Nostradamus Report: *Relevance in a New Reality*

2019

Johanna Koljonen

Göteborg
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Relevance in a New Reality

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The Nostradamus Report is published by Göteborg Film Festival. It aims to sketch out the future of the screen industries 3–5 years from now, through interviews with industry experts and research.

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Introduction

In many ways what we are seeing in this sixth Nostradamus report is a continuation and consolidation of familiar industry trends. The VOD transformation of the small screen space will be completed as the biggest players carve up market dominance between them in the next few years. The theatrical marketplace is polarising into community and tentpole cinemas, that are both in their way just as passionate about film, and both have good reasons to ally or integrate themselves with the online space as well. In the middle, a great number of films perform so poorly in cinemas that they will need to be released in new ways, if at all. Luckily this development matches up with a desperate need for original content on other platforms.

The Nostradamus report is produced by the Nordic Film Market at Göteborg Film Festival, whose theme this year is the apocalypse – the stories and feelings through which we as a society and as storytellers react to existential threat. In the industry too, people are looking for a wider context for the structural changes affecting our work. Unprompted, all of the interviewees in this report raised questions of meaning, values, purpose or sustainability. The screen industries are not isolated – financially, politically, or on a human level – from what is happening in the world.

We cannot remain an ivory tower. To be sustainable, we must learn from other disciplines; to stay relevant, our artistic work must connect with audiences.

The audiovisual storytelling business is doing well both creatively and financially, to the degree that not even a global recession would necessarily spell complete disaster. At the same time it is possible even in a strong economy to be crushed by the changes that are already happening: arrogant attitudes combined with defensive, isolationist business models will certainly do it. For everyone else, the landscape offers exciting opportunities to move the audience and change lives in big and small ways – to offer temporary relief, profound insight, and deep empathy.

As usual, we are completely indebted to the interviewed experts who have given so generously of their time, and to the many formal presentations and informal conversations we have participated in during the year, at markets in Cannes, Berlin and Rio, at the Future of Storytelling Summit, and at film and television festivals too many to count. Where our interviewees are quoted, their opinions are their own; the conclusions, as always, are our own.

Since our perspective is looking at the near future, three to five years ahead, and we are looking at slightly different topics every year, the last two or three Nostradamus reports can be of use to you. You can find pdfs to download free of charge at goteborgfilmfestival.se/nostradamus.

The Göteborg Film Festival and the Nordic Film Market are the foundation of the Nostradamus Project, which is presented in collaboration with Lindholmen Science Park. Without the support of our sponsors, this work would not be possible.

Cia Edström, Head of Industry, Nordic Film Market
Johanna Koljonen, report author; CEO, Participation | Design | Agency

This report is built around interviews with the following experts:

Efe Cakarel, Founder and CEO, MUBI
Thomas Gammeltoft, CEO, Copenhagen Film Fund
Ani Korpela, Director, Head of Content and Application Business, Elisa
Ben Luxford, Head of Audience, BFI
Glenn O'Farrell, CEO, GroupeMédia TFO
Liz Rosenthal, Programmer, Venice VR; Founder, Power to the Pixel
Sten Saluveer, Founder and CEO, Storytek
Åsa Sjöberg, Director of Content, Bonnier Broadcasting
Maria Tanjala, Co-Founder, Big Couch and Film Chain

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Summary

1.
FATEFUL TIMES FOR PUBLIC FUNDING

Public film funding is directly threatened by the increasing political influence of populist and ultra-nationalist parties. Indirectly, the rising costs of extreme weather events, climate-related migration, and defence spending in an unstable world, combined with the expected downturn in the economy, will also force difficult political choices. Better metrics are required to coherently argue for the public policy outcomes of arts funding. The industry needs to consider how to prioritise among publicly funded support structures when cuts become necessary. Audiovisual storytelling takes an active role in the defence of liberal democracy and a habitable planet.

2.
STREAMING SHAPES THE LANDSCAPE

The VOD landscape will be dominated by a handful of the world's largest companies. The traditional film and television players need to face what it means to have competition that cannot be outspent. Content exclusivity on direct-to-consumer platforms will have effects across the window system, potentially creating new opportunities for independent film and smaller languages. Beyond SVOD, the market is developing with other business models and new ways to carve out time for video content in the viewer's day.

3.
CINEMA IN THE TOTAL VALUE CHAIN

Global box office is booming and theatrical will stay strong especially if exhibitors are willing to find meaningful alliances all along the value chain. Theatrical continues to polarise. Blockbuster experience palaces and local cinemas focused on community and curation will co-exist peacefully; neither can support the midsize film. Not every title will have a traditional theatrical release, or any. Marketing needs to be rethought to match content with audience across the lifetime of each title.

4.
REBOOT THE CONVERSATION

The film industry's historical suspicion of Silicon Valley may have contributed to its slowness in adapting innovation approaches to its own business and creative processes. This unfamiliarity also makes it harder to evaluate the merits of hyped technologies like blockchain. In parts of the audiovisual sector where the relationship to tech is not as fraught, production is efficient and the relationship to the audience closer. Going forward, those who view new technologies and ways of working as tools rather than threats will win out.

5.
VIRTUAL REALITY FINDS ITS PATH

VR is separating from filmmaking into its own medium. Its storytelling grammar is developing fast, but even for professionals access to the best work is limited. When breakthroughs are not disseminated, artistic development slows. The emergence of a VR mass market within five years adds urgency to ethical questions in the space, for instance relating to embodied storytelling, and to the capture of biometric data.

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Fateful Times for Public Funding

Sten Saluveer, Founder and CEO, Storytek: *Availability for public/soft money for the audiovisual sector is continuing to drastically decrease, that's the trend everywhere, especially where the EU has to face the refugee crisis, the American-Russian crisis, Brexit and so much else. In many countries, such as Estonia, the industry demands more funding, as it should. I often jokingly argue that if filmmakers want more money, they have to develop a language for asking their MPs for the budget increase - because the MPs also have to decide if they will buy new missiles for meeting the NATO defence quota or address fake news and activities by our adversaries. How do you go about that? Are we willing to go that last mile and develop a well thought out and researched communication with the policymakers about the value and impact we offer to society at large?*

The industry and the public must push for a new set of KPIs, which aren't necessarily financial. Education, social impact, democratic values, etc, are how Europe is standing out, if you compare to the rest of the world.

Åsa Sjöberg, Director of Content, Bonnier Broadcasting: *Film in Europe, and film art specifically, has never needed to survive without support in a market. These US companies that are taking over now are 100% commercial; of course they want to create value for their owners, that's their job. They are not tasked with any of the other considerations that guide, for instance, public film funds or public service companies. And in many markets, public service is threatened too.*

Niche content can work really well today, as the internet makes it possible to reach a small interest group globally; that can add up to enormous audiences. The dilemma is that people think that just because the internet is there everything has the potential to be commercially successful, and *that is not the case. The competition is harder too. If we want a local film culture that has some dignity it will require public funding.*

***Glenn O'Farrell, CEO, GroupeMédia* TFO:** *Our liberties depend on our capacity to tell stories, and on our capacity to support strong arts sectors, particularly in a world where borders have vanished. And to allow indigenous peoples and people of all societies to tell their stories both at home and on the world stage.*

I hold great hope that we will mobilize this pressure on public funding of the arts as an opportunity to improve our metrics, our content and our storytelling capabilities to reach larger audiences. To make the case for public funding of arts more compelling we need to be able to show strong public policy outcomes with supporting metrics, in economic terms as well. We should take comfort in the fact that everything is measurable now.

Public funding of audiovisual storytelling in Europe and elsewhere is directly threatened in three obvious ways. Populist and ultranationalist parties are shaping public policy both through winning elections and through forcing other parties to triangulate to the right. In cultural policy terms this tends to mean funding cuts across the board, as well as targeted efforts to shut down minority voices, equality programmes, anything experimental or niche, and even co-productions, considered "foreign"; censorship tends to follow. The distaste of the same parties for the free press affects funding for public service media houses, which are often big investors in film and TV drama, as well as important buyers of local and niche content. Finally the overall political situation, with rapidly increasing costs for climate-related migration and extreme weather events, in a destabilising world with a looming recession, will make it costly even for lawmakers sympathetic to public funding to spend political capital defending the arts.

The prognosis over the next several decades, to be clear, is that all of this will get significantly worse. Even relatively small climate change will affect global food production and make many areas uninhabitable, driving social unrest and forcing hundreds of millions of humans on the move. Migration will put pressure on the nation state, and on welfare states in

particular. This is happening at the exact historic moment when automation will change our labour markets completely, challenging the idea of a good citizen being a labourer whose work can be taxed. Even without a humanitarian crisis coinciding with these structural changes, they would be likely to benefit populists in elections. In the best case scenario, 10-15 years from now the financial realities of the global middle classes will look quite different than they do today. In the worst case scenario, the young adults of today will see two billion dead from climate change related destruction in their lifetimes.

It has been instructive in the last year to study the incredulous reactions even of progressive US companies and commentators to last year's European legislation enforcing quotas for EU content on VOD services operating within the union. The idea of publicly funding the arts at all is so alien in a fully commercial landscape that forcing companies to contribute through taxation or investment seems backwards and absurd.

The commentators are obviously not aware of the direct ways in which US companies continue to benefit from the European system: by securing investment for their own productions through tax incentives, by acquiring publicly funded content; by working locally and in the US with talent educated in Europe's publicly funded film schools, relying on publicly funded film archives, and nurtured at its publicly supported festivals and markets, where US companies too are welcome to show and sell their product; and by making US films in an aesthetic language whose development is to a great degree publicly funded by countries who believe that formal experimentation has inherent worth. (This list of countries, it should be said, includes Canada, whose successful publicly supported film industry has an even closer relationship to the US's). In addition, public funding has contributed to distribution and screening infrastructure in many territories, for instance through investment in fibre optic networks and the digital transformation in cinemas.

Spelling all of this out also serves as a good reminder within the European industry of how dependent even our most commercial filmmakers are of the public infrastructure. And yet, the list does not even touch on the real reason all of this is in place: because we have kept electing leaders who believe that a multiplicity of voices will make democracy stronger, keep small languages vibrantly alive, and provide citizens with richer, healthier lives.

