

TAKE 12

DIGITAL

INNOVATION

IN FILM

MIKE GUBBINS

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Toolbox items are links to other resources and documents, referenced in boxes on many pages. These are links to richer content, more details, or useful documents produced during Take 12 that could be re-used for anyone seeking to apply lessons in their business.



CHAPTER 1

A TAKE 12 INTRODUCTION

Take 12 Digital Innovation In Film was an initiative that responded to two dawning realities at the time of its launch in the Spring of 2008.

The first was that digital change and the audience demand it had enabled would have profound and irreversible consequences for the whole UK film industry (see Chapter 2).

The second was that the responsibility for dealing with these challenges – and for grasping the opportunities – rested with already overstretched small and medium-sized enterprises (SMEs).

The work of most of these businesses has been centred on a specific industry discipline – production, sales, distribution etc.

These generally low-margin activities have required a large degree of pragmatic and tactical innovation.

But the kind of strategic research and development needed to negotiate profound digital change is not generally a core competency of many SMEs.

So the UK Film Council and NESTA (the National Endowment for Science, Technology and the Arts) set up Take 12 with a clear mission and a sense of urgency.

John Woodward, the chief executive of the UK Film Council, put the point in stark terms at the project launch: *“The digital world is already having a huge impact on the film industry, and we will either adapt or fall by the wayside.”*

That statement establishes the main concepts of the programme – an understanding of what is meant by *“the digital world”* and a discovery of the thinking and the models necessary for adaptation to this new reality.

The Take 12 approach was to bring together a dozen businesses along the film value chain and experts from digital and business consultancies, whose work would

normally be beyond the financial reach of most individual SMEs.

And through working on a range of business plans and ideas, the programme would be able to create a framework for the ‘innovation ready’ business.

This process of evaluating plans, testing ideas against market realities and customer research, and implementing specific projects was carried out in ‘live’ conditions, running alongside day-to-day work.

And the results were to be shared with the whole industry.

This report is part of that process. It is not an evaluation of the scheme – those are available elsewhere (see Toolbox below) – but a sharing of lessons.

Those lessons include: practical findings from projects; ideas on the frameworks for digital projects; and insight into the evolution of thinking about business in a digital age, which changed for all the participating companies.

The report includes the following:

- An explanation of the processes that made up the Take 12 programme (pages 8 and 9).
- A look at 12 key industry developments that provide a context for Take 12 and which will provide the challenges and opportunities for the coming years (Chapter 3).
- Focus on the 12 businesses with a look at specific results and some of the lessons that the participants themselves feel were essential.
- Analysis of 12 key lessons for any business with aspirations of innovating for growth.
- Some conclusions from the Take 12 programme.

TOOLBOX

NESTA
www.nesta.org.uk

UK Film Council
www.ukfilmcouncil.org





“The Take 12 programme allows us to test how traditional business models can be adapted for emerging digital technologies. Feeding back these learnings to the rest of the industry will help ensure independent film companies are well equipped to take advantage of the exciting new opportunities that a Digital Britain presents.”

Jon Kingsbury, NESTA

CHAPTER 2

THE TAKE 12 APPROACH

Take 12 was created with a bold ambition – to find and test the strategic thinking and business models that could be used in today’s markets and foster an innovation-ready culture that could help take advantage of future opportunities.

The project deliberately rejected the luxury of futurology or academic conjecture. Take 12 was rooted in the here-and-now of most film businesses.

It is important to recognise that a global economic crisis, which set in during 2008 and 2009, added an additional challenge (see Chapter 3). For the SMEs, which comprise the bulk of what we call the UK film industry, the need for innovation had to wrestle for time with a necessity to prop up its existing business.

The programme had to find ways to put innovation at the centre of the industry agenda in companies that were increasingly under pressure – to stay focused on the digital future, rather than current crises, which made that future inevitable.

Its approach was to understand customer response to digital change, to test business plans against market research, and to offer realistic guidance that could be shared to offer value to the wider industry.

Take 12’s approach was to match experienced digital and business consultants with representative but necessarily forward-thinking businesses. For the participating companies, the challenge was both to rethink their business plans and to find frameworks for turning that thinking into action. And, of course, to share the findings

with the industry, including competitors.

For the chosen ‘innovation partners’ – generally used to working with bigger business – the trick was to ensure that their input could scale to the needs of a small business.

Selection

Selecting the right companies and partners was a critical part of the process.

The balance of companies needed to be representative of the industry but candidates needed to have a credible idea for digital exploitation.

The process began in March 2008 with a call to interested businesses and consultancies – more than 100 applications were received.

The selected companies were SMEs, covering various parts of the existing film value chain, including production, sales and distribution, and some new media start-ups.

The final candidates also represented different types of business, from established commercial distributors to a not-for-profit arts company.

TOOLBOX

Take 12 Digital Innovation Guide

www.nesta.org.uk/library/documents/film-guide.pdf

Take 12 Vox Pops

www.nesta.org.uk/news_events/video/assets/features/take_12_vox_pops



The chosen participants were:

B3 Media

A digital arts and media company working with multicultural communities

BreakThru Films

A UK production company

Film Export UK

The trade body of UK sales companies

Hollywood Classics

A sales company with theatrical rights to classic films

LUX

An international agency devoted to UK film and video artists

Metrodome Distribution

An independent distributor

Mosaic Films

A documentary production business

onedotzero

A cross-platform production and events company

Revolver Entertainment

An independent distributor

Vod Almighty

A new film streaming platform

Warp Films

An independent UK producer

Zini Limited

A start-up planning to supply third-party licensees with independent films

NESTA and the UK Film Council drew up a shortlist of 'innovation partners' following applications from a range of digital and business consultancies. Each participating company could choose a partner but two were not selected by any of the 12 and dropped out of the process, leaving three:

HUGE Entertainment/Engine (www.hugemedia.com)

HUGE, a media consultancy, since merged with Engine, the largest independent communications agency in the UK. The company works on media strategies and audience research and develops strategic tools and applications for TV broadcasters, mobile networks,

online portals, and a variety of other brands.

MTM London (www.mtmlondon.com)

MTM London is a strategic consultancy specialising in media, telecommunications and marketing and working with media conglomerates, big brands, start-ups, and non-profit organisations.

Illumina Digital (www.illumina.co.uk)

Illumina Digital is a digital design, development and production agency, working on interactive design, software development and production.

The Take 12 process

The innovation partners were to bring their experience and expertise gathered in a range of industries to a number of key areas for the participating companies.

A close working relationship would be established over the 18-month period of the programme, covering a number of areas essential for the business:

- Market analysis.
- Identifying opportunities.
- Business planning and priority setting.
- Digital marketing strategy and implementation.
- Segmentation and targeting.
- Creative support.

The Take 12 process followed the same basic pattern, beginning with the analysis of the participants' business plan, followed by research of existing and potential markets.

The partners then worked together on the implementation of those projects that survived the initial assessment. (What was rejected in the process also provided valuable lessons.)

The programme involved workshops with a range of relevant experts and businesses and included sharing of information between participants themselves.

A final – and vital – stage of the process was the dissemination of lessons to the wider industry, which came in a number of stages:

- Publication of information, through NESTA, the UK Film Council and other partners and through media partnership, notably with film trade publication *Screen International*.
- Evaluation of the project by the innovation partners and, during the programme by the participants themselves (see Chapter 5 for more).
- Creation of a Digital Innovation Guide (see Toolbox on page 7).
- Workshops and events.
- The creation of materials allowing other businesses access to resources and lessons drawn from the programme.

Take 13?

Take 12 was a uniquely ambitious project that required significant investment and was intended as a catalyst for future action, rather than as a template to be repeated.

It has already inspired some follow-up projects, including Take12: UK – a nationwide roadshow of workshops commissioned by training agency Skillset, run in partnership with NESTA and the UK Film Council. It was supported by regional screen agencies and delivered by HUGE and Northern Alliance.

The six-month programme was explicitly created to share knowledge, skills and experience discovered during the project and to help attendees to develop their own digital media technology, content, marketing and business strategies.

Early results of a recent evaluation show that Take 12: UK has been a successful programme with increases in knowledge needed to support growth and skills needed to take advantage of the digital economy, such as audience behaviour, rights clearance, aggregation, distribution, digital marketing, deal making, and funding and investment opportunities. Eighty-seven per cent of the participants expect to implement their projects within one year, and research will follow up to evaluate business impact. The programme was enthusiastically received by participants: *“This is the best quality training I have received in the seven years I have been involved in the film industry. It’s been the best organised with the most inspiring events.”*

Take 12 has the potential to have a wider impact through the regional screen agencies who played an active role in Take 12: UK. The RSAs overwhelming response was that it was an extremely high quality programme, with opportunities for RSAs to disseminate the learning into the regions.

South West Screen and BBC Films’ iFeatures was another programme that has drawn on the Take 12 experience.

- The digital film initiative aims to develop and shoot three
- full-length films in Bristol to be premiered in 2011. The
- organisers say the development of the projects will be
- partly based on the findings of Take 12.
- Other initiatives may follow as the messages from the
- programme are more widely shared.
- Perhaps the biggest lesson was the one at the heart of
- the original plan – that SMEs have an interest in creating
- a collective response to digital change.
- Beyond the specific results laid out in Chapter 4, Take
- 12 demonstrated that sharing and collaboration are
- essential because digital change for SMEs requires skills
- and knowledge that go beyond limited resources.
- Sharing knowledge at a time of rapid digital change has
- been a characteristic of the pioneers of cross-media and
- digital creative work, perhaps necessarily so given that
- they were operating in largely virgin territory.
- The UK’s Power to the Pixel and the US-based Workbook
- Project are strong examples of this open pooling of
- technical experience, audience and market knowledge
- and social media skills at the cutting edge of new
- business.
- Take 12 itself was not intended to become a permanent
- feature of the UK film industry but was to have a
- beginning, middle and end, which was reached in 2010.
- What its approach and findings have done is to create
- resources for others to draw on and an influence that will
- be important for other public initiatives.

TOOLBOX

Power to the Pixel

www.powertothepixel.com

Workbook Project

www.workbookproject.com



SHIFTY



CHAPTER 3

CONTEXT

Understanding the context in which Take 12 took place, and a sense of the future business environment in which its findings will be tested, is essential.

