Nostradamus Report: Everything Changing All At Once

2023

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Göteborg Film Festival

Film i Väst

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

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Introduction

In this tenth edition, the Nostradamus report continues to monitor, analyze and predict the near future of the faster-than-ever evolving audiovisual industries.

This year's report explores how new production technologies powered by AI are leading to a restructuring phase for the traditional film and television industries, bringing both dramatic efficiency gains and creative possibilities, as well as major potential challenges. Market contraction, inflation, and recession are affecting the industry, but at the same time new business and financing models for production and distribution are being explored at a rapid pace.

The report also delves into the evolving nature of TV as a streaming platform, and examines the industry's challenges in remaining attractive to young audiences. It concludes that the film & TV industry must focus on audience relevance; that it will develop and distribute its content in a way that is IP-centric and platform harmonic; and that it urgently needs to address its issues with social and environmental sustainability. The final chapter offers practical perspectives on doing just that.

In the decade since the first Nostradamus report, we have chronicled and foreseen a complete digital transformation of the film and television sector, including the adoption of new business models, changing distribution strategies, and evolving audience behaviours; production volume increasing to record levels, and peaking—and the industry weathering a global pandemic that admittedly we did not predict.

The Nostradamus project was created in conjunction with the Göteborg Film Festival's future-oriented drama series initiative, TV Drama Vision. In the early 2010s, the industry was undergoing a major shift, characterized by the increasing cultural impact of drama series, digitization, challenges to the window system, and the emergence of new global players. Against this backdrop, the Nostradamus project was launched to contextualize and help explain these changes to a larger audience, primarily in the European film and television industry.

During its ten years, the report has attracted international attention, and been invited to present at festivals and markets from Brussels to Rio, to film funds and agencies, at industry gatherings and training, and in strategic processes of public agencies. In addition to publishing reports, we have curated panels and talks—available free of charge on our website [1].

None of this would have been possible without our invaluable supporters and partners. Throughout the years they have included Gothenburg & Co, the City of Gothenburg, and Lindholmen Science Park. Kulturakademin is a long-term partner for the project, together with support from the Nordisk Film & TV Fund and the Region of Västra Götaland. Since 2020, Film i Väst has been the Lead Partner of the Nostradamus project up until this year's tenth report. We want to express our warm gratitude to Film i Väst for the time they have been with the project, and encourage readers to explore their insightful industry analysis—the valuable Public Film Funding At A Crossroads II is forthcoming in August.[2]

As always, the Nostradamus report owes its existence to the generous contributions of the interviewed experts. While we attribute their opinions to them when directly quoted, the report's conclusions remain our own.

Johanna Koljonen, report author, Participation | Design | Agency
Josef Kullengård, Head of Industry, Göteborg Film Festival
Cia Edström, Head of TV Drama Vision, Industry Advisor

Reports from previous years are available as free downloads at goteborgfilmfestival.se/nostradamus

1 goteborgfilmfestival.se/nostradamus/

2 Reports from Film i Väst Analysis are available for download at analysis.filmivast.se

The 2023 Nostradamus report is built around interviews with the following experts:

Sened Dhab, VP Young Adult Drama, France Télévisions
Rikke Ennis, CEO, REinvent Studios
Max Malka, Head of Scripted, EndemolShine Finland
Neil Peplow, Director, London Film School
Alex Pumfrey, CEO, Film and TV Charity
Sten-Kristian Saluveer, Founder & CEO at Storytek Innovation & Venture Studio
Danna Stern, Managing Director, In Transit Production
Will Richmond, Editor and Publisher, VideoNuze

In addition, we owe the warmest thanks to the following: Fatih Abay, European Film Academy; Kristina Börjeson, Film i Väst; Mette Damgaard-Sørensen, New Danish Screen—Danish Film Institute; Dr Simone Emmelius, ZDF, Tomas Eskilsson; Film i Väst Analysis; Guillaume Esmiol, Marché du Film; Mikael Fellenius, Film i Väst; Manu Guddait, European Film Market; Peter Hiltunen, Kulturakademin; Petri Kemppinen, Aurora Studio; Karin Lindström, Amazon Studios; Fredrik af Malmborg, Eccho Rights; Marike Muselaers, Lumière; Tamara Tatishvili, Medici—FOCAL; Alex Trăilă, Council of Europe, Eurimages, Louise Vesth, Zentropa; Aleksandra Zacharchenko, Marché du Film.

Summary

1. THE FUTURE CONTEXT

In the next 3–5 years, the economy will place a damper on the film and TV sectors. At the same time, new production technologies are taking off, bringing a new sense of excitement and dramatic efficiency gains to the sector. The wider context is one of conflict, famine, extreme weather, fundamentally transformed economies, and existential threats.

2. AI-POWERED FILMMAKING ENGINES

Within the next 3–5 years, AI support will be integrated into all fully or partially digital workflows, supercharging Virtual Production in particular. For individuals and productions, the technologies unlock resources and creative capacity. For the industry as a whole it means jobs will start disappearing and most of them will change.

3. DISCIPLINING THE DRAMA MARKET

Streamers are correcting away from debt-funded growth to more normal expectations of profitability, forcing changes on drama content, formats, and budgets. The number of productions will decrease. Financial pressures have created an atmosphere of caution that drives series content towards the middle of the road.

4. TARGETED ADVERTISING ENTERS THE HOME

In the next 3–5 years, two long-gestating trends will reach maturity together: the transformation of the living room TV into a streaming-first device, and the rebalancing of streaming TV business models away from subscription towards a landscape dominated by targeted advertising.

5. WHY WE DON'T UNDERSTAND CINEMAS

In 3–5 years, we will know how theatrical distribution slots into the wider feature film landscape, but for now the advice is to keep calm and get better data. Data will also be the cause if a tech company ever makes a play in theatrical exhibition.

6. UNDERSERVED AND UNCONVINCED YOUTH

Cutting content investment targeted at Gen Z is a very short-sighted strategy for financial as well as ethical reasons, and because a disinterest among young people for their local scripted drama is a threat to the talent pipeline. Our lack of diversity and abysmal work environment makes us unattractive, and the traditional allure of working adjacent to glamour is fading.

7. NEW PATHS FOR EVERYONE

The creator economy increasingly overlaps with the film & TV industry. Content that would once have existed only on television is expanding organically onto a range of video platforms. Existing in these environments is a necessity, both because the business opportinities inherent in the audience, and because we must learn from their professional creators.

8. THE FILMMAKING BUSINESS, REBORN

The business of movie-making will be conceptually separated from the business of cinemas. Most production companies that survive five years hence will have truly diverse output—not platform agnostic, but platform harmonic. A range of formats, business models and distribution paths will flourish with audiences, and therefore relevance, at the centre.

9. THE WORK OF SUSTAINABILITY

The film & TV industry has made some progress on issues of diversity, equality, and inclusion, as well as on health and safety, and taken first steps towards greener production practices. In a difficult market, these business-critical processes risk getting disregarded. It is time to approach them holistically all along the value chain.

1

The Future Context

In the next 3–5 years, the economy will place a damper on the film and TV sectors. At the same time, new production technologies are taking off, bringing a new sense of excitement and dramatic efficiency gains to the sector. The wider context is one of conflict, famine, extreme weather, fundamentally transformed economies, and existential threats.

Sten-Kristian Saluveer: *For better or worse we are now at a very big breaking point—the restructuring of the industry.*

Sened Dhab: *Whoever tells you what the state of TV is going to be in five years is a liar. I dare anyone, even six months ago, to have forecast what's happening right now. Platforms closing, spending plummeting, refocusing on a different [balance] of projects...*

What's happening to the market is akin to what's happening to the planet. Everybody's saying, "Yeah, we have time" about making traditional TV evolve as a whole, because they look outside their windows and the rivers are still in their beds and they don't have water to their knees. The problem is that the evolution of technology, markets, and companies is exponentially faster. What happened before is not really a blueprint for how fast things are going to [change]. It's the same with global warming, we're like, "It's okay, we are just having a hot summer." Five years later, if you look at the environment and the extremes we're experiencing now, it's already crazy. The same is happening with our industry, in other industries, and the economy in general.

In the last year, the long-expected correction of the expansive streaming market has finally come to pass. Continuing inflation and the developing recession will place a damper on the industry for the next few years. As the transformation of television into streaming is completed, the structural effects on the value chain are becoming clear. The issues at the heart of the WGA strike are one example; the uncertain state of theatrical exhibition another one.

At the same time, rapid technological developments are ushering in a next period of transformation. Virtual production is already a revolution; AI will supercharge the field. Connected TVs will bring the benefits and annoyances of digital advertising into the living room, and are turning every nuance of our viewing behaviours into monetizable data.

The continuing democratisation of production technologies and an increased understanding across the industry of where value is created should open possibilities for the independent sector. As storytelling craftsmanship and a unique individual perspective become increasingly important, we can finally expect a new generation of auteurs and artistic innovators to emerge. The question is whether they will also become part of what we traditionally consider the industry.

In the new landscape, whether you're a giant corporation or a single individual, the audience is at the centre of everything. You will leverage IP across formats and platforms, both as a necessity of audience strategy and of financing. This increased respect for all varieties of storytelling challenges the cultural primacy of the feature film in theatrical wide release, and quite possibly the historical prestige of the film industry. Losing some residual glamour to gain a sustainable business is not necessarily a bad deal.

The economic impacts along the way will be dramatic. Some will find their roles or business models extinct; after the roller-coaster of production boom and pandemic, production companies that cannot pivot into the new environment are especially at risk.

The long-term survival of the film & TV industries as we know them relies on our ability to be relevant to the generation that are now teens and young adults. Careers in audiovisual storytelling are also available within the creator economy and video games.[3] As working in film is not in itself perceived as desirable or glamorous, the content must be the draw.

The good news is that telling stories in film—features and shorts,

3 The creator economy is similar in revenue to the film, TV & video industry. Digital games is about double.

fiction and documentary, animation and live-action—is about to be very exciting again. The bad news is that Gen Z has high expectations on employers' values and working culture. To remain at the centre of creative filmmaking, we must also put in the work of being better employers and better for the world.

This next film industry is emerging into a context of risk and upheavals that can unpredictably affect productions and markets both directly and indirectly. Putin's war in Europe continues, as does heroic resistance and heartbreaking suffering in Ukraine, the threat of a continuing energy crisis, and a constant low-level concern that the conflict may expand.

More than one erratic autocrat now has access to nuclear weapons. Of the remaining members of the nuclear club, the number considered to be functionally democracies is shrinking.

The horrifying earthquake in Turkey and Syria is a reminder of the enormous impact natural disasters can have—of the human tragedies and their economic cost. Extreme weather events and food crises caused by climate change are getting worse every year, driving armed conflict and migration.

Poverty is expanding rapidly in this age of inflation and income inequality, including in the global north. Political polarization adds pressures that are likely to erupt in different kinds of unrest. Those who are not hit, may be hardened, with the sheer magnitude of all this human suffering likely to lead to compassion fatigue even in the most solidarity-minded.

The last years have also laid bare how fragile trade is to conflict, epidemics, and extreme weather. An area of particular concern is the global supply chain for semiconductors, as access to high-powered chips is central to all digital technologies, including the training of new AI.

Sten-Kristian Saluveer: *A few weeks ago, the Future of Life Institute called for a pause on large language model development[4]. The outcome was that investment into AI increased instead. There's no way back.*

European and US film industry data analytics and insight companies have already been requested by producers to implement AI tools in order to

4 Future of Life Institute: "Pause Giant AI Experiments"

give better insights. Besides data insights for packaging and production, the big game changer of course is in post-production and in game engine related production.

It is today impossible to look even towards the five-year horizon without mentioning that many reasonable people think that AI development should be stopped. It would require a regulatory intervention of historical proportions, and is not likely to happen.

There is of course a possibility that AI development hits some kind of internal ceiling, leaving us with a powerful but ultimately banal technology. But a likelier outcome would seem to be some kind of major disaster. In a much-reported 2022 survey of machine learning experts directly involved in AI development, half of them put the likelihood that AI will bring about the annihilation of humanity or a similar event at an astonishing 10%[5]. In other words, half these developers are showing up to work every day convinced that there is a one in ten chance they are personally working to bring about a terminal event[6].

In the doomsday scenarios, disaster stems from actions of the AI themselves. The difficulty now is to act on terrifying but hypothetical risks in a level-headed way, without letting them overshadow the very real fact that AI is used by humans even today to perpetrate crimes and produce disinformation.