Publicly funded art and media being complacent or reactionary is a common trope in the commercial environment. Sometimes they are, but just as often they are not. To mention just a few examples, the Swedish pubcaster SVT has a strong relationship to young audiences on their online service; BBC has been a pioneer in making interactive storytelling accessible to broad audiences; and Ontario's GroupeMédia TFO has transformed the distribution of its educational offering rapidly and successfully.

Glenn O'Farrell: *Groupe Média TFO is a public agency funded primarily by the ministry of education of Ontario, with a mandate to produce, acquire and distribute educational programming to enhance the learning experience in the public school system. Originally the enterprise was established as a television network, but like all conventional linear media we have had to refocus. In the last several years we have gone from a single channel to market television model, to a multi-channel digital model, highly turned to mobile access.*

We are operating 22 YouTube channels in addition to our own digital platforms. We have over 600 000 000 views on our channels across the world. In Ontario we operate on a free of charge basis, but we've tried to monetize our content elsewhere. Digital allows us now to penetrate markets where we could not even have considered it possible, effective or financially plausible to do so. We have access to audiences in very small numbers in many, many markets, including in very remote places.

For all that the technological changes of the past decade have been dramatic, audiovisual production in Europe is doing really well. Between all the new services commissioning content and the financial boost provided by the tax incentives, there is a lot of work to go around. Whether or not one approves of the EU's VOD quota, which indeed represents a rather blunt approach, the investments it forces are likely to provide another cushion. Netflix alone put USD 1bn in European productions last year [1].

At some point the VOD market will be saturated. When the race for the top is over, the surviving companies will need to finally adjust their content

investment to actual earnings. Should investments normalise at a much lower level, for instance in the midst of a global recession affecting how much households invest in media, this drop would be likely to coincide with a time when public funding too might diminish.

A central challenge the industry is facing is that there is no such thing as "the industry". Different interest groups within the sector have very different concerns, which lies at the heart of most seemingly unsolvable problems connected to the digital transformation. Whether adjusting the window system or figuring out rights for licensing online content, the very reasonable short-term concerns of different groups have stood in the way of finding solutions for a more sustainable industry in the long term. This is all understandable, but we have also been living with iPhones for twelve years now and YouTube for fourteen – it's time to stop haggling.

We need to discuss, on the national, European and global levels, which kind of audiovisual culture we want; what behaviours the audiences have already chosen; what pressures multinational companies are placing on the system; and what kind of public infrastructure, support, or regulation is required for filmmaking to flourish.

Thomas Gammeltoft, CEO, Copenhagen Film Fund: *I'm scared that these nationalistic, populist parties and their uniculture will win. That would mean the end of broader collaboration and of the co-production that is really, really essential now. It's very important that we build up European collaborations that can match the Americans. Netflix and HBO are making a lot of good series, but they will never be European in their DNA. They might invest in something local, but it will be generic and mainstream; otherwise it's the same recipe as for the rest of the world. I say let's create our own European platforms and do the same with our very good European storytellers and tell important stories for a broader European market. We might need to [learn to] be more open to the audience. But that's also something that will come when we really start to tell stories for a broader market.*

Efe Cakarel, Founder and CEO, MUBI: *Money is just one of the inputs. It's an important one, but it's not the only one. Good stories will get* *funding, no matter what the environment is. In the US, there is no public funding and look at the stuff that they produce every day. I'm not concerned at all about the supply of great content because of what's happening at the government level.*

Very few people are thinking strategically about what they can do to move ahead. Everyone is focused on the one film that they're working on for three to five years of their life and trying to get that made. Whoever observes what's going on and adjusts themselves and their business plans accordingly are going to emerge as winners.

Sten Saluveer: *The public sector cannot fix our problems alone. We also can't presume nor demand that the EC will be able to compensate fully for the larger structural shifts brought on by disruptive technologies, super-platforms and shifting audience habits; they are unstoppable. 'Somebody should do something about this on our behalf' is not an answer anymore, it's adolescent and short sighted. We have to stop the endless complaining and scapegoating. Then we have to find the solutions ourselves, do proper research, figure out the action plan and the necessary allies or partners to put it in motion. As a beginning, let's start looking for innovation examples outside of our industry and see what we could learn and utilise for the film and media sector.*

Ani Korpela, Director, Head of Content and Application Business, Elisa: *Even though [Finland's] 25% production incentive has helped everyone to increase budgets and attract international interest, we can't make the industry sustainable with a tax incentive or anything else that could be taken away next year. In order to finance movies and TV series, it needs to be real money. There are more private venture capitalists investing in movies and TV series at the moment. They may be interested only in certain films, but it is likely there will be more of them in the next years. Especially if we can make Finnish content really travel, because that's where the money for financiers is at the end of the day.*

It would be rational at each level of the industry now to think about long-term sustainability. Production companies have been diversifying across

media and formats for some time, which is good. If we were to start making slightly fewer feature films in Europe, which seems to be the case [2], this is probably a positive development – giving the remainder a better chance in theatres, and the talent, who are all working, more experience of other formats.

For some of the storytelling that relies fully on public funds today, producers may need to start building private partnerships, and this will require a very different kind of focus on audience and distribution strategy than has historically been the case – again a development that can potentially make the films better, and certainly seen by more people. At the most commercial end, future-proofing might involve finding ways to produce entirely without public support, to ensure that the necessary infrastructure, at least, can survive.

A special kind of urgency connects to the question of digitising national film archives. Some of this work cannot wait, because the materials are deteriorating; some is required because most cinemas no longer have equipment for screening 35mm film. It is fully understandable that each filmmaker individually would view their personal income as more urgent still, but here the industry as a whole must act to preserve its heritage, and perhaps turn to private sponsors and the passionate public to fundraise where they can.

In the end the greatest challenge will be to communicate why we need to support filmmakers at all, and that question cannot be answered unless we each have an answer for why we are in the industry, why our work deserves to be made and seen. In the conversations we have had for the report during this year that question was raised remarkably often by people we talked to. Even when discussed in terms of metrics and KPIs, the underlying themes are quite existential. In a landscape with an unending supply of great content, what can I add? What service to humanity am I performing?

Sten Saluveer: *I totally agree with some of the top industry regulators that we should finance less production, but more higher quality and more meaningful projects, both in terms of scale and impact. At an age where the audience can fire up Netflix, Amazon or say the BBC iPlayer with a click,* *nobody cares about... industry sustenance movies. The audience doesn't want these films, but the industry desperately wants these to be made to keep themselves alive.*

Sometimes at a festival I look at the sustenance industry and wonder, why are you doing this? Why is this meaningful? What do you genuinely want to give back to the society through the artform at this time when many European countries are shifting towards limiting free speech and artistic expression? There are many outstanding producers out there and I'm not saying we should make less films, but we need more content that aims to send a message to the audience. Films are made for the sake of the industry with no excuses. It's death for film as art and as a cultural driver in society.

***Ben Luxford, Head of Audience,** BFI: This funding exists to allow filmmakers to tell stories that no one else is going to let them. To allow them to make stories that in straight market terms fail – and that's okay because we are supporting filmmakers in their development, to take risks in storytelling, to give audiences something they didn't even know they wanted. I used to be a commercial distributor. One of the first projects I read for the Film Fund was* God's Own Country, *Francis Lee's film. I absolutely adored it. It moved me, it was so sexy, all of these things. But I argued whether we should make it, who would watch it – and if I was a commercial distributor, that would've been the end of the conversation. But quite rightly, my boss said to me, "Well, all of this is another reason we should make it, because this is National Lottery funding, and we won't know until we try." I'm reading Francis Lee's next script today, which is a bigger budget period romance starring Kate Winslet and Saoirse Ronan. That would never have happened unless a public funder had said, yes, go, let's see if you've got a story to tell. And he really did.*

Films like God's Own Country *and* Funny Cow, *it's just overwhelming when you hear the reaction and the relationship that audiences have with these films, because there are finally films for them in a way that they never had before. It's genuinely life-changing. We've got National Lottery funding making these stories happen, and then on the other side of it, we are ensuring that there's an infrastructure and a sector that wants to show these*

films as well. What we're here to do is to continuously push water uphill, and give people what they didn't think they want, the chance to discover, and hopefully change lives.

***Thomas Gammeltoft:** I view public funding and our industry as having a responsibility that I don't see it carrying out right now. I think we should be much more responsible for what stories we tell in our TV series and our feature films. Right now, there's this division within the world, with people like Trump promoting fear. The same is happening in Europe.*

I had a very good talk today with a professor we're booking for an industry seminar, about activity mobilising sentiments, and how certain sentiments spread between humans. You could go with the bad things, dystopian visions, fear. They will spread very fast. But hope, solidarity and sympathy are also activity mobilizing sentiments and will spread fast. We need to tell the well-told story, with hope and prosperity. Public funding and public broadcasters are so important in this. They play a big, big role in Europe right now, and have to take that responsibility; to say let's go, for the union, for Europe. That story is so important for our democracies and for the unity in Europe, not against the world, but hopefully with it!

Young people will get to choose, of course, and I think they will choose a new way. Also as consumers. They will choose companies that are part of the positive identification of their future. We can make this together with them – or they will [reject our values and projects and] make a revolution.