The speed of change in digital markets also means that specific findings are necessarily contingent.

The economic balance currently weighted against the video on demand (VOD) plans of a number of participants (see Chapter 4) may well have changed in the next few years.

But the foundations of business change in a digital era have now been laid and Take 12 suggests these provide the basis for building strategy.

The following then are driving forces for change – some negative in the erosion of existing business, but most positive in the sense of being new developments that provide at least the potential for growth.

ONE: NEW TECHNOLOGIES

Digital change, of course, begins with technology.

The speed of development and upgrades of new entertainment devices over the last decade has been astonishing.

Since the conception of Take 12, there have been many significant hardware and software advances, including the BBC iPlayer, iPhone, iPad, eReaders, mainstream use of Twitter, Google Chrome and Windows 7.

The adoption of these services has been supported by significant improvements to consumer access and to the underlying infrastructure and networks.

Broadband, in particular, has been a critical factor in take-up of technology. Access to faster internet services has been available for a decade but the potential for a mainstream downloading market for film has been reliant on connection speeds across the whole country – and these have only recently come on stream (and only in some areas).

The fastest advertised broadband speeds (50Mbps, megabits per second) promise a high-quality movie can be downloaded in three minutes, while most fast

• The UK government's Digital Britain report in 2009 confirmed the intention to deliver broadband access of at least 2Mbps to virtually all UK households by 2012.

• connections around the UK average of 3.6 Mbps may allow a feature download in less than ten minutes.

• So technology is making a viable online business theoretically attractive but that potential is about more than speed and hardware.

• What NESTA and the UK Film Council recognised was that rapid adoption of new media over the last decade has been driving changes in demand that have proved extremely difficult for the industry to fulfil.

• Reading these changes is notoriously difficult.
• Customers, particularly younger ones, are fickle about what new media they adopt and how they use it.
• (Texting, for example, was barely seen as a consumer-

tool when the mobile phone was launched and its phenomenal success was largely consumer generated).

In place of hard facts and market research, individual businesses were being presented with conjecture and hype that they did not have the means to challenge.

Take 12 demonstrated that assumptions about the interaction between audience and technology needed to be thoroughly tested. But as the next section suggests, availability of content on new technologies yet to reach the market will be key.

Perhaps the greatest practical result of Take 12 was that it showed that if a business is 'innovation ready' in its thinking and business operations, then new

opportunities can be discovered and exploited at speed.

The case studies section shows a number of projects finding that with the right partners and right thinking, they could move quickly from concept to implementation. (See Chapter 4 for more.)

TOOLBOX

Ofcom research
www.ofcom.org.uk

Digital Britain report
www.culture.gov.uk/images/publications/digitalbritain-finalreport-jun09.pdf



TWO: CUSTOMER DEMAND

There are few signs that film as an entertainment form has lost any of its appeal.

Admissions in a recession-hit 2009 were the best since 2002, according to the Cinema Exhibitors Association, and receipts for the UK and Ireland together topped £1 billion for the first time.

What's more, the appetite for the new 3D formats holds considerable promise, with *Avatar* and *Alice In Wonderland* showing the way ahead.

At the start of 2008, there was not quite the same bullishness around the box office as today. But for the UK independent business, queues around the block for the studio blockbusters has never been a clear indicator of the strength of the overall industry, and the end of the DVD boom, which provided most of their revenues, has accentuated the point.

That other unwanted indicator of high demand for film – piracy – also highlights the same crucial issue: the UK independent industry knows customers want film but they do not have the business model to take that fact to the bank.

So Take 12 recognised that demand would need to be met in new ways, or independent businesses would be squeezed out by studio giants and pirates.

Most of the participants (see Chapter 4) were explicitly seeking new ways to get their films to audiences – digital cinema, downloads, streaming and mobile.

The challenge for Take 12's participants is whether the

kind of films that they wish to make, distribute or show really can find enough of an audience to represent commercial viability.

Take 12 was very focused on this area with each project analysing the reality of audience demand through research and assessing the viability of servicing that demand in new ways – BreakThru Films' mobile release of *Alex* provides a good case study. (See page 25).

But it is important to note that there was a growing recognition that meeting demand could not be done using traditional models. A survey during Take 12 showed that 88 per cent of participants now believed that digital distribution 'fundamentally changed' what they did as a company.

Areas such as release windows, digital rights, and single territory release were all thrown into question.

TOOLBOX

UK Cinema Exhibitors Association
www.cinemauk.org.uk

Film Distributors Association
www.launchingfilms.com

European Digital Cinema Forum (EDCF)
www.edcf.net

Film Think Tank report on D-cinema
http://filmthinktank.org/fileadmin/thinktank_downloads/ThinkTank_d-Cinema_Background.pdf



THREE: ACTIVE AUDIENCES

One of the favourite clichés of conference presentations has been the emergence of a ‘martini culture’ – suggesting that consumers want content any time, any place, anywhere.

This is the vital adjunct to the discussion of customer demand above. Technology has helped create what we might call ‘active audiences’.

The experience of the music industry had shown that consumers had little patience with rights models, which restricted where they could watch the content they had purchased.

The idea that we are facing an active audience who demand services on their terms has taken its time to enter film industry culture.

User reaction has traditionally been measured in the abstract of box office numbers and DVD sales figures.

The Take 12 projects were selected, however, because they recognised the need for interaction and engagement with audiences.

What today’s audiences expect is not something that can be lazily packaged up, and demand is neither predictable nor uniform.

As the case studies in Chapter 4 show, a closer understanding of the realities of how active audiences behave informed and transformed original business plans.

The sense of a critically changed relationship between creator and producer has radical implications for a business based on an economic scarcity model and in which the interaction between producer and audience is limited.

A number of participants said it was important to watch and learn from the more radical pioneers trying out new models. It was not necessary to be an early adopter of

change, but it made sense to follow the cutting edge as closely as possible.

New companies are rewriting the rules of film and other creative media rather than trying to adapt them, and exploring radical new models around free distribution, cross-media narrative, Creative Commons licensing, viral marketing, crowd-funding etc.

Each is trying to find a means to align business models with this active audience.

The importance of watching and sharing ideas is a critical factor for Take 12 thinking. Influential business thinker and writer Charles Leadbeater suggested in a provocation for NESTA – *The Ten Habits Of Mass Innovation* – that collaboration is increasingly the key to innovation.

“The Google generation increasingly seeks out knowledge and ideas from wherever they come. The generation that grew up with MSN Messenger and social networking is instinctively at home working creatively and collaboratively together in teams.”

TOOLBOX

The Ten Habits Of Mass Innovation

Charles Leadbeater report.

www.nesta.org.uk/publications/provocations/assets/features/the_10_habits_of_mass_innovation

The Pixel Report

A UK website from Power to the Pixel showcasing digital pioneer work. www.thepixelreport.org

Truly Free Film

A blog from US indie producer Ted Hope. <http://trulyfreefilm.hopeforfilm.com/>

Seize The Media

Cross-media website www.seizethemedia.com



FOUR: THE PERFECT STORM – COLLAPSING BUSINESS MODELS

The timing of Take 12 coincided with a global economic downturn with wide-ranging consequences.

During the lifespan of the project, the independent industry was sucked into something approaching a perfect storm with the retreat of the banks and private finance from film, uncertainty about public-sector support, a tough international and particularly US market, and falling television pre-sales all coming on top of the digital challenges.

In the UK, there were additional pressures with some of its National Lottery money being redirected to the London 2012 Olympics.

These problems perhaps created a greater sense of urgency in the digital debate.

Yet while the turbulent commercial environment showed the need for change, it also reduced the capacity of SMEs to adapt. It is hard to concentrate on experimentation when so much energy is being spent on maintaining the core business.

- These setbacks may prove to be long-term advantages and, in retrospect, some elements of the Take 12 programme grew in importance as the economy headed south.
- The first is that an economic squeeze forces business and indeed policymakers to prioritise immediate expenditure and to focus very strongly on future development.
- The second is that business is forced to look at both the value of its existing operations and the realities of digital change.
- One of the common themes that emerged from interviews with participating companies was a more disciplined approach to innovation, focused on an understanding of customer behaviour and digital technologies.
- Take 12's programme established a strong difference between urgency and panic. The next chapter, which focuses on the experience of the projects themselves, offers examples of this thinking.

FIVE: THE END OF AN ERA

It clearly is the end of an era for film in at least one sense: the 35mm print that has been the single standard for theatrical release for more than a century is unquestionably coming to the end of its commercial life.

That simple fact is highly significant because the industry we see today was based on the physical creation, selling and movement of reels of celluloid – and later the movement of another physical product – DVD – which is itself in decline.

While the UK box office had weathered the economic storm very well, the Take 12 period still came at the end of a two-decade era which marked a recovery from the doldrums of the mid-1980s.

The recovery was based on two essential elements: the construction of multiplex cinemas and new forms of home entertainment, and particularly the cash cow of DVD.

At the time of the Take 12 launch, the underlying decline of DVD was obvious, even if blockbusters such as

- DVD sales dropped 7.3 per cent in 2009 compared to a record-breaking 2008, ending 11 years of consecutive growth, according to the British Video Association.



- *Mamma Mia!* were still able to break sales records.
- The upgraded Blu-ray format has been posting treble-digit increases in sales but that comes nowhere near to offsetting the fall in traditional DVD, which remains more than 96 per cent of the market.
- Take 12 was created at a time when the need for new forms of revenue to replace DVD was becoming a serious discussion. A fall in pre-sales to television around the world was exacerbating the concerns about home entertainment.
- The need to switch to on-demand alternatives of download-to-own, online rentals and streaming video

were obvious by the start of 2008. Finding models to make the switch is a much taller order, as the music industry has discovered (see page 16).

Many of the initial ideas of participants (see Chapter 4) were centred on video on demand (VOD) as the key growth area. That may indeed prove to be the case but analyst Screen Digest says VOD accounted for just £17.3 million in consumer spending in 2009.

A key lesson from Take 12 is that the market remains in its infancy and the balance of physical and digital products will take time to settle down.

What is certain is that the models to take advantage of these developments will take some time to emerge into the mainstream. But the findings of a number of projects suggest that it makes sense to be on board as soon as opportunities mature.

