are 13 per cent and 38 per cent respectively; and for social media 16 per cent and 35 per cent.

PARTICIPATION RATES BY AGE GROUP, 2010



Source: Compiled by Screen Australia using Roy Morgan Single Source October 2009 – September 2010.

MULTI-SCREEN CONSUMPTION AMONG TELEVISION VIEWERS, 2010



NO. SCREENS	PERCENTAGE	SCREENS	SEX	MEAN AGE	MEAN H'HOLD INCOME
1	33%	TV ONLY (Free-to-air or subscription)	51% F	55	\$70K
2	40%	TV + Video	56% F	44	\$82K
		TV + Cinema	58% F	50	\$86K
		TV + Online video	70% M	37	\$101K
3	22%	TV + Video + Cinema	62% F	40	\$100K
		TV + Video + Online video	65% M	35	\$97K
		TV + Cinema + Online video	70% M	37	\$101K
4	5%	TV + Cinema + Video + Online video	59% M	31	\$117K

Source: Compiled by Screen Australia using Roy Morgan Single Source October 2009 – September 2010.
Notes: Percentages may not total exactly due to rounding.

Multi-screen consumption

Audiences can also be profiled based on the number of ways they access screen content, from fully connected people watching television, cinema, and video on both DVD/Blu-ray and online, to those with a single access point who just watch television.

Of those people aged 14 years and over who had regularly watched television in 2010, 33 per cent indicated it was their only form of screen consumption. These people had an average age of 55 years and an average household income of \$70,000. There was a relatively even gender split of 51 per cent female, 49 per cent male.

By contrast, 67 per cent of people aged 14 years and above regularly watched television as well as participating in one or more other screen activities: going to the cinema, watching video on DVD or Blu-ray, or streaming or downloading online video.

Of the multi-screen watchers, the 5 per cent who consumed across all access points had an average age of 31, a household income of \$117,000 and were more likely to be male.

In fact, in general terms, income rose and age fell as more screens were added to a person's media diet. Females dominated for all permutations of television, video and cinema viewing, with males dominating whenever online video was included.

With each additional screen access point, from television through cinema, DVD/Blu-ray and online video, people are both younger and more affluent; the average age falls and income rises. Males dominate whenever online video is part of the mix.

Values

Roy Morgan *Values Segments* are described as follows:

- *A Fairer Deal*: People in this segment, which is usually associated with unskilled and semi-skilled workers, are more likely than others to experience unemployment and financial insecurity and subsequent family pressures. This can create a feeling that they are getting 'a raw deal' out of life.
- *Basic Needs*: Usually associated with retirees, pensioners or people living on social security payments, this group is focused on the day-to-day business of getting by. Features of this segment include a desire for security and order and a strong sense of community.
- *Conventional Family Life*: Most closely associated with suburban families. People in this group devote their time and effort to family and their home – either building one or striving to improve it – although they also take an interest in their local community.
- *Look at Me*: Younger, socially active, peer-driven people who are highly conscious of image and fashion. Characterised by short-term thinking, their behaviour tends to be hedonistic and rebellious, with a focus on fun and freedom.
- *Real Conservatism*: Usually mature people who hold conservative social, moral and ethical values, they seek a disciplined, ordered society that is safe and predictable. They tend to be asset rich and income poor. Often associated with regional areas.
- *Socially Aware*: Community minded and socially active, people in this group have a strong sense of social responsibility. Always looking for something new and different, they seek out information and knowledge and tend to be early adopters and influencers.
- *Something Better*: Everything is comparative to people in this group, who are competitive, ambitious and concerned about status and image and often extend their budget in order to demonstrate their success to others.
- *Traditional Family Life*: Generally aged 50-plus with grown children, this group is the older counterpart of the Conventional Family Life segment and is motivated by similar values in terms of security, reliability and providing better opportunities for their families.
- *Visible Achievement*: These people enjoy the tangible rewards of their success but, confident and individualistic, they do not feel the need to impress others. Practical and realistic, they seek quality and value for money. They retain traditional values about home, work and society and take a direct interest in public affairs.
- *Young Optimism*: Associated with optimism, ambition and idealism, people in this group want to experience life – travel, career, friends, family, sport and social activity – and believe they can have it all. Usually students and young professionals, they are innovative and interested in technology.

For more information about Roy Morgan *Values Segments*, see www.roymorgan.com/products/values-segments/

Screen media participation rates can also be mapped against Roy Morgan *Values Segments*¹, which bring together lifestyle, behaviour, attitudes and values.

In 2010, *Young Optimism* was the most likely of the 10 segments to go to the cinema, with a participation rate of 49 per cent. They also had the highest rate for social media activities (58 per cent using a computer and 18 per cent via mobile) and online video (48 per cent using a computer and 6 per cent via mobile). In contrast, they had the lowest rate for television, with free-to-air consumption at just 88 per cent.

This is not surprising, given the attributes that characterise the group: usually students and young professionals, who are innovative and interested in technology; people who want to experience life – travel, career, friends, family, sport and social activity – and believe they can 'have it all'.