1 Garrahan: "Netflix Plots $1bn"

2 Kanzler et al (eds): *Focus 2018*

2

Streaming Shapes the Landscape

***Ani Korpela:** There are quite a few scenarios, really. There might be few dominant ecosystems, but also smaller players co-existing. There might be more content players with direct-to-consumer services, such as Disney. From the consumers' point of view, content is [already] difficult to find, and it might get even more fragmented. Also, others than traditional players will be utilizing content assets, not only the usual suspects – take Walmart for example. Value chains will be developing, and roles will be changing. There might be some sort of transactional platforms connecting content creators and users: there has been efforts to do that already, but it hasn't really happened yet. As always, 'the future is already here – it just not evenly distributed', as companies and consumers are adapting new things in different phases.*

***Efe Cakarel:** There will be this un-bundling. Less people are going to be on cable, more people are going to be choosing various services that they want to subscribe to. It hasn't happened yet in a major way, but I would bet on it in the next five years. We already see it with Disney foregoing very lucrative revenues with ESPN to go directly to market [with ESPN+]. The viewer will be choosing something like a Netflix or an Apple that gives a wide array of entertainment, and then add interest-based services. If you're really into cinema you're going to want MUBI. If you're really into anime, you're going to get something else. But you will have multiple subscriptions.*

Three to five years from now the new streaming media landscape will have found its shape. Most analysts agree that video will be dominated by a handful of companies of which most consumers will have a direct relationship to at least a few. Google, Netflix, Apple, Amazon and Disney

are widely expected to come out on top, although the exact list is not yet certain.

Another player who already has the audience (like Facebook) or the content and a reasonable strategy could still break into the streaming marketplace. Strongest in the latter category seem AT&T-TimeWarner, who are building an SVOD offering [3] around HBO and the Warner library to launch this year; and Comcast-NBCUniversal, whose recently announced ad-financed free streaming service will likely reach 52 million existing cable subscribers in 2020 and be available on a subscription model to anyone. There are also Chinese companies with the capacity to challenge their US equivalents in many markets.

Technology companies invest millions of dollars in defending their interests in Brussels, in Washington, and with other national governments. This makes it difficult to predict how political decision-making might impact the outcomes, but as we have seen lawmakers have started to question the influence of Big Tech over lives, data, and elections in a so-called "techlash". Stronger data privacy regulation might hit in particular against Facebook. On the other hand, relaxed protection of net neutrality would benefit Big Tech, as well as media companies integrated with telcos and internet service providers (at great cost to democracy). It is important, however, not to have a black and white view about who the bad guys are: on the issue of an EU copyright legislation that would work in the technical environment of the internet, Big Tech has aligned closer to the public interest than many old media companies. Even so, the public is right to view private companies at this scale with some distrust – they take an interest in consumer protection and basic human rights only as they align with their business interests. While it seems enormously unlikely, given the ongoing consolidation in the sector and a political landscape veering towards the right, corporations too big for nation states to efficiently regulate or tax could even be facing antitrust action down the line.

While the exact outcome of the VOD race is still unclear, the general shape of things to come is not under debate. The film industry in particular has struggled to grasp the enormity of the shift that the entrance of these technology companies into its market represents, remaining focused mostly on Netflix and relatively trivial festival squabbles over what constitutes a film. More buyers with deep pockets has obviously also meant more competition for talent and content, and perhaps the fact that production side business is booming has provided a distraction. Meanwhile, the meaning of profitability and therefore of limits to content investment have quietly changed.

Netflix's subscription model already familiarised the industry with the idea that an individual piece of original content did not need to be profitable – but Netflix is also dragging enormous debt, $10.36 billion at the end of 2018 [4]. This gamble has paid off handsomely in subscriptions, but at some point in the future Netflix's business model will require spending to be proportional to earnings. That is not the case for the super platforms. In the new landscape, whole content divisions can profitably be run at a loss.

Sten Saluveer: *Viewership as a KPI seems not to matter for Amazon at a grand scale. Their KPI is how many shoppers are coming onto the platform. How would you even go about comparing that with regular box office? It's comparing apples and oranges.*

Alphabet (Google), Apple, Amazon, Facebook, Alibaba and Tencent are all in the world's top ten companies by market capitalisation; that is not the top ten *media* companies, but the top ten of *all* publicly traded companies. Apple and Amazon are also among the top 20 most profitable companies in the world.

Amazon's Prime Video drives subscribers to its loyalty membership, to bolster sales of media, electronics, groceries, household goods, books, clothes, toys and many other things. Internal documents reported on by Reuters in 2018 show as much as a quarter of total Prime sign-ups between late 2014 and early 2017 are estimated to have been driven by the nineteen original shows on the service; at more than nine billion dollars annually in estimated membership revenue alone, that is excellent value [5].

Disney, while not a technology company in the traditional sense, has for a very long time been much more than a media company, with merchandise, licensing, parks and resorts contributing enormously to its stability over time. Its acquisitions in 2006-2012 of Pixar, which is a magnet for talent and spouts consistently successful original IP, and of the Star Wars

and Marvel universes, have not just earned it complete box office domination. With these three chess moves Disney went from a significant to an enormous audience of people so emotionally invested in their brands and characters that they will literally tattoo them on their bodies – and make sure their children grow up to love them just as much. That is before the Fox assets are even factored in.

Disney's launch this year of their direct-to-consumer SVOD platform Disney+ is a rational next step in leveraging this IP loyalty into a direct economic relationship and a constant presence in people's homes. Attempting to measure the importance of this to the company in subscription revenue or net profit alone would be absurd.

Film by film, episode by episode, companies like these can never be outspent. Any talent they really want, they will work with. Again, this does not necessarily mean they will automatically succeed, or necessarily even all be interested in challenging Netflix's dominance.

Netflix is purely a digital service with one goal: to have as many subscribers as possible watching as much of their content as possible. Facebook and Google, arguably, have similar goals on a much grander scale for their data-harvesting ad-financed models, but also many other ways than original content of alluring users.

But a content division integrated in a media conglomerate, a physical product business, or a telco, will find the different parts of their organisation can have conflicting ambitions. For instance, Apple's content strategy is at the time of this writing still unclear. One would assume that a company investing billions of dollars in original content has a real plan for how to connect it with viewers, but signals about where and how these new shows will be available remain mixed. A popular rumour suggests Apple content will be exclusive to users of iOS products, and possibly free. Another path would involve creating a digital subscription service available not just on Apple devices (and some limited smart TVs, as has recently been announced), but ultimately even on Android. This might give the business another leg to stand on the day the hardware side falters, and possibly help prevent such a turn if the service was included with all Apple products. Both strategies have merit, and Apple can certainly afford to experiment – but it is not clear whether the vagueness of the current plans is an intentional marketing choice, or reflects real indecision inside the organisation about long-term strategy.

Further complicating the equation is the fact that Apple, Google and Amazon all run lucrative marketplaces selling other people's content transactionally; they also operate, in essence, as third-party distributors of premium video content, allowing consumers to subscribe to other VOD services through their platforms [6]. In practice this kind of distribution turns their platforms, often also consumed on their hardware (like the Apple TV, Google's Chromecast and Amazon's Fire TV) into a household's "television" access point, replacing set-top boxes and cable subscriptions. There are competitors in the space. Roku is another US hardware-with-aggregator solution that also curates content on its Roku Channel, and Facebook too is negotiating to become an SVOD aggregator, presumable to offer the subscriptions on Facebook Watch.

For the platforms, funnelling external subscriptions through their ecosystems gives them a slice of the competitors' business (presumably 15 to 30% of the generated revenue). [7] At least for now, it can also give the platform access to the competition's data. Amazon Channels, for instance, is a significant source of new subscriptions for countless SVOD services, and some experts believe subscriber acquisition will be increasingly dominated by the big platforms [8]. But the exact viewing information remains with Amazon and the individual services' brands are diluted as they appear to consumers as content on one aggregated service [9].

Providing original content becomes an additional argument for the consumers to select one platform and device over the other. If the platform companies have been moving very carefully on their original content plans, it might be because they are trying to decide which business they expect to be in five years down the line, what relationship to other contenders that would require, and in what way original content will best support other aspects of their business proposition.

Efe Cakarel: *Now all the studios say, 'we are going to be going direct-to-consumer.' Disney/Fox is not going to give me any of their content.* The Favourite *is a Fox film, right? [Soon] I won't be able to get that no*

matter how much I pay, because they're going to be thinking about their own platform. Comcast/NBCUniversal have got to be thinking along the same lines. Apple is going to produce their own content; they're not going to give it to anyone. Netflix is going to produce their own content.

If you want to be a smallish player with a hundred thousand subscribers, then you'll be able to find library content and local content here and there. But in this game, at this [higher] level, I need access to amazing filmmakers and films and will need to produce original content.

Ani Korpela: *It is not just about how the industry changes the rules, it's very much about how the audience has already changed their behaviour and how they watch content. The younger audience is leading the change, but basically all age groups are using all screens seamlessly, from big to small, i.e. smart phones.*

We differentiate with local content. We are one of the biggest buyers of Finnish movies, with approximately 80% of all releases every year. Besides movies, we invest in our own original series. We started making original series in 2014; in total we have launched 13 different series, last year five new ones plus the second seasons of a few of them. Obviously they need to be of the same level of quality as anything that is made outside of Finland.

Åsa Sjöberg: *A lot of Swedish rights have ended up with the globals; it's a way for them to get closer to the local audience. Now even public service companies are co-producing with the internationals to stretch budgets and get more drama hours in. But I do question whether that's where our tax money should be going – these companies don't pay taxes here or care all that much about the survival of our local stories or the lives of this audience. We're happy to collaborate with, and buy rights from the public broadcasters for our Nordic SVOD windows; they don't have to go to a global player to fund local drama.*

In our competition with the global players we have been focusing on local content – drama, reality and children's programming – but the EU decision that VOD services must have 30% European content is disturbing that balance. The political calculation, I guess, was that it would be good for *the local production industry, but in fact most of the bigger local companies are already international players – Warner, Fremantle, ITV and so on… The long-term consequences for local players like us were not considered.*

The next move we expect from Netflix, HBO and the other globals is to expand towards as broad an audience as possible. They want to compete with us and our equivalents in all markets. They can't do that on prestige drama alone, but will need to add more content for a broad popular audience.

Within the SVOD platforms the tendency is naturally towards exclusivity, because exclusivity drives subscriptions; you cannot rent an individual Netflix movie on iTunes or on Amazon, or see it in a broadcast channel. With the major content producers all likely to try to create fully controlled paths to market, it is of course not impossible that more of them will also want to control access to their productions throughout the value chain.