TOOLBOX

Screen Digest 2010 briefing for British Screen Advisory Council
www.bsac.uk.com/files/uk%20_movie_market_update_2010.pdf



SIX: PIRACY

Piracy was the dominant theme in digital discussion in 2008 and remains an overwhelming concern. As Take 12 came to an end, tough anti-piracy legislation was being considered by Parliament after years of lobbying.

Back in 2007, the UK film industry's losses to piracy were estimated to be £486 million, with \$84.7 million (£53 million) lost online. There were an estimated 47 million illegal viewings of streamed material, representing a loss of \$17.6 million (£11 million).

Such figures are contentious because they are based on assumptions about how far a pirated download can really equate to a lost sale. Few doubt, however, that piracy undermines the existing business models and distorts discussions about new ones.

The UK government has passed legislation – the Digital Economy Act – which may compel internet service providers (ISPs) to disclose information on customers infringing copyright, with a range of sanctions for repeat offenders.

Such bills have attracted criticism from privacy campaigners. However, there are also prominent voices for whom the system of copyright is itself the problem and who see free access to, and engagement with, customers as the key to future value. Chris Anderson's book *Free* has been particularly influential in this area.

But there was in any case a change of tone in the mainstream industry, even during the period of the Take

Oxford Economics research suggests that combating audiovisual piracy could add more than £600 million to the UK economy with the creation of 8,000 jobs.

12 project, with more effort focused on how the industry could legitimately give customers more of what they want, rather than concentrating only on stopping them taking it illegally anyway.

The search site Find Any Film, launched in January 2009, was among the products of this thinking, showing consumers where they can buy the products they want to watch.

Take 12 was itself part of a two-pronged approach from industry to piracy. It is the flip side to legislation, concentrating on the building of legitimate digital models.

TOOLBOX

Find Any Film
www.findanyfilm.com

Chris Anderson interview
www.wired.com/techbiz/it/magazine/16-03/ff_free



SEVEN: THE MUSIC INDUSTRY

One mantra endlessly repeated in the years immediately preceding the *Take 12* launch was that film had to “*learn from the music industry.*”

Sales of recorded music went through a serious decline at the turn of the century with the finger firmly pointed at illegal downloading.

Given that Hollywood also has significant interests in the music business, it is not surprising that music has exerted considerable influence on film.

The lessons from music, however, have tended, reductively, to focus on piracy and with some reason. The (admittedly partial) source of the International Federation of the Phonographic Industry (IFPI) claims that 95 per cent of music downloads are illegal.

The initial response from the music industry majors was defensive, focused on shutting file-sharing sites, notably Napster, in 2001. And the music companies were instrumental in the trial and prosecution of the founders of Pirate Bay in Sweden in 2009.

But there are other lessons from music, not least that trying to protect the physical format and scarcity models cannot be the only approach to business because it hands advantages to pirates.

It took some time for music to come to terms with the fact legitimate content needed to be made available online.

By the end of 2010, according the NPD Group, downloads in the US will make up close to half the

sales of music in the US. But that growth came with hard-fought concessions, particularly on digital rights management (DRM), ceding much ground on how consumers can use purchased content. Film is already facing some of those issues.

One is an understanding of how to exploit assets beyond what had been the core business. The live ‘experience’ has become an area of considerable growth with some artists experimenting with giving away free CDs in order to boost tickets sales and merchandising.

UK band Radiohead has experimented with a pay-what-you-like freely-available download strategy and bands, including Nine Inch Nails, have issued material under Creative Commons licences.

Platforms such as the UK’s Last FM and, from 2008, Swedish web phenomenon Spotify, have also established new models from streaming content, based on advertising and subscription.

Music offers a broad guide to digital evolution rather than a template for film.

TOOLBOX

Creative Commons
creativecommons.org

British Recorded Music Industry
www.bpi.co.uk



EIGHT: OVER-PRODUCTION/UNDER-DISTRIBUTION

For independents, the theatrical market at home and overseas has become very overcrowded.

The number of feature films made in European states rose more than 25 per cent between 2004 and 2008. Yet admissions were more than one billion, compared to 924 million in 2008.

The UK figures seem more conservative, down from 133 films in 2004 to 111 in 2008 but this was largely due to a drop in co-productions following reform of the tax regime; and domestic production rose as in most other countries (see box on page 17).

Fewer than half of UK films released between 2003 and 2006 were released within two years of principal photography, according to the UK Film Council’s 2009 Statistical Yearbook, yet those films accounted for 71 per cent of the production budget.

The fact holds true: there is a squeeze on theatrical space which means producers need to explore other

The number of domestic feature film productions was up from 28 in 2004 to 66 in 2008, according to the UK Film Council.

means to reach audiences. The hope back in 2008 that digital cinema might take up some of the slack looks much more precariously balanced in 2009 as smaller independent cinemas struggle to find the funding for digital conversion.

Take 12 was a response to the market reality that theatrical release will remain a key window – perhaps the key window for some films – but the exploration of new means to reach and engage with audiences has already become an imperative concern for the UK’s indigenous production.

The example of Hollywood Classics, which experimented in digital cinema programming in its Take 12 work, offers a hint of future potential (see page 29).

NINE: ON-DEMAND SERVICES

Many film companies have been pursuing the Kevin Costner *Field Of Dreams* approach – “If you build it, they will come.”

At the start of 2008, the need for on-demand infrastructure was considered vital – and the European MEDIA programme began to act as a kind of supranational venture capitalist, backing VOD platform construction.

The inspiration wasn't hard to spot. User-generated video sites, most notably YouTube, had become phenomenally big. Fewer than five years since its launch, it was able to boast six billion viewings of content in one month in 2009 with 20 hours of content uploaded every minute. Everyone wanted a piece of the action.

A number of the Take 12 projects were keen to construct their own VOD platforms but the project asked questions about the value of so much new building, when significant issues such as international digital rights remained unresolved.

Bigger VOD sites, such as The Auteurs, explicitly highlight for users that there are gaping holes in its ambition to become the centre for European cultural film because of the confused rights system.

Take 12 challenged business to consider whether being a platform was really the best means to exploit assets

TOOLBOX

European Audiovisual Observatory Focus Report
www.obs.coe.int/oea_publ/market/focus.html

UK Film Council Research
<http://ukfilmcouncil.org.uk/research>



The European Audiovisual Observatory identified 200 VOD services in Europe in 2007, there are now more than 700, with 145 of them in the UK.

given a confusing proliferation of the VOD market.

Back in the dot-com era, there was a similar rush to become a 'portal' rather than a site. And in music, the same desire was there to become the platform for content.

In reality, a few sites dominate market share because consumers tend to gravitate to trusted brands.

Screen Digest research suggests that 90 per cent of film sales are on platforms and devices from Apple, Microsoft and Sony.

TOOLBOX

Screen Digest
www.screendigest.com

The Auteurs
www.theauteurs.com



TEN: SOCIAL NETWORKING

For film innovators, the rise of the social network was quickly recognised as an opportunity but one that was often misunderstood.

The widespread perception that social networking was the preserve of 'kids' was never really true and, in fact, the biggest demographic segment of users was the over 35s even in 2007.

Participants were largely aware of the relevance of social networking but the innovation partners were able to offer more effective means to use social networks and other social media, such as Twitter (see Chapter 5).

The need to take responsibility for these aspects of film marketing does not come naturally to everyone in the business and Take 12 showed that the use of social networks is both a specialist skill and a time-consuming responsibility.

But social networks create relationships, trust and loyalty and the programme was able to see how that could be encouraged and supported.

The fastest growing Facebook demographic in the US is now the over-55s, according to analyst iStrategy Labs.

Taking engagement beyond just constructing a page and recruiting friends was both a challenge and one of the achievements of some of the Take 12 projects. B3 Media's work in finding more collaborative means to network and share between creators and audience communities is a good example (see page 23).

TOOLBOX

NESTA's Social by Social report

Chapter 6, The Companion. Essential tools and resources for using social media to get a project up and running and talked about, and measuring the results. www.socialbysocial.com



ELEVEN: NEW FINANCIAL MODELS

The speed at which technologies outlined above arrived and were assimilated into the mainstream means it is hardly surprising that business models to exploit these new opportunities have found it difficult to keep pace.

Technological innovation has, of course, always preceded business models. The Lumière Brothers got out of the original cinema industry they helped invent in the 1890s after a few short years, declaring it an *"invention without a future"*.

The development and testing of new models can only

come through trial and error – and through projects, such as Take 12, dedicated to testing and sharing experience.

Talk about the need for a new business model had something of an alchemistic air in 2010 – as if a magic formula could be discovered.

What each of the Take 12 projects showed was that there was not single model but a number of different ways in which to access and engage audiences. Models then are not industrial processes in the gift of industry but the result of interaction.

TWELVE: NO CHOICE

UK Film Council CEO John Woodward's comment at the beginning of this report makes a clear case that we are already in the digital era and will have to adapt.

The pace of innovation in technology has shown no signs of abating and there are reasons to believe that this state of permanent change will continue, including competition between computing and telecommunications companies and consumer demand.

There is also a term from computer science called Moore's Law, which has accurately predicted that the processing power of a computer chip will roughly double every 18 months. Coupled with the more familiar law that the costs of electronic goods will fall as demand rises, it is difficult to see the pace of change abating.

The consumer behaviour that these developments are enabling also looks likely to be a long-term fact of life. The figures show that young consumers have embraced change in a way that it is hard to imagine reversing (see Toolbox).

- The economic downturn and likely further pressure on public spending means innovation is now a permanent fact of life.
- Take 12 at heart is a vote of confidence that the film industry can and will adapt and embrace the opportunities of digital changes.
- But it is fair to say that nothing quite concentrates the collective mind like having no choice.

TOOLBOX

GSM Association survey of children and mobile phones

www.gsmworld.com/documents/Final_report.pdf

Kaiser Foundation survey of children's media use

www.kff.org/entmedia/mh012010pkg.cfm





'This is England'. Director Shane Meadows

CHAPTER 4

CASE STUDIES

In this chapter we look at the specific case studies of the Take 12 businesses.

In Chapter 2, we looked at the processes that each business went through.

This chapter takes a look at the impact that the process had on the participating companies.

The impact took a number of forms.