Sten-Kristian Saluveer: *The language models are hallucinating quite a lot, and I'm confident that some very bad things will inevitably happen, either because of that or through misuse or misinterpretation of AI output. I don't know if a plane is going to fall down, or a train crash, or homicide, or a robbery... but some AI driven [tragedy] will certainly happen. That experience will give us insights and frameworks for how to better deal with AI's potential, limitations and dangers. The regulatory environment and law enforcement are just unable to keep up, and most of the users wont read the fine print about the "demo" or "Beta" nature of these tools anyway* [7].

5 Stein-Perlman & Grace: "2022 Expert Survey"; for a longer discussion of the results, see Piper: "AI Experts Increasingly Afraid"

6 To be fair, there have been some few high-profile defections to working, for instance, for the regulators instead.

That AI technologies will fundamentally alter our economies is considered by most experts inevitable. By April 2023, a large language model could comfortably pass the US bar exam (by which one qualifies to be a lawyer) or replace a junior programmer; in May 2023 IBM was the first tech company to publicly admit to halting hiring on positions that could be replaced by AI. Automation, which has historically affected the most menial tasks first, is coming for the middle classes. Mass unemployment is never pretty; mass unemployment in politically volatile times is potentially lethal.

We must each find a way of squaring the fact that AI-driven tools are rapidly entering our workday, with the fact that other aspects of the technology may be dangerous, and will change our societies fundamentally.

As discussed in earlier Nostradamus reports, living with uncertainty and periodically in crisis is just going to be our reality for the rest of our lives. It makes predicting the future difficult, but preparing for it necessary. It also brings with it new responsibilities: to ensure we are not exacerbating societal problems, to contribute to the resilience of cultures, communities and individuals, and to get even better at creating moments of respite, reflection, and joy.

7 For a suggestive instance of AI hallucination, see Roose: "A Conversation With Bing's Chatbot"

2

AI-Powered Filmmaking Engines

Within the next 3–5 years, AI support will be integrated into all fully or partially digital workflows, supercharging Virtual Production in particular. For individuals and productions, the technologies unlock resources and creative capacity. For the industry as a whole it means jobs will start disappearing and most of them will change.

Rikke Ennis: *Some things will be much more efficient. Processes. Research. It will be possible to make the same quality for less money, both in crew size and in technology cost. In pre-production and in post, because of AI, but also [Virtual Production]. Everything that you see on screen is going to look outstanding—imagine where we are five years from now. And it's going to introduce a new generation of talent, who have the possibility to create amazing stories themselves.*

Will Richmond: *AI is going to feed right into advertising, connected TV, the video experience. At some point it all mashes together.*

Sten-Kristian Saluveer: *We have seen an emergence of tools which three or four years ago would be totally unimaginable in both capacity and quality. Corridor Digital[8] created a fully blown anime film in a ridiculously short timespan by using MidJourney, their own staff as performers, and regular off-the-shelf technology. Runway ML helps you to do things like object removal, backdrop changes and upscaling, for $12 a month. Respeecher, this extraordinary synthetic voice pioneer from Ukraine, did*

8 corridordigital.com/season/60

all their groundbreaking work—during the war—for Lucasfilm on Darth Vader and other characters.[9]

Very soon these tools will be integrated into all film industry workflows and drive an unprecedented creative revolution… Wonder Dynamics is an LA-based startup with Steven Spielberg on their advisory board[10]. Imagine that you shoot a scene with a character walking. You can now replace the character with any other type of character—providing exact animation, environment and lighting almost in real time. That one startup, that one plugin, is basically eliminating 50 to 100 people on a blockbuster. All those lighting TDs[11] and rotoscoping artists…Things you would see in miles of Hollywood credits will now become available for independent producers.

Generative AI support will be integrated into all existing workflows with any digital component. The increased investment in the technologies will also accelerate the efficiency of previously established AI functionalities, such as content moderation, closed captioning, green-screening, sentiment analysis and so on.

From the perspective of the individual production, lower costs and greater productivity are a great gift. This liberation of financial resources, of time for human creativity and hands-on tasks, will also translate to a loss of some jobs and to a great transformation of those that remain.

There are endless revolutions coming. Adobe has already teased natural language AI for video editing—just asking the computer to, say, remove a background or change the time of day.[12] Roku is letting AI index all its video content to be able to place ads contextually; the example they used is placing a spot for a telco right after the “ET phone home” scene.[13] AI can correct an actor’s facial movements to fit a foreign dub. Genuinely personalized AI recommendations for content discovery across all services on our connected

9 Breznican: “Darth Vader’s Voice”

10 wonderdynamics.com

11 A lighting TD or lighting technical director works within a visual effects team on the look of computer-generated imagery, on tasks like lighting, shading, and rendering.

12 Edwards: “Adobe Teases Generative AI”

13 Fletcher: "Roku Serves Up"

TV:s, integrated into the voice assistant, are just a question of time.

Sten-Kristian Saluveer: *The next big competition is not going to be about the volume of content. It's going to be about skills, and industry profiles in critical areas like AI prompting, virtual production, realtime, etc. The exciting thing here is that everyone's on the entry level now. We're all starting to run the race—it's not like some countries are way ahead.*

We're clinging to old mental models, when in the job market there are new opportunities. The change will happen either by force, or by crash. Our industry doesn't need more directors and producers. We need people like data specialists for independent films, [AI] prompting specialists for indie productions, digital funnel marketing specialists for arthouse content... There is an endemic shortage of, for example, virtual production supervisors for European independent film. In the US, a top tier virtual production expert might be paid $30–40.000 per week by insiders. It's an area that requires high artistic skills, a great understanding of cinema, attention to detail, as well as tech skills.

In the context of screenwriting, AI will power enormously useful tools for research, managing complex story development, structuring, for translating manual notes or a verbal story meeting into text, for version control, formatting, rapid testing, and so on. The concern is that the efficiency gains will mean that fewer human writers will be needed overall.

Whether an AI could also write an excellent script more or less on its own is less clear. If that is where the path we're on is leading, then it has in some sense already happened: the technology already exists, and will develop itself over time. Such an AI would then probably also be able to render a script into film with very limited human guidance. This is not entirely unimaginable, although obviously likelier to be achieved with formulaic content first. But a great number of professionals are involved in the conception, production and writing of everything from corporate instructional videos to simple advertising animations. Many of these jobs could literally be automated today.

Let's say a screenwriting AI peaks at a mediocre level of craftsmanship and a complete lack of vision—that would still threaten real writing jobs

before too long. Now multiply this process with every job in film (or any other industry) that involves a computer. If one day, hypothetically, not even screenwriters and directors would be needed anymore, the industry from which they disappear would already be unrecognisable.

Neil Peplow: *I know people in development teams now who are using AI image generation to create pitch documents, and they look fantastic. That's actually going to make it even more difficult to stand out.*

That core IP, that core idea, AI will never be able to generate. But I do think it's going to really help creatives. They can use it as a way of developing ideas. And there are lots of opportunities for creators to not have to have those more traditional structures around them that they previously needed, or even the money that they needed to get noticed—from finance, creative, distribution, audience testing... The other day I wrote a contract to a photographer to do some work for us, and I did it via ChatGPT whilst I was on another call. Saved 300 quid!

The impact of generative AI specifically on the screen industries is expected to be exceptionally fast and dramatically transformative, because almost everything we do now involves a computer. Of our two historically most tactile domains, animation has already taken the leap to digital production, and live-action shoots are increasingly heading that way. AI integrations will make Virtual Production workflows smoother and more affordable.[14]

Sten-Kristian Saluveer: *[Studies] already show that if shot plates*[15] *are used in virtual production, the cost compared to shooting a similar scene live will be about 50%. If it's done in a game engine, it's about 10% cheaper. With the growth of computing power, those costs will start coming down significantly very soon.*

In the last few months with Unreal5, we've already seen experiences

14 futureoffilm.live is an excellent resource for interviews with filmmakers already working in this space.

15 A plate is footage intended for use in a composite effects shot, in this context a location or set used as a background.

made in a game engine that are totally indistinguishable from how a camera would see real life.

The big tsunami will hit in about five years. The industry will not have money, or would not want to spend it, flying 200 people to a fragile desert ecosystem for weeks. You can just send the volumetric crew and scan it, and it will be cheaper and more sustainable. Secondly, there is this fascinating case, a European country developing a VP asset licensing system as a part of their international incentives. They want to digitize their historical sites into volumetric models. Having film crews on site is so destructive (...) it would soon be not possible anyway to shoot in those exquisite locations.

I've also seen a prototype of a technology where you can actually prompt, with AI, photorealistic settings and locations for a volumetric stage, almost in real time.

Resource and training-intensive aspects of filmmaking are becoming democratized, shifting many historical power balances. A TV drama can look like a film. An independent film can have blockbuster visuals, which also means smaller markets can make VFX-heavy event films. The tools are expected to trickle down fast. Within just a few years, an auteur filmmaker on a limited budget will be able to visualise anything too.

Just like a filmmaker today can choose between creating VFX in camera or in post—it's often both—they will now choose between a physical or virtual environment, and between capturing the actual image of an actor, or digitising their performance. It will often be both. The possibilities are limited only by the human imagination, and in all likelihood we will see a creative explosion of both entirely new, delirious aesthetics, and of bare-bones, minimalist filmmaking in response.

That semi-professionals and fan creators will be less restricted by their tools opens avenues for them to build careers, but also new possibilities for corporate monetisation of community creativity. Digital games have well-functioning models for users creating games, modules and assets of their own, as well as for film storytelling, inside game engines and on platforms the players are familiar with. These can sometimes be monetized, in which case the revenue is split.

Large IP brands with digitally oriented film assets could create such virtual studios and distribution platforms for narrative content created by fans. Lego is a good bet for an early adopter; IPs like *Star Wars* with existing fan film communities are also a good fit. Issues of copyright, content guidelines and community moderation would be relatively complex, but still trivial compared to issues raised by generative AI on its own.

Sten-Kristian Saluveer: *Any CEO or manager in the film and entertainment business should, both personally and professionally, get a preliminary understanding for themselves about what is going on in the AI space, how it will concretely impact their leadership and business, and start creating a playbook for themselves.*

The whole logic of cash rebates driving big productions as part of national film policy will become totally irrelevant as the capacity of VP develops. For the film financing ecosystem in the independent sector, the question is, are you ready for the change? Are you thinking about what the copyright models should be for your physical locations to be used in VP? Nobody will care about a 20–30% cash rebate tied to a shooting on location, especially in advertising where it's mostly about beauty shots of cars driving—that will be done fully digitally.

3

Disciplining the Drama Market

Streamers are correcting away from debt-funded growth to more normal expectations of profitability, forcing changes on drama content, formats, and budgets. The number of productions will decrease. Financial pressures have created an atmosphere of caution that drives series content towards the middle of the road.

Will Richmond: *A new sense of discipline is coming into the market.*

Rikke Ennis: *It's like being in a room with no air, you're just waiting for the door to open and something to happen.*

Neil Peplow: *Independent companies that do both TV and film are reversing back to those independent financing models. They're having to piece together their financing in co-productions, tapping into public funds, looking at tax relief.*

Danna Stern: *It used to be that you came into a room, you pitched your heart out and told a wonderful story, and we'd say "We haven't heard this before", or "We feel your passion—we're going to support you in doing this", but now a great story is probably just the fifth most important element when assessing a production.*

Is there an audience for it? Is there a buyer for it? Is there a way to finance it? And can we produce it? We are still lacking great writers in certain regions, and many aren't available. There is also heightened demand for crew, stages, locations; and growing production costs. If we can't answer these questions clearly and positively, as a producer assessing my involvement I'm just going to say no. I think it'll be like this for the next couple of years. People are looking for reasons to say no, rather than saying yes.

Sten-Kristian Saluveer: *Activate Consulting measured the length of a digital day of an average American. If you remove multitasking, you get roughly 13 hours. Just video, social and entertainment media content is about seven hours a day, and that is not unique to the US... what it really shows is that growth is not the business model anymore, purely because of human capacity.*

The big studios, streamers and the tech sector are cutting their budgets and laying off people in the tens of thousands. I don't want to say that streaming as a business model is in a dead end, but this hypothesis of the independent industry, that there is some kind of streaming prince on a white horse, is just not right. The prince himself is really struggling to mount the horse right now.