In this transitional period, studios still rely on enormous income from licensing their content; Warner Media's $80 million deal to give Netflix *Friends* for another year is an obvious example (and Paramount's current strategy seems to be becoming a content provider for everyone). But Warner also negotiated the option to either share the streaming rights or pull *Friends* after 2019, should they decide the show will serve them better on their own yet-to-be launched VOD service [10].

If the direct-to consumer model proves lucrative for Disney and the consolidated majors, they may stop licensing content to competing services. This will force everyone who previously relied on such content to create their own or go shopping elsewhere (which, incidentally, offers new opportunities for independent and foreign language content). Shakeups throughout the system are likely to follow. If the majors suddenly find it in their interest to start fiddling with the window system, no one will be able to stop them, ultimately making it easier for everyone to do real audience strategy for each individual piece of content.

A continued trend towards exclusivity, creating artificial scarcity, would seem to change the value proposition of electronic sell-through and a premium rental window [11] as well. Exactly how that would play out is hard to predict. For some films it may still be most efficient to go into that window

simultaneously with an SVOD service (or forgo it entirely), like many small independents released day-and-date are already effectively doing. But if you are Disney, with a product your core audience is willing to pay for twice, why not handle the sell-through business yourself? Historically you would have relied on other people's infrastructure for reach – a Blockbuster Video or an iTunes store, for instance – but that calculation might change completely if your audience already has your app installed and their credit card numbers punched into your system.

Digital film stores with no or limited content from the majors are difficult to imagine, but if the availability patterns of studio content were to shift, it would open very interesting possibilities for arthouse film. Anything too niche to be picked up exclusively by a broad service would still require digital distribution, and specialty streaming services will probably not fulfil that need alone. Especially Amazon, whose original content profile is very quality oriented, and whose recommendation algorithms are useful in this context, could become an important player in this space.

Sten Saluveer: *There's been rumours that eventually Amazon will open up its infrastructure for self-distribution, and it makes sense. In this capacity the superplatform is not the enemy, because its core business is not curation or production. Approach it as plain infrastructure – right now Amazon Web Services is the best infrastructure you can get.*

Five years from now most households will subscribe to one or a few of the broad, dominant streaming services, and probably have access to a few more significant international players on an advertising-financed model. Customers who are not English-speaking Americans might complement this with a local subscription service. Beyond this, many people will still have room in their budgets and lives for a few more sources of streamed video content.

Targeted, curated niche streaming services, whether SVOD or AVOD [12], have an enormous potential, but will be operating in a very crowded marketplace. Linear TV channels will obviously continue their transformation into streaming brands, but audience interest in linear content that works – event broadcasting, news, local scripted and unscripted programming

– will not disappear. When it comes to "television", however, it is worth noting that the younger consumers today mostly interact with it through streaming apps, and that players like YouTube and Twitch take up more of their attention. A linear TV brand may be able to transform into something that can appeal to young consumers five or ten years from now. But so might many other contenders that are hardly on the industry's radar, even though their brand recognition is very high with their target audiences – BitTorrent, for instance, is now an ad-financed media company targeting young male millennials with original content.

Åsa Sjöberg: *I think our morning show, for instance, will continue to have a big audience; people use it to start their day, rely on its familiarity and on us as a news source. We are also developing and investing in drama series and rights that won't air until 2023 or beyond, so if I draw an arrow into the future the assumption is still that we will continue to do a lot of what we're doing today. It helps that we are currently the only advertising medium with real reach and a broad variety of quality content and news.*

The global players will continue eating into Nordic market shares. I worry about our ability to finance enough high end quality drama, and about whether we will afford the best projects in competition with global players operating locally; when it comes to time spent on our services we all compete against what the whole world has to offer, on digital platforms as well – YouTube included.

The internationals might not become locally relevant only through drama; it's so expensive. They could also acquire talent like Ernst Kirchsteiger or Kristian Luuk[13]*. All this will lead to competition in the local TV market intensifying, and some of us might not make it. And it's not just about content. Netflix is the benchmark for how you want a VOD service to work, and I think they spent at least $800 million on tech development last year. If we end up with a new owner [in telco Telia] it will strengthen our base in the long run, where such a company would be able to combine tech, distribution and content.*

Efe Cakarel: *I have a 14-year-old sister in Turkey and I can tell you for fact that she will never buy a DVD in her life. She's not going to be signing up*

for cable TV either. She's going to consume all her entertainment from one of her devices at home, choose what she wants, and pay a monthly fee for it. Cable operators are going to be creating their own streaming propositions, some will be more successful than the others. Those who survive are those who are going to have a very strong brand – when I look at France I look at Canal+ as someone who've been failing but could get it right because the brand is so strong. You also need the ability and access to produce original content that people want to watch. You need a combination of these two things: a strong brand and getting the product right. Then you can survive beyond cable.

Each individual or family will have some kind of cap for what they can pay for subscriptions, but subscriptions will not be the only business model. As we have seen, original content streaming can be included in a number of other products and services, advertising-financed streaming as a model has proved itself a long time ago on YouTube, and ad-supported streaming works in many markets as a compromise between price and advertising load. Competition, then, should not be viewed just as percentages of the money audiences are spending on media, but also on shares of the total time they can be expected to spend watching. And in this area, growth is expected.

Commutes are already an important time for media consumption and self-driving cars are expected to rapidly become a very important window for content. Car manufacturers are literally experimenting with turning car windows into screens, and content companies are involved with car-specific format experiments, like Disney with Audi, or Warner and Intel with BMW. Similarly, wearables, the Internet of Things and smart homes are likely in combination to open many new time slots for video. A morning show or drama episode you have asked your voice assistant to start in the bathroom mirror as you were brushing your teeth might follow you across screens through your home as you prepare for the day. None of this will yet be the standard five years from now, but all the technology already exists, and new distribution infrastructures will contribute both to increased opportunities and a continued fragmentation of the landscape.

How do you compete when there is always competition that can outrun you, outspend you, and produces content of a very high quality? Only with relevance. Arguably, the platforms with the deepest pockets will make the best broad offers to an audience of everybody at all times. But if you know who you are speaking to more specifically than that, if you know who they are and how they live, you will be able to target their hearts with a specificity that still has great power. When we speak about the importance of curation, what we mean is selecting for relevance.

Relevance will power local language SVOD services, public service media, niche and genre subscriptions, your local arthouse cinema, and, ultimately, all the consumer-to-consumer distribution systems that manage to gain a foothold in the market.

The giants, meanwhile, will do exactly what they want. When it comes to offering opportunities for storytellers, and content the audience loves, this is to be applauded. When it comes to evading taxes, undermining labour laws and internet freedom, and destroying the environment, they should be fought. Bemoaning their presence is a waste of time, because it is not Netflix et al who have disrupted your business – if you are hurting, it is because your audience has chosen the more appealing offer.

Everybody's still hoping for a big European contender.

Efe Cakarel *(laughs): You mean a European contender who's going to compete with Netflix, Disney and Apple? Is that what you're asking? No way. No one out of Europe is going to come anywhere close to what these guys are doing. Nobody else will be able to break into that! The public broadcasters? They can't decide on anything, and they are not product people, they don't understand the technology, they don't understand what it takes to create the right consumer experience, and they don't have the funding to invest in the kind of content that can actually compete with these guys.*

A lot of people are dreaming about it though, saying one will have to emerge.

Who's going to emerge it? Look at the media companies. Sky is owned by Comcast now. You could argue Vivendi, but look at Vivendi's balance sheet. Look at MediaPro's. It's not about creativity; I think we will continue to produce wonderful content [in Europe]. This is about execution.

[On MUBI] I can provide a better-than-Netflix experience for great cinema. But that by itself is a much smaller market. I'm going after maybe 8%-15% of the households; Netflix is going after 80% of the households. If I think that I can compete with them at that scale… it's just not realistic for us to be able to raise $15 billion to spend on content next year. And nobody else can, either. But it's not just money, it's execution.

Glenn O'Farrell: *We live in a world of infinite opportunities for the small, but amazing consolidation of the large. A remarkable asymmetry flows from those forces of change. What gives me hope is that we have tools to break some of that down. When Tim Berners-Lee created the World Wide Web 30 years ago, the internet as it has become today was not what he had in mind. His new decentralized project, Solid, along with new applications of technologies like blockchain, offer ways to re-acquire some semblance of control.*

When you say we have tools to break it down. Who are this "we" who are fighting back?

I'm talking about creators and innovators. People who have strong creative voices and creative capabilities. People who have stories to tell, songs to sing, documentaries to write that are important, for their own personal way of life, or for institutions they support, or systems of government like democracy.

You know, at the beginning of the 20th century in America you had a form of unbridled capitalism. It produced remarkable, consolidated, concentrated wealth: Standard Oil, the railroads, US Steel, the beginnings of concentration in telecom. If you go back and read history, you will see the work of Teddy Roosevelt who introduced new legislative anti-trust measures to break up large corporations. It's important to note that Roosevelt was not from the rank and file, from the oppressed; he was one of the privileged. But he had the foresight and the ability to understand that the concept of America could not exist if only a few big players sat at the table. He and his administration broke them up. If you go back to the debates *that raged at that point in time, you can't help but conclude that it was as remarkable an accomplishment then as it would be today. We have to keep an eye on history. What we have emerging today is big, but we've seen big before.*

3 SVOD is subscription-based Video on Demand.

4 Singh: 'Netflix Shares Fall'

5 Dastin: *Amazon's Internal Numbers*

6 Apple will do this starting this year.

7 Kafka: 'Facebook Wants You'

8 Dixon: 'VideoNuze'

9 ibid

10 Adalian: 'Why Netflix Spent'

11 Transactional VOD is when consumers pay to stream individual content. There are two main categories of TVOD. EST or electronic sell-through is when the consumer purchases access to a piece of content that they can view as many times as they want over a period of at least some years. Download-to-rent is renting access to a piece of content for a restricted period, for instance two days. Confusingly, DTR is sometimes also referred to as TVOD.

12 AVOD stands for Advertising financed Video on Demand. It is sometimes also used as a top category that includes ASVOD, Advertising-Supported Video on Demand, where a lower subscription price is combined with a lower advertising load.