Some were direct:

- Tangible results in plans taken from concept to fruition with the support of the innovation partners.
- The establishment of frameworks for future development through experimentation on specific projects.
- Reorganisation of the business around a changed digital agenda.
- Market research which allowed the participants to make informed decisions about what (and importantly what were not) the main audiences for a variety of projects.

Others brought less immediate results but set the framework for future business:

- A changed way of thinking about digital change, which will form the basis of future action.
- A sense of a digital timetable, offering some clarity on the way that the digital market is developing and technologies are implemented.



“We have been able to rethink our business model which has evolved organically, over the last 18 months, and as a result have created a new business plan which, we believe, truly reflects the core goals and philosophy of the organisation.”

B3 Media Managing Director, Marc Boothe



THE TAKE 12 PROJECTS

B3 MEDIA

PROFILE

B3 Media is a network which connects emerging black and multi-ethnic artists and film-makers with the UK's creative media industries. It develops projects using digital technologies and platforms, ranging from shorts to full-length features. B3's programmes include: Blank Slate, which develops and nurtures film-making talent from a minority background; FeatureLab, which helps fast-track feature projects; and PowerLab, which helps develop new creative directions among artists, film-makers and other talent.

AIMS

B3 Media wanted to develop a model for the online distribution of a diverse slate of projects in a number of different media and a forum to create new projects, from scripts to films to art. It also wanted to look at commercial opportunities to support its work.

INNOVATION PARTNER

HUGE Entertainment/Engine

LESSONS LEARNED

1. Start early. And be prepared to tear up the rulebook

B3 believes Take 12 allowed it “*space and much needed time*” to rethink, reframe and reposition B3 Media as an incubator, developer and producer of cross-platform multicultural content.

This rethinking of the business models led to the streamlining of core activities and workflow and social media opportunities, identifying new connections between its network of artists, project partners and funders.

These changes can be seen in a revamped website and its Twitter and Facebook work. The redesign process came out of a process of ‘reframing’ the idea of what a media agency of the future was about, focusing on the storytelling process in short and long-form content to support its wide range of talent.

The dynamic video content showcases talent and encourages audience participation, through comment and the submission of video work. The result has been an increase in unique visits to the site and new leads and collaborations.

2. Develop networks and knowledge beyond the comfort zone

Business value comes from identifying new means to work with communities of interest.

The tangible results of this approach can be seen in the development of an interactive storytelling platform, called The Elders (see Toolbox) with photographer Franklyn Rodgers, combining photography, documentary film, online and mobile elements.

It has provided a fresh way of making digital media accessible to multi-ethnic communities in an innovative way to document the first generation of West Indians who settled in Britain in the early 1960s and their connection to the global African diaspora.

3. Act local, think global

Developing networks with partners and collaborators outside the usual network has yielded results. In the last 12 months B3 has been developing a slate of new projects with partners in countries including South Africa, Canada, Brazil and New Zealand.

TOOLBOX

Website
www.b3media.net

Elders project
<http://vimeo.com/8735988>





“It can be a challenge to find time to focus on digital and develop a sound understanding of the issues and opportunities. But independent film-makers must embrace the changes that digital is bringing to the industry. For us, this means applying mobile content across all of our own film titles and potentially developing mobile content for titles from other broadcasters too.”

Jasmine El Mulki, Associate Producer at BreakThru Films

THE TAKE 12 PROJECTS

BREAKTHRU FILMS

PROFILE

BreakThru films is a London and Warsaw-based film animation production company that handles its own international sales and domestic distribution. The company's slate of prize-winning shorts includes the Oscar-winning short *Peter And The Wolf*.

AIMS

The company saw potential in the growing mobile content market. It wanted to explore the potential of mobile phones and devices as distribution platforms both as a means to exploit its existing catalogue and as an option to develop new products.

INNOVATION PARTNER

Illumina Digital/MTM London

LESSONS LEARNED

1. Digital knowledge can bring fast returns

BreakThru discovered that with knowledge of the market and collaboration with experts in the field, mobile applications could be developed quickly and effectively.

The most tangible outcome of the Take 12 plan was the repurposing of the comic strip *Alex*, for which it holds the rights, as a new form of mobile content. The satire on life in the City, which runs in the Daily Telegraph newspaper, was recreated as an iPod app, split up into what the company called Tapisodes.

BreakThru has since held talks with the BBC, ITV and major comic-book publishers in France, the UK and the US about developing interactive cartoon and video games.

The company also held discussions with ITV Global Entertainment and BBC Worldwide about the *Animovela* format and content.

2. Identify the experts in the field

Workshops and market research were conducted to give the production company a solid understanding of the rapidly evolving mobile content market.

BreakThru met with key players in the mobile market, including mobile aggregators, content producers and application developers, to collect practical advice and direction.

Further research and reviews assessed various limitations and capabilities of mobile devices and a detailed guide was provided for BreakThru to construct a plan of action, in addition to a technical mobile testing application for the material.

TOOLBOX

Website

www.breakthrufilms.co.uk

Alex

www.itunes.com

Mini Guide

Mobile opportunities – 3rd screen.
www.nesta.org.uk/areas_of_work/creative_industries/film/take_12

Mini Guide

Multi-platform approach to production.
www.nesta.org.uk/areas_of_work/creative_industries/film/take_12



LUNAR INDUSTRIES



“We feel like we now have a strong idea of how the markets are developing and that has given us a realistic view of the future.”

Charlie Bloye, Chief Executive, Film Export UK

THE TAKE 12 PROJECTS

FILM EXPORT UK (FEUK)

PROFILE

Film Export UK is a trade association representing international sales companies with active offices in the UK. Founded in 2007, it supports members with lobbying, training and business advice and support.

AIMS

FEUK wanted to explore business frameworks and models which sales companies could employ in building a role in a digital future.

INNOVATION PARTNER

Illumina Digital/MTM London

LESSONS LEARNED

1. Understand the pace of change

FEUK represents an industry group that is unquestionably challenged by digital change, but Take 12 allowed time to assess the nature of that challenge beyond popular conceptions about the end of 'middle men'.

FEUK was able to examine, in some detail, the way that the market was developing and the broad experience of its innovation partner enabled it to formulate a clearer sense of a timetable for change. The sense of imminent crisis for some members was exchanged for longer-term strategic thinking.

The leadership of FEUK was able to accumulate knowledge about the development of digital technology, which it has been able to pass on to members, through an improved website. Some of the information is specific, such as the commercial prospects for platforms such as iTunes.

On a more basic level, FEUK acquired greater confidence to explain digital change to members and to decipher the sometimes confusing language.

2. Focus on the positives

The digital revolution should not be seen as a negative 'virus'. Digital cinema, for example, offers cheaper prints and makes cinema and festival distribution easier, which will always be imperative to giving a film its vital first push.

From Take 12, FEUK believes it is better able to identify what are business opportunities to be understood and negotiated in future and what are hyped short-term ventures masquerading as 'models'.

The body now wants to ensure that the sales company is heard in the key industry debates about digital change, in areas such as piracy – and it has the website and online tools to create a strong voice.

Most of all, FEUK has been looking at the sometimes underestimated value that sales agents contribute to a film, which will be no less essential in the digital world.

TOOLBOX

Website

www.filmexportuk.com

Mini Guide

digital marketing – managing brand and online community.
www.nesta.org.uk/areas_of_work/creative_industries/film/take_12





“Understanding digital changes is essential but you also need a pragmatic view. That does not mean that we do not revisit ideas though.”

David Llewellyn-Jones, Head of DVD and TV Sales, Hollywood Classics



THE TAKE 12 PROJECTS

HOLLYWOOD CLASSICS

PROFILE

Hollywood Classics is a UK company, which holds theatrical rights to historic films such as *Some Like It Hot*, *Raging Bull* and *West Side Story*. Its 500-strong DVD catalogue includes classic movies from MGM, Universal, Twentieth Century Fox and the UK Film Council as well as a number of independent producers.

AIMS

The company wanted to move beyond its successful but slowing DVD core business to embrace digital alternatives, including VOD and digital cinema.

INNOVATION PARTNER

Illumina Digital/MTM London

LESSONS LEARNED

1. Know your market

Like most of the film companies in the project, Hollywood Classics is essentially a business-to-business operation.

Its initial Take 12 plans would have been a switch to the business-to-customer world with a standalone VOD platform. However, the theoretical ability that the internet offers to make the shift from B2B to B2C business was rejected because the current market looks stacked against the idea.

It was felt that the US studios were unlikely to release the VOD rights to their films and a pure British film site would not offer a decent return on investment – however the company has not ruled out future development.

Instead, the company focused on what it does best in dealing with third-party businesses.

Hollywood Classics signed deals with the VOD platforms of LoveFilm and The Auteurs for some titles.

The company also had some success in digital cinema, with the release of short seasons of films in Sweden and the Czech Republic. The results were promising, if not highly profitable, given the relatively small number of digital cinema screens. The company has employed a Digital Cinema Coordinator, and from the lessons learned during the pilot programme plans are well advanced to launch a programme of mini festivals of classic films to digital cinemas across Europe during 2010.

2. Don't write anything off

Hollywood Classics took a line that was repeated by a number of other participants – that plans rejected today could be revived in the future.

Given the volatility of the market, new opportunities may arise and the company feels that it is more prepared to grab those opportunities if they do arise.

TOOLBOX

Website

www.hollywoodclassics.com

Mini Guide

Video on demand.
www.nesta.org.uk/areas_of_work/creative_industries/film/take_12



FALSE AGING

LUX

LUX

“The big challenge is keeping pace with the way that audiences and users are interacting with film and video art. We know we want to rationalise our business through the use of digital technologies, but it’s hard to predict how digital will evolve in the future. In this context, it’s important for us to stay light, flexible and open to change, rather than focus too much on any one particular solution.”

Benjamin Cook, Director, LUX

LUX

LUX

THE TAKE 12 PROJECTS

LUX

PROFILE

LUX is an international arts agency. Founded in 2002 as a charity, it provides professional development support for artists in working with the moving image.

AIMS

In joining the scheme, LUX wanted to make its catalogue of around 5,000 films from 1,500 artists available to a wider audience while continuing to improve their online business. The agency also wanted to complement and support the not-for-profit business with new commercialised activity developed with the aid of digital technologies.