The big streamers involved in drama production now include Netflix, all major studios except Sony, as well as the tech companies Apple and Amazon. Most of them are laying off staff and cutting costs in other ways. The market correction was inevitable, but has arrived somewhat earlier than expected, because of macroeconomic pressures on the media and tech sectors. These have also triggered a contraction in the wider commissioning landscape. The cost-of-living crisis is expected to further slow down growth as households rationalize their media spending.

Commissions are down, and more tactically deployed. As content exclusivity is no longer a holy grail in SVOD, services are backing off from fully funding projects as the norm. The streamers have finally started to measure performance as cost relative to viewership. This comes with a new openness to carving out rights and territories, and creates possibilities not least for non-English content, including co-production with local broadcasters. Now the concern is that what they are offering is too low for the gaps remaining to be financed in the market.

Netflix has refocused on local content for local audiences, demanding strong performances but not necessarily the ability to travel internationally.

Danna Stern: *[Netflix] have been happy to license the second window in a home territory, relying on local broadcasters to select, develop, produce, market and broadcast titles before launching them on their service...*

Usually when a new entrant comes into a market they must overpay. The streamers have now worked long enough to know exactly who to work with and what things should cost... They're being frugal and smart—if you're producing for them, they look at every single line. It's not an automatic cost plus 30% model, there are long discussions on fees, and in Europe in particular tax rebates and grants also come into the equation.

Rikke Ennis: *The streamers are consolidating, and that of course means that strategies are changing every second. It's frustrating, the decision process is taking so much longer, and the cost [becomes] extended.*

Co-productions and acquisitions are getting much more popular again, instead of fully financing 100% of the series. From a sales agent point of view, there is an opening there. Suddenly, they will not necessarily take all territories, and we would be able to help fill the gap. The problem is that the gap is simply too big.

If they came with 70 to 80% of the financing, then I'm pretty sure that you could put together the financing with an MG in the range of 10% and rebates. But the problem is that it's sometimes 50%, 60%. The cake is simply not big enough for the players in the market.

Neil Peplow: *We'll see a retreat from the major studios into what they feel a bit more comfortable doing, which is their traditional model of theatrical, and licensing content. Not abandoning their streaming platforms, but taking the licensing deal from the highest bidder.*

Netflix may seem to have won the streaming wars; but they've only got one revenue stream. Three to five years out, the studios may actually have more influence on Netflix, because they'll be holding a lot of the third party content it needs. Longer term, the studios might just come back and turn Netflix into their Spotify.

The studios are happy to licence out content again, whether to boost revenue, or to monetize titles that are underperforming or a poor match with

their own streaming audiences.

There are signals that Netflix, after ten years as a big licenser of non-English content for territories across the continent, now produces enough local originals to satisfy its European audiences. Overall, acquisitions are viewed as lower-risk spend, and are essential in Europe where streamers need to meet quotas on European content quickly.

Market appetites abroad for non-English programming have cooled, with exceptions for content from hot markets like Spain, Korea, and Turkey.

Danna Stern: *In my previous role at Yes Studios, one of my last deals was the licensing of The Beauty Queen of Jerusalem to Netflix. That was the first deal that I did with them in which they did not license worldwide rights but rather selected territories in which they thought the show would do well, and then expanded to a few additional countries with similar programming sensibilities when it did.*

Rikke Ennis: *One flagship a year that a streamer specifically prioritises, then the rest has to be comedy, dramedy, X euros in budget, and 30-minute formats. The most important thing is to level out expectations from the start. If the streamer is expecting a huge show but they don't want to pay the price and the budget, then it will not happen.*

Sened Dhab: *The polarisation of projects has been coming for a while. 50% of your [commissioning] budget is going to go on two or three tentpole mega-productions, and the rest of your programming is going to have to be made with the 50% left. No more medium-sized projects, the same as in cinemas a few years ago. It's either cheap production—smart production, as I call it—or huge international projects.*

Production companies that don't know how to be flexible, that don't know how to make both a big production and a super great, very low financed production at the same time—and the differences in production and organisation that this requires—those are going to have a really hard time. You're going to have to be able to do both. A lot of the market thinks that they're just here for the big projects. But that's mathematically impossible.

It is not clear that all buyers have adjusted their appetites to their wallets, but eventually they will be forced to. Surviving in the years ahead will test the agility and creativity of producers who are under the most pressure of everyone in the value chain. Technical innovations in VP and AI may be adopted more rapidly than they otherwise would have. Innovation in formats and a laser focus on strong story ideas that can be affordably produced will be key.

Rikke Ennis: *I'm absolutely positive that some independent production companies will die. If you don't have a humongous tank of money behind you, it's difficult. Producers are earning less and less, because the budgets are squeezed, but the stories are not getting smaller. If we continue this way, then there will be no producers left in five years, or very few. And those few would probably be working for hire for the big streamers.*

Danna Stern: *Many producers, and certainly creators, are used to working in their own lane and in their local market. They usually don't have the time to take stock of the shifts in our industry and assess the potential for new opportunities. If the US market is currently contracting, this is probably not a good time to try and sell a project there. Perhaps refocusing and adapting to local markets in Europe, taking advantage of grants, increased co-production and funding—local, regional and pan-European like Creative Europe and soon Eurimages; then you have a good financial basis for a project, focusing on an audience that you already know.*

Other examples—strategic growth markets like Korea—in which Netflix just announced they'll be spending USD 2.5B over the next 4 years. Are there opportunities for us to work with Korean producers? Do we have IP that may be relevant? Can we find projects to co-produce? Another region to look at is Africa—54 different countries, multiple languages, infinite storytelling and extremely under-represented in the local production landscape—are there ways for us to collaborate?

Consolidation will continue, and fewer commissioners means the market is shrinking. 3–5 years from now, the number of productions will have settled on a more sustainable level—perhaps only half of the peak in Peak TV.

The broad contraction creates a dangerous dynamic where producers and broadcasters alike veer toward safe-seeming choices that might actually undermine their chances of success. We should not forget that the golden age of TV drama relied on artistic innovators who fell out of love (and ran out of opportunities) with feature films as those became too predictable and safe. Should TV go down the same path, creative momentum will migrate somewhere else again.

Danna Stern: *It'll be harder for more diverse, original and younger voices to break out in the traditional broadcast space. This is unfortunate and hopefully temporary, as many of the projects that have popped and broken through have not always come through the traditional, and obvious, path to commissioning.*

Sened Dhab: *The biggest challenge is relevance. I was just at MIP and SeriesMania—and unfortunately, a lot of projects don't really cater to an audience. Or they're sized and packaged as an international co-production, but the only reason for that is because they are expensive. They don't really have any international appeal...*

If you take all the big splashes that changed the content market for everybody, they are absolutely not stories that you'd think would resonate with a large audience, and with most of the cast unknown. Stranger Things, The Queen's Gambit, Squid Game, Game of Thrones... Or WandaVision on Disney+! To this day, I want to meet the executive who said, "Yep. Let's freaking do that." Because I want to shake that person's hand and tell them good job for the guts and risk-taking.

We have all this proof that society is changing. The shows are never what the audience expects or what the broadcaster thinks they want. Why are we still doing crime shows and not taking any risks at all?

4

Targeted Advertising Enters the Home

In the next 3–5 years, two long-gestating trends will reach maturity together: the transformation of the living room TV into a streaming-first device, and the rebalancing of streaming TV business models away from subscription towards a landscape dominated by targeted advertising.

Will Richmond: *Cord-cutting continues unabated; the idea of having a set-top box in your home is increasingly archaic. In the US alone upwards of 90% of homes now have at least one CTV. Half of those have more than one, a third of them have more than two. The estimate is that there's approximately a billion CTVs globally, about half of which are in the US. That points to a big opportunity around the world.*

Danna Stern: *The lower-priced streaming tiers with advertising are definitely a growth business. I think that as a consumer you are going to have primary services that are a "must have" for you and on which you are going to splurge, and the rest are going to be the lower tier services in which you'll bear the ads—like most of us have learned to do on YouTube.*

Growth in ad-supported streaming is driven by both maturing SVOD markets and the slow but inevitable decline of broadcast and cable linear. The habit especially of the European industry to view AVOD as less "premium" has made several aspects of this change misunderstood or unappreciated: what it says about streaming, what it says about the content, what the experience in the homes will be, and the role of YouTube in this environment.

The addition of AVOD tiers to SVOD services is often portrayed as a failure of the original business model, when it would make more sense

to evaluate the success of the correction. Netflix's April 2023 earnings call revealed that ARPU[16] was higher on the advertising tier than on the standard subscription level[17]. The new tier does not yet appear to be cannibalizing on existing subscription accounts, but even if more users were to downgrade, Netflix would benefit financially.

It is true that a decade of ad-free SVOD has re-calibrated the audience's ad load tolerance.[18] This has forced even networks to make the ad experience better—less of a nuisance for viewers, and more valuable as a context for programming. Some are still willing to pay a premium for ad-free viewing, and having a solidly performing AVOD alternative will actually allow streamers to raise prices on their SVOD tiers.

There is also a lingering perception that ad-funded content by necessity is somehow tackier, more lowest-common-denominator. In the broadcast world of an earlier age, attracting and keeping the widest possible audience for each time slot and market was a priority. Today a hit does not need to be mainstream in the same way; in a global market, edgier content can scale. If a programme is not for every viewer, it is not the same kind of loss as when they would have switched channels—they can start another stream on the same service.

Will Richmond: *FAST channels are very attractive to viewers[19]. They are fundamentally like playlists, but they've got a little bit more sophisticated now. The industry has shifted the goalposts of what is considered a FAST channel because we now have live programming in FASTs. For example, a news FAST channel is really like a linear TV channel, just delivered over streaming.*

FAST channels, on the other hand, are more reminiscent of the leaned-back linear behaviour. They fill a real gap for content that is either just on in

16 ARPU is short for average revenue per user; more correctly it means average revenue per account.

17 The same dynamic has been reported but not confirmed for the Disney+ ad tier.

18 Ad load measures the minutes of advertising per television hour.

19 FAST or free ad supported TV is a linear streaming channel funded through advertising.

the background, satisfies a particular nostalgia or need, matches a mood, or is curated to offer relief from our constant burden of choice. Meeting such different needs involves content from the broadest to the most niche, which has contributed to an enormous boom in FASTs in the last year. Google has recently announced that its GoogleTV service will offer 800 FAST channels,[20] and other providers will get to similar numbers.

As a method for monetising content libraries FASTs are interesting, but right now their number grows faster than viewing hours can, and many will not endure. They are still significant as a milestone in the transition of linear TV to streaming, teaching audiences to find linear and live programming in new places.

In the US, finally being able to choose not to pay for sports one isn't watching has been a big driver of cord-cutting and switching to more selective virtual channel linear bundles online. Now streamers are leveraging sports rights to move the sports fans online as well.

Will Richmond: *Here in the US we're finally seeing the impact of cord-cutting on sports. The biggest regional sports network group declared bankruptcy. They had other issues, but the underlying fundamentals are that fewer people now pay for something that they don't watch. The commissioner of Major League Baseball was quoted recently stating that there's a correlation between sports TV revenue and player salaries—which we all know already—in my view signalling to the players that the salad days may be coming to an end... The whole world of the "sports tax", where people paid for big cable bundles though many rarely or never watched the expensive sports networks that were included, is disintegrating.*

Apple, Google and Amazon have already made some sports moves and may be a backstop on all this. They may say, oh man, you're telling me we could get a Major League Baseball streaming package? But then, given their user data and AI capabilities, they can estimate to the 14th decimal point what their return on investment is likely going to be, so it's a bit of an asymmetric negotiation. Where all that leads is anyone's guess, but for

20 Staubach: "Discover More Than 800 Free Channels"

sure some basic laws of economics are going to govern it.

The value proposition of advertising around valuable live content, like sports, is changing. Viaplay built its rollout offer in the Netherlands around Formula 1, complementing the live rights with documentaries and related content. Apple has made $2.5bn deal with US Major League Soccer and is reportedly considering a bid on UK's Premiere League rights to harmonize thematically with its biggest hit show, *Ted Lasso*.

Amazon has seen strategic value in acquiring must-see sports rights at times of year central to the sale of physical products, like exclusively screening an NFL game on Black Friday. Arguably all content on Amazon Prime Video is advertising in this sense; sometimes explicitly, as with the tent-pole Christmas-themed IP that will launch this year with a feature starring Dwayne Johnson[21].