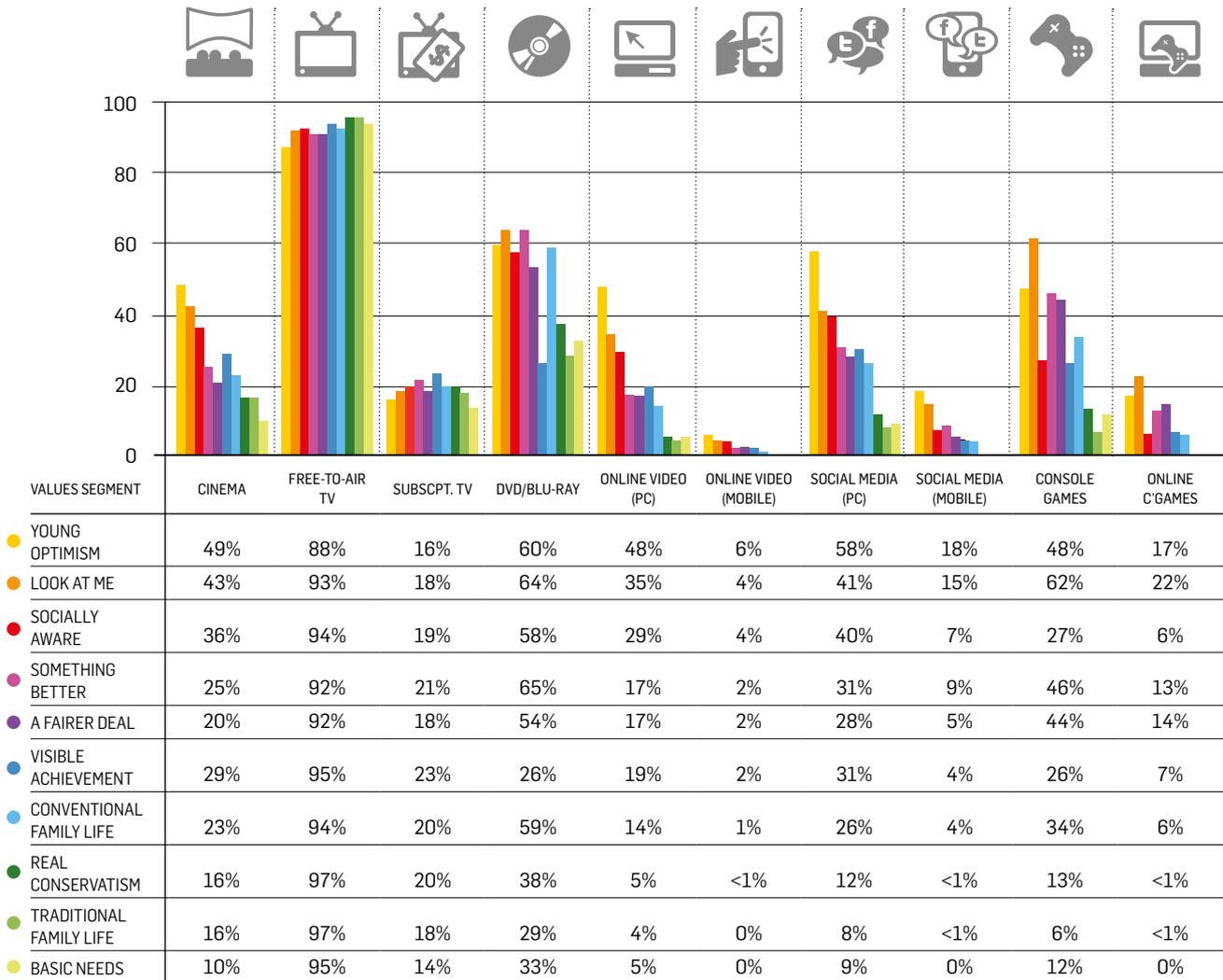
Accounting for just 8 per cent of the population in 2010, *Young Optimism* made up 14 per cent of cinema-goers, 16 per cent of social networkers and 19 per cent of online video viewers using a computer.

The *Look at Me* category – younger, socially active, peer-driven people highly conscious of image and fashion – had the highest participation rate for console gaming at 62 per cent. With 11 per cent of the population as a whole, they made up 23 per cent of all gamers.

The highest participation rates for free-to-air television were attributed to both the *Real Conservative* and *Traditional Family Life* categories at 97 per cent, the latter also recording the lowest rates for DVD/Blu-ray (29 per cent) and social media (8 per cent).

¹ Devised by Michele Levine of Roy Morgan Research and Colin Benjamin of the Horizons Network.