INNOVATION PARTNER

HUGE Entertainment/Engine

LESSONS LEARNED

1. Know your strengths

LUX saw Take 12 as an opportunity to establish commercial models to give the organisation stability and growth potential. LUX saw its expertise as negotiating the waters of the public sector but felt uncertain of how to develop commercial thinking within the business.

During Take 12, LUX discovered that it had many of the core skills needed to engage with the commercial sector and that the learning was around how to package them and approach the market. Understanding the value chain and what value LUX already brings to the longer process was essential, and allowed the participants to explore their own areas of comfort.

This allows LUX to put aside commercial decisions that were too far from their core competence, or that strayed too far into the territory of their current industry partners.

The resulting packages were core to LUX's strengths, in demand from the market, and well enough understood to take to potential customers immediately.

2. Effort doesn't equal value

LUX has a highly regarded reputation among artists, agencies, and institutions, all of whom could do with a bit more of what LUX can offer. But the value of what each of these segments offers LUX varies significantly, and choosing who to spend time with is at least as important as knowing what to do once you're there.

LUX reviewed each of its customer groups for the greatest need and the greatest value, and while some appeared more attractive than others, the true value of those groups and their constituents varies significantly.

As a result, the company developed a set of packages around European funding to align the digital needs of institutions with regional government spending.

TOOLBOX

Website
www.lux.org.uk





“Having experts and agencies who really understand the landscape, who could give us resource and back-up and consultancy meant we could be more experimental and innovative than we normally would on the limited budgets that we have as a small independent distributor.”

Jezz Vernon, Head of Marketing and Operations, Metrodome

THE TAKE 12 PROJECTS

METRODOME

PROFILE

Metrodome is a distributor which acquires independent film for theatrical, DVD and alternative broadcast release.

AIMS

To explore the potential for online distribution as existing areas of business, such as DVD, decline.

INNOVATION PARTNER

Illumina Digital /MTM London

LESSONS LEARNED

1. Go where established audiences congregate

Establishing a platform to attract audiences can be wasteful – not least because people do not generally follow films based on the distributor's brand.

A more efficient and effective approach is to find where the desired audience already congregates online and take the marketing to them.

A promotional music video for its film *Shifty*, for example, was placed on RWD magazine's urban YouTube channel – and had many more hits than any of the film trailers online – because of the music stars and the placement in a high-traffic location.

The website for its 2010 new release *I Am Love* is sited within the Guardian newspaper online, with traffic-generating competition prizes and preview tickets and an effective relationship with an influential media source.

2. Adaptability is key to effective digital marketing

Online marketing allows quick changes to approach if one idea is not gaining traction.

It is also much easier to quickly measure and analyse hits, views and interaction rates – and to act on the information.

Multiple strategies that complement each other are important to move quickly between marketing options because some approaches will not work.

3. Edgy marketing generates headlines

Edgy creativity enabled by online video and email has PR value. Metrodome's spoof police drugs message sent out to individual email accounts generated many thousands more page impressions from the media coverage after it was banned by the Advertising Standards Authority than it did as a viral email in its own right.

TOOLBOX

Website

www.metrodomegroup.com

RWD magazine video for *Shifty*

www.youtube.com/watch?v=6KY0kgyAFYU

Viral ad for *Shifty*

www.youtube.com/watch?v=z67CfPTGfMI

Mini Guide

How to get attention online.
www.nesta.org.uk/areas_of_work/creative_industries/film/take_12





“Take 12 was important in changing our way of thinking but it has also allowed us to re-find our niche and to solidify our USP.”

Andy Glynne, Managing Director, Mosaic Films

THE TAKE 12 PROJECTS

MOSAIC FILMS

PROFILE

Mosaic Films is an independent documentary film production company with particular experience in international co-productions. The outfit has produced a number of social documentaries including *The Tube*, *A Year In Tibet* and *Made In India*.

AIMS

The documentary film has been through something of a renaissance in recent years, – perhaps inspired by the success of theatrical releases from directors such as Michael Moore, the decline of in-depth journalism on television and newspapers, or lower costs of production. Whatever the reasons, the market for theatrical documentary has become extremely crowded, reducing opportunities to reach audiences. Mosaic wanted to find new models to allow it to find funding and audiences online.

INNOVATION PARTNER

Illumina Digital/MTM London

LESSONS LEARNED

1. Digital success comes when attuned to the core business of the company

The most tangible result was a relationship built with one of the innovation partners Illumina. Together, they won an award for factual content over mobile at the 2009 MIPTV festival in Cannes and were given £15,000 in development funding. The idea, *The Great British Summer Holiday*, was based around four celebrities travelling across the UK, documenting their journey via video, photos and an SMS feed. It did not yield major results in itself, but suggested ideas that will be used in future projects.

2. Absorb the changed business thinking

Mosaic has seen a shift of emphasis from television as its dominant core market towards multi-platform opportunities. The results can be seen in post-Take 12 projects which are breaking new ground. London Recut, for example, is an initiative launched in May 2010 with Illumina Digital and Film London, The British Film Institute and London's Screen Archives. It is a competition in which Londoners will edit archive footage into their own personalised film.

TOOLBOX

Website

www.mosaicfilms.com

London Recut

www.londonrecut.co.uk

Mini Guide

How to get attention online. www.nesta.org.uk/areas_of_work/creative_industries/film/take_12





“Digital work requires a conceptual leap and sometimes it is necessary to make it up as you go along. But from the workshops and sharing with other people, it was clear that cooperation, not competition was a better way to share ideas.”

Claire Spencer Cook, Senior Producer, onedotzero



THE TAKE 12 PROJECTS

onedotzero

PROFILE

onedotzero is a London-based moving image and digital arts organisation, which commissions, showcases and promotes innovation across all aspects of moving image, digital and interactive arts. The organisation, founded in 1996, has an international reputation for its annual onedotzero_Adventures In Motion Festival and associated touring. It has a cross-media and collaborative approach attuned to technological advances and fast-paced change within digital arts and the contemporary culture landscape.

AIMS

onedotzero was founded on innovation. It has a track record of creating digital business but it felt it needed to focus on the effectiveness of its long-established platform and to consolidate its technology to provide a more effective service for its festivals. It also wanted to work on the community elements of its work.

INNOVATION PARTNER

HUGE Entertainment/Engine

LESSONS LEARNED

1. Aim for year-round community

Work is needed to ensure that digital activity does not become a series of spikes around specific events.

The business looked at creating a website that was more a permanent and engaged community and less a place to go for specific events. It also consolidated its technology around those technologies that worked best to ensure the most efficient delivery of content.

The approach is particularly important for a business which has built a reputation for events, which necessarily generate a great deal of short-term traffic. For example, projects such as the Cascade education programme – which aims to bridge the gap between university and the creative industries – have become more of a multimedia, interactive experience.

Another element of this 360 degree approach has been to aggregate its content to give it maximum reach and a longer shelf life. onedotzero developed its 'best of' package with a strong section of the site looking back at key events.

2. Consolidate digital gains

onedotzero has a long-established reputation for innovation but established disparate digital ways of working.

Take 12 was a chance to consolidate work around the most effective tools, services and strategies. The company, for example, streamlined its digital content, focusing on those areas that had worked well, such as Facebook, Twitter and Vimeo video.

This streamlining of technology went hand-in-hand with work focusing on the core company strategy. Shane Walter, Director of onedotzero, said: *"It is essential that you pursue only the opportunities that are right for your business. Digital has the potential to transform everything we do – from content creation through to dissemination and community engagement"*.

TOOLBOX

Website
www.onedotzero.com

Cascade
www.onedotzero.com/education.php





“We know that the future lies in digital and we’re prepared to take bold steps to take advantage of digital opportunities. The desire for films is not going to go away but the questions are going to be ‘What is the mechanism to pay for them and how will they be served?’ The most important thing we can do is not to be playing catch up.”

Justin Marciano, Managing Director, Revolver Entertainment



THE TAKE 12 PROJECTS

REVOLVER ENTERTAINMENT

PROFILE

Revolver Entertainment has been one of the UK's most adventurous film distributors since its inception in 1997. In 2008, it was the first distributor to release a 3D digital concert movie – *U23D* – which generated \$1.4 million at the UK box office. It has also created a reputation for innovative marketing and unconventional release strategies.

AIMS

Revolver wanted to build on a history of marketing innovation by developing new digital strategies. It was also keen to look at how to work with partners in effectively and efficiently incorporating digital distribution – and particularly video on demand (VOD) – into its established release strategy.

INNOVATION PARTNER

HUGE Entertainment/Engine

LESSONS LEARNED

1. Be willing to break industry taboos

Revolver went into Take 12 looking at new models to support a video on demand platform. But a thorough study of the emerging market demonstrated that these fields remained in flux and that value had to be weighed against costs and time.

The ability to exploit digital opportunities still required Revolver to be nimble and imaginative with small budgets – which has always been a core strength of the company.

Revolver has acquired an enviable reputation for its anti-establishment approach to business. Getting the attention from Apple through its YouTube-released film *Hitler Hates iTunes* in 2009 was a fine example of its approach.

During Take 12, it took on another established taboo in the release window that theatre owners were fiercely protecting between cinema and DVD release. Revolver explicitly challenged the idea that the industry, rather than customer demand, would dictate its digital strategy.

In late 2008, the company simultaneously released the Microwave/Film London feature film *Mum And Dad* theatrically, on DVD, VOD and pay-per-view. Marketing crossed all platforms so audiences had a real choice of how they watched the film.

The 'punk cinema' feel was helped because the day-and-date release led to a high-profile boycott by the Cinema Exhibitors Association which created considerable buzz for the film.

2. Develop audience relationships at an early stage

Distributors have created their campaigns based on finished products but the ability to create relationships with audiences at the production stage has distinct advantages – an idea explored during Take 12.

For basketball-based teenage romance *Freestyle* released in October 2009, Revolver got in at a very early stage, including working with social networking service Bebo and the US basketball league NBA to develop an open-call audition to star in the film.

More than 20,000 people attended the audition, already forming a solid fan base before shooting had even begun.

TOOLBOX

Website


www.revolvergroup.com

Mini Guide

Digital marketing – how to get attention online.

www.nesta.org.uk/areas_of_work/creative_industries/film/take_12



A professional headshot of Christopher Figg, CEO of VOD Almighty. He is a middle-aged man with short, light brown hair and blue eyes. He is wearing a dark navy blue suit jacket over a light blue, button-down shirt with a subtle grid pattern. The background is a plain, light-colored wall. The lighting is soft and even, highlighting his features.