13 Ernst Kirchsteiger is a Swedish feel good lifestyle television legend; Kristian Luuk is a comedian who hosts one of the most enduring game shows on Swedish television.

3
Cinema in the Total Value Chain

Ben Luxford: *This year in the UK, it's going to be a record-breaking year for ticket sales as well as admissions, which is pretty spectacular… And we've got another study recently with young audiences, who are saying that they really like cinemas, because it is the only time in their life now that they don't look at their phone.*

I've been to the cinema a lot recently, because I'm getting quite overwhelmed with choice at home – the need for curation and programmers is greater than ever. Last night I was watching a documentary, Free Solo. *It was maybe 80% capacity a Sunday, at nine o'clock, in a local cinema, of people watching a documentary about rock climbing! This is absolutely the type of thing you should be able to watch on the BBC. But they're all out there in the cinemas and in a way it's easier now just to have someone tell you to come and watch this.*

Thomas Gammeltoft: *Cinemas don't have to find out how to be attractive to me, I love to go to the theatre! But I see it as a social event. I take my daughters or a friend or my wife to the cinema, as a big experience. I love it when the film is good, I hate it when the film is bad. That's how life is, but it means that on top of the film, they will have to offer something else, because if you get too many bad experiences, you will not come back for a long time. This many films being released in Europe all the time is also a problem and makes us a bit confused about which one we should go see and why. It's very, very difficult for a distributor to make the right choice and noise.*

Sten Saluveer: *Theatrical will be polarized depending on the experience. There will be IMAX – more, bigger – and the whole tentpole business*[14] *is not fading. At the same time, indie theatrical will be extremely niche and* *very community driven. The middle layer has been hit the hardest and will wither away; and sales agents need to transform from asset managers to curators. On a broad scale growth for feature cinema has ended. China will be reaching its limits soon, as will India.*

With already visible social stratification hitting the middle class hard wherever they are in the world, going to the cinema is unfortunately becoming a luxury. Even in Tallinn, the family ticket is close to €25 now. With concessions and parking you are at a point where going cinema is not frequently affordable. A €14 monthly family subscription to Netflix and a €250 basic connected TV will give perhaps not a better, but comparative experience. For most of us as middle class eventually money talks.

The global box office is booming, with a record year in 2017 followed by what looks to become an even better 2018. The latest bump is due in great part to a recovery in the US market, where multiplex audiences have responded particularly well to greater diversity in the casts of blockbuster movies [15]. The number of screens globally keeps growing, in particular in developing markets. In 2018, China was on track to become world's biggest territory by number of screens, but while its box office take still grows impressively, average cinema occupancy remains low at about 14% [16]. This will likely rise as the quality of local films becomes more predictable, but given the Chinese government's commitment to promoting its national cinema, it would be risky to assume that a maturing Chinese market would automatically translate to box office for Western exports.

In Europe too, cinema admissions are broadly good, with a record year in the UK and continued excellent growth in Central Europe. As before, the box office is carried by tentpole fare. That the exhibitors are making money is of course not the same thing as all films, or even all appealing or well-reviewed films, performing well in theatres. Earlier Nostradamus reports have discussed theatrical polarisation (cinemas becoming focused on either high-tech experiences and blockbusters, or on community and curation) and the screen squeeze, the lack of screening slots relative to the number of premieres, exacerbated by event cinema and demands from certain distributors on the number of screens reserved for blockbuster titles.

Efe Cakarel: *In the 90s, the big six studios produced about 400 titles, right? Last year those same six studios produced 90 films. So they are producing less and less films with bigger and bigger budgets that appeal to a more and more mainstream audience. A studio like Disney doesn't want to produce anything for less than $100 million, and they have became this place which gives you one* Avengers *after another.*

The irony of this is that everybody else is making many more films than we have before.

But nobody sees them. Making a film became really inexpensive. Anybody can make a movie, and it's a wonderful artistic expression. And the consumption of media is incredibly high. Yes, there is more film production, but not a lot of them are really good quality, and even if they are, it's very difficult for them to be seen.

Ben Luxford: *It's tough for films that are in that $5 to $15 million budget range, they can rarely get financed anymore, because the opportunity for them to run and break out is not there in cinemas. If you're looking to make 'the little film that could', you've got to try and do it for less than $5 million. Otherwise you need to be in the business of making a $30 million plus film. You have to be on the list of titles that cinemas see as being the top 100 of the year. Are you going to have a date? Are you going to hold that date? Are you something that they're factoring gets at least three weeks' worth of business in their prime sites, before the next film comes along? That is a very, very exclusive list.*

We are still making too many feature length movies for the distribution infrastructure as it currently stands. 2017 was the first year for a long time when the total number of films produced in Europe diminished slightly, but in the US 2018 looks to have had a record number of new releases. The astonishing growth in the number of releases in the past 15 years, in combination with the relative marginalisation of traditional review media such as daily newspapers, makes new films increasingly difficult to communicate. Titles whose appeal is not immediately obvious get screened at impossible hours, if at all, and certainly do not stay in theatres long enough for word of mouth to develop.

Part of the problem is the old-fashioned system of only distributors being in charge of marketing. As the impact of traditional advertising decreases, especially with younger audience groups, a very different style of communicating about a film is required. An enormous amount of extra content should be produced already during principal photography, when quite often no one is actually in charge of this. The talent could also be leveraged to communicate a film, but are under no contractual obligation to, say, Instagram the shooting (and are often actively forbidden to). The audience contact, and therefore the audience data required to efficiently target a film's marketing, generally lies with the exhibitors, who are usually not willing to share proprietary realtime data back up the chain, but still demand an audience to be delivered to them. In the later windows, the data is even better, but even farther away from the decision-making and resources for marketing.

As many audience development programmes have demonstrated, however, the results can be astounding when everyone collaborates. Looking closely at the "surprise" successes of demanding arthouse films in the last few years, there is very little surprising about them. These films have had ambassadors who identified early that they could resonate, and who have worked strategically with support throughout the chain to get the films embraced by theatres who really know their audiences (and whose curatorial judgment their audiences trust). When smaller titles perform really well online, it is also often because the platform, distributor, and sometimes cinemas are integrated and able to work together.

Between the expensively marketed blockbusters, and the well-curated, highly resonant niche fare, lie a great deal of titles that it makes less and less sense to release in cinemas at all. Some of these could be potentially connected to the audiences they deserve through better audience design; others will never connect, or need a totally different path to market. Not only is their presence in theatres not cost-efficient, it also cannibalises on the potential of other titles.

Åsa Sjöberg: *The public funders don't always think through the whole chain and consider what the business model actually requires. They'll approach a project very idealistically and reason, 'oh, this lovely film, if it only had better distribution, or if it was available on a film service, a lot of people would want to see it'. But a lot of the times they wouldn't. It might be a film and a story that is valuable in other ways. It can be an important film, and great story, and still never be relevant for a wide audience in a popular context. That does not necessarily mean it should not be made, but it means that it will probably never be commercially successful.*

Ben Luxford: *We're in a funded world, so yes, things get made, and they're not all going to get seen. Failure is okay. Failure can be subjective. If you don't allow people the opportunity to fail, or the opportunity to succeed beyond their wildest dreams, you will never have a vibrant and exciting industry and it can lead to creating a monoculture. If your film has a festival outing, if you've got a couple of nominations, that can be fine. That's maybe the right strategy for your film and all it needs to do, because for the purposes of your career, you've done enough to get noticed by funders and the industry. But you don't need to spend hundreds of thousands of pounds to then try and push a film into a marketplace in which people are not going to watch it.*

Sten Saluveer: *In over twenty years in the business I've never heard that European cinema is doing well. It seems that being in crisis and looking back to the good old times – to whenever somebody made the most money in their career – is a never ending neurosis for our industry. Trace it back to* Metropolis, *already then we feared that robots will take over from civilized society! It is true that the industry and formats are going through disruption and drastic changes will take place, but it's a very paradoxical situation. We're living the greatest prosperity of humankind with unprecedented welfare, connectivity, audience numbers and financing. The prosperity is just not in the film industry any more, but in scalable tech and companies. We should ask why and draw our conclusions. Also, we should remind ourselves that great storytelling will stand the test of disruption. Let's invest in great storytelling, whatever the platforms and formats are becoming.*

The film industry has been complaining for years that most of the value generated by the films ends up "outside the industry", by which one meant "outside the parts of the industry that can be traced back forty to a hundred years". Naturally, streaming services, technology companies, telecom operators, and internet service providers are today just as much part of the industry as cinema exhibitors, video stores, cable channels, and television networks were. And as these new parties have increasingly started to pay directly for content, or even commission and fund it, this thinking has started to shift. But when it comes to conceptualising the lifecycle of the work, the old-fashioned thinking still holds sway.

Historically a producer or a financier did not need to think much at all about the windows beyond theatrical and perhaps physical media. The content would work its orderly way through the system, usually performing predictably in relation to how it had done in theatres. Money would trickle back, but handling it was someone else's problem, and regardless, the big bucks were often earned in the earlier stages.

With cinemas the unreliable performer for many types of film, and the window system shifting, this thinking will have to change. Most importantly, if value is generated in other business models, because that is where the audience is, then that platform might be just as important to your film as cinema once was. It might even be where the work should premiere.

This, however, has some consequences. Most obviously the audience will still need help to find the work wherever it has the best potential to perform. That cannot happen as long as movie marketing rests solely on a distributor and is timed to coincide with a theatrical premiere.

We have no idea today how well films could potentially perform as special broadcast events (like season premieres of certain TV shows do today), or on a VOD service, because audiences are not taught to look out for them or treat them as special. Given how well digital advertising can be targeted, and the potential of working with trailers, in-service visibility, discovery support, and social recommendations, communicating an online premiere would not even need to be terribly expensive; posters on bus stops are starting to feel rather anachronistic anyway. But much like the exhibitors, broadcasters and streaming services also tend to expect films

to arrive with an audience already attached. Here, too, we will all need to think very differently about collaboration throughout the value chain.

How much responsibility do you feel you have for arthouse cinema, as a commercial VOD service?

