



Australian Government



TRAVEL REPORT

South by Southwest (SxSW) Austin, Texas, 8–17 March 2013

Report by:

Mike Cowap, Investment Manager

Fiona Cameron, Chief Operating Officer

Founded in 1987, South by Southwest (SxSW) is a conference and festival that incorporates film, interactive and music. It takes place in March in Austin, Texas; a small university town described as “a blue pond in a red sea” for its left-leaning liberal stance in an otherwise Republican State. This is very much reflected in the spirit of the event, where speakers like Al Gore, and disruptive technology-enabled social movements and ‘social good’ services are big draw cards.

No two people would summarise SxSW the same. Experiences differ vastly thanks to the sheer scale and variety of opportunity. At any one time, there would be 30+ official scheduled activities you could be attending, not to mention all the stalls, sidebars, and unofficial events around the city. All this activity leads to chronic FOMO (fear of missing out) and the phenomenon that everyone you meet will have infuriating news of something you missed.

A gripe from long-term attendees is that SxSW is growing at a staggering rate. This year the Interactive stream had 30,621 paying attendees, which was a huge jump in registration from the previous year, and over three times the number that had attended in 2008 (9,000), just five years previously. This means long queues and no guarantee that you will get in to what you want, but it’s testament to the sheer quality of this rich experience. This year was also noted for its increased corporate presence, featuring major participation by Samsung, 3M, Target, American Airlines, Adobe Systems and AT&T, among others.

So different attendees might give you wildly different accounts, but here’s ours.

(1) “Get in to hardware”

...said Bre Pettis during his Interactive opening keynote. 2013 was roundly agreed to be the year of hardware. The stage was set by awarding such a prestigious speaking slot to Bre, CEO of MakerBot, the New York-based desktop 3D printing company. 3D printing is a process of making a three-dimensional solid object of virtually any shape from a digital model. It’s achieved using an additive process, where successive layers of material are laid down in different shapes. The technique is used for prototyping in many surprising fields, ranging from jewellery to medical to engineering. Bre

depicted an altruistic vision 'dedicated to empowering people to make stuff', as the Makerbot 'allows anyone to become an inventor'. Whilst his biggest customer is NASA, there were many more heart-warming examples of its application, such as Peeko's wearable sleep apnoea devices for babies, and a group making prosthetic hands for kids in third world countries.

<http://www.thingiverse.com/> is a site where users share their designs. Bre used the floor to announce a new feature on the product; the ability to scan and then replicate any item small enough to fit on the scanner. Retail for the device is around \$2,000.

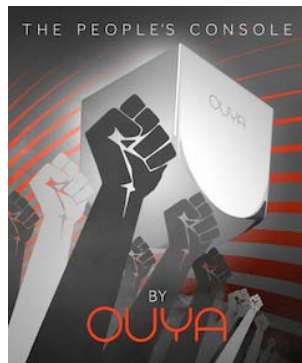
'Wearable computing' was much touted as the next big technology wave, with Google Glass leading the charge. This is a head-mounted display that has a built in camera and displays information in a smartphone-like hands-free format. Glass is intended for the mass-market consumer, but has polarised opinion in the tech world, many of whom were getting their first chance to trial the device at SxSW.



Leap Motion had a large stall to demo their new motion-sensing hardware designed to aid human and computer interaction. The USB-sized Leap Motion Controller sits in front of your computer and senses your finger movements to effectively turn your desktop monitor in to a touch screen device. "It senses your hands and fingers and follows their every move", says their marketing material. "It lets them move in all that wide-open space between you and your computer. So you can do everything without touching anything. It's the tiny device that will change the way you use technology." If it takes off, and many think it will, it has the potential to revolutionise the desktop interface.