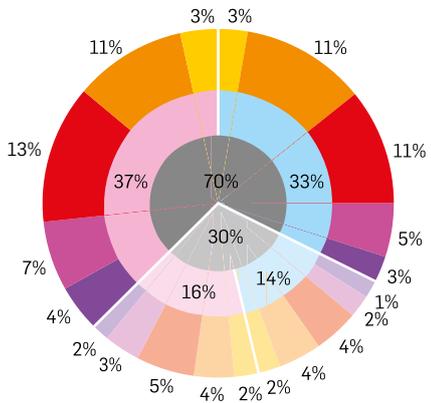
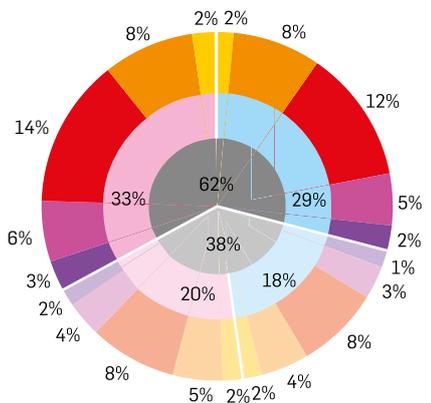
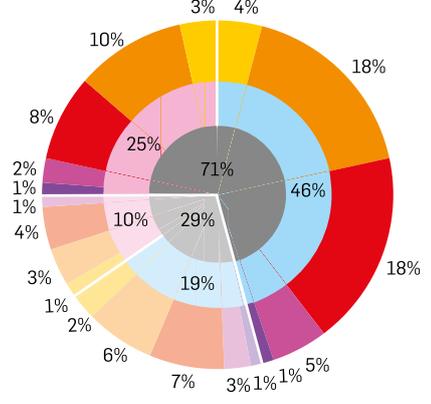
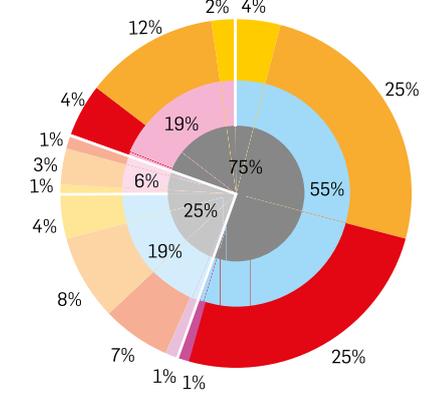
PARTICIPATION RATES BY VALUES SEGMENT, 2010



Source: Compiled by Screen Australia using Roy Morgan *Single Source* October 2009 – September 2010.

Segments with younger profiles have the highest participation rates for emerging technologies.