This model is the most powerful current example of how advertising-funded media will operate on multiple levels. Amazon Prime memberships are known in themselves to convert to purchases on Amazon; high-impact content creates advertising real estate and sometimes box office revenue; impactful IP can be leveraged through physical products, or as other media products on Audible, Comixology, or Twitch. And if you are watching on an Amazon Fire TV, Amazon will know not just that you like The Rock, but everything about your viewing.

Will Richmond: *The importance of the [television's] operating system,*[22] *and how hardware, software, advertising technology and viewers' data all intersect is a critical battleground going forward. It will define long-term winners in the space. When you own the OS, you are in pole position for ownership of data and insights on viewers' preferences.*

The ownership of data—would that be all my on-screen data?

As much on-screen data as privacy regulations will allow. But when you set up a new TV, you click accept, accept, accept, I can't wait to start

21 D'Alessandro: "Dwayne Johnson-Led Holiday"

22 The operating system or OS is the software that runs a device, including all other software.

my show already, accept, accept, accept. You're accepting all kinds of things that you might be cautious about if you actually spent an hour or more reading the details of the user agreement. Or maybe you wouldn't. Some people care deeply about this stuff, others don't at all. It's a very murky area, which is partly why governments around the world have involved themselves in privacy and other related matters.

Most people, when buying a computer or a smartphone, pay a great deal of attention to whether its operating system is part of the Google/Android ecosystem or that of Apple/iPhone; or choose a third option specifically to keep their data from these companies. Fewer consumers make similar considerations about their living room TV.

Yet any smart TV you buy today is essentially a kind of computer, and will be running on an operating system. The software allows you to watch the channels offered by your TV provider, but is also likely to offer a native selection of FAST channels as well as a selection of pre-installed apps, already nudging your consumption in preferred directions. The OS will come with an app store where you can download apps with more services; which app store that is affects underlying financials.

The OS will almost always include support for a voice assistant (like Google Assistant, Apple's Siri, or Amazon's Alexa), as voice-based search and recommendation is expected to become completely central to how we navigate our content. But the TV is also connected to other smart home devices within the same device family, such as your Google or Apple doorbell, or your Samsung washing machine, effectively becoming a kind of dashboard for the smart home.[23]

Our TV behaviours reveal an enormous amount of data, which is a goldmine for ad targeting. If we are also logged into our Google, Apple, or Amazon accounts, as we will be on the respective operating systems, this data can connect directly to any other online behaviours we have consented to log. All of this data becomes even more valuable as privacy

23 Especially if your TV set is older, you might run the smart content of your television off an external device plugged into an HDMI port instead, such as an AppleTV, a Chromecast with GoogleTV, or Roku. Then much or all of the same functionality will be powered by that dongle instead.

regulations are increasingly limiting the use of cookies.

Will Richmond: *Connected TV is fundamentally a digital channel. Eventually it will deliver all the same benefits that digital has always offered—targetability, measurability, dynamic creative, performance metrics, etc. CTV is capable of doing all the things that have driven the Google and Facebook and digital advertisers' business models.*

But CTV can also deliver all the benefits of traditional TV, the "sight, sound and motion"—the idea that when you're introducing a brand new truck or a movie, for example, nothing conveys the emotional impact as well as an ad on TV. All of this has a lot of people in the industry enormously excited about the opportunity for CTV to be the best possible full-funnel marketing opportunity.

How would you explain full-funnel marketing?

It's the concept of driving a consumer from initial product awareness through to purchase. The top level, the so-called upper funnel, has always been about reach and frequency—the advertiser getting their message out far and wide. This is why the Super Bowl commands the highest ad rates on TV. The lower funnel is about conversion—getting the consumer to buy a product, download an app, enter an email address… These are the KPIs of lower-funnel advertising.[24]

This is CTV's big opportunity—to eventually be full-funnel. It's going to do everything, and advertisers are going to pick and choose where along the funnel they want to allocate their spending for their specific product and their lifecycle. The game has barely started, and the players are only just suiting up. This is a long-term, multi hundreds of billions of dollars global opportunity.

It is likely the impact of full-funnel advertising will be measured in conversion, not reach. If this is realized quickly, the assumption that AVOD will eventually force streamers into ratings transparency may prove to have been premature.

24 KPIs or key performance indicators are the success metrics of a given aspect of a business.

Today most ads served on our CTVs are still neither specifically targeted nor meaningfully interactive. Within 3–5 years this will have changed. Already, Amazon is offering big advertisers targeting within the same slot, allowing for instance a car maker to display different models to different demographics. It is also already possible to act on advertising messages directly, whether through voice assistants or through communication between the TV and your phone. The full integration of TV ads and e-commerce will change the economics and the experience of TV content entirely.

5

Why We Don't Understand Cinemas

In 3–5 years, we will know how theatrical distribution slots into the wider feature film landscape, but for now the advice is to keep calm and get better data. Data will also be the cause if a tech company ever makes a play in theatrical exhibition.

Sten-Kristian Saluveer: *Big US theatrical chains are going into preferred pricing—like airplane pricing.*[25] *You buy a ticket, and if you don't pay for a seat, you get seated randomly. If you want a good seat, you'll pay more. This is a last-resource choice, and we see these organizations are now operating tactically instead of strategically. It's not a very good indicator for the state of the market.*

Will Richmond: *A lot of people have come to realize that there is an audience that's underserved by films and by the theatre-going experience. Apple recently announced that they're going to put a billion dollars a year into films. I think Apple, given their sensibility and the type of TV shows they've made so far, is likely to try to be closer to the A24 strategy in terms of the kinds of films that they make. What's not clear is what the audience size for them will be, and whether the economics of [exhibition] can be sustained on indie-type films.*

Rikke Ennis: *Some films that people would normally have seen in cinema, they are choosing to see at home. That means that what you go to the cinema for has to be very special. Almost like an event screening, or extremely*

25 Valinsky: "AMC Theaters is Changing" *relevant to you. It's really getting difficult to find the right films, and you can't take as many chances as a distributor as you could before. You need to be very selective, because your audience is very selective.*

Theatrical exhibitors have consistently blamed weak post-pandemic results on a lack of attractive premieres overall, and at least in the US market, the dip in attendance between 2019 and 2022 was roughly proportional to the decrease in releases[26]. Box office recovery in early 2023 is strong, and as we have argued in previous years, theatrical releases will continue to play an important role at least within the 3–5 year near-future horizon.

At the same time, cinema-going seems to be transforming from a social habit to a treat for special occasions. To understand whether this change can be reversed, we should understand why it happened. Yet, for an industry with a laser focus on theatrical performance, we know surprisingly little about what drives it.

Theatrical ticket sales recovered unevenly after the pandemic. In 2022, Italy was down 50%, Spain about 40%, Sweden and US 35%, the UK, Ireland, Germany, France, Finland and Norway around 30%, and Denmark about 20%.[27] The variation in these numbers suggests complex causes.

The duration of closures is one factor: Danish cinemas remained open for much of the pandemic and, importantly, even delivered a domestic hit with *Druk* (*Another Round*). Going to the cinema at all seems to help keep the habit alive. Highly resonant domestic content—which Denmark has consistently produced for decades—seems to keep cinema in the conversation and audiences engaged.

The pandemic effects themselves are poorly understood. We do not know how individuals weighed exposure and reward during the acute stage of the pandemic. Even today many risk groups, and their loved ones, may reasonably still remain cautious. Movie-going is priced for the middle classes, and many people emerged from the pandemic financially

26 Faughnder: "Hollywood's 2022"

27 Vivarelli: "Italy's 2022 Box Office"; Hopewell: "Spain Box Office", Tartaglione: "France Box Office", Blaney: "Admissions Fall", Pham: "2022 Nordic Box Office", Dalton: "UK-Ireland Box Office", Faughnder: "Hollywood's 2022"

devastated. And cinema is not as high a priority to most people as it is to filmmakers and entertainment journalists, while literally everyone is behind on in-person time with friends and family.

The industry has a dangerous habit of confusing box office numbers with insight. We obviously cannot use ticket sales to determine why anyone has chosen to attend or stay away. The rise in ticket prices means that box office revenue is not a useful metric for comparing audience sizes over time. Many 2023 releases will have their budgets bloated by both pandemic production costs and inflation, making performance relatively weaker. It is also increasingly uncertain whether we should make assumptions about the theatrical potential of any other kind of film based on how aggressively marketed studio pictures performed in the last quarter.

Max Malka: *Maybe we won't have as many premieres. It took a long time to teach people that we're going to market a film to you, please remember it, put it in your calendars, and come and see it. The quantity is now so high that by the time they have that space in their calendar, it's already out of the theatre.*

Even before the pandemic, industry analysts were expecting a 20–25% decrease in attendance by 2025. (It was also believed box office might still remain stable, through growing interest in premium experiences). Turning the tide would require us also to understand the causes of that longer-term decline. It coincides with an explosion of streaming entertainment, yes, but also with a massive growth in the quantity of feature films.

Premieres multiplied just as media that supported their marketing—daily newspapers, linear television, monthly movie magazines—changed or disappeared. For the casual film lover, staying on top of what was available was becoming increasingly hard. The mainstream film industry was moving in a more predictable direction, focused on familiar IP and big blockbuster bets, with the sheer abundance of premieres drowning out the gems. Films were programmed for much shorter runs, making it impossible to grow a sleeper hit through word of mouth.

Many weak studio titles were marketed to a strong opening weekend even though they were known to be duds, and many weak independent films were made and released because new sources of capital were available. The hard truth is that a normal person does not need to be disappointed all that often at the movies before they learn that taking chances is not worth the risk. Especially since the theatrical experience, outside the premium category, was often poor. Of course audiences gravitated towards the home.

There were also underlying processes affecting in particular the theatrical chains. Multiplexes were often placed in retail clusters like malls, already coming under pressure from e-commerce (a trend intensified by the pandemic). Very few mainstream cinemas were or are programmed based on an understanding of the local audiences, and the studios' aggressive negotiating for blockbuster real-estate undermined content diversity further.

No film should be theatrically released just because it's tradition, for ego reasons, or to unlock funding. When we did, it was harmful to cinema culture.

Max Malka: *Since TV has become so close to film, the attitude towards certain types of films has changed with many people now preferring to see them from their couch. When you can watch the last season of Succession and then watch a really good two-hour film, which is at the same level of quality and production value, how do you differentiate the experience? Of course you still have the likes of Black Panther or Avatar which people want to view on the big screen. Equally, something based on existing IP that has a strong fan base who can't wait to see it right away still encourages people to go to the cinema.*

It's harder to make regular drama films and character-driven stories. If you think about a European feature, not really arthouse, but a quality drama... I don't know if it's worth paying €50 on a date night if it'll be on a service in your home soon, and you're not sure whether it's going to leave you a bit depressed, with an existential crisis, or if it's going to have that nice and warm date-night feeling. I feel those films have a really hard time surviving in cinemas.

Neil Peplow: *At MIPCOM this week you could see Netflix saying very clearly that they are not in the theatrical business. I think it may be indicative of the fact that they've won the streaming wars, or at least the latest battle. At the same time the studios have suddenly seen box office come back to life with Mario and Evil Dead, and even revised their global box office figures up for the year ahead. Suddenly the studios are going, "Well, maybe our old business model wasn't as bad as we thought."*

The blockbuster economy is very important for keeping screens open, and after two good quarters in 2023, things are looking up for the major studios. Warner Bros. Discovery's David Zaslav in particular is bullish, announcing a goal of releasing 20 theatrical movies a year, and even stating that the company does "not believe in streaming movies".[28]

Zaslav was not analysing the long-term development of the exhibition sector, he was addressing a room full of cinema owners, and indirectly investors that might acquire his company—putting distance between himself and a poorly executed pandemic strategy. Theatrically released movies perform better on streaming services, but it does not follow that every good film can do well in theatres. If Zaslav's 20-film annual slate contains mid-sized films or talky dramas, they will require untraditional releases and enormous marketing support.

Rikke Ennis: *There is a potential that hasn't been used 100% in the combination of cinema with streamer. I think we will see more of [them] allowing a theatrical window of three months.*

Max Malka: *[We will have a] recognition of which films are okay for the audiences to see on their couch, and which films really benefit from a 2–6 week theatrical window for the exact target audience, the fan base, but are then going online for the secondary target audience.*

The stock markets responded positively to reports that both Apple and Amazon would invest $1 billion in theatrically released titles—not their own stock, as content is a marginal piece of their businesses, but that of

28 Goldsmith et al: "David Zaslav At CinemaCon" theatrical chains.[29] Amazon, which owns MGM Studios, expects to release 12–15 titles a year theatrically; how Apple will divide its money is not known.[30] Both will measure success in effects on their digital services rather than box office alone, so a mix of big bets and slightly more niche or elevated choices is expected.