Ani Korpela: *Our acquisitions are driven by what our customers watch and like, but equally we want to surprise them with content. We have for example a 'Love & Anarchy' section – a selection of Helsinki Film Festival movies from Cinema Mondo, an independent film import and distribution company. I like to think that on our service, arthouse cinema may find new audiences, that we can give opportunity to people who are not necessarily living in Helsinki next to great arthouse theatres to see them as well.*

Are you able to open people's eyes to something they would love if they knew about it?

I would like to think that we do have that ability. But as movies are mainly marketed when they are in the theatre, we don't really have that capability at the moment. Over time we will be able to more and more because of the data we have; we will be able to recommend those movies to people who are likely to watch them.

There is a problem here because once you move past the first window, it's nobody's job to tell people about this film. How do we solve that?

I guess the only way to solve it is that our services put more effort in that marketing. When I talk about marketing, I'm not only talking about big TV commercials or big outdoor posters. Obviously we already know what people are watching on our service. So it will be about understanding how people behave, what they watch and to propose that this might be something that you would like. And not just similar content all the time: you need to able to surprise people as well.

Is it possible for me watch trailers on your service?

Yes. We haven't done it much; we have probably been a little shy about the users feeling it is advertising, since they are paying for [an ad-free] service. We need to experiment with it, as it really is one way of helping users *to find relevant content easily. Trailers can work as recommendations.*

Ben Luxford: *If you're an independent distributor, I wouldn't blame you if you said there is no window problem. In the UK right now, if you want to release a film day-and-date, you can. If you want to release on a shorter window, you can. It just means you cannot play with certain cinema chains. So you have real flexibility, and as long as you're not working to a profit and loss calculation that demands that you make, for example, £5 million at the box office, then you can go and explore other options. I think it might just be that this is increasingly acknowledged within the next three years; it certainly should be. And now that we're increasingly in a VPF free world – in the UK anyway* [17] *– I'm interested to see what kind of flexibility exhibitors will offer. Given that, exhibitors are going to expect extreme flexibility from distributors. A cinema could turn around to you now and say, 'OK, your film can open on one day, rather than play seven days?' The good thing is that it's a level playing field now. But something has got to give on the actual window.*

Do you think Disney can use Disney+ to dictate tougher terms to exhibitors?

I don't think you could go out there and push extraordinary terms on exhibitors [18]*, and if they're not willing to play you'll just put your film on Disney+. The economics of that don't make any sense. But you could do it to finally force a proper conversation about windows. They'll already be factoring it into future plans. But it's Disney, and Disney are also the only people right now who are making that very traditional business work. It's not necessarily in their interests to upset windows and exhibitors…*

But with anything other than the biggest titles, if they penetrate the family market and the home market in the way that they undoubtedly will, they might not need a theatrical release at all. I do think they will eventually have to be very clear about what the difference is – what's a 'straight to Disney+ film' versus a theatrical title.

They might not need to be forcing the windows issue. I feel that might be something that Comcast will be more interested in [19] *– they've been very dominant in conversations around the sequencing of releases in Australia and the US. They're a company still heavily invested in the home entertainment video market, and as long as there is a market, they're going to have a specific interest in showing they can maximize that.*

The exhibitors have resisted new release patterns, but in many markets independent films have been successfully released on adjusted schedules or even day-and-date for years. With even the majors starting to view windows differently, what stands in the way of solving the bottleneck to market represented by theatrical releases is, at this point, probably mostly tradition and fear.

In last year's Nostradamus report we wrote about the inevitability of being able to meaningfully premier feature films on small screens, with or without limited theatrical support. Within the next three to five years, that will be one normal path to market.

Another thing to keep in mind is that VOD services and cinemas are not natural enemies. Alliances, consolidation and expansion between distributors, cinemas and platforms are becoming increasingly common, because the business case makes sense. Amazon and Netflix both looked very seriously at acquiring US premium chain Landmark Cinemas last year, and that they both chose not to proceed does not necessarily exclude other choices in the future. In fact they might need to reconsider, as long as they are also funding films that will work best in the cinema or on a very high-end home entertainment set. In the UK, for similar reasons, MUBI has expanded its streaming membership to include four cinema tickets a month.

Efe Cakarel: *Our audience, the MUBI subscribers, is the audience that wants to watch* The Favourite *on the big screen. If we want to become the destination for great cinema, we have to move into that business. We are gradually doing that. We are buying all rights of the films, and of course also now have MUBI Go; every week we will tell you this is the film you should see – because we see them all – and the ticket to participating cinemas is included in your subscription.*

In fact, theatrical is taking a page out of the SVOD services' book: even though the US phenomenon MoviePass has struggled to identify a sustainable business model, it has showed that young audiences are responding well to subscription tickets in cinemas. Both big chains and and arthouses are introducing subscription models with promising results.

Åsa Sjöberg: *We can dream about the whole landscape being different, and complain that it's super mean not to give these films theatrical releases. But moping about it will not help! We have to accept that this is the business logic now. The users make the choice. The audience has decided. If you're mad at these changes, indirectly you're mad at the consumers for making the wrong choice.*

Ben Luxford: *You've got to respect the audiences more than your business model. If they want to watch the film in a certain way, then let them. There are so many films out there in the traditional marketplace. That's why I'm actually really grateful for Netflix to take on some of them and find other places and new ways and spaces for audiences to engage in films. I'm really excited by a film like* Roma *being available in everybody's house, because without someone actually spending millions and millions of dollars on a promotional campaign for a film like Roma in theatres, it could never happen.*

The BFI is having this kind of genuine existential discussion about screens and screen culture – we'd be totally irrelevant if we were telling everybody that the only way to watch a film is on film at a cinema. We are in a business that has to respect the way that people engage with stories today, which is what we're doing.

Liz Rosenthal, Programmer, Venice VR; Founder, Power to the Pixel: *This November Nicolas Seydoux, the chairman of Gaumont, said at a debate at Cairo Film Festival, that the Netflix-financed film* Roma *is not a film, because its theatrical release was limited*[20].

The industry is trying to have it both ways? Bemoaning the loss of the DVD money, while claiming that a film you watch at home somehow does not count.

It is beyond crazy that this debate is still taking place in the cinema industry. There is a snobbery around the hierarchy of screen formats, and the release window system. This logic defines artforms by distribution platforms. If you lock artistic endeavour in boxes it constrains their practice, and this is evident in cinema today. When someone becomes closed about change in their artform, it comes out in what they are trying to say. The form has not changed very much; very few filmmakers are pushing the boundaries of the form. I find more and more that there's very little cinema that makes me go 'wow'! Films that have made an impact on me tend to be those that have pushed the medium to incorporate a more experiential and immersive impression, which is an aspect that is so powerful about VR and immersive formats.

Efe Cakarel: *The dynamic is really shifting now, and it's going to be a place like [MUBI] that will start making that happen. Traditional distributors were relying very heavily on the theatrical revenue, and as a result they could not risk releasing their films any other way and yielded to the pressure of the exhibitors. That maximizes the box office revenue, but wasn't necessarily the best thing for the film overall across its lifecycle.*

There is no reason a small film, from competition in Cannes, that was in cinemas only for three weeks then to be held back for three months before the audiences can see it online. You want people to be engaging with it when there's a conversation, when it is in the cinemas and you can have a much bigger exposure. Traditional distributors couldn't do it because they rely on that theatrical revenue. But we own the platform. We have the power now to actually say, that we going to go day-and-date in cinemas and on our platform. Some cinemas are going to say, 'No, we are not going to book it,' and we can [afford to] say, 'Fine.'

Last year out of Cannes we bought three competition titles: Under the Silver Lake, Leto, *and* Knife + Heart. *All these three films, in the coming months, we are releasing day-and-date. We are not just dreaming – this is already happening! If you go forward three to five years, MUBI is going to be releasing a Paul Thomas Anderson film, or a Wes Anderson film, day-and-date. Now we can afford to do it in one territory, by investing a few hundred thousand dollars per film. In a couple of years we'll be able to invest a couple of million dollars per film, and it's enough to actually make it happen.*

Don't you think the resistance of the exhibitors matters?

The consumers have already decided. It's like an avalanche, you can't stay there and hold up your hands and think you're gonna stop something. Look, a film that was produced by a streaming platform was the best film all year. It's game over.

I think there's a bit of an emotional response to licensing your film, selling your film, to a primarily OTT digital platform [21]*. And the way that Netflix is going about this is not helping, putting* Roma *quietly on a few screens in the UK just to qualify it for the BAFTAs. It was a disgrace. I really like* Roma; *I watched it on the big screen, 70mm, and then again at home. It's such a pity that not more people get to experience what I experienced watching this film on the big screen!*

Filmmakers are looking at that and saying, 'No, that's not the way I want to see my film.' As a result, there's a bit of a negative feeling of having an online platform – and we are primarily an online platform – produce and distribute your film.

Ani Korpela: *We have premiered a couple of foreign movies that had not been in the movie theatre... and we actually premiered a Finnish movie called* MC-Helper 3, *done by a group called Biisonimafia, very popular on YouTube. We cooperated with them in development phase. It was launched in December and it just skyrocketed, being one of the most popular movies on our service in 2018 [because they came with an audience].*

Currently, most of the marketing effort for film is put into the theatrical releases and titles are not really marketed when they get to the VOD services. There may also be this assumption that if a movie does not have a theatrical premiere, it's not that good. But that is changing – just look at the 2018 Oscar nominations.

There's so many movies produced every year, and many of them are lucky if they have a month in the cinema. Now there is this black window, because we need to wait four months before we get on the VOD service. To me it seems it is not best possible service to the audience – nor to the producers: people do forget in that time. I really hope the industry would find a more customer-centric approach for windowing.

14 'Tentpole content' is the works that support a business financially; in the context of cinema this is blockbuster movies and breakout hits.

15 Lang, Rubin: 'Movie Theaters Bounce Back'.

16 von Sychowski: 'Chinese Cinemas'. Average occupancy is the percentage of seats filled.

17 The Virtual Print Fee is a subsidy paid by the distributor towards the cost of a cinema's digital projection equipment. It was funded by the savings from not circulating film prints and was paid per booking. Distributors increasingly no longer have to pay the £500 VPF, but cinemas are also not obliged to screen the film a certain number of times in return.