Who are they? Audience profiles by media

	 CINEMA-GOERS [29%]	 DVD/BLU-RAY WATCHERS [52%]																																				
	<p>The overall participation rate for cinema was 29 per cent in 2010, up from 27 per cent in 2006. Cinema-goers are slightly more likely to be women than men and to live in cities rather than regional areas. The age profile is skewed towards under-30s, with 14–17-year-olds and 18–29-year-olds more strongly represented than in the general population, reflecting high cinema participation rates for these groups.</p>	<p>The overall participation rate for renting or buying video on DVD/Blu-ray was 52 per cent in 2010, down from 57 per cent in 2006. People who access video in this way are slightly more likely to be women. The age profile is skewed towards under-50s, with 18–29-year-olds and 30–49-year-olds more strongly represented than in the general population, reflecting high participation rates for these groups.</p>																																				
AGE GROUP	 <table border="1"> <tr><td>14-17</td><td>10%</td></tr> <tr><td>18-29</td><td>30%</td></tr> <tr><td>30-49</td><td>33%</td></tr> <tr><td>50-64</td><td>17%</td></tr> <tr><td>65+</td><td>10%</td></tr> <tr><td>MALE</td><td>46%</td></tr> <tr><td>FEMALE</td><td>54%</td></tr> <tr><td>CITY</td><td>70%</td></tr> <tr><td>REGIONAL</td><td>30%</td></tr> </table>	14-17	10%	18-29	30%	30-49	33%	50-64	17%	65+	10%	MALE	46%	FEMALE	54%	CITY	70%	REGIONAL	30%	 <table border="1"> <tr><td>14-17</td><td>8%</td></tr> <tr><td>18-29</td><td>25%</td></tr> <tr><td>30-49</td><td>41%</td></tr> <tr><td>50-64</td><td>18%</td></tr> <tr><td>65+</td><td>8%</td></tr> <tr><td>MALE</td><td>47%</td></tr> <tr><td>FEMALE</td><td>53%</td></tr> <tr><td>CITY</td><td>62%</td></tr> <tr><td>REGIONAL</td><td>38%</td></tr> </table>	14-17	8%	18-29	25%	30-49	41%	50-64	18%	65+	8%	MALE	47%	FEMALE	53%	CITY	62%	REGIONAL	38%
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	 ONLINE VIDEO (PC) [20%]	 ONLINE VIDEO (MOBILE) [2%]																																				
	<p>The participation rate for streaming or downloading online video via a computer has almost doubled since 2008. As with other emerging technologies, those involved tend to be younger than average, and their profile is heavily skewed towards males in both city and regional areas. Approximately 498,000 women and 888,000 men aged 18–29 accessed video in this way in 2010.</p>	<p>Only 2 per cent of people streamed or downloaded video via a mobile device in 2010. Those involved in this activity were most likely to be men with an age profile almost exclusively under 50 and a strong skew towards 18–29 compared to the broader population. Approximately 131,000 men aged 18–29 and 130,000 aged 30–49 accessed video in this way in 2010.</p>																																				
AGE GROUP	 <table border="1"> <tr><td>14-17</td><td>11%</td></tr> <tr><td>18-29</td><td>38%</td></tr> <tr><td>30-49</td><td>37%</td></tr> <tr><td>50-64</td><td>11%</td></tr> <tr><td>65+</td><td>3%</td></tr> <tr><td>MALE</td><td>65%</td></tr> <tr><td>FEMALE</td><td>25%</td></tr> <tr><td>CITY</td><td>71%</td></tr> <tr><td>REGIONAL</td><td>29%</td></tr> </table>	14-17	11%	18-29	38%	30-49	37%	50-64	11%	65+	3%	MALE	65%	FEMALE	25%	CITY	71%	REGIONAL	29%	 <table border="1"> <tr><td>14-17</td><td>12%</td></tr> <tr><td>18-29</td><td>48%</td></tr> <tr><td>30-49</td><td>38%</td></tr> <tr><td>50-64</td><td>2%</td></tr> <tr><td>65+</td><td>1%</td></tr> <tr><td>MALE</td><td>75%</td></tr> <tr><td>FEMALE</td><td>25%</td></tr> <tr><td>CITY</td><td>75%</td></tr> <tr><td>REGIONAL</td><td>25%</td></tr> </table>	14-17	12%	18-29	48%	30-49	38%	50-64	2%	65+	1%	MALE	75%	FEMALE	25%	CITY	75%	REGIONAL	25%
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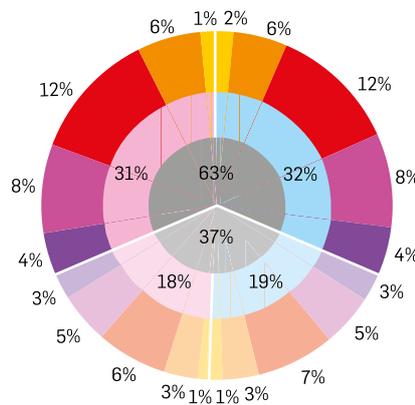
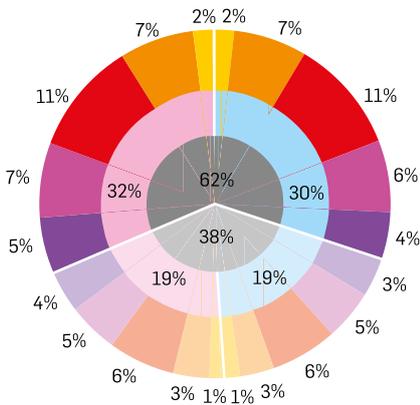
FREE-TO-AIR TV VIEWERS [94%]

Free-to-air television has the highest participation rate of all screen activities (94 per cent in 2010). Its viewers have a demographic profile very similar to the broader population. There is a slight skew towards the older age groups, reflecting higher participation rates (97 per cent) among those aged 65+ and a gradual decline among young adults aged 18–29 years (to 92 per cent in 2010).



SUBSCRIPTION TV VIEWERS [19%]

The overall participation rate for subscription television has fluctuated around 19 per cent for the last five years. There is a slight skew towards males and people aged 50–64, reflecting higher rates of participation among these groups. Approximately 465,000 women and 451,000 men aged 50–64 were subscription television viewers in 2010.



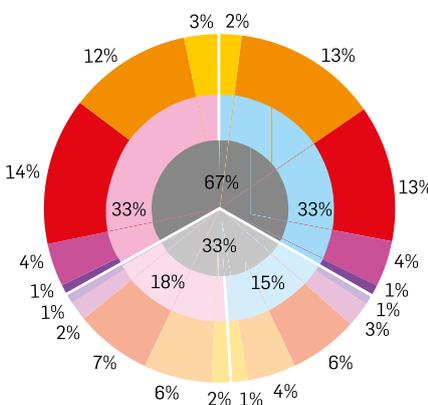
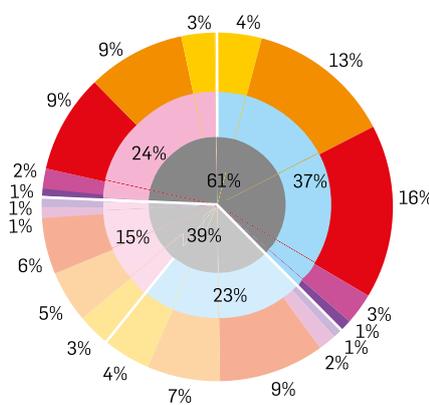
CONSOLE GAMERS [30%]

Overall participation in console gaming has grown from 26 per cent to 30 per cent in the last five years, with a peak of 32 per cent in 2009. Relative to the broader population, there is a strong skew towards males and younger age groups in both city and regional areas, reflecting high rates of participation among these groups. Approximately 1.1 million men aged 18–29 and 1.4 million aged 30–49 played console games in 2010.