Incoming new gaming hardware OUYA also had a profile at SxSW. OUYA is an open-source video game console for your home TV that runs on Android, so compatible with all those games currently being played on your Android-driven smartphone or tablet. Julie Uhrman, CEO and founder, took part in a keynote Q&A with Joshua Topolsky of The Verge. OUYA began life as a hugely successful Kickstarter project after failing to find funding the traditional way. The goal was \$950K, but they quickly raised \$8.6M via 63,000 backers. The vision is to democratise access to the big screen TV for indie developers, who will be able to self-publish and choose their own revenue model for their Android-compatible titles, although as Topolsky pointed out this may well be the case with next-gen Xbox and Playstation as well. Uhrman was challenged by robust questioning about the demand from consumers to play lower budget games on the TV when they are traditionally the realm of the AAA console game. She defended that developers would be up for the challenge of publishing exclusive innovative titles that would offer a competitive experience, but also that at a \$100 price point, the OUYA is intended to compliment rather than replace the next-gen consoles. Early launch titles will include a game from veteran Tim Shafer and a version of Final Fantasy 3, and OUYA are working hard to bring in the bigger IP. They are also in discussion with Hulu and Netflix to offer those services and thus expand its use to set-top box. It will come with only 8MB of memory, so games will likely have to be saved in the cloud. It may be bundled with a memory stick on retail. OUYA are shipping to 110 countries for the initial roll out, and are expecting to have around 480 games at launch.



Success will be measured by “momentum”, says Julia. “Selling more units every month than the previous month, and having new content every month.” At the time of writing, the first wave of developers have their beta version of the hardware, and generally consensus seems to be that it’s still rough around the edges. However this pans out, it’s an inspiring story of entrepreneurialism. The dev kit is available here:

<https://devs.ouya.tv/developers>

There are ample sessions and activities aimed at technology entrepreneurs, of whom there are many in attendance. Reports suggest there is a revolution of business start-ups in the US right now. Steve Case, the man who built AOL in to an online powerhouse, was ‘in conversation’ to share lessons from investing in disruptive, consumer-facing companies like Zipcar, LivingSocial

and Exclusive Resorts among others. “Don't ask for attention before you're ready. Don't wait forever and miss the opportunity”, went some of his advice. Steve was broadly enthusiastic about what he was seeing at SxSW 2013. “The last 25 years was the first Internet revolution. The second Internet revolution will be the next 25 years, and it will be about using it to disrupt and transform huge sectors of the economy; government, energy, healthcare. Other sectors were disrupted in the first revolution; entertainment, travel. The next wave will require a different mindset, and it will be complicated. But the opportunity is exciting.”

(2) Games have grown up

The growth of the worldwide gaming industry is mirrored by its expansion within the SxSW schedule. The "Screenburn" and "Arcade" components of previous years were renamed to the less oblique "SXSW Gaming" and "SXSW Gaming Expo". Whilst it didn't compare in size to E3, the Expo was still a huge event taking place in a large dedicated complex just south of the city. Both consumer as well as industry focused, it saw parents with excited kids rubbing shoulders with developers learning from the pros at sidebar panel sessions. The Gaming Expo was sponsored by Nintendo, who took out the biggest booth to demo recent and upcoming releases for their devices, in particular the Wii U. Other development studios also showed their wares, and eager crowds jostled for the chance to play, compete in live demos, and grab freebies. Titles attracting attention included *Defiance*, the new MMO from Trion Worlds, *Hawken* from Meteor Entertainment and Adhesive Games, and at the other end of the scale *Draw a Stickman EPIC* mobile game from Hitcents.

Bioware used SxSW to profile their Massively Multiplayer Online Role Playing Game (MMO) *Star Wars: The Old Republic*, interesting because even though it is the second largest MMO currently on offer, they have had to scrap the traditional subscription model and re-launch as a free-to-play game supported by micro-transactions. The team talked about how difficult a mind shift it was to have to give the game away in the face of competition and shifting consumer expectations. The subscription model is still available, and Bioware did cite a healthy conversion rate, but acknowledged that times have changed for the MMO.

The session blurb for *Indy Gaming: Why Publishers Must Evolve or Die* succinctly encapsulates the massive paradigm shift currently facing the games industry.

