



## 2016 Top Markets Report **Media and Entertainment** Sector Snapshot

### Filmed Entertainment

Hollywood represents the iconic filmed entertainment industry, and while the U.S. marketplace remains the most valuable for production and consumption from a revenue perspective, film sectors and creative communities are thriving around the world. Both film and television are moving towards new digital models of consumption and distribution, and video has become a cheaper alternative to production while streaming services have overtaken traditional modes of accessing and viewing movies and TV shows. Movie theatres have to offer complementary services to compete with digital devices, free (including pirated) content and consumer's desire to access content 24/7. The golden age of film may have passed, but the saying still holds true: if you can make it in Hollywood you can make it anywhere. Filmed entertainment revenues will grow at a healthy 4.6 percent from 2015 to 2019 to reach \$35.3 billion in the United States, a slight downgrade over last year's predictions due to the 2014 decline, which had the industry reaching \$39.2 billion by 2018, expected due to the various ways to access movies in the new digital market.

Today's filmed entertainment industry has been affected by various market forces, including the recent economic downturn, the digital revolution with the high cost to transition to digital, relentless piracy of creative content and illegal camcording in theaters, as well as new revenue streams that compete with traditional entertainment models, and consumer-created content online. That is a lot of competition with which to contend. The movie industry has additionally been subject to reduced financing options and stricter scrutiny by investors in film projects, window compressions becoming necessary to comply with new digital formats that reduce the size of a movie file. This impacts how a film will be viewed on big screens, which

compromises the creative integrity of films. The industry is also affected by reduced film slates, i.e. the number of films slated for production annually (original and sequels), and competition from global producers.

The digital transition is undeniable. Movie theatres are diversifying and, besides snacks and beverages, are offering dinner, special events, rewards and merchandise to attract viewership. Traditionally, the industry consisted of multinational umbrella corporations, major studios, and independent studios or "indies;" today, self-published producers and consumer created content on multichannel networks engage in the filmed entertainment sector. There is more talk about content than movies in entertainment circles, and video and virtual reality are key players in the filmed entertainment marketplace in 2016.

Yet, the film industry is still dominated by the six U.S. motion picture studios, which form the base of the MPAA's membership, and a handful of so-called large independent studios, such as Lionsgate Films or the Weinstein Company, which together produce blockbusters that dominate worldwide charts. Indie studios are exponentially more challenged than the majors by financing limitations and piracy and have fewer resources to compete globally. Indies also have to depend on reliable licensing deals and pre-sales to compete, while the majors typically pre-finance and then do not have to worry about selling until the film is done. Part of the equation is also to attract famous actors, which acts as collateral towards funding risks; a would-be investor is more likely to generously fund a well-known star than an unknown newcomer.

The majors mostly