SOCIAL NETWORKERS (PC) [29%]

In the last three years the participation rate for social media use via computer has risen from 15 per cent to 29 per cent. Users are similar to the general population in terms of sex and location but their age profile is significantly younger, reflecting above-average participation by under-30s in this activity. Approximately 1.9 million people aged 18–29 were computer social media users in 2010.



Measuring the lifecycle of Australian feature films

In a multi-screen world it is important that audience measurement techniques transcend the idiosyncrasies of each distribution access point. Just as screen content makers need to adapt to this changing landscape, so too do the tools used to assess success. Screen Australia's analysis of feature films provides one example of how this can be done.

By the end of their lifecycle, most theatrical releases in Australia will be available across six key access points: cinema, rental and purchase on DVD and Blu-ray video, subscription and free-to-air television and increasingly online video alternatives through streaming or downloading services. In addition, there are a number of other discrete releases such as in-flight and hotel entertainment services that all add to revenues and audience size.

In assessing performance across the various access points, financial measures such as box office and distribution revenues tell a vital, but incomplete story. Understanding the number of viewings a film attracts across its whole lifecycle is also important but there is not always a correlation between the two.

Cinema box office is one measure where there is a linear relationship between dollars and audience

numbers. In this case, each ticket sold means another pair of eyeballs added to a film's total audience size. This means it is relatively straightforward to estimate viewings – by dividing total box office by average ticket price, using data supplied by the Motion Picture Distributors Association of Australia (MPDAA).

Other distribution points generally result in multiple viewings from a single transaction. For example,





when an individual purchases a DVD or Blu-ray title, they may watch it several times either by themselves or with others at no additional cost to them. They may also lend it others, adding many more views. In this case the level of market penetration may be far greater than financial transaction data would imply.

In seeking an indicator of performance that can operate sensitively across all release windows, the challenge is to find a way of measuring audience size for distribution points such as these, which do not create additional revenue for multiple viewings.

Survey-based audience measurement systems, exemplified in the screen industry by ratings data compiled by OzTAM and RegTAM, offer a possible solution. However, to date there has been no equivalent to the television ratings system for tracking viewings on DVD/Blu-ray or online video. There are some useful sources of information, for example industry associations such as the Australian Home Entertainment Distributors Association (AHEDA), Australian Video Rental Retailers Association (AVRRA) and Australian Federation Against Copyright Theft (AFACT), as well as commercial research companies like GfK Retail and Technology (GfK), PricewaterhouseCoopers (PwC), Screen Digest and IBISWorld. But none of these sources can comprehensively report on audience size, nor provide a context for which to measure the relative performance of Australian content.

Left: *Mao's Last Dancer*

Above: *Mary & Max*

Right: *Balibo*

Survey-based modelling

Screen Australia commissioned PwC to model viewing patterns for DVD/Blu-ray and online video so that a total picture of feature film audiences could be derived once a film had completed its release cycle.

The modelling was developed and calibrated using a survey of the feature film consumption habits of more than 1,800 adults and children.

Referring to a sample of feature films (Australian and foreign) which had been released across all distribution points, respondents were asked to indicate whether and how they had seen each title. If they had seen the film through either the rental or purchase of DVD or Blu-ray video or through streaming or downloading it online they were asked to list the number of times they had seen it, and for multiple views, how long after they first watched it was it seen again. Respondents were also asked to indicate whether they had watched the film by themselves, or with an adult or child companion.

The survey was conducted 6–10 January 2011 with the sample segmented and weighted to be nationally representative of Australia's population according to sex, age, state or territory location, regional area and employment status. For more information, see *Methodological notes*.



Survey-based measurement systems are best placed to estimate viewings for those distribution points that do not always incur additional revenue for multiple viewings.

Survey findings

Half of all viewings identified by survey respondents were via rented or purchased video.

The strength of the DVD/Blu-ray video market is not surprising as this window closely follows theatrical release, building on residual word-of-mouth and marketing spend.

After viewings on video, free-to-air and subscription television together accounted for 27 per cent of viewings, while cinema was ranked third overall with 16 per cent. The use of the internet to access feature films online took a 5 per cent share, of which just one in 20 viewings was paid for. Other access points, contributing the final 2 per cent, were derived from hotel and aeroplane entertainment services.

Rental, independently of purchased titles, accounted for more than two-thirds of the DVD and Blu-ray video market. However, not surprisingly, those who did purchase video titles had a higher repeat factor, around three times more likely to have watched the film multiple times.