There is speculation that either one might make a play in exhibition. A takeover of an ailing theatrical chain is unlikely in the current economy, but both are innovators in integrating physical retail with digital business models. One of them might eventually figure out a new way to organize the theatrical experience.

Netflix, which spends more on original movies than either Amazon or Apple, is publicly staunch in its resistance to theatrical, but has quietly allowed theatrical carve-outs in local territories. If their competitors do well in cinemas, their overall strategy too is likely to change.

Will Richmond: *The cookie has been the standard way of tracking a user's behaviour, and that is being eliminated; in CTV it's not used in the first place. Countries in Europe and states in the US like California are leading the charge on privacy. What all this means is that every company is going to be driven to collect more first-party data.*[31] *So for example, getting well-educated high income earners into theatres to see high quality movies seems like a fantastic way to [do that].*

Neil Peplow: *Netflix is doing pretty well without having to spend lots of P&A and taking risks on films which we are not sure will work. Or maybe they're just letting Amazon and Apple develop their strategy for them.*

Five years from now we will know the real potential of theatrical exhibition in the current landscape. Not every film will be theatrically released, and we need to make sure it's the right titles, in the right way. For a next

29 Buckley & Shaw; "Apple to Spend $1 Billion"; Shaw: "Amazon Plans to Invest $1 Billion".

30 As we go to print, Apple has yet to secure a distribution deal for its slate.

31 *First-party data* is gathered by a company directly from an individual user, rather than for instance harvested from online behaviour with third parties.

generation of cinema-owners to flourish, their programmes need to be curated for (and affordable to) their local audiences. Bringing audiences in, or back, requires both outstanding quality and data-based decision-making. The pandemic has shown us that changed behaviours do take time to re-establish—but also that they can be.

6

Underserved and Unconvinced Youth

Cutting content investment targeted at Gen Z is a very short-sighted strategy for financial as well as ethical reasons, and because a disinterest among young people for their local scripted drama is a threat to the talent pipeline. Our lack of diversity and abysmal work environment makes us unattractive, and the traditional allure of working adjacent to glamour is fading.

Sten-Kristian Saluveer: *There's a lot of misconceptions around Gen Z—that they're kids hanging on YouTube, Twitch and Discord, playing their games... But the oldest Gen Zs are 26 years old. In four years they are the most productive core of society. So the question for the film industry legitimately is, how dare you disregard this audience, this community, and not even attempt to engage with it on their terms, formats, and channels? The prejudice of the industry against the audiences is shooting us in the leg.*

Max Malka: *I think there's a gap in the market for sure. Not all of the commercial broadcasters are commissioning younger content. But on the other hand, some commissioners really want to ramp it up. BBC3 and Warner Media, for example, have said that they are focusing even more on non-scripted for children. So it's a mixed approach.*

The youngest age ranges are watching more content than ever before, but how they consume it has changed fundamentally. In a study from 2021, 92% of 12–15-year-olds watched VOD content, while only 61% engaged with broadcast TV. Where are we filmmakers trying to reach them?

Alex Pumfrey: *We've always rested on our laurels of being this glamorous, exciting, sexy, creative place to work. That is insufficient for the youngest*

generation, for whom the whole industry's position on matters like the climate crisis or mental health and wellbeing are crucially important.

When I left university in the late 90s, advertising was the desirable industry for grads to go into. Now advertising has a huge talent pipeline problem, because it's seen as pretty seedy, pretty grubby, money driven, and there are perceptions of bullying and harassment. I really believe that the same thing will happen in film and TV if we can't address some of these issues.

Sened Dhab: *We need a really intense change in our hiring processes all around. I'm always devastated when I look at my industry, like at MIP a few days ago. The diversity is staggeringly low. We have a hard time hiring from diversity, behind or in front of the camera. There's a long, long way to go, especially in countries where affirmative action isn't possible because gathering ethnicity-based data is forbidden by law. It's way easier to discriminate if you can't be held accountable for the situation.*

Neil Peplow: *If we don't change as an industry and actually become more inclusive, human and empathetic, then it is an existential issue, because people won't want to come and work with us. That keeps me awake at night.*

Gen Z currently includes all teenagers and young adults up to the age of 26. If they do not grow up to consume similar amounts of film and serial drama as earlier generations, the value of the market will hollow out over time. In the short term the industry will run into another problem: if young people are not passionate about the product, they are unlikely to want to devote their careers to making it.

The signals are mixed, but the overall tendency seems to be that commercial broadcasters and streamers are backing away from this young adult audience, perceived by them to be less attractive to advertisers and to not be driving subscriptions.

Rikke Ennis: *They still live at home and watch their parents' subscription. From a streamer's point of view the business case is not that attractive, apart from the fact that you can produce it extremely cheaply—although*

I'm not sure how many subscriptions you would get out of that.

Neil Peplow: *Longer term, the question is whether the next generation are willing to pay at the same level for subscription services when it's not coming out of the bank of mum and dad.*

It seems strange to assume outright teens would not influence household subscriptions, but they are certainly also notorious password sharers. With other streamers expected to follow Netflix in a crackdown on the behaviour, the demographic should become more visible in subscription data going forward.

Teens and young adults are also a valuable target audience in themselves. In part because brands that build relationships with teens often catch them for life, and in part because they are not shy about spending their disposable income even on luxury items. This spending power is what drives the influencer economy.

Sened Dhab: *Here in France, quite surprisingly, most media except for public service networks are abandoning young adult programming. All the newcomers, platforms, seem to have backed away. Where three years ago I had five or six competitors, today I'm the only one commissioning young adult drama and comedy, which is alarming. When there's only one outlet for stories designed exclusively and specifically for those audiences, the production industry tends to veer away from it too, because developing and working on young adult projects becomes higher risk.*

Sten-Kristian Saluveer: *I had a discussion with Evan Shapiro at SXSW about whether Europe has a chance, and we came to the conclusion that it does. A lot of the new [media] ecosystem can develop around public broadcasters.*[32] *Many of them already have nice infrastructure in place and great content with high production values—the BBC, in mainland Europe, the Nordics, etc—and they often have the trust of their audiences. That's a really interesting playbook. Europe can actually compete in the trust, relevance and long-term relationship category, rather than that very short-term growth and subscription game.*

32 For a detailed analysis of the European streaming landscape and the role of the public broadcasters, see Shapiro: "European Vocation".

Public broadcasters are often specifically tasked with including young demographics. Like all broadcast brands, they are quietly transforming into streaming-first enterprises. On average, 54% of European consumers are now streaming their pubcaster content,[33] and in a few countries—Sweden, Denmark, the UK—the public service is a serious competitor to Netflix and Youtube. Pubcaster streaming tends to have excellent reach with young audiences, which is not a surprise for a free, often ad-free, and well-curated platform that takes them seriously.

Commissioning resonant quality content for younger audiences is the right thing to do. We have a duty as artists to share great storytelling with them, and as parents and citizens to create spaces for reflection, context and empowerment in the often terrifying world we have saddled them with. For public broadcasters, which are typically one of the best sources of quality journalism, it is also a valuable trust-building exercise—an investment in a long-term relationship that can contribute to democratic stability.

This long-term relationship should also be a concern for content makers in the commercial marketplace. Three or five years of content crunch is a very long time in a young person's life, and they may be hard to catch again on the flipside. Besides, speaking to Gen Z does not necessarily exclude older viewers. Disney has proved beyond debate the generational value of IP that catches audiences young, and Netflix has demonstrated that nostalgia-driven shows like *Stranger Things* and *Wednesday* can also connect viscerally with young viewers.

It stands to reason that an expensive event show can become appointment viewing; they are living-room blockbusters, either safe bets or a chance to be part of a cultural moment. That does not mean that competing with relevance would not be possible (as NRK's *Skam* proved once and for all). If streamers are backing away from opportunities, local incum-

33 Shapiro: "European Vocation".

bents can fill up the space, benefitting both in the short and long term from the investment.

Max Malka: *In a 2022 Common Sense Media survey the daily average screen use among tweens 8–12 had gone from 5h 33 min to 8h 39 min. They are using more and more video, but instead of [TV or] YouTube, they are going to TikTok. So it really depends on whether the filmmakers themselves know the platform where their stories will be consumed. I think it's really difficult to think about making something that will work on TikTok if you do not use TikTok.*

Sened Dhab: *I'm a strong believer that what you're consuming on TikTok is not what you're going to be consuming on streaming, not what you're going to be consuming on TV. Kids don't spend so much time on TikTok because it's short, it's because it's user-generated, because it's creative, and because they can relate to it. But then they still watch hours of Stranger Things, Wednesday, and Squid Game.*

One argument against investment in Gen Z that is voiced surprisingly often is that they are not interested anyway—that the TV medium has already made itself irrelevant, or even that the success of TikTok would somehow prove that they are not interested in long-form content.

This is not correct. In a streaming context young audiences will watch their favourite shows and films over and over, often engaging with them creatively online, boosting word of mouth and ultimately library value.[34]

Neil Peplow: *At school level, there is an ignorance of what jobs are available in the film and TV industry. A lot of people just don't even know what a director is.*

Sened Dhab: *I sometimes go to high schools to present our series, or to exchange with students and pupils. The absence of knowledge about our jobs absolutely terrifies me. Some of the 15, 16, 17-year-old kids don't know what a screenwriter is, and think the actors are inventing the story. That the director is just there to hold cameras. That's one point that we need to address very quickly, especially in lower-income areas.*

The second big obstacle we need to get around is that it's such a closed-off world. The "you have to know someone" trope is still very strong. When you see young actors making it really big, and 50% of them are kids of the industry, it doesn't send the message to go, "Okay, maybe I have a shot at this."

34 What does seem to be correct is that Gen Z will determine very fast whether a piece of content is engaging and relevant to them: the first minute needs to be magnetic.

The traditional industry's problem with Gen Z is circular in nature. The barriers of entry for younger and diverse creators are too high. Keeping those that make it is hard because of poor economic prospects and an unhealthy work environment. Therefore we struggle to make relevant content; therefore our industry becomes less appealing as a career.

Arguably it was always the case, but up until about a decade ago film and TV used to produce global young stars in a way it mostly doesn't anymore. In a recent National Research Group study asking which actors would make a person likelier to see a film in theatres, only four actors in the top 100 were under 30 years old. In the top 20, only four actors were even in their 40s—everyone else is older.[35]

Even on-screen talent are rarely top-of-mind celebrities for this demographic, and other roles such as directors barely register at all. The overall awareness in Gen Z even of key industry professions is low, suggesting that we are not even using our own media platforms to make our work visible or desirable.

If the allure even of becoming key talent has waned, the residual glamour of the film industry is certainly not enough to motivate young people to explore careers in funding, distribution, exhibition—all areas where generational shifts are due. The industry, then, will be recruiting on its inherent attractiveness. This may prove to be a challenge.

35 Belloni: "Only Old Movie Stars Matter".

Neil Peplow: *Two industries, which are quite similar in the UK in terms of structure and employment practice, are construction and film. Both are freelance in nature, have a lot of hands-on manual work, and are quite fragmented in the way that they're structured. The construction industry here can go into a school and say, "When you're 18, you can do an apprenticeship as a site manager. By the time you're 21, you'll be doing your first project," and so on. They can see it and go, "Okay, I get it. By 34 I'll be earning x, have this benefit, and I understand what I need to do to get there."*

In our industry it's, "Well, you can join, but then you have to work with Frank, and Frank only works with somebody they've got in their phone book. And by the time you're 34, then you probably will be burnt out. There's no health scheme, there's no company car and there's no pension. So, when do you want to start? Oh yeah, I forgot to say, you'll be working 60-hour weeks."

Sened Dhab: *Society has become more about survival than choosing what you're going to do, especially for lower income kids, and the crisis is not going to make that any easier. With any creative job, it's like, "That's not going to make you money. You need a real job, not a dream."*

I am part of the selection committee of CEEA, the European Conservatory for Audiovisual Writing in Paris, one of the most prestigious TV screenwriting schools in Europe. They have 12 students a year, and the schedule and amount of work needed to graduate is brutal, as it should be. You really don't have time to work on the side. But you also have to live in, or very close to, Paris. If you're not from there, or your parents don't have the means to pay for [that], you're not going to be able to go. It's the same for La Fémis, for all of those schools.