18 Exhibitors pay different percentages of the box office revenue depending on their negotiating power. In the UK, an independent distributor might receive 30%, while a big studio can demand 50 or 55%.

19 Comcast is one of the largest broadcasting and cable TV companies in the world by revenue and the largest cable, pay-TV, and consumer internet provider in the US. It owns NBCUniversal as well as Europe's largest media company by revenue, Sky.

20 Seydoux said, "a film which is not going to be released in cinemas...is not a film, no matter who is the director. The subject is that the definition of a film is that it has a first release in a cinema. Period." Quoted in *Screen Daily*, Nov 18, 2018

21 'OTT', for 'over the top', is an umbrella term for content providers that distribute streaming content to consumers over the internet.

4

Reboot the Conversation

Glenn O'Farrell: *Look at the audio-visual content that you consume all day, across all screens and devices, and write that down somewhere as an inventory of what you consumed today. Then, if you were able to go back in time to one year ago – not five years ago – and do the exact same exercise, I think you would be shocked to see how many different things are in your accounting of then and now. We're not even aware of it. We are changing without even realizing the change. Those are patterns that we have to understand more, to shape the decisions that we have to take to be relevant in the future.*

Sten Saluveer: *The European film industry tends to think that we can innovate from the inside out, but there are very few examples where true innovation has come from the incumbents. It always comes from the margins. Instead of continuing to search for a solution on the beaten path, let's look somewhere else. For starters, lets address the semantics issue: platforms, society and industry don't have the same vocabulary. If we don't speak the same language, how can we solve a problem or a dispute? Or even define the core issues?*

Ben Luxford: *If we're talking about the screen industry, not just about film, we are in a very robust place right now – people want film and screen content. But just as much as our job is to be looking after the industry as it exists, we've always got to be looking forward as well, it's our job to be futurists. We have to continue to make ourselves relevant, be on the front foot about what the future could look like. We can't just say it's important to fund European films because they tell our stories; the audience landscape demands that we are more dynamic.*

Maria Tanjala, Co-Founder, Big Couch and Film Chain: *You've heard the cliché that data is the new gold, but in the case of the creative industries it's not even about gathering someone else's data. It's just understanding your own project, instead of making stabs in the dark with your future slate. If I still hear five years from now this many people say that they make acquisitions based on gut feeling, I am going to jump off a bridge! Luckily I see a lot of healthy initiatives of people trying to measure impact, see what worked and didn't work, bridging the audience, creators, and distributors.*

It is curious that the film industry, which is so welcoming of new technology in film production and screening, can in other areas be locked into such archaic practices – whether faxing contracts, doing funding applications and financial reporting on paper, or travelling for a day to do a 15-minute in-person meeting. Most surprising of all is the profound suspicion with which content makers and the industry's traditional institutions view digital innovation. Not just a suspicion that some new thing might be a hype, but a suspicion that it may, somehow, be an enemy.

It probably is fair to say that a big historical reason for this attitude is the cavalier manner in which Silicon Valley reacted to the copyright infringement enabled by their technologies. Rights-holders, in turn, responded with reactionary demands that had very little connection with the realities of how the technologies actually work. On the question of how to respond to piracy, neither side acquitted itself particularly well, and the question is still both unresolved and infected.

But two decades have passed. Enormous changes have happened in audience behaviour, business models and production. Apple makes better screens today than any television had twenty years ago, and it commissions original content. The "tech industry" has been very happy to learn best practices and harvest skills from the "film industry", and it is unfortunate that many parts of the film and television industries are still prejudiced against learning from digital contexts.

Liz Rosenthal: *Obviously you need to sift through a huge amount of dross on Youtube, but there is also an authenticity that the film world could* *learn from – this idea that there is a connection with the the audience which should not be a dirty word. In the interactive world too, there are such exciting minds. If you don't cross-fertilise ideas, you will not be able to develop your practice. All tech creativity is based on this idea of prototyping ideas, which I love, and film people tend to hate. When you're working on a new project, for any medium, you have to make a prototype to prove an idea is working. It can be shown to a closed group of peers, or openly to prospective audiences, depending on what is appropriate for the project. When I was a film producer I would find that sometimes you've spent ages discussing a future script with a writer, but when you receive the first draft it's entirely different. Rapidly prototyping an idea means you can learn if something works quickly, chat to people, get their ideas and feedback. It's not about losing artistic vision, its about being able to iterate and improve on something. Checking what you're doing strategically with the right group of people is a really good thing – so much better than struggling with an idea that I can't move forward by myself.*

For young people entering the sector today this conservatism can be quite jarring. The generation in film school now has lived with smartphones, social media, and streaming video for as long as they can remember; they are gamers almost without exception, and have a native understanding of the strengths, weaknesses and storytelling potential of each platform. Just like a growing proportion of their future audience, they are comfortable with technology, have high expectations on usability, efficiency and technical excellence in all services and tools they engage with, and are platform agnostic in their attitudes to content.

Glenn O'Farrell: *Every industry includes people who's views don't evolve. I'm very respectful of people who have strong views, and hold onto them with everything in their lives; people are entitled to their feelings. But I also believe that you have to see that society as a functioning enterprise – and how we appreciate each other, and conduct business with each other – is evolving. That includes the way we tell stories, and the way we bring stories to a small screen, a mid-size screen, or a very large screen.*

Looking back, what we did at TFO may appear like the radical transformation of a small player into a different media player, with a new way of creating impact. If you had asked me seven years ago, I would never have been able to tell you that we would be here today. We did it iteratively, through a process of trial and error, and learnt along the way.

Alvin Toffler, the great futurist, wrote in his classic book Future Shock *in 1970: 'The illiterates of the 21st Century will not be those who cannot read or write, it will be those who cannot learn to unlearn to relearn.' That, I believe, is the cycle that we all have to be part of. What I don't know is not embarrassing to me, as long as I'm prepared to learn what I don't know. To be relevant and to have a chance for our voices to be heard, we made the conscious and deliberate decision to make innovation part of every conversation. And part of our way of doing that consists of constantly looking at new ways to improve our strategies to reach our audiences. I guarantee you that they haven't all been successful; whoever says 'innovation' understands that you can't innovate without failure. But our average has been pretty good.*

Where forward-thinking is in charge, or where leadership is even just living in the now, everything is quietly changing. No one is waiting around for permission from the historical institutions in the film and television industries to run a successful games company, experiment in interactive, transform a YouTube channel into a content studio making feature films, or a public service broadcaster into a digital media company. A wealth of interesting startups are addressing practical challenges across the sector, whether making book-keeping more efficient, putting film trailers in front of consumers, or perfecting content discovery in the streaming space. In the next several years, the Internet of Things, wearable devices, a changing use of screens in public spaces and in automated vehicles will expand the number of platforms, and the business of audiovisual storytelling, even further.

Meanwhile, venerable institutions and traditional production seem hardly to have noticed how inefficient they appear from the outside. Data, in particular, always seems to be inaccessible, insufficiently analysed, or inefficiently deployed. This is alarming, as data is just a collective term for units of audience insight, reception studies, market analysis, and financial information, which are obviously vital in any decision-making process. Some funding bodies have finally started to make transparency demands, but clearly a radical change in attitude will be required.

Glenn O'Farrell: *I would try to pay attention to the way data is being gathered, and the way data can be incorporated into your business to teach you more about the patterns that are shaping viewing habits. Players without access to rich data will not have a chance. If you don't have it yourself you're going to have to partner with others.*

Efe Cakarel: *Our industry has not been very transparent. I would like to see more information flow between producers, exhibitors, and distributors. Data will help inform better decisions across the whole chain.*

Maria Tanjala: *There's a huge need for better collaboration. Constantly in conversations between stakeholders I see people are very reluctant to opening up their books... We need to bring everyone to the table: financiers, producers, sales agent, distributors, marketeers. Everyone needs to communicate properly and be transparent about the data, at least within the same production. The producer can't say they made a film for 'x amount' but actually, 'y amount' of that is deferment, and they have a lot of side deals that need to be included in the recoupment that no one knows about. Or you'll have sales saying that the distributor does not allow them to say what they sold a film for in a territory. Then the distributor says they can't reveal which marketing tool was the most effective.* VOD *refuses to open up the books on viewership. Everyone is trying to save face and grow their individual reputation, and that is absolutely damaging for the industry. And at the end of it, you have a producer moving onto their next project, glad because they won a few awards, or just burying the project, without really drawing any conclusions about what worked or didn't. And you can't know who is trustworthy – that's why people have to rely on individual relationships.*

Blockchain technology will make its first impact on the film industry as the basis of a transparent accounting technology; here the need is obvious and real. The combination of smart contracts, real-time information, financial tracking and rapid payments can make a real difference especially in the independent space. Bigger companies, who can afford to, will still keep their data to themselves.

Glenn O'Farrell: *Two and a half years ago when we saw blockchain for the first time we saw its potential for the audiovisual production and distribution world. The Canadian Media Fund provided some funding to proceed with developing a prototype. We then ran market simulations with producers, distributors, broadcasters, unions, and funders, got lots of very interesting feedback and are now in the process of creating a consortium with public funding agencies to roll this out as a pilot project.*

You're looking at smart contracts, data transparency, and immediate payments.

The first advantage flows to the rights holders; the funding agencies also have a real interest in this, because on a blockchain they have real-time analytics regarding the performance of their investments. Let's not kid ourselves, it's going to take some time. But just two weeks ago we got confirmation from Telefilm Canada that they are willing to take a lead role in this new consortium we're creating.