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“The links we’ve established with complementary businesses will really help us to develop the site.”

Christopher Figg, CEO of VOD Almighty

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THE TAKE 12 PROJECTS

VOD ALMIGHTY

PROFILE

VOD Almighty is a subscription-based platform, which distributes independent films that have had success at film festivals or in overseas markets but have yet to make it to the UK through standard distribution models. It streams content online, via its website, that can be played on home entertainment systems. Its site became fully operational in September 2009.

AIMS

Each film has its own page on the website, enabling interaction between film-makers and their audiences within the VOD community. VOD Almighty was interested in examining the possibility of new VOD providers and also wanted to refine its business plan through in-depth market research.

INNOVATION PARTNER

HUGE Entertainment/Engine

LESSONS LEARNED

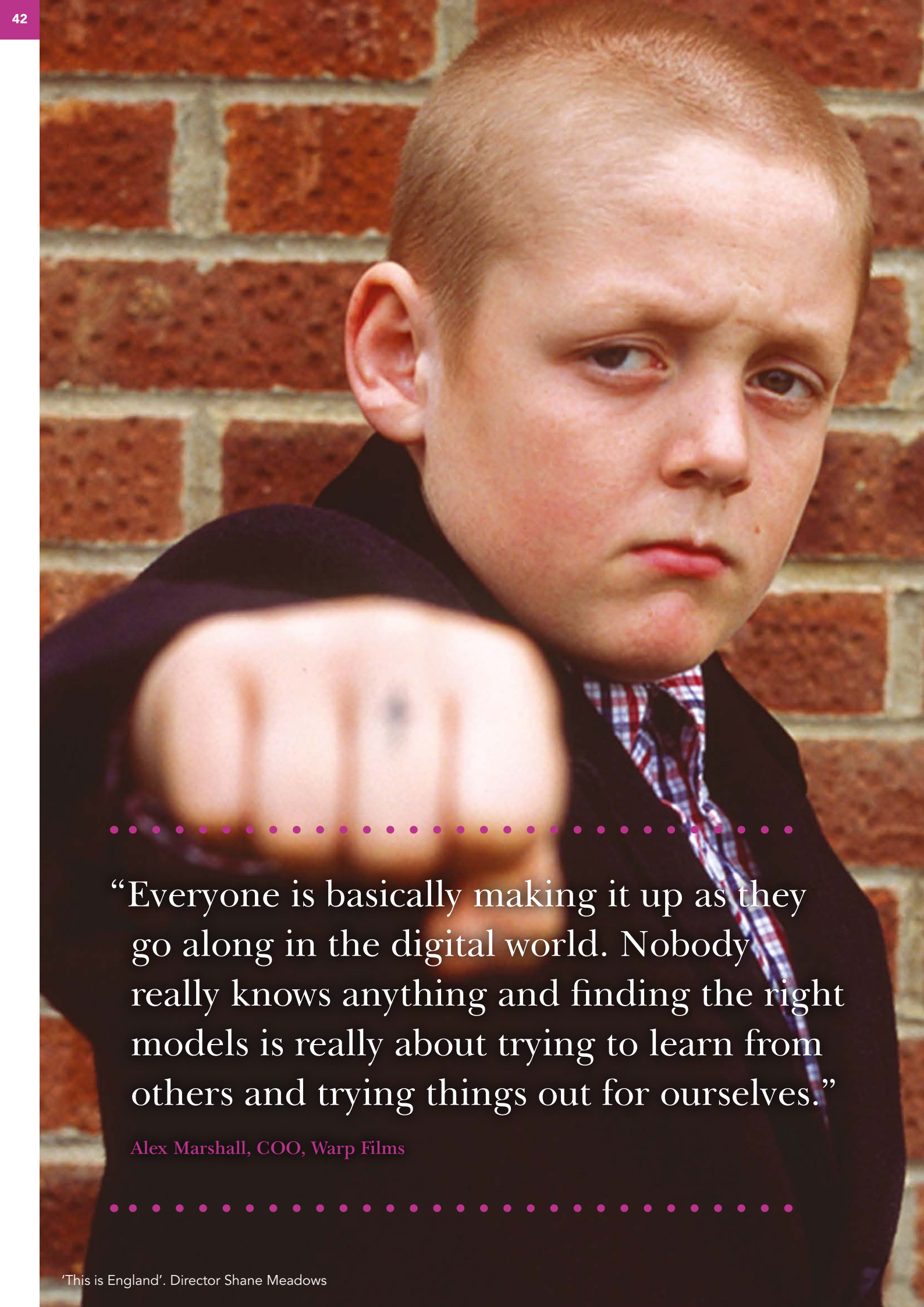
1. International business requires an understanding of audience variety

The international market research conducted for Take 12 uncovered valuable data, which have influenced VOD Almighty's international ambitions.

The work in the UK and German markets in particular showed that the profile and buying habits of potential customers varied widely between demographic groupings and different territories. These findings sometimes went against initial assumptions.

The research suggested, for example, that families, and particularly mothers, were generally less interested in downloading. And it showed that while UK audiences tended to be influenced by awards, talent or how current a film was, Germans were more inclined to look for notable stars or film-makers.

Positive steps based on these findings included a pricing strategy for the US, Japan, France, Spain and Italy, after research demonstrated that customers favoured a pay-per-view model over the company's subscription approach.



“Everyone is basically making it up as they go along in the digital world. Nobody really knows anything and finding the right models is really about trying to learn from others and trying things out for ourselves.”

Alex Marshall, COO, Warp Films

THE TAKE 12 PROJECTS

WARP FILMS

PROFILE

Sheffield-based production company Warp Films, and its sister company Warp X, have had considerable commercial and critical success with their features, shorts and music videos. They are well known for the work of Shane Meadows including *Dead Man's Shoes*, *Le Donk and Scor-Zay-Zee* and BAFTA Award Winner *This Is England*.

AIMS

The company wanted to test the potential of self-distribution of its own films and to look at how social media and other technologies could allow closer access to its audiences.

INNOVATION PARTNER

HUGE Entertainment/Engine

TOOLBOX

Website

www.warp.net/films

Mini Guide

Digital Marketing – Managing brand and online communities.

www.nesta.org.uk/areas_of_work/creative_industries/film/take_12



LESSONS LEARNED

1. Don't reinvent the wheel

Warp was already a company known for innovative marketing and with a reputation for making the most of limited resources. The company says that in many ways the value of Take 12 was to reinforce its approach to business rather than presenting any business-changing models.

Innovation partner HUGE focused on a more tactical approach, identifying and testing the value of digital, social media and marketing tools.

Warp and Take 12 brought in expertise and ideas from different business disciplines, including games and bloggers and ran a workshop for the Warp team, which informed its campaign for the release of *Le Donk* and later work.

Warp commented that one of the most important shifts is learning to engage with the audience, and that's something that producers don't normally do. Warp relaunched its Facebook page as a more dynamic tool to connect with audiences. Social networks, bringing together the full range of films, help create a real sense of a Warp brand that consumers can engage with. Most distributors relate to audiences only through individual films, but Warp has created something closer to a record label, to which audiences can relate. It's a lot of work that's not always immediately realised in revenues.

2. Effort doesn't equal value

Warp's documentary about the cult music festival *All Tomorrow's Parties* was an opportunity to look at how to marry a number of brands across multiple platforms.

The company looked at how to create a film release that reflected the eclectic nature of the event and its loyal global fanbase. Download and DVD release was supported by a series of one-off screenings around the world, which became events in their own right, including live music and some of the holiday camp features of the festival itself.

Take 12 was a chance to look at how to build the idea of a brand that transcends any single platform and allows local customisation. Warp also looked at options for building commercial partnerships with other brands seeking similar audiences, which will form part of future strategy.

3. Digital change does not offer easy shortcuts

Warp's decision to self distribute *Le Donk* required the same kind of energy and improvisation that characterised the making of the low budget feature itself.

Take 12 helped inform the campaign, which was based on a short run in cinemas followed quickly by the DVD release. The release followed the same theme of 'credit crunch' movie making but took a great deal of energy.

While self-distribution did achieve results and was a valuable experiment, the company said it was likely to work with distributors for bigger releases.



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“I think that collaboration between like-minded businesses will be key to identifying and exploiting the opportunities that digital innovation can bring to the UK film industry.”

Nadine Luque, CEO, Zini

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THE TAKE 12 PROJECTS

ZINI

PROFILE

Zini was established by international film veteran Nadine Luque with the vision of launching a new platform that provides consumers on-demand access to independent films. Zini aims to operate internationally across online and IPTV platforms, delivering added-value elements such as editorial and social networking to help develop a community of users around the service.

AIMS

Zini wanted to develop a business plan that would support its attempts to raise start-up funding from investors.