Would you recommend working in this industry to a young person?

Alex Pumfrey: *I'd want to make sure they had a really developed understanding of the way it works, and had thought through how to manage themselves. Be clear about what you want to get out of it, how you're going to create your networks of support for yourself.*

Danna Stern: *My daughter is a producer at heart, and I do love this industry, but I'm like... go into something else like event planning, concerts... somewhere these skills will pay off in the future. We always need to remember—we serve an audience. If the audience isn't there for what we're creating or not showing up for the outlets for which we are producing, then we need to adjust. Hopefully we still have stories and places to tell them, but for my daughter's generation it's going to be very different system.*

While we struggle with reaching audiences, plenty of enormously relevant content is produced across the creator economy on platforms with very low barriers of entry. While we have stopped communicating careers in film, the digital games industry is literally training children in games-relevant skills inside the games themselves. For teens chasing pipe dreams, making it as an influencer seems more realistic than making it in Hollywood.

Working in film can be miserable, but it used to have upsides—creative, collegial, even financial—that made people stay when the dream was broken. Mostly, of course, we are still here because of a love for the medium, for its transformative power, and for the magical experiences it enables.

Younger generations are much more likely to reject sectors that do not live up to their stated values, and to leave jobs that they perceive as harmful to their own mental health or well-being.[36] Addressing the structural issues contributing to abysmal work conditions and our lack of diversity is therefore a business necessity. We have to stop pushing people away, but we also need to pull them in, to think deeply and act swiftly on what sparks a love of cinema.

A window of opportunity is opening. The technological revolution about to hit our industry brings with it exciting creative possibilities that can create a real moment especially in independent production. Like in the low-budget filmmaking of the 1990s, the small creative collective or the budding auteur will no longer need to wait for gatekeepers to get going.

On the other hand, these creators might not see a need to operate

36 Mind Share Partners: 2021 Mental Health at Work within the traditional industry structures at all. Their lived experience of how audiovisual media are funded—on YouTube, in games, on Kickstarter—does not rely on public support or traditional distribution. Discussing this tendency in our 2021 report, Water Iuzzolino observed that if the traditional industry loses out on these filmmakers, a new industry will eventually emerge around them: "The infrastructure of business will always colonise and absorb viable things."[37] Arguably it already has.

Sened Dhab: *There could be [a scenario] where there might only be a few healthy and freely functioning public services networks around Europe, and for one reason or another the private companies will have lost some of their power.*

When the young adults of today are 40, the TV ad market will be a war zone, and if we haven't been able to hook them on TV, they are not going to watch it. But storytelling is like the dinosaurs in Jurassic Park, where the Jeff Goldblum character says, "Life finds a way." Good storytelling will always find a way.

37 Koljonen: Nostradamus Report 2021

7

New Paths For Everyone

The creator economy increasingly overlaps with the film & TV industry. Content that would once have existed only on television is expanding organically onto a range of video platforms. Existing in these environments is a necessity, both because the business opportinities inherent in the audience, and because we must learn from their professional creators.

Sten-Kristian Saluveer: *Youtube and Google TV are becoming the de facto new distribution and broadcast infrastructure. Youtube will have about 2.4 billion monthly users by 2026, and Google infrastructure is basically on every single phone and smart TV… a platform with a bit less than one-third of the world's population on it is not a competitor any more. It's the most principal foundation on which things will be built and deployed.*

Collating this with post-Covid statistics about what types of changes people are making in their lifestyle, home will be the new entertainment frontier. Is it then necessarily about [SVOD]? Not so sure. The Queen's funeral was a great exemple, because [YouTube] was the TV platform where people got their content. If you know for a fact that 2.4 billion people are on this distribution platform, then why, exactly, is the film industry not on that platform?

Danna Stern: *There are entire generations that now don't need the system that we have in place to create content. They're doing beautiful things in short form with a phone, on TikTok or Instagram. They're not creating the expensive, commissioner-gatekeeper-heavily researched kind of storytelling that we do, but they're creating content for themselves and talking about things that matter to them. It's definitely entertainment, at times* *also educational, it has a huge impact on culture and society and therefore has tremendous value.*

Neil Peplow: *The possibilities that are being opened up by technology and by Web 3.0 will empower the individual to create stories more easily, to reach audiences more easily, and to share in revenue without having to have an intermediary in between. In 5–10 years it's going to be really exciting.*

Students find their own opportunities now. Graduates from the Australian Film School [AFTRS] went on and made a one-minute episode series for TikTok, which ended up getting 10 million viewers, and has now been commissioned into a full series for their local broadcaster. Another Australian YouTube creator that had a successful series on YouTube just sold their first horror film at Sundance for seven figures. You get these new people coming through who go, "Actually, I don't need permission, I can reach the audiences myself." When you've got that global niche understanding of an audience, it can be sizable and quite impactful. Film agencies have to understand that the traditional model is one way of doing it, but how do you embrace all of the different models that are happening underneath that to create pathways for new talent?

As the cost of visually ambitious video production drops radically in the next few years, the most obvious distribution platform for it will be YouTube.

YouTube is the world's biggest streaming service, and different from TikTok and Instagram in that it is often viewed on the living room TV. From the user's perspective, then, YouTube is already television. YouTube has also proved itself as a distribution platform for traditional television content—from offering clips of US late night talk shows both an advertising platform and a new revenue stream, to Turkish drama producers releasing their shows on YouTube as a local second window and in territories where the shows are not airing. It is also increasingly a first-choice platform for

accessing live television coverage of news events.[38]

It is increasingly obvious that live or light-to-produce content we would have once watched on broadcast television, such as talk shows, can operate on any video platform where its audience can be found. That naturally also means that a producer can bypass the broadcaster entirely.

This has already occurred in the technically less complicated audio space. Podcasts are a significant platform for public service radio, whose content is distributed side by side with that of digitally native production houses, semi-professional podcasters, and amateurs; and with transmedia extensions of other content brands, whether news and opinion shows from print news organisations, or audio dramas based on comic book IP. The same process is underway in the digital video space, opening up new opportunities. The viability of producing straight to consumers is, just as in selling to corporate buyers, a question of balancing budgets, audiences, and partnerships.

YouTube offers a range of revenue sharing models, and its established professional creator class have developed additional ways of monetising viewership. But the professionalisation of live video extends across platforms, which are all different in terms of audiences, levels of leaned-back versus engaged viewing, and even content policies. Far-right megastar Tucker Carlson presents one interesting example. After his ouster from Fox News, he has announced plans to produce his show live for Twitter instead. For someone else, Twitch or Instagram might be the best fit. For scripted content, YouTube has the greatest potential.

Neil Peplow: *[Our] filmmaking course takes a holistic approach to training talent. You do sound, production design, you DOP, direct, write, produce, edit. Then you decide which area you want to go into.*

This approach is actually more relevant than ever. Let's say you start up your own media production company, or you want to make something on YouTube—you end up having to do a lot of those roles yourself. And

38 All this is not to be confused with YouTube TV, a US subscription service distributed through a separate app, which gives the user access to over 100 linear broadcast and cable channels.

that pathway takes you into lots of different jobs and opportunities that you may have never have thought of. The ability to adapt is crucial. But it also means that when they want to be the director, they have an ability to understand all of the different aspects that go into being an auteur.

Developing auteurs with distinctive voices is critical, because that's what's going to cut through, and what's going to enable filmmakers to tell the stories that they want to tell and engage audiences.

***Max Malka:** I feel that maybe the fact we now all have cameras in our pockets, which allow us to publish at any time, stream live, and become a broadcaster, a distributor yourself, gives a false impression that there's not that much craft required. I think the opposite is true. You need even more craft to really be a professional in this day and age.*

Within the film and TV industries, we tend to imagine that a person might build up an audience on YouTube or a social video platform that they could then leverage for entry into our side of the business. It is probably better to think about it the other way around: this is already where the audience is, where stars are made, and where IP is developed. Our visual and narrative expertise and our deep storytelling experience is a natural fit.

The creator economy is currently valued at about €100bn a year. The ecosystem includes the creator platforms; about 200 million creators ranging from recreational storytellers to full-time professionals, often organised in highly specialized production companies; and the great wealth of the support structures you would expect, from assistants to agents, brand partnership agencies to dubbing companies. Although it is rare, the most expensive YouTube-native content already has production budgets reaching into the millions of dollars. Conspicuously absent are public arts funding, institutional gatekeepers, and representatives of the traditionally higher-status parts of the audiovisual industries.

***Sten-Kristian Saluveer:** We have been operating for a very long time with the presumption that IP should go from physical to digital. Now the opposite case is proven, and that's also where gaming IP comes in...*

Many companies don't even have trailers or [clips] available on these platforms. I always make this example that Criterion Collection has around 408.000 subscribers on their YouTube Channel. In the big picture, Criterion Collection is focused on a very niche audience, but they do it right.

***Danna Stern:** A great example is Cocomelon, which started as independently produced kids' animation on YouTube, is the number one most watched show on Netflix for years, has a very successful merchandise line and currently a feature film in development. Kids and family content is obviously a world of its own, but these are conversations and thoughts we need to have in foreign markets too.*

***Neil Peplow:** Develop an approach which embraces YouTube, or TikTok, but also informs it with that understanding of how to tell engaging narratives.*

Even for film and TV produced and released within the traditional system, the video platforms are of vital importance—especially for the independent/arthouse sector. TikTok is key for content discovery, not just of new titles, but also for the wider film history library, as well as of other media. Physical bookshops have seen good results especially displaying trending #booktok titles,[39] but the film industry does not seem to similarly be engaging with #filmtok and #movietok. At minimum, we are now required to make well-considered business decisions for why we are not on these platforms.

***Sten-Kristian Saluveer:** I have some students in their early twenties, and yes, of course their whole life is on digital platforms. There are still people in the class who are hyperventilating in excitement about Asian arthouse cinema, or John Cassavetes, but their discovery of and engagement with great cinema has a completely different trajectory and happens in different types of spaces than ours.*

39 McMillen: "Can BookTok Save Bookstores?"

Sened Dhab: *Lately we've had, organically, fans cut and post excerpts from a few of our shows on TikTok. The amount of viewing it brought to the platform was mind-blowing. And for me, it shows that there's a type of consumption and usage that is for TikTok, and then when they want the full story, they still come on our platform to consume it.*

Danna Stern: *IP formats, reformatting, rebooting, selling is still very big—the market is hungry for anything adaptable that is tried and true. If you can get the younger generation of storytellers interested in existing IP, to repurpose them in fun and creative ways in new forms and formats, that's exciting.*

8

The Filmmaking Business, Reborn

The business of movie-making will be conceptually separated from the business of cinemas. Most production companies that survive five years hence will have truly diverse output—not platform agnostic, but platform harmonic. A range of formats, business models and distribution paths will flourish with audiences, and therefore relevance, at the centre.

Will Richmond: *There are people who believe that unless you have an A-list star who gets paid $20 million a picture, you're not going to have a truly "premium" experience. That paradigm feels really outdated to me—what is premium is beside the point. Compelling content comes in all different flavours and budgets, and all of us are continually surprised by what becomes a hit at the box office, on TV, on social... There's an old expression I really like: "where you stand depends on where you sit." So maybe if you're a studio executive, you believe big budgets are where it's at. Conversely if you're a creator on YouTube doing super-popular shorts, that's where it's at.*

Max Malka: *We are seeing how much risk the producers have taken on feature films and how it isn't paying off. It's really rough. I mean, they weathered covid, which was really tough, and then finally released their film now that the cinemas are open, and they're still not selling as many tickets as they need to be financially safe. It's definitely a challenge for traditional feature film producers and filmmakers. I think it [requires] a shift in their mindset. I don't think you can continue to just be optimistic and think the audience will return.*

Sten-Kristian Saluveer: *In one way the situation looks very grim, but whose perspective you are looking from? If you posit that we have a relatively high quality distribution platform that is kind of free to distribute on and reaches 2.4 billion people—never before in history have we had that kind of an extraordinary chance. Then who is able to capitalize on this, and why?*

The quantity of both theatrical features and TV dramas will inevitably drop from the peak years. At the same time, changes in the technology of filmmaking are expected to increase the overall amount of audiovisual storytelling. If that work will not be distributed on TV/streaming or in theatres, it needs to go somewhere else, and be funded in other ways.