Some have been quick to dismiss video rental as an antiquated form of consumption. It is understandable in light of some data. For example, according to AHEDA, the number of wholesale units sold in 2010, of all content types (ie feature films, television series, music, etc), to rental and retail stores is down 32 per cent and 10 per cent respectively. Compounding this fall is the fact that wholesale sales to the rental sector present a much lower value to distributors proportionally at just \$146 million, 11 per cent of the total video market.

There are certainly questions yet to be answered regarding the long-term future of the video market. In particular, how rental transactions occur, be it through bricks and mortar shopfronts, kiosk vending machines, mail services or online. However, as the survey indicates, the act of rental is still a significant way of attracting viewers to screen content and is unlikely to die off anytime soon.

Whether considered as an aggregate of all audience viewings or as an average for each respondent, rental video achieved the highest proportion of viewings for the feature films surveyed.

Deriving the model

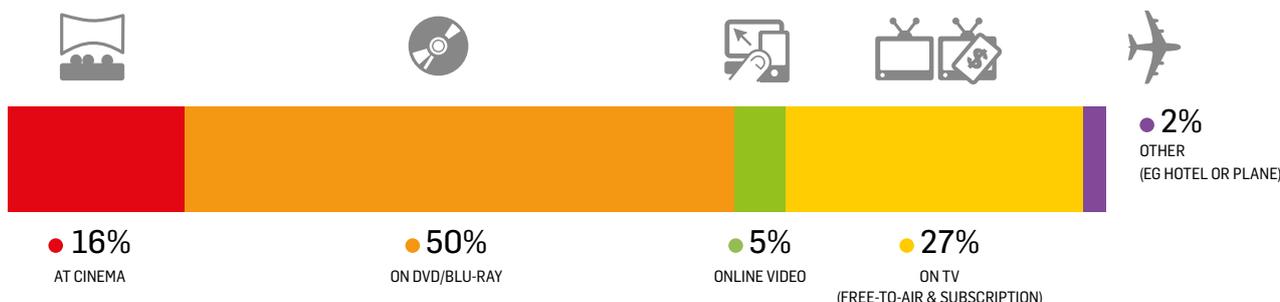
PwC conducted extensive diagnostic testing and regression analysis on the survey results to explore the ability of the known measures – box office and television ratings – to estimate video and online viewings.

Box office demonstrated the strongest correlation and forms the basis of the model.

This new ability to combine box office and ratings data with DVD/Blu-ray and online video viewings derived from the PwC model enables us – for the first time ever – to produce a standardised metric (Total Audience Viewings) representing the full performance of Australian feature films across their release cycle.

The metric is not intended as a tool for predicting future performance of particular titles, but rather as a basis for slate analysis – improving our understanding of market penetration and offering the ability to investigate the impact of a broad range of variables such as budget range or genre.

PROPORTION OF VIEWINGS FOR ALL SURVEY RESPONDENTS BY ACCESS POINT, 2011



Source: Compiled by Screen Australia

Applying the model to the Australian slate

Success still breeds success: films with higher box office tend to lead downstream viewings. However, Total Audience Viewings analysis shows lower-grossing films performing relatively well on television. Strong television does not excuse under-performance in cinemas, but these results demonstrate the significance of free-to-air and subscription television in building an audience beyond the box office.

One hundred Australian feature films (including documentaries) were released theatrically between 2007 and 2009. As of February 2011, 91 of these had also been released on video, 59 had screened on subscription television and 36 on free-to-air television.

When ranked by box office, the top 20 films all earned over \$1 million each. Their combined results accounted for 87 per cent of viewings at the cinema compared to just 13 per cent for the remaining films. The pattern is repeated for DVD/Blu-ray video and online video, with the PwC model indicating a similar percentage of viewings for the top 20 films on these platforms as their cinema release.

On television, however, ratings analysis shows that among the top 20 box office titles, the 18 films which had screened on either free-to-air or subscription television as of February 2011 in fact achieved fewer cumulative viewings than the 60 films screened from the bottom 80. The pattern was particularly marked for free-to-air. A number of factors could have contributed to this. Some films would have made presales to domestic broadcasters at financing stage, and local content regulation would tend to support screening theatrical releases on television even in cases where they may have underperformed in cinemas.

The nature of television viewing would also have contributed. Free-to-air television has a large incumbent mass audience, and subscription television has an 'all-you-can-eat' business model that offers a premium service where audiences can experiment with a broad range of content at a capped price with no advertising, more opportunities for multiple viewing and earlier release. A high-volume consumer can watch both local and foreign films at a lower price point on television than at the cinema or on video.