INNOVATION PARTNER

Illumina Digital/MTM London

LESSONS LEARNED

1. Differentiation is vital

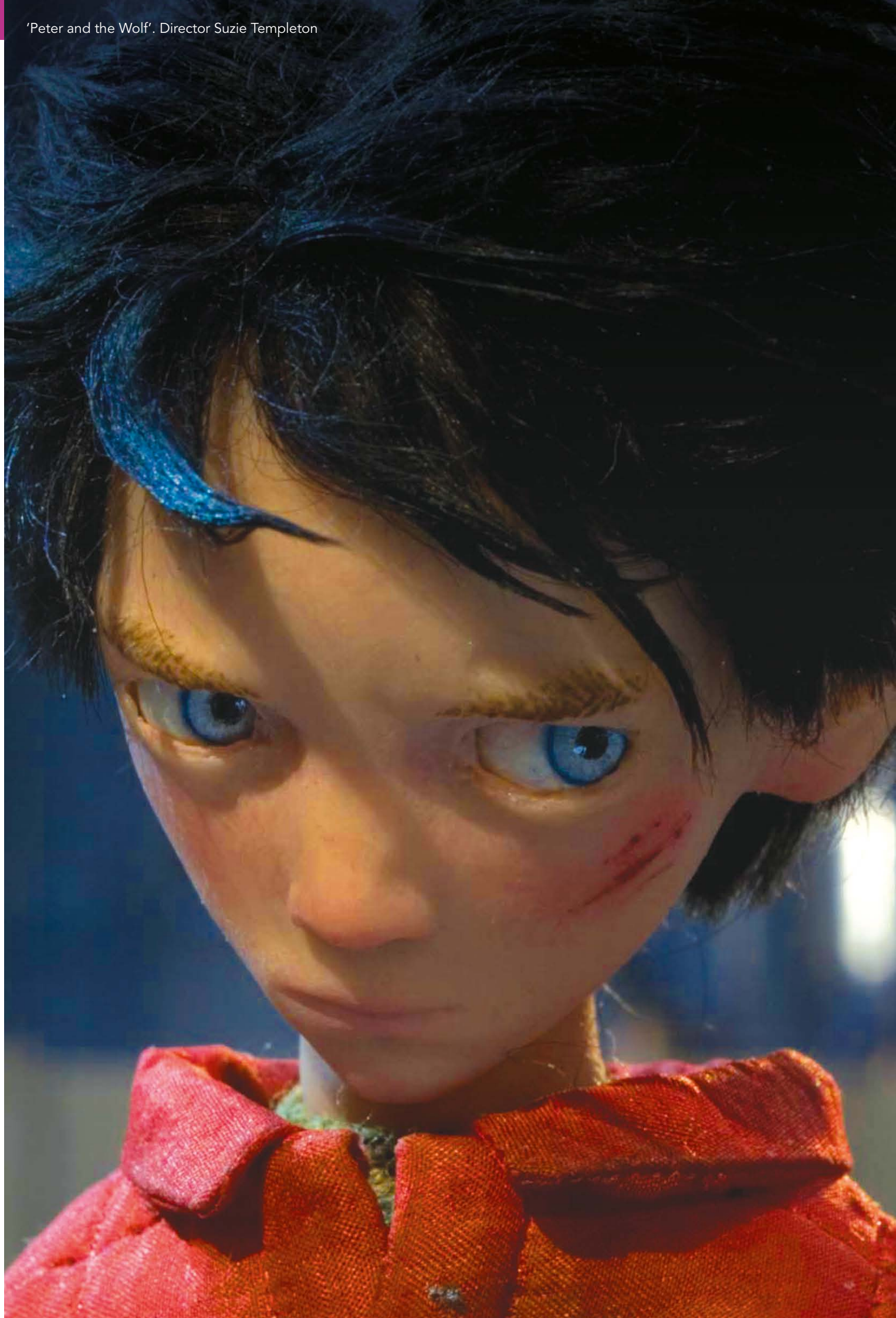
The online VOD market remains at an early stage of development but is already fast-moving and fiercely competitive. According to the European Audiovisual Observatory, there were more than 650 VOD services in Europe at the end of 2009, and 145 in the UK alone. To succeed in this market, a new entrant requires a proposition that clearly sets it apart from other providers, ideally built around exclusive, high-value content, and an innovative and well-funded plan for marketing its service.

2. Investors are cautious about digital media

Online PC VOD platforms continue to operate on thin margins – to succeed, companies need to build scale across a range of territories in order to generate the kinds of returns that would be attractive to the investor community.

It has been challenging for UK film companies to raise early-stage finance in current economic conditions – investors are cautious and require an innovative proposition, an experienced management team, and a business plan that clearly demonstrates a pathway to attractive financial returns before they will invest.

Having assessed this market, Zini put its plans on hold but has contributed its catalogue to support its Take 12 colleague VOD Almighty. At the end of the year, the state of the market should be clearer.



CHAPTER 5

INNOVATION READY

The benefit of hindsight is a great thing and two years on, it is possible to see Take 12 from a fresh perspective.

We now have a chance to bring together lessons gathered from all the projects and insights from the innovation partners and participants.

The most obvious single lesson is that digital change is a moving target. New technologies and patterns of audience behaviour are still emerging and it is therefore difficult to nail down definitive business models.

What Take 12 did suggest, however, was a common framework for innovation planning.

ONE: THINK AUDIENCE

Given the speed of development over the last decade, it is tempting to see change as a series of technology advances to be negotiated.

But Take 12 demonstrated that it is not the bits and bytes that matter but the customer behaviour enabled by new technologies. Understanding the audience is an essential prerequisite for any digital plan.

Assumptions about audiences should be thoroughly examined before a penny is spent. What people will or won't respond to is subject to change.

The digital audience is not a neat homogenous group that will follow your lead; the truth of today's consumers (and that means all of us) is that they want and expect to be in control.

That can be done the expensive way of market research and customer analysis. The costs of high-quality data are generally beyond the means of SMEs. There is therefore an argument for sharing and collaborating with others on such research.

Alternatively, a large amount of quality data is available online, through articles, conferences etc. And there are specialist services such as Google Analytics that can gather information on customers.

But the Take 12 approach suggests richer relationships

• “Focus on what will be most effective commercially. Focus on the audience. And then you can focus on the opportunities to take and the ones to leave behind.”

• Morgan Holt, Director of HUGE Entertainment/Engine

• with audiences, which cut out the guesswork. Getting the audience involved and interacting at the beginning of the business process rather than at the end can best achieve this.

• Listening, interacting and collaborating can bring strong results but it requires a commitment of time and energy.

• The consensus of the consultants, for example, was that social media and online networking is too often a one-way process, in which business talks to its customer, and can prove a time-consuming and ineffective form of marketing.

• Another Take 12 lesson is that when we think about audiences, we can stop the obsession about 'new' and 'old' media.

• The competition is not with other media, it is for that most precious commodity, consumer time.

TWO: DON'T BELIEVE THE HYPE

Almost all the projects found that the perception they had of digital change was, often in profound ways, different from the hype.

Perhaps that is because so much of the media coverage of digital technologies is of 'the next big thing' variety.

Digital change tends to follow the same pattern, which can be valuable to track where the commercial potential can be found.

Leading technology analyst Gartner has created a valuable 'hype curve' which offers a valuable tool to understand change.

1. The technology trigger – the initial invention (or at least public knowledge of invention) leading to hype and over-excitement in the media.
2. The peak of inflated expectation – the 'next big thing phase' when there is an expectation that the technology will kill the old models.
3. The trough of disillusionment – when the reality kicks in that the innovation is neither easy to use nor lives up to its commercial promise.
4. The slope of enlightenment – when we realise how to effectively employ the technology, normally alongside our existing models.

“What we got from Take 12 was an idea of what was really happening in digital change, rather than the scare stories members had heard.”

Charlie Bloye, CEO, FEUK

5. The plateau of productivity – when the hype is over and the business kicks in.

The Take 12 programmes in various ways saw that the time to exploit change is, for the daring, at the start, when a small minority might reap the high-risk rewards as an 'early adopter' or during the maturing phase when it becomes real business.

The final phase of business acceptance can happen fairly quickly. There was a ten-year gap between the invention of the MP3 format and the launch of iTunes in 2001 but 100 million iPods were sold in the subsequent five years.

The Take 12 consultants were brutally straightforward about understanding where in the development cycle a particular technology had reached. This instinct can be bought in or learned, but Take 12 showed the importance of understanding the evolution of digital technologies in timing action.

THREE: FOCUS ON COMPANY GOALS

Most of the programme participants, like most businesses looking at digital change, become aware of a dizzying variety of opportunities.

The attention is quickly drawn to most eye-catching promises of the digital era: cutting out the middle men, direct access to audiences, control of one's own rights, offering product to the wealth of new 'on-demand' platforms.

Each of those ambitions may be right for the business plan but the focus has to be firstly on business objectives and how the web can enable them. Morgan Holt of HUGE Entertainment/Engine talked about the danger of 'feature creep' – the application of technology for its own sake rather than because it adds real business value.

The same danger arises from an interpretation of business models. Models are what makes your business work, nothing more and nothing less.

One of the best-known innovators in modern cinema is Todd Wagner – the co-founder of 2929 Entertainment: “You know, I could sit here and say, ‘Oh, this is how it’ll

“Where we started to get value is when we remembered what it is we do, what is it we are good at, what our USPs are – and then thought about digital opportunities.”

Andy Glynne, Managing Director, Mosaic Films

play out. We'll do this and this and this.'

But if there's one thing I'm certain of, it's that we don't know yet. And I wouldn't wanna lock ourselves in to say, 'This is the model'. That, to me, would be as shameful as saying the old model's right.”

Each of the businesses that achieved tangible results from their initial Take 12 plans did so by focusing on what they do best. Hollywood Classics, for example, entered Take 12 with an interest in a consumer-focused VOD service but achieved the clearest benefits through a more traditional digital cinema distribution deal (see page 29).

FOUR: COLLABORATE DON'T REINVENT

The most exciting characteristic of the internet is that it offers theoretically unlimited access to audiences. The biggest myth is that this theoretical reach can be easily translated into business.

It is odd that such thinking survived the dot-com crash, for which maverick individualism has to take some responsibility.

In all the Take 12 projects, one theme consistently emerged: the need to collaborate and share expertise. This, of course, was the foundation of the Take 12 project itself but among the lessons for business is that there are experts out there capable of filling in the gaps in knowledge. BreakThru Films' successful partnering with mobile expertise on its *Alex* cartoon adaptation for phones is a good example (see page 25).

Given that everyone is to some extent making up the digital rulebook as they go along, there is much more mutual interest in collaborating out there than reasons for competition.

Every project in some way or other identified partners with whom they forged rewarding partnerships. Mosaic Films actually continued a relationship with their

“We have got a lot of people who have a vested interest in the future of the film industry, sharing ideas and talking. Discussion is a good thing.”

Justin Marciano, MD, Revolver Entertainment



innovation partner Illumina after the Take 12 project.

One under-explored facet of collaboration is how much information is already available for free. Digital pioneers often routinely share their ideas with their peers and Google offers easy links to technical tools and expertise.

This kind of collaboration is not unusual in the technical world where there is a strong 'open-source' culture of sharing. Film may have to learn to take the same approach.

At the very least, the lesson is that collaboration, sharing and adopting existing workable technology, makes more business sense than reinvention.

FIVE: LEARN TO LEARN

One of the defining characteristics of the best experts, consultants and teachers is that they see themselves as constantly learning.

That is especially vital today when so much changes so quickly.

You don't need the specifics of the Take 12 project to see that. From Google to Twitter, technologies have changed the way we act, think and work at an extraordinary pace.