Looking at these changes from the perspective of the story, the new film industry will be described as IP-centric. Considered them from the perspective of the audience, it will be described as driven by relevance. The idea that valuable filmmaking is only possible in the theatrical market has already been disproved by two decades of outstanding TV storytelling. No one is arguing for traditional filmmaking to end, but it is clear that we need to be much more judicious about which projects should take which path. Filmmaking, and storytelling more broadly, will be platform harmonic—the right story, in the right format, at the right cost, at the right time. This is sustainable.

Influential audience tester Kevin Goetz recently observed that every film can, and should, be profitable. This requires of course that it's produced at a cost proportional to its market, which is why Goetz advocates in particular for proof-of-concept testing—involving audiences very early on to truly understand with whom and in what way the project resonates. The answer might be that it doesn't, or that the project will not, for instance, be a wide-release feature film. That doesn't mean it is not worth making.

Neil Peplow: *Creative entrepreneurship is crucial, and I still think a lot of courses focus on a traditional approach to financing and don't really introduce concepts like innovation and design thinking. What pain is your proposition is trying to solve; how you iterate around that understanding; how do you get audiences involved in understanding what you are doing and refining it as you go along? Games do this with their audiences. They test the water before they finally commit, and continue to update once they go live. I still don't know if we do enough of that testing of the original proposition, in the independent side in particular.*

There is really no reason why audience testing of the finished but not locked film should not be the norm in the arthouse sector as well. All films are served by making sure the director has managed to communicate what they wanted, and experience has shown that minor changes can really help lift a film from something audiences like to something they will definitely recommend to others.[40]

As we develop a more sophisticated understanding of what films are theatrical, testing for the relevant qualities can help frame the most specialized release in a way that connects. If your gut says an unlikely project has legs, prototyping and testing can provide arguments for the negotiating table.[41]

Neil Peplow: *Lots of tools that can be used today aren't actually that complicated to tap into. You could A/B test a poster or a thumbnail or a proposition via targeted Facebook ads. "Would you watch this? Yes or no?" You've got biometric testing, which we actually did in Australia on a TV series being produced by the national broadcaster. We would track the audience's attention through biometric sensors, eye tracking, and facial recognition, to see if they were bored or happy. That really informed the pilot, which then got edited and increased audience satisfaction.*

Making films is nigh-on a human right. But making films for tens or hundreds of millions of euros, often with tax-payers' money, is a privilege. If fewer feature films are made overall, and not all features will have a traditional theatrical release, the question is, why should yours be among

40 Goetz and Darlene Cayman write entertainingly about this in his popular memoir, *Audience-ology*.

41 In the context of auteur cinema, prototyping can be understood as involving an audience in artistic exploration processes.

them? If you cannot answer this question—from the perspective of your audience, not just in the context of your personal vision—it might be a clue that it won't. Running a sustainable business of any kind requires balancing acceptable risk with sufficient upside; this is what literally every other industry does. That our artform also has public support only changes how risk is distributed, and what kinds of value are produced.

Neil Peplow: *How are we going to defend what's really important, which is cultural identity and diversity of content? It's in the independent sector that you're going to find the ability to experiment. The skills it has in terms of finding money from different sources will still be there. And actually, there's still this thing where a breakout success could potentially bring you more money. I don't know if the independent sector will continue to decline, I think it'll probably sustain and maybe even increase slightly as things settle down as we come out of the COVID disruption.*

The film festival circuit is still really important. That is where you get to see new voices that are going to come through and disrupt—the talent that isn't going to be commissioned.

Jason Blum's Blumhouse Productions have made a virtue of intelligently but strictly restricting budgets in proportion to the story's needs and the filmmakers' experience. In exchange for the limitations of a budget of sometimes just USD 3M, he offers directors final cut, and otherwise unaffordable talent a cut of the back end. The films are released in whatever way serves them best, whether globally with a studio distributor, or quietly on niche genre streaming services. They tend to be profitable, and they sometimes make it big.[42] The stability of this model enables Blum to nurture both emerging talent and established directors, to support original IP, and develop the occasional franchise.

These common-sense practices are unusual for contemporary Hollywood, where success is often measured in relatively esoteric terms, like release-weekend box office revenue, or the value of a studio's stock to Wall

42 The company was in fact founded off the enormous profits of the first film of the *Paranormal* horror franchise.

Street investors. A casual reader of the trade papers might therefore be surprised to hear Jason Blum and the Blumhouse company's president Abhijay Prakash claim—as they did in September 2022 in the midst of a box office slump—that making movies is more profitable than ever.[43]

Blum and Prakash observed that while box office revenue is down 10–20%, the ancillary value of a theatrically released title has almost doubled in five years.[44] The shorter windows also give better returns on the original marketing investment. This goes for films with a theatrical premiere, but streaming-first film is also financially robust. Simply put: yes, theatrical exhibition is under pressure, but the business of making movies is not the same as the business of screening movies.

The same combination of financial caution, creative bravery, and absolute audience focus required in the feature space will be necessary to survive in TV drama production, which is being squeezed to the breaking point (see chapter 3). Here too, the answer needs to be to fit productions to what the market will actually bear.

Rikke Ennis: *It's a little bit of a wakeup call. We have to rewind and look at the scripts, look at the story, and see what we can do from day one to make our scripts match reality without losing rights. Without losing bargaining power.*

Leaving space for everybody to get paid reasonably well… then trying to optimize processes through technology, and using great storytelling to try to make the stories fit the available financing, that is how I think we will get through it. I'm not talking about cutting a lot of scenes from finished scripts, but working within given frames. Some screenwriters [find such limitations] creatively interesting. It reminds me of when I sold Dogme films back in the days. A film like Italian for Beginners was a huge worldwide success, on a very small budget!

Neil Peplow: *We still have quite rigid structures. Especially government-funded film funds take more time to adapt and change. In defense of the*

43 Wallenstein: "Down on the Movie Business?"

44 Ancillary value—what the film will make down the line.

independent voice those film agencies are incredibly important, but they have to be as adaptive and responsive as the industry itself.

The public film funding sector is structured in a slow-moving way, and in some cases restricted by charters or laws from exploring a changing role for themselves. Film agencies and film funds can play an enormously important role as funders of research towards a deeper understanding of the audiences on different platforms; we especially need to learn more about what, outside of the blockbuster economy, drives theatrical.

Skills development is equally critical in a sector where workflows are rapidly changing for everyone, and many will want to explore new formats. The role of film festivals is re-vitalised, but they too may require increased support, at least in an interim period. And auteur storytelling in shapes other than feature film may still require production funding. At the same time, the independent sector is well placed to leverage its traditional funding skills in a wider audiovisual landscape.

Danna Stern: *Many potential viewers are not exposed to traditional marketing. Even as we learned to work with digital media, there is an inherent disdain for anything that's overtly selling or promoting. Are there ways for us to create versions of our stories that are native and natural to a digital-first, or digital-only, viewer? Where and through what means can we capture their interests too?*

Neil Peplow: *I know NFTs went from super hot one year to completely dropped the next. But there is an exploration beyond the more traditional models of raising money and then distributing it. Blockchain will drive it, whether it's NFTs or some future version of that. That idea of immutable records of copyright ownership and the ability to create smart contracts to distribute funding, that will be key.*

Rikke Ennis: *It's going to be easier for niches to participate in the financing of niche projects independently. That's a huge step I'm pretty sure is coming. Crowdfunding is in its early stages, but when smart contracts and blockchain becomes [a norm], when I invest $100 into a project I really like, I can actually own part of the equity. Then you have a shift of power. It gives me goosebumps. That's really going to change the world. Five years ahead, I think that's where we're going to be.*

When a format's familiar single path to market disappears, so do many limitations. The restrictions of gatekeeper taste; the difficulty of broadcast programmers and theatre owners in scheduling and communicating titles they themselves might not understand; the difficulty of reaching cross-border niche audiences; the high barriers for accessing other sources of funding.

Very small and very engaged audiences may be best monetised directly, whether supporting the artist through a platform like Patreon, or paying directly for the work. But at a certain scale, which in an online context can still be quite niche, direct-to-consumer models based on advertising or partnerships can also become available.

Brand-funded content especially has made great strides, with many companies having a very evolved sense of how even demanding content can support their positioning. Especially with younger consumers, who reject traditional advertising messages.

Last year's live action short film Academy Award winner was Aneil Karia's anti-racist *The Long Goodbye*, starring actor-musician Riz Ahmed who also co-wrote it based on his harrowing anti-racist concept album of the same name. The deeply personal project also included a series of webcasts, *The Long Lockdown*, discussing its themes with other artists, and an audience watch-along of the thematically relevant *Four Lions* (2010), in which Ahmed also starred.[45] *The Long Goodbye* was commissioned by web service WeTransfer for its WePresent platform, which reaches 3 million people a month and has also worked with, among others, Marina Abramovic and David Sedaris.[46]

The transmedial approaches of the project makes it an excellent example of what more exploratory approaches to a material can look like. The distinct authorial voice of the album carried through in outputs ranging from the relatively simple webinar, to the multiple-award-winning film collaboration.

45 Brinkhurst-Cuff: "Riz Ahmed and Aneil Karia imagine"
46 WeTransfer: "WePresent film commission"

Danna Stern: *It is time we think about brand building and hopefully brand extensions. In the US there are countless examples of content used to build worlds—extending experiences and crossing mediums and audiences. Obviously, that's a large market with an established storytelling tradition and a recognized system for cultural export. Now that we have great stories coming from everywhere, we must consider how to build on these. If you have a show on air, how do you continue to utilize and capitalize on that IP? How do you stretch that out to additional forms and formats, in physical products, experiences, and other media?*

Neil Peplow: *Ultimately the IP can be a feature film, a TV series, a website series, TikTok, a game, a podcast. But that core idea is the main differential factor between a successful production company and one that's not. Whether it's the talent that has that idea, and you need to make sure you develop relationships with talent, or it's the idea itself, which is incredibly strong and can create all of these various outputs. It's the main thing production companies will have to focus on in order to thrive. Navigating all of those different platforms and lengths and narrative structures to dissect IP and squeeze as much value out of it as possible. It'll involve a generational shift.*

9

The Work of Sustainability

The film & TV industry has made some progress on issues of diversity, equality, and inclusion, as well as on health and safety, and taken first steps towards greener production practices. In a difficult market, these business-critical processes risk getting disregarded. It is time to approach them holistically all along the value chain.

Alex Pumfrey: *Better working practices aren't just a nice-to-have. They are fundamental to the business and the economics of this industry. When we talk about wellbeing and good working environments, we're really talking about inclusion. About how we create workplaces that are genuinely inclusive, properly accommodating of lots of different people who have different needs, that are respectful and enable people to work in fulfilling ways and with dignity. I'd like to see more of the industry joining the dots and beginning to integrate it into core business.*

There's some good work by Deloitte about the business case for mental health at work, and the costs of poor mental health: from absenteeism—not being able to be at work; from presenteeism, which is that you're physically there but not delivering at your best; and from leaving the industry. The latest figure was a £5.30 return on every pound spent on mental health improvements.[47] *But when we've spoken to Deloitte, they've said that they believe the return is much higher within our industry—as high as £8.*

Neil Peplow: *We've got this ridiculous mythology of a Spartan mentality. Someone said to me once, "happy set, crappy film". That if a film is joyous*

47 Hampson et al: Mental Health and Employers.

during production and the crew get on, the output will be bad, therefore we've got to be miserable and shout at each other if we have any chance of this film being a success. [This idea that] auteurs shout because they're passionate creatives. No. They don't have to shout. They are just being dicks.

***Max Malka:** If you're going to be working with the world's most expensive art form, and probably the slowest—cinema and TV—you have to consider what the benefits of what you are doing are. Because there are definite costs, and we know the carbon footprint is huge.*

In the next 3–5 years, the industry will be tested: have we understood that moving towards a more socially and ecologically sustainable industry is inseparable from the financial sustainability of the business? Do we have the grit to make the right choices when it might be easier in the moment not to?

Writing about these issues for the last decade, we have often focused on the challenges. Although many of our interviewees have been among those already living the perspective shift where change becomes a daily practice, our format hasn't really allowed for that work to be described.

In this final chapter, we make some extra space for just three of this year's voices to say a little more about what moving towards sustainable work and a sustainable workforce looks like day to day.