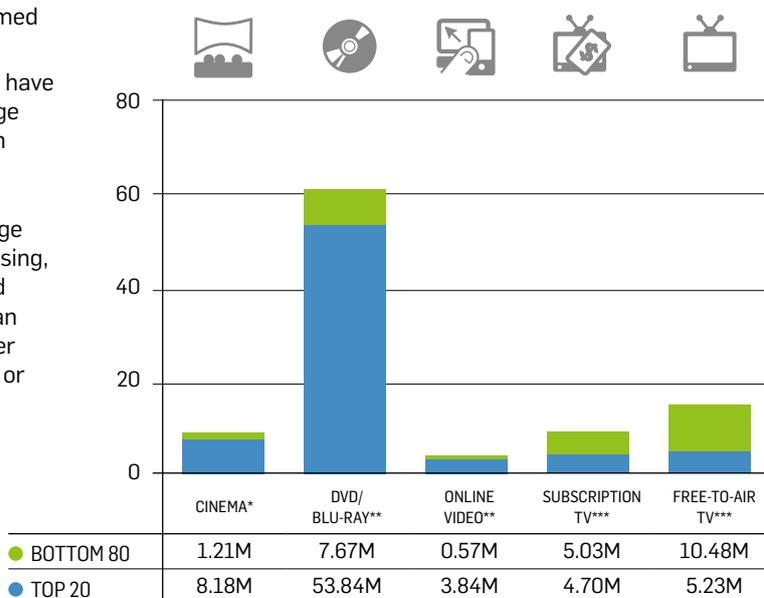
Overall, Australian cinema releases 2007–2009 have so far achieved Total Audience Viewings of 100.8 million across domestic cinema, DVD and Blu-ray video, television and online video distribution points, with the top 20 films accounting for 75.8 million viewings.

Cinema contributed 9 per cent of Total Audience Viewings, the rental and purchase of DVD and Blu-ray video 61 per cent, online video 4 per cent, subscription television 10 per cent and free-to-air television 16 per cent. The free-to-air proportion is likely to increase over the next 12–18 months as more recent releases in the slate work their way onto television screens.

Australia attracted the largest number of Total Audience Viewings at 27.1 million. *Mao's Last Dancer* recorded 13 million and *Knowing* 5.6 million, neither of which had yet to receive a free-to-air television screening.

Australian cinema releases 2007–2009 have so far achieved Total Audience Viewings of 100.8 million.

TOTAL AUDIENCE VIEWINGS (MILLIONS) ACROSS MULTIPLE PLATFORMS FOR FEATURE FILMS WITH CINEMA RELEASE 2007–2009



Source: Compiled by Screen Australia

* Screen Australia analysis of MPDAA data.

** PwC modelling.

*** Screen Australia analysis of OzTAM and RegTAM data.

Case study: *Bran Nue Dae* and *Australia*

Analysis of these two very different films provides a recent example of television's ability to deliver new audiences.

Australia is currently the second-highest grossing Australian film of all time, with domestic takings of \$37.6 million (not adjusted for inflation). *Bran Nue Dae*, a more recent release, took \$7.7 million in 2010. Both films had their first release on free-to-air television simultaneously at 8.30pm, 23 January 2011 on Channel Ten and ABC1 respectively.

Total Audience Viewings across cinema, video, online and television access points still showed a dramatic difference between the two, with *Australia* at 27.1 million viewings and *Bran Nue Dae* at 7.4 million.

However, within the overall result, television viewings do not follow the same pattern as box office: *Bran Nue Dae* attracted a national average audience of 1.1 million, just ahead of *Australia* with 978,000.

There are several possible reasons why *Bran Nue Dae* achieved the higher rating on free-to-air television:

Bran Nue Dae took around one year from theatrical to free-to-air television release, compared with two years for *Australia*. In doing so *Bran Nue Dae* bypassed the subscription television window.

Not surprisingly the demographics for each film mirrored the broad targets for the channels. While women accounted for the largest share of audience for *Australia* (60 per cent) and *Bran Nue Dae* (62 per cent), age was a bigger determining factor. Viewers for *Bran Nue Dae* were older, with proportions increasing with age, primarily shared among 50–64-year-olds (33 per cent) and 65 years and over (31 per cent). *Australia* attracted a younger audience, leading *Bran Nue Dae* in each age category under 50 years, peaking with 30–49-year-olds (26 per cent).

It's also worth noting that not only do the target age-groups for *Australia* have the lowest participation rate for television watching, but they are also more likely to be cinema-goers and DVD or Blu-ray consumers, which means more of them had probably already seen the film by the time it screened on television.

This suggests that *Australia* was a tougher sell on television and did not benefit from the large incumbent audience.

A final consideration is accessibility. *Bran Nue Dae* screened on 234 cinema screens at its widest point of release and *Australia* opened on 643 screens. The ubiquitous nature of a national television broadcaster breaks down many supply constraints, paving the way for more people to consume content than the exhibition infrastructure can sustain.



Above: Ernie Dingo in *Bran Nue Dae* and Hugh Jackman in *Australia*

Right: *Bran Nue Dae* and Nicole Kidman in *Australia*



Methodological notes

PARTICIPATION RATES

Roy Morgan *Single Source* is an Australia-wide survey conducted across both regional and metropolitan areas. The survey involves asking all questions of all respondents.