“The video game business is currently undergoing an upheaval similar to the one that shook the movie business in the 1970s. Enabled by new technologies and new platforms, independently produced and distributed games are no longer just a sideshow to the main attraction coming from the incumbent console publishers; rather, these indy games are competing directly and successfully with mainstream games for audience and dollars, and they are putting tremendous pressure on the incumbent publishers to evolve or die. This session will examine the rise of the new independent game paradigm and focus on the central problem facing the business: what is the nature of publishing in a highly-distributed, low-friction online gaming world?”

Panellists included Jenova Chen (Designer of *Flower*, *Journey*, *Cloud & Flow*), Roy Bahat of OUYA, and Ben Cousins of Scattered Entertainment. Unsurprisingly, Bahat extolled the many virtues of the new paradigm because cutting out the publishers is one of the main marketing hooks of his new product. “Nintendo is a completely controlled environment for developing a game, whereas OUYA is a platform open to anyone”, he pitched. “Do you need the majors? You need great games, and they *can* come from the majors. Some have signed up to develop their major franchises for OUYA, but I’m more excited about a little game being developed in someone’s bedroom.” Chen echoed the sentiment: “Working with any publisher...there are a lot of constraints. With self-publishing we can do a lot better job with greater control. We can deliver the same quality we put in to the game in to the overall experience.” One thing that has stayed the same is that it’s still expensive to buy players. 2,000 games are published on the App Store each month, and just making a good game is not enough. The panel agreed that 15-20% of expected revenue would have been the budget for marketing, but now that’s doubled or tripled in terms of putting that money back in to customer acquisition. Chen believes he can offset that by making a game that is ‘naturally viral’ and is boosted by word-of-mouth, which is achievable through making a game with an emotional impact. “If you are making a game that can create an emotional response or touch people then the game should do fine.” The panel also discussed developing a game versus developing a service. “You want to have a game that you’ll be working on for years, like *Clash of Clans*”, says Cousins. “You used to be the ones who built the hotel, but now you open and run the hotel as well. The work *starts* when you launch the game, not *finishes*.” His strategy is to use story to keep people coming back, delivered via episodic downloads. He compares it to the popularity of the cliff-hangers of the ‘40’s. He also warns against regurgitating other games. “There is a lack of repeatability of the magic. You can’t just copy and expect success. A genre is just a great product and its imitators.”

Never give up, never surrender featured representatives from some of the hottest independent game companies sharing ‘the secrets of their success’ of starting small to making it big. The panel included Harter Ryan of Robot Entertainment (*Orcs Must Die*, *Hero Academy*), Aaron Thibault of Gearbox (*Half Life: Opposing Force*, *Borderlands*), and Chris Avellone of Obsidian (*Neverwinter Nights*, *Fallout: New Vegas*). They had some good, common sense advice for developers. When is the right time to grow? Avellone suggests starting any new game with just a small team of leads during pre-production to develop the vision of the game and the pipelines. Make one level of the game before you hire lots of people to make 10 levels. For sustainability, Avellone wants to be developing two games at any one time with two different publishers so that the likelihood of both games being cancelled is low. There are problems for Obsidian with running more than two projects simultaneously. It puts a lot of strain on the different departments. Try and keep 6 months of cash flow money in the bank. Have ideas to pitch to the publisher when titles in production are down to the last 6 months of work. How do you balance original IP versus work for hire? Thibault points out that if original IP is successful then it brings in much more money, plus the moment where it stops being fun comes a lot sooner on someone else’s IP. Avellone says they won’t say no to work for hire if it’s IP they enjoy, such as *Star Wars*, but they get more engaged in the development of original work. However, a publisher is much less likely to want your original IP because of the difficulty in marketing it, and it’s very hard to retain ownership anyway when working with publishers. Debating the relative merits of working with a