***Alex Pumfrey:** In the UK the industry's put in some really fantastic foundational work in the last two to three years. It's made some meaningful changes, and we can see the impact of that in our 2022 Looking Glass data: there is a small but significant reduction in those reporting poor mental health. And we can see that fewer have considered leaving the industry due to concerns about their mental wellbeing. Those are fantastically encouraging signs.*[48]

48 The Looking Glass reports about mental health in the industry are on the Film & TV Charity website https://filmtvcharity.org.uk/. The data is based on thousands of respondents, and while it is UK only, you will find it directly relevant for the industry overall. On the same website you will also find the free Whole Picture Toolkit, which offers practical solutions for production companies wanting to improve working practices.

But this is also a moment of reckoning. We can't take the foot off the accelerator now. You're going to have to keep going for 10 years, 15 years; those are the time horizons over which these things change. There's an alternative scenario in which we begin to slide backwards.

In the high growth [period] we've seen people getting promoted early because of the demand for talent. We're putting those people and their teams in difficult positions, because very often they haven't had people management training or the experience. You create these quite fragile environments where no one's quite sure what they're supposed to be doing, or how to run the production properly, professionally, carefully.

***Neil Peplow:** Just because it's a freelance model doesn't mean there's no obligation from industry to actually invest in individuals. In the UK, especially from the studios and streamers, there's been a belief that it's somebody else's job to create a labour force that they can then use.*

There's not really been as much commitment as there should have to developing a skills base. The big studios can afford wage inflation, but the independents can't, so when studios and streamers drive up wages, the independence sector suffers. Ultimately, those skills and the quality of work that are needed to produce film and TV that can compete with the studios and streamers dissipate. People are being promoted too quickly. I have heard from producers that they are seeing more shots that are out of focus nowadays, because the focus puller hasn't got as much experience as they should have.

***Neil Peplow:** When I've spoken to producers about their responsibility to make sure that what happens on your set adheres to health and safety, and that people's mental health is protected, they'll go, "Oh God, you're just adding additional costs. We can't afford to do that. This is just box ticking." But actually, if somebody hurts themself on set, you are personally liable for that individual's harm and you could go to jail if they die.*

The same can apply if somebody misbehaves on your set, except not only could you potentially end up in court as an employer, but your series could be cancelled. That's actually happened here; an actor was accused of misbehaviour, and a TV series going into its fourth [season] was cancelled *overnight. Then producers go, "Okay, I get it now, it's effectively employer liability insurance." Yeah. It's also about being morally and ethically engaged—but unfortunately, I think it's those financial arguments that get people's attention.*

Alex Pumfrey: *What we were trying to do with the Whole Picture programme was bring the industry together around the challenge of mental health. We're just a small organisation. We can provide mental health support services, research and insight, but we can't really change the way the industry works.*

But what we absolutely can do, and have done, is to get BBC and ITV and Channel 4 and Amazon and Warner and Sky in a room together to think about what values and culture they want the industry to have, and to share best practice (...) in a way that they don't often have space to, because most often they're competitors across the negotiation table, not colleagues and collaborators in a space of shared outcomes.

That's something we're pursuing more with the toolkit for healthy productions that should become a standard of best practice. It's iterative, because if a production comes to us and says, "You know what? We tried this, it didn't really work," that's valuable information.

It can also be this really simple idea, like not having communication with your crew over the weekend: no email, phone calls, texts. That didn't come from us, that came from the production of [Apple's] The Essex Serpent—See-Saw Films, the production company making that show, came up with it. It's been proven quite effective and is now [included in the mental health toolkit] and rolled out across other productions.

Max Malka: *[My show] Dance Brothers applied to implement the Albert system, because it is core to our values, starting with our MD, our board, and myself personally. It came from us directly at Endemol Shine Finland.*

We knew there was not much data available, so we didn't have a specific goal, it was just to do our best. We trained the entire team in the Albert system, and dealt with it like it was money: it's a resource that we have a limited amount of. In the same way a head of production has to think about their budget, they have to think about what the cost is to the environment

for getting these supplies, renting this equipment, using it for this long, and what happens to it afterward.

When you share that responsibility and vision with everybody you can make real change. We did things differently at every step of the way, from pre-production to post-production, in every department, and calculated that if we hadn't, our carbon footprint would have been 80% larger. It added some cost for sure. But I think it's also the courage of doing something differently. In our next project, we've again trained everyone, and are implementing what we learned.

Neil Peplow: *Giving the individual agency, to feel like they have the ability to push for change, is really important. At the school we are starting a cultural change internally. We are listing protocols and expected behaviours. Not just about health and safety on set, and making sure nobody dies or hurts themselves, but also, what's the mental health support that we are going to give? What does good behaviour look like? What does bad behaviour look like, and where do you report that? What are the standards that we set, and the responsibility that every individual has to make sure that those standards are maintained? When they go into industry, they can take that with them. And also, if currently we work with let's say the BFI, we say, these are the protocols that we are developing, what protocols are you putting in place so we can map against them? Then you get this symbiotic relationship which is beneficial to both.*

Max Malka: *All TV and filmmaking is storytelling, and each character is somebody that the audience is supposed to understand even if they don't agree with them. You have a gazillion chances to really get a message through without it being preachy. What food are they eating in the restaurant? What are they buying in the store? If the characters move between one location and another, do they take the train or do they take a sports car? Who is the cast? You can normalize sustainability without making the art any poorer, or boring, or self-righteous.*

Alex Pumfrey: *It was evidenced very strongly in our original 2019 research that those from underrepresented groups almost always have higher* *instances of poor mental health, and almost always have poor experiences of their work within the industry. The mental health of Black men was significantly worse than of men of other races. The mental health of people with physical disabilities were significantly worse. The mental health of LGBTQ+ people were significantly worse. And obviously where you have some of those factors intersecting, the issues pile up. As an industry, we've had this stream of work around EDI, and we've had this stream of work around mental health and wellbeing, but we need to find ways to bring the two together.*[49]

One thing we are all getting better at as an industry is recognising that we have shared interests. Our anti-bullying work is a great example. We've got a fantastic relationship with BAFTA, the BFI, Screen Skills and [the creative union] Bectu. We're endeavouring to do things that are complimentary to one another, which can add up to something that can help create real change.[50]

Max Malka: *I hope that we can [transform] the whole industry to be more just, fair, and sustainable. But that's true for every industry. This is a global shift in just our sense of justice. It has to do with #MeToo, racism, sexism, the environment, everything. They're all linked and connected, and to young people, an industry that is unjust is not attractive. If it's fuelled by sexism, or a minefield for a person of colour, or any underrepresented person, why would you put yourself through it?*

Looking to the future carries with it the risk that we may realise that something needs doing, or stopping, or changing, and the gnawing realisation that we are now the grownups who will need to fix it. Educating ourselves about the issues can even make us feel worse, paralysed by the scope of the challenges.

That's when we need to remind ourselves that no one is asking us to

49 EDI stands for equality, diversity, and inclusion.

50 The charity has partnered with Screen Skills on a free e-learning course consisting of modules on unconscious bias, tackling harassment and bullying in the workplace, and an introduction to mental health awareness at work. Work Well takes about 80 minutes to complete and can be found at: screenskills.com/online-learning/series/work-well-series/

change an entire industry alone. We are being asked only to change what we can, to work where we stand. We are being asked why we do what we do, and how we will make what we are creating a net positive for the world. Nothing more, or less, complicated than that.

Max Malka: *It's harder if you compartmentalise everything. If you say "I have to take a stand on racism, on sexism, on the environment", you'll feel like you're going to drown in all the areas we need to improve in. What if you just think that we have one planet, and we're one humanity, and the whole reason change is not happening in rich countries is that environmental disasters affect poor countries first? That ticks off racism for you in the same box as sustainability. How can we have a more holistic view of why we're doing what we're doing? We have to save all of our asses. It's not about one country or one industry.*

Alex Pumfrey: *We have such brilliant people in this industry, and yet somehow as a whole it seems to behave in really inhumane ways. The privilege and the pleasure of my role is that I get to interact with people every day who are passionate about the industry, but also passionate about the way it works and really want to make it work better. Everyone from grassroots activists through to just everyday decent managers who are trying to do the right thing. That tops up my reservoirs of hope.*

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A Decade of Insight: Nostradamus Interviewees 2014–2023

As the Göteborg Film Festival's Nostradamus report reaches the 10th annual report milestone, we want to express our gratitude to the incredible professionals and experts who have generously shared their valuable insights, experience, and analyses with us throughout the past decade.

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Everything Changing All At Once (2023)

Sened Dhab, VP Young Adult Drama, France Télévisions
Rikke Ennis, CEO, REinvent Studios
Max Malka, Head of Scripted, EndemolShine Finland
Neil Peplow, Director, London Film School
Alex Pumfrey, CEO, Film and TV Charity
Will Richmond, Editor and Publisher, VideoNuze
Sten-Kristian Saluveer, Founder & CEO at Storytek Innovation & Venture Studio
Danna Stern, Managing Director, In Transit Production

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Bero Beyer, CEO of the Netherlands Film Fund
Christian Bräuer, Managing Director Yorck Kino Gruppe, and President of CICAE, the International Confederation of Arthouse Cinemas
Michael Gubbins, Consultant and journalist, SampoMedia
Johannes Jensen, Head of Scripted, Banijay Nordic
Julie-Jeanne Régnault, Secretary-General of European Film Agency Directors Association (EFAD)

Evan Shapiro, Producer, Media Studies professor at NYU and Fordham U, and unofficial cartographer of the Media Universe
Josefine Tengblad, Founder and producer, Nordic Drama Queens
Kjartan Þór Þórðarson, CEO and executive producer, Sagafilm Nordic

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Mariana Acuña Acosta, CPO & Co-founder at Glassbox Technologies
Elisa Alvares, Corporate Finance Consultant, Jacaranda Consultants
Walter Iuzzolino, CEO at Eagle Eye Drama
Petri Kemppinen, consultant, P1 Kemppinen, (Special chapter about AVMS)
Marike Muselaers, Co-CEO at Lumiere Group
Brian Newman, Producer, Consultant, Founder at Sub-Genre
Roberto Olla, Executive Director at Eurimages
Alex Stolz, Founder, Future of Film, and Head of Film, Usheru Founder and Head of Film at Future of Film
Ari Tolppanen, Investor and Chairman at Aristo-Invest
Filippa Wallestam, EVP and Chief Content Officer at NENT Group

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Lars Blomgren, Executive Producer and Head of Scripted EMEA, Endemol Shine Group
Anna Croneman, Head of Drama, SVT
Leon Forde, Managing Director, Olsberg SPI
Stine Helgeland, Head of Department Communications, Strategic Insight and International Relations, Norwegian Film Institute
Philip Knatchbull, CEO, Curzon Cinemas
Alexandra Lebret, Managing Director, European Producers Club
Fabio Lima, Founder & CEO, Sofa Digital
Alex Mahon, CEO, Channel 4
Susanna Snell, Head of Audience Insight, YLE
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Glenn O'Farrell, CEO, GroupeMédia, TFO
Liz Rosenthal, Programmer, Venice VR; Founder, Power of the Pixel
Sten Saluveer, Founder and CEO, Storytek
Åsa Sjöberg, VP, Chief Content Officer, TV4
Maria Tanjala, Co-Founder, Big Couch and Film Chain

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Marike Muselaers, Co-CEO, Lumière Group
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Patrick von Sychowski, editor, Celluloid Junkie

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Catharine Des Forges, Director, Independent Cinema Office
Tomas Eskilsson, Head of Strategy, FilmVäst
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Joëlle Levie, Director of Operations, Olffi
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Carsten Andreasen, Head of Market Insights for Northern Europe, Google/YouTube
Julie Bergeron, Head of Industry Programs, Marché du Film in Cannes
Stefan Borgquist, Head of TV, TeliaSonera Sverige
Liselott Forsman, Executive Producer International Drama, YLE, and Head of European Fiction, EBU
Peter Gerard, Director of VOD, VIMEO
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Rikke Ennis, CEO, TrustNordisk
Annika Gustafson, Executive Director, Boost Hbg
Michelle Kass, film and literary agent, Michelle Kass Associates
Petri Kemppinen, CEO, Nordisk Film och TV Fond
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Cecilia Beck-Friis, Executive Vice President, TV4
Göran Danasten, SVP Series, HBO Nordic
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Hanne Palmqvist, Commissioning Editor Drama & Single Documentaries, SVT
Martina Ternström (now Österling), Independent Acquisitions & Distribution consultant

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