There are three components to the survey:

- **Establishment Survey:** over 50,000 face-to-face interviews are conducted nationally with people aged 14 years and over.
- **Product Self-Completion Diary:** approximately 20,000 responses nationally, provides enriched detail of purchase and consumption habits, service provider preferences, purchase intentions, attitudes, recreation and leisure activities.
- **Media Self-Completion Diary:** approximately 20,000 responses nationally, used to record detailed media consumption, including such things as internet activities and website visitation.

Respondents are recruited using a stratified random sampling methodology, only one person is interviewed per household and interviews are conducted on Saturday or Sunday (9am–6pm) across 48 weeks of the year. A new sample is interviewed each week.

The *Single Source* is weighted monthly using population estimates sourced from the Australian Bureau of Statistics' Labour Force Survey. The data is first cell-weighted by geography (capital city and remainder of the state or territory divisions), age (14–24, 25–34, 35–49, 50–64, 65+) and sex. It is then rim-weighted by more detailed geographical areas (60 smaller mutually exclusive regions) and age groupings (aged 14–17 and 18 years and above).

Participation rates represent the proportion of people who participate in activities, defined as follows:

- **Television:** Watched any free-to-air television or subscription television in the last seven days.

- **Cinema:** Been to the cinema or drive-in in the last four weeks.
- **Video (DVD, Blu-ray etc):** Rented or bought a video in the last three months.
- **Console games:** Ever played games on a console or used a console to play online.
- **Social media:** Activities done online via mobile phone/personal computer in the last four weeks: read or added to newspaper or someone else's online journal or blog, created or managed own online journal or blog, viewed/contributed to online forums, visited social networking such as Facebook/MySpace or visited a chat room.
- **Streaming and downloading of online video:** Downloaded clips, podcasts, television programs or feature-length movies, or streamed television or video via mobile phone/personal computer in the last four weeks.

For more information about Roy Morgan *Single Source*, see www.roymorgan.com/products/single-source/

FEATURE FILM VIEWING ESTIMATES

Screen Australia compiled the estimates for titles released on television and in cinemas using data sourced from OzTAM, RegTAM and MPDAA. Television viewings are calculated by adding the average audience for each broadcast, including repeat screenings where applicable. Cinema viewings are calculated by dividing box office by the average ticket price as listed by the Australian Theatre Checking Service in the year of release.

Econometric analysis was undertaken by PwC to develop a modelling tool to estimate the rental and purchase of DVD/Blu-ray video and the download and streaming of online video.

PwC were provided with an initial data set of 314 films released in cinemas in 2007. This contained data on a range of metrics for each film, including box office takings, free-to-air and subscription television ratings, classification and genre.

A sample of 20 films was selected and AusPoll was engaged to facilitate the survey. Participants were randomly selected from an existing panel of over 300,000 Australians who regularly participate in surveys on a wide range of topics, including politics, consumer products, current affairs and media consumption.

Responses from 1,554 adults and 360 children were extrapolated to generate estimates of the Australian population's viewing habits using data from the Australian Bureau of Statistics (cat. no. 3201.0). Participants received a small incentive. The accuracy of the results at an overall level is +/- 2.4 per cent at the 95 per cent confidence interval. This means, for example, that if the survey returns a result of 50 per cent, there will be a 95 per cent chance that the actual result will be between 47.6 per cent and 52.4 per cent.

Survey respondents were asked to indicate whether they had seen the sample films at the cinema, with the view to test these responses against existing box office takings data. To ensure that our survey data was not an over-representation, a scale factor was applied to the data.

A series of regression models and diagnostic tests were constructed to test the significance of box office and ratings for subscription and free-to-air television variables in estimating video and online viewings. When box office takings and television ratings were included in the same regression model, ratings (free-to-air, subscription and a combination of both were each tested) were not found to have a significant relationship with DVD/Blu-ray and online video viewings for both adults and children.

PwC performed further causality testing. This involved removing box office takings as a variable from the regression analysis, checking whether free-to-air or subscription ratings then showed a significant relationship to DVD/Blu-ray and online video viewings (with box office takings excluded as a variable). This further testing did not identify a significant relationship.

Further regression analysis was undertaken to test whether the classification of a film was a significant variable in predicting viewings. The analysis indicated if a film was rated G or PG then there was a discernible impact on the relationship between box office takings and DVD/Blu-ray video viewings by children and box office takings and online video viewings by adults. There was no discernible impact on the relationship between box office takings and DVD/Blu-ray viewings by adults.

The conclusion was that if a film is classified G or PG then it is expected that there will be a greater number of DVD/Blu-ray video viewings by children, and a smaller number of online video viewings by adults, compared with the outcome if the films was not classified G or PG.

101 million Total Audience Viewings
for the 100 feature films released
in cinemas 2007 to 2009,
as at February 2011

- **65%** of viewings have been on video
(61% DVD/Blu-ray, 4% online)
- **26%** on television
(16% free-to-air, 10% subscription)
- **9%** at the cinema



SCREEN
AUSTRALIA