publisher versus self-publishing, Ryan said “a third party publisher on mobile is not particularly useful unless they have similar titles and can cross-advertise. Otherwise do it yourself. Publishers for us are more like distribution partners”. Thibault defended that “publishers bring to the table the skills that the developer doesn't necessarily want to have”. Avellone encouraged those who self publish to explore crowd funding campaigns “because it allows you to have a relationship with your audience. The public can tell you if you are on to a good thing or not. Publishers prefer to keep things under wraps.” Avellone added that if you are working with a publisher “put your value on a person within the publisher, not necessarily the company itself. Treat them well. When they move on to another company they won't forget how good to work with you were. They will look out for you.” Biggest mistakes? Avellone believes a failure to delegate is a mistake. “It's not wise for anyone to attempt to do everything. Our Level Designers were spending too much time laying out triangles in an environment, so we found interns who were really good at laying out mesh. Delegate to someone with a specific skill set and let others do what they do.” Thibault says Gearbox's biggest mistake was growing too quickly. They were predicting what the customer expectation for current generation console games would be, and consequently rapidly hired a lot of people. They scaled up too quickly without really understanding the goals, or having a framework to lead quality and studio culture. Many were let go. They're as big again now, but having taken more time over recruitment.

A panel session called *Games: Anyone, Anywhere, Anytime* saw Nielsen and the Interactive Advertising Bureau (IAB) Games Committee endeavour to “dispel the myths about gamers based on current research that shows how games truly are played by anyone, anywhere, anytime”. US stats included:

- 70% of adults and 95% of teens play electronic games
- Demographics have stretched both older and younger
- Gaming represents 10% of our screen leisure time, up 15% in the past 2 years
- New platforms are additive rather than cannibalistic to consumption
- The historic male skew has shifted a further 10% over to females in the past 2 years
- The console has moved from the bedroom to the living room, and become the media hub

Bill Hopkins from Nielsen said he had “never seen numbers change so fast in such a short space of time” since the launch of the iPad. Consequently, brands have explored the marketing opportunities afforded by all that attention. Samsung launched an exclusive level of *Angry Birds* for the Galaxy S2 (<http://www.youtube.com/watch?v=4gjJqIk9mAs>) which has scored 12.8 million hours of game play to date. McDonalds in China also worked with *Angry Birds*, offering an exclusive level available to download via wifi only within a McDonald's outlet. The Toyota Yaris *Your Dungeon, My Dragon* campaign played on recent nostalgia and 8-bit games, although the number of views would suggest it hasn't had the traction they would have hoped (<http://www.youtube.com/watch?v=XWwocluBHdg>). The panel encouraged

developers to be aware of opportunities in this space, with key advice being to ensure you have a leaderboard, to think as much about promoting it as building it, and to make sure there is a link back to what you're advertising, something commonly overlooked, apparently.

(3) 'Viral' media is now 'spreadable' media...

...or so says Professor Henry Jenkins and his fellow authors of the new book *Spreadable Media*. In their session *Value, Meaning & Network Culture*, they explored ways to better understand how content circulates online. The collective decisions people make about whether to pass along content are profoundly reshaping the media landscape. Many content creators struggle with the growing prominence of grassroots audience practices, while an array of online communication tools have arisen to facilitate informal, instantaneous sharing. This offers new opportunities for people to pass along content and new models to generate revenue from user activities. While the means for people to circulate material have proliferated, recommending and sharing are impulses that have long driven how people interact around media texts.