Take 12's injection of knowledge and experience into small businesses showed how steep the learning curve can be, with many participants having to rethink everything they thought they had learned.

Anyone who has spent any time looking at the development of digital technologies will know that the rules are necessarily being made up as we go along.

The learning process also means knowing where to look. The traditional sources of knowledge in the old world, such as film schools, are not at the cutting edge of this new digital era.

“Don't be afraid to ask other people's advice and learn, learn, learn.”

Richard Ellis, Director, MTM London



Much of what needs to be learned is available through the huge online resources of the internet. Interaction with audiences through social networking can produce valuable insights.

And there are always pioneers and early adopters whose successes and failures can be monitored.

The problem with digital learning is that a little knowledge can be a dangerous thing.

The fastest track to the kind of learning necessary is to take a leaf out of the open-source movement in software, and share even with those whom once would have been considered competitors.

SIX: FIGHT FOR YOUR RIGHTS

The rights issue is often the elephant in the room when discussing film in the digital era.

The traditional industry has a relatively straightforward system: in most cases, rights for individual territories or groups of territories are bought and sold, mostly at markets. The value of these rights is based on a calculation of manufacturing and delivery costs against potential revenues.

For film, that exploitation of rights has always been a gamble, not least because it is built on the shifting sands of audience taste. But it is at least a risk that can be understood – it has boundaries.

Digital rights, however, are much more problematic. Take 12 showed that the value of these rights is far from clear.

The potential for digital is self-evidently international because the web doesn't do national boundaries and it is certainly not ruled by the tyranny of the opening weekend box office. Yet territory and windows are the basis for the existing film economy.

The innovation partners showed that the tangled system of rights all but precluded some form of digital exploitation in the short term. Hollywood Classics' plans for VOD are a strong example: the potential reach to

“If I have one piece of advice it is this: don't give your rights away cheaply.”

David Llewellyn-Jones, Head of DVD and TV sales,
Hollywood Classics

new audiences requires agreement from rights owners, who may themselves have their own plans for online exploitation.

Given these difficulties, it is a temptation for any small independent company to use digital rights as leverage for a short-term theatrical deal.

But digital returns are assets, which may have a long-term shelf life online. And the ability to connect assets with audiences may turn out to offer lucrative opportunities as the industry continues to evolve.

The trick seems to be to keep control of one's own destiny by retaining rights wherever possible. Most ambitious film businesses are focused on international audiences but they have traditionally sold their rights to key territories. Maintaining all-territories digital rights at least opens the potential for global reach.

SEVEN: AVOID CONGESTION

When Take 12 was launched, there were 250 VOD platforms in Europe. Just two years later that number has risen to more than 700, according to the European Audiovisual Observatory.

Not all of these will survive, and online there is a tendency for consumers to gravitate to trusted brands. Few people surf any more.

The innovation partners, who had seen the process in action in other industries, were well aware of the flocking tendency, which sees everyone trying to exploit the same idea at the same time.

It's a historic trend. During the California Gold Rush, prospectors were all fighting for the same space and even where gold was found, the price dropped because of a suddenly strong supply. Levi-Strauss ended up as the most famous beneficiary, selling the prospectors his hard-wearing trousers.

Digital innovation has followed the same path and the consultants' thorough market analysis was able to show where what had seemed like an original idea was actually a hugely over-crowded space.

The trick is to find the gaps, which comes again from an understanding of audience.

EIGHT: UNDERSTAND TRUE COSTS

The misconception that is quickly laid to rest is the perceived lower cost of digital work – at least in the short term.

Each project in Take 12 was sometimes brutally tested against the realities of costs and returns in today's market.

Cherished ideas in business plans fell away here because when the hard financial facts were really examined, they did not always add up.

In some cases, what looks simple in theory can quickly be exposed as expensive and inefficient – those planning VOD platforms were good examples.

Sometimes costs are simply not understood. Digitalisation of content requires storage, back-up and good digital management systems, which cost money.

- Maintenance and security are also hidden costs.
- Vital skills in areas such as web design, market analysis, handling customer data are increasingly in demand, forcing up prices. The reliance on a savvy intern may not last as the market evolves.
- Perhaps most of all, the cost that is underestimated is time. A DIY approach to film that cuts out the middle men may have a serious future but it actually requires that you do it yourself. Social networking and customer interaction is achieved through commitment and effort, not just putting up a page.
- And time is money. Cost-benefit analysis is second nature to the innovation partners of Take 12 and needs to become so for any company wishing to make profits from progress.

NINE: SPEED THROUGH TRANSITION

The most costly and dangerous period in digital innovation comes between planning and implementation.

Transition nearly always means running both an analogue and digital strategy side by side, retaining the costs of the former while foregoing the benefits of the latter.

The shift to digital cinema is a good example. A long hybrid period of trying to run a dual system of 35mm prints and digital files means that the potential savings and advantages are not realisable.

The savings on digital cinema costs will come when there is routine delivery satellite or other digital distribution systems.

- A long transition costs money in any digital field – and an important lesson from the innovation partners was to explore means to get to market fast.
- A second danger of transition is that ideas will simply be lifted by competitors. The web still retains an element of the Wild West, where ideas can easily be lifted and copied.
- The gap between having a great idea and exploiting it is a narrow one.

TEN: UNDERSTAND EFFECTS ON THE EXISTING MODEL

A survey taken as part of the evaluation of Take 12 by BOP Consulting showed a growing recognition that new digital technologies could not simply replace existing forms of exploitation, as DVD did with VHS for example.

By the end of the project 71 per cent of participants believed that existing revenues had peaked and that new means to generate revenues had to be found, compared to 60 per cent at the start of the project in 2008.

But 88 per cent believed that the chase for these new digital revenues would 'fundamentally change' their business, compared to 78 per cent at the beginning.

In other words, new business will not simply be a comfortable evolution from the status quo but a real

- challenge to any existing model.
-
- The pain of digital transformation in all areas of the media, notably music and publishing, is that the online world simply does not operate by the same rules as the analogue one.
-
- The music industry has demonstrated how difficult it is to create a comfortable transition between a business based on selling physical products and one based on downloading, streaming and online marketing.
-
- New models eat away at old models.
-
- The lesson from Take 12 is to understand the effects of this process in making decisions about adopting new technologies.

ELEVEN: ACCEPT CHANGE AS A FACT OF LIFE

One essential lesson from the Take 12 project is that digital innovation is a constantly moving target.

All conclusions about business practices are necessarily contingent. Technology is advancing so fast that seemingly definitive conclusions these days have a shelf life of months rather than decades.

The lack of a business model for any particular service today should not be taken as a sign that one will not emerge.

In fact, business should be aware of any statement that begins *"people don't want..."* or indeed *"people will always want..."*

The innovation-ready business is one that is constantly evolving and, as mentioned earlier, learning must now become a core skill.

Nonetheless, what Take 12 teaches is that once you accept change as constant, you can create processes that allow the seizing of opportunities as they arise.

• "We might not have gone for our own VOD platform yet but everything stays on the table."

• David Llewellyn-Jones, Head of DVD and TV Sales, Hollywood Classics



- The programme is a snapshot of the market at a particular moment in time and innovation partners in the business of change management spotted large numbers of opportunities.
- The same exercise in a year's time will uncover a similar number of new ones.
- Take 12 suggests that change isn't something that happens to smart companies but a process which, if understood, opens up new opportunities.

TWELVE: OPEN YOUR MIND

Digital change, suggests Justin Marciano of Revolver Entertainment, is a *"state of mind"*. Again and again, participants talk about the value of Take 12 as a chance to 'rethink' their approach.

The opportunities that emerged from the project were more than just seeing a gap in the market or the potential function of a new piece of technology, important though that is.

Rather, there was recognition that change will challenge the existing system of rights, windows and the role of the theatrical release.

But the shape of the new business is not clear because it is being shaped by the way that consumers interact with new technologies and with entertainment.

These ideas can be tested, as Revolver has done with windows, or BreakThru films with mobile applications.

“The big conclusion was to open your mind.”

Justin Marciano, MD, Revolver Entertainment



But for participants, one of the key lessons is to 'read' change and to understand the process of development, or at least not fall for hype (or indeed stubborn refusal to accept digital realities).

The consultancies in Take 12 exposed the ease with which myths about digital threats and opportunities can take hold in the volatile transition to digital.

What Take 12 showed its participants, and offers to the whole industry, is not future-proof business models to be slavishly copied but a way of seeing for innovation-ready business.



“Take 12 is not just about investing in companies, it is about conducting an experiment from which the film industry can learn. And the thing about learning is that you can’t go wrong. If certain ideas don’t work out then we can all see why they haven’t worked and try and adapt them so they will.”

Peter Buckingham, Head of Distribution and Exhibition,
UK Film Council

CHAPTER 6

CONCLUSIONS

If there was one universal factor cited by everyone involved in the Take 12 projects, it was a much clearer sense of direction in digital strategy.

There is an air of confidence when discussing digital change based perhaps on what Andy Glynnne, Managing Director of Mosaic Films, called a feel for the *“language of digital”*.

Each was sure that the digital future was about much more than digitising the existing business. Most talked about the difference in relationship between industry and audience.

For some, the key shift was from seeing business in terms of products and more about creating relationships with customers or communities of customers.

Innovation readiness surely begins with thinking differently.

Perhaps the key judgement for Take 12 for those outside the industry is whether the lessons contained in this report are enabling real business after the consultants have gone and the hype has died down.

The answer from most of those involved seems to

be yes. The initial ideas with which they entered the process sometimes remained on the drawing board – not necessarily permanently rejected but certainly shelved.

However, there is some value in learning lessons from failure, particularly where projects were based on assumptions of what technology could do, the market would support, or most importantly what customers would accept.

But looking at the businesses involved, they have adapted the thinking and knowledge acquired during the process to create new opportunities.

The business models that do work today may not last long in this period of turbulent technology change. Opportunities may come and go and more radical models that are currently on the fringes of business may come to the fore, as they did in music.

The trick is to know enough to see the opportunities, flexible enough to adapt the business to them, and sharp enough to reap the rewards.

If Take 12 offers an insight into how to become that kind of innovation-ready enterprise, then it will have fulfilled its function.



'Requiem for a Dream'. Director Darren Aronofsky

About the author

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