Maria Tanjala: *Our FilmChain product is fully operational now; it does collection and allocation of revenues for films, TV and digital on blockchain technology. We have two current films with a large number of stakeholders, another three films will be onboarded over the next month and a half. We're collecting all revenues coming in from distributors and sales – we're integrated with several banks and banking partners. We are given all the distribution agreements, so we know when distribution is expected to make a payment. We're aware of due dates, we're aware of when licenses expire. Essentially, we're a basic rights management tracker as well, so that the producers and financiers can stay on top of who is exploiting their content, and in which territories. There is a lot of potential there. We had a lot of testimonials from people who said 'I made like ten calls for that* *film, I realized I can't reach the person who has the rights so I just gave up'.*

I would love to see initiatives from other companies to take on this mission and do it properly. Everyone wants to go for the glamorous [blockchain] use case that can get them onto the red carpet, but to me this could be another exciting application for someone to tackle: to get a library of films and their licenses in order.

In the future, these types of distributed networks will reach all the way to the consumer, with box office revenue, online rentals or micropayments working their way through the system instantaneously; it will of course require them to be, or be integrated against, reporting software so costs can be tracked as well.

Other applications for blockchain already experimented with in the sector have a wider scope and are facing more obvious challenges. The technology is a useful basis for VOD platforms, with many benefits on the industry side – but establishing a successful VOD platform still requires a user experience that can rival Netflix's and massive reach in a crowded marketplace. Similarly, crowdfunding and film financing are good use cases in theory, but if the main difference to existing alternatives is that payments are handled in a potentially volatile crypto-currency, investors might not consider the increased transparency enough of a tradeoff for the risk. Any startup expecting to create a "community" should be particularly scrutinised; establishing online communities from scratch is not impossible, but it requires a very specific skill set and is enormously difficult to do at scale. Using blockchain to combat piracy shows promise in theory, but it is early days yet [21].

Keeping the technology sector at arm's length has not prepared us, as an industry, to calmly evaluate new solutions as tools and possibilities. If you were once positioned against a technology company in a cultural battle, you may have subsequently selected staff who do not come across as threateningly digital. If you look around your offices and realise no one can help you navigate the brave new world, you will need new alliances, a big dose of curiosity and patience – you shall be learning a new language – and a pinch of humility.

Glenn O'Farrell: *What frustrates me the most is people who refuse to see fact-based evidence. We live in a world where there's so much technological change, so much disruption, it's not just the chairs on the deck of the Titanic that are moving, it's the undercarriage of the house of modern society itself that is changing. We need to make sense of this change by understanding and embracing the factors of transition.*

Thomas Gammeltoft: *Within our visual business alliance Vision Denmark we lobby together with the games industry because they have a lot of wind in their sails. The film industry, we are subsidy babies. But when you go to the politicians, especially the [financial] ones, they view gaming as something new that they have to look at seriously. What the gaming industry needs is good storytellers, and what the film industry needs is to use technologies better. And I think that's where we can suddenly do a lot more than just entertainment. We can create new business models for companies that will not only just do entertainment , but solutions that will mean something to society.*

Through storytelling? Or through completely new media forms?

Both. We've just seen how VR is helping [on real-world issues] and I tell you, there will be more and more of this. The more the world changes from written words to images, the more our industry becomes really interesting for other industries. What we've achieved within Vision Denmark is to create a place in the heart of the politicians to feel this is important and worth fighting for – and of course also to enable us to stay on top of the creative development within our industry [through talking to each other].

21 Scarpa: 'Blockchain and Film'

22 A high level of freedom to engage with and against the work and each other, within the narrative frame and interaction rules set by the piece, experiencing (whether this is factually true or not) that they are affecting narrative outcomes.

5

Virtual Reality Finds its Path

Liz Rosenthal: *In three to five years, we will have better designed, cheaper and more ubiquitous devices. At the moment, VR is unscalable because the consumer uptake has been limited. That's why the art world finds it very interesting; the art world plays with the idea of scarcity, whereas the media world plays with the business model of mass distribution. Right now, VR is scarce. That's why everyone is excited by high-end location based work – in art galleries, museums, foyers in entertainment spaces, and in specialist location-based VR entertainment centres. At the moment creators have to find ways of creating projects that have different versions for distribution: on more accessible at-home VR platforms, as well as a high-end premium version for locations. In the near future when the technology is more developed, it will be built around mass distribution.*

Producers are doing incredible work, experimenting with a new medium and technologies in a space that's hard to finance. Obviously the headset manufacturers have the biggest vested interest, and I wish they would invest further in third party content. It's very hard for creators and producers who are taking on a lot of risk, making experiences that are incredibly expensive to produce on technology that's changing rapidly.

Sten Saluveer: *VR is not going to save cinema. That is a hard fact. It's a thing and medium of its own.*

Thomas Gammeltoft: *One of the Vision Denmark funders is [the game engine] Unity. They have created something crazy. Right now I can enter into a world and say to myself, I want to go in that direction. That direction doesn't exist. When I look at it, they build it before my eyes. It is*

rendered that fast. What is needed is to be the good storyteller, within that new technology.

Virtual Reality is a single term for a wide range of technologies. A 360° video on a phone slipped into a cardboard headset is quite a different medium from a fully interactive world, into which an avatar of you is rendered in real time as you physically move through a space, can touch things, and have sensory feedback. In fact, by a more technical definition 360° video is not VR as it is is not interactive; this is also why it can be more straightforwardly understood as filmmaking – but even there the storytelling logic and editing are quite different from traditional cinema. It is time now to stop thinking about VR as a filmmaking discipline. The interactive direction is where the medium is moving.

Liz Rosenthal: *So many skills are needed to create entertaining, artistic, meaningful VR experiences. Some come from linear narrative worlds, some come from the games world, from immersive theatre, from the medical world, from psychology, from architecture... Many people from the VFX industry are involved in VR because they understand the technology, or from games, because they work in games engines necessary for VR builds. VFX and games people have skills that have moved the medium forward, but a lot of them are not experienced in developing IP or building storyworlds. And those are areas that filmmakers and storytellers within the screen industries have an extensive understanding of. These worlds need to come together.*

Telling stories in VR requires a different visual and audio lexicon to that of flat screen media. Flat screen media creators need to understand the possibilities and language from the people who work in interactive and three-dimensional spaces. It's a challenge getting people from different silos working together, but that's when the magic happens.

If the viewer or viewers are present in the work, and often embodied, with a high level of agency [22], then they are no longer viewers, but participants. In many VR pieces, like in many computer games, the artist does not tell a story, but offers the building blocks of plot and the potential for an experience, that the participant will then explore, creating a story through their choices that they can retrospectively understand as a coherent narrative arc. The kinds of story elements available in a medium in which the audiences participate with their bodies are also quite different from the purely audiovisual.

Liz Rosenthal: *The Venice Film Festival is the only A-list film festival that has an official competition section for VR. At all others VR is a sidebar. Venice VR underlines that virtual reality is an art format, in the same way that cinema is; with a proper jury, awards, and a very special venue dedicated to exhibiting the work – the former plague quarantine island of Lazzaretto Vecchio. Until recently, VR has mostly been exhibited like a tech demo. Most of the time, it's shown in market and exhibition spaces, where it's really loud and uncomfortable. In Venice we wanted to create a new exhibition culture for the form.*

What types of immersive content do you include?

Liz Rosenthal: *We haven't included any AR or MR yet, because we didn't see anything we felt yet which merited selection; I think this year we will, because Magic Leap is now in the picture*[23]*. So far it's been all the different types of VR. In this last edition, we noticed that there's less interesting work for mobile 360. We have beautiful cinematic work for higher end headsets, that is room scale, not necessarily interactive but where you're still exploring a world. But where you see state-of-the-art work [is] the installation section, where we selected several projects where multiple people explore a multisensory storyworld together, with fully embodied avatars.*

There is no doubt that VR as a medium is here to stay; it has found many applications and lucrative business propositions in fields like education, industrial design, healthcare, psychology, and pornography. The next generations of headsets will be less bulky, making them more appealing especially for the consumer market. Major festivals are making more space for immersive content, location-based VR is becoming its own business, which multiplexes are eyeing with great interest; more dedicated VR cinemas are

also opening, even though they are still mostly a curiosity.

The artistic potential of Virtual Reality is astounding, and the quality of the work takes giant leaps every year. Ironically, its development is currently hindered primarily by the difficulty of actually seeing the work. Many pieces are only available to experience at specialist events, like film markets. The storytelling grammar of the form is developing, but the language spreads very slowly. The technology is also developing too fast for the content creators to keep up. The most expensive directions are explored by players like the Hollywood majors, who can afford to, but it should be pointed out that breakthroughs just as important can happen in VR in the contemporary arts field, indie VR design, or in another sector entirely. It is still possible to get in on the ground floor with this medium.

In three to five years, VR will have produced its first star creators and powerful hit pieces. Volumetric capture will make it possible to work with cinematic aesthetics more affordably than today. More established filmmakers will be drawn to the medium, but it is different enough that crossing over will not be trivial.

New types of ethical questions are raised as participants interact with technologies that can record biometric data, and monitor facial expressions and pulse to keep tabs of emotional reactions.

Liz Rosenthal: *Something that has concerned me about the all-encompassing nature of technology is when it is used for unethical practices. VR devices can capture huge amounts of biometric data, and seeing what has happened with Cambridge Analytica, Facebook and the manipulation of our data, we really should be discussing how we protect personal data that can literally track how we think and react to all kinds of situations. It concerns me that I rarely hear this being discussed in the numerous conferences and groups I attend.*

VR is an extremely powerful medium unlike any other before, as it tricks the brain into believing that the virtual is the real. Virtual embodiment is being used to treat phobias, anxiety, PTSD and for other cognitive behavioural practices. On the other hand, there has been little research that looks into the negative impact that VR could have. I have experienced [VR works] that throw me into violent and uncomfortable situations, that *have no context or goal apart from creating a visceral experience. Often these have been very well executed, but I question the responsibility of the creators. A new ethical code of practice is essential for this exciting new medium.*

22 The level of agency of the user measures their freedom to choose how to engage with the work and each other inside the narrative, and the degree to which they feel they can affect narrative outcomes.

23 'AR' stands for Augmented Reality. In AR, a digital layer is added to a real-world environment; a well-known example is the Pokemon Go game. 'MR' is Mixed Reality. In MR, digital and real elements interact; a well-known example is the Microsoft HoloLens. Magic Leap is a startup whose upcoming AR or MR technology has generated a lot of buzz.

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