"Using 'viral' as a metaphor for online spreadability disregards the agency and choice that goes in to sharing", says Jenkins. "The goal is not to switch out one set of buzzwords for another, but to think through how much more nuanced it is that the metaphor currently used makes us less effective in our work." People make choices what's worth posting along, to who, through what media channel, and how they change it. The example of Mitt Romney's 'binder of women' Internet meme is raised. Twitter went crazy even though mainstream media didn't mention it. People felt empowered by coming up with creative responses to it. Discussion spread across the Internet, and mainstream news had to take an interest. The social media furore caused some truth to come out, making it a political movement of sorts that some say impacted the outcome of the election. If we call it 'viral' we disregard the deep agency and thought that went in to it. The book is currently sat on my shelf, but looks to be a fascinating and considered read:

<http://spreadablemedia.org/>

Hollywood's use of spreadable media was explored in *Digital Age Movie Marketing*. The blurb for the panel was 'Gone is the golden age of movie trailers and posters. Social media are the new tools for film promotion. Vanity Fair's Senior West Coast Editor Krista Smith talks with those who have championed Twitter, Tumblr and beyond in marketing projects to today's plugged-in audiences.' Actress Olivia Wilde (*House*, *Tron: Legacy*, *Cowboys & Aliens*) revealed that studios take a good deal of interest in the social media status of actors. They will ask actors to tweet about their films; Facebook and Twitter are considered a perpetual press conference. Jason Janego from a boutique distribution arm of The Weinstein Company said, "they won't say no to a film just because the actors don't have lots of Twitter followers, or the page doesn't have lots of likes. But it is very helpful." The actor doesn't necessarily have to be personally active. "Buzz Feed is in love with Jennifer Lawrence. It doesn't matter that she isn't online herself." "Actors love twitter," says Olivia, "because it gives them control of the message and they can clear up any rubbish". What about the down side? Can a movie die before it's even released because of the speed of reviewing trailers and

opinionated bloggers? Matt Jacobson, Head of Market Development at Facebook, addressed the question and shed some light on how studios use that platform. “The good studios are not scared. They take the temperature of interest in a film by what happens on Facebook. How users engage with the advertising. Studios will run 20 or 30 different pieces of creative to market a movie, and will then look at what’s working for whom and refine it in real time. They don’t work on the fans of the movie; they work on the friends of those fans. Nobody will do it the way they *did* it. It has to be more efficient and more powerful than it was in the past.” It can even help a studio determine *who* the target audience is, as was apparently the case on *Dear John*. Facebook regularly consult with the studios on case studies of feature films, and assess the intention of seeing a particular movie. “Why do billboards matter other than on the way to the studio as a vanity for the producer?” Jacobson added. “Why pay \$30M to premiere the trailer of *The Avengers* during the Super Bowl when you can release on YouTube?”

How do you make online video spreadable? This was the topic of conversation in *Mythbusting: Engineering a Viral Video* as the author of Video Marketing for Dummies, the head of marketing for the Machinima, and the President of Diners Club looked behind the scenes of some recent video hits. They concluded that counting on a video to go viral effortlessly is unlikely to work. Virality on YouTube is often misunderstood and myths are abound. When a video is engineered properly, it will drive views, amplify content sharing, and turn on widespread community interaction. Critical issues discussed included content planning, digital strategy, metadata, seeding, humor, production, community, social, and analytics.

There was a keynote from David Karp, founder of Tumblr, the social network giant that has just sold to Yahoo for a cool \$1.1 billion. The 26-year-old billionaire discussed “building tools for creativity.” The chat primarily focused on Tumblr’s history and the role it has played in allowing new media content creators to share and curate content for the web. When asked about how Tumblr got started, Karp said that he started it in 2005 as a simple tool he built for himself. He had tried other tools but was frustrated by their limitations, concluding that most blogs were designed for writers. Karp explained that he tried other blogging formats that were available at the time, such as WordPress and Blogger, but never felt as if any were the right fit for him because the emphasis was always on writing and he wanted to focus on multimedia content. With Tumblr, he consolidated all the content into one place very easily, which became a tool to help people express themselves and act as a representation of their online identity. When asked about the site’s phenomenal growth, Karp reflected back and modestly admitted that he had no intention or idea it would rise to such popularity. He figured a few friends might enjoy the tool, so he posted the first version, and within a month Tumblr had hundreds of thousands of users. He attributes much of the site’s success to that early community which “rose to the occasion and created blogs that didn’t look like any other blogs.” This engagement convinced him that he should nurture it and continue to iterate on the platform. What he saw and sought to nurture was the use of Tumblr as a tool for curation, which in itself can be a creative process. For Karp, Tumblr facilitates two key behaviors: social behavior to share, and human behavior to curate.

(4) Film may have dropped as a % of leisure time, but it's still cool

The big-budget films *The Incredible Burt Wonderstone* and *Evil Dead* were the big ticket premieres, with other highlights including the Snoop Dogg documentary *Reincarnated* and the U.S. premiere of Harmony Korine's *Spring Breakers*. The film *Short Term 12* won the grand jury award for Best Narrative Feature. The films *Cheap Thrills* and *Haunter* were reported to receive distribution deals there, and *Drinking Buddies* got a distribution deal several days afterwards.

Promoting his film *Trance*, Danny Boyle did a compelling interview by all accounts. You can listen to it here:

http://schedule.sxsw.com/2013/events/event_FP990460

Not a film session exactly, but Jeffrey Tambor's regular and popular Actors Workshop is inspiring and good for the soul. Jeffrey, a veteran actor and familiar to many from his role in *Arrested Development*, gives a life lesson in how to be true to yourself through the prism of giving two aspiring actors notes on their performances. On a basic level it is great live entertainment, but it includes thought-provoking gems that can be taken literally or metaphorically, such as:

- You're a director's dream. You need to *not* be a director's dream.
- Go to an audition as if you have been paid and you already have the role.
- Think 'this is my take on the role, and they will either accept or not'.
- The audition is not 'am I talented?' This is just my take on the role as far as I know.
- You're the boss. Keep the hat out of your hand. 'Do you like me?' is an awful way to lead your life.

Another guilty pleasure included an audience with hometown Texan Matthew McConaughey. He also had some thoughtful sound bites on pursuing an acting career: "Don't act like one, be one". "If you can shake hands with not making any money and just enjoying the process then you have a shot". He also reflected on the down side of fame: "If you become a celebrity you don't meet strangers anymore. You're not getting the truth because people don't behave in a way that they would do if you were someone they didn't know". Also fun to hear that he would love to direct a movie based on his formative year of back-packing in Australia.

Launching his new movie *The Lords of Salem*, Rob Zombie backed it up with a session intended to offer a window in to his process, and presented himself as an uncompromising auteur who hates being pigeonholed as part of any group. His f-bomb-riddled advice about having a thick skin has some truth though: "You can't give a fuck about what anyone thinks. If total strangers telling you that you fucking suck doesn't bother you then this is the business for you. They like it; they don't like it. Who gives a fuck?"

There was some acknowledgment of Australian filmmaking talent scattered through the program. Eva Orner's feature documentary *The Network* was selected for the festival and had a vibrant premiere screening. Supported by Screen Australia, the hard-hitting film documents behind the scenes of an Afghanistan TV network. Young directors Darcy Prendergast and Seamus Spilsbury were selected for the music video program with their clip for Wax Tailor. SBS were nominated for an Interactive Award for their interactive documentary *The Block*. The Adelaide-based filmmaking team behind online video hit *Wastelander Panda* were selected to speak as part of the conference program. Their session gave valuable insight in to how to cultivate views and a community around your online content, and also about running a crowd-funding campaign. Nick Cave did a packed out Q&A that covered both his film screenwriting work (*Lawless*, *The Proposition*) and his music, providing a highly engaging and candid transition from the film conference in to the music section.

To summarise...

If nothing else, what can be gleaned from this report is how varied the activities and opportunities are. SxSW can be as broad or as focused as you want it to be. It is a 'choose your own adventure' where with a bit of luck and a lot of stamina anything can happen. Plenty of senior media figures from around the globe attend SxSW, and without the high pressure for results of a market, they are accessible and open. This makes SxSW a valuable event to meaningfully grow your professional network. Most of all it's an opportunity to learn, and to get a look around the next corner of our fast-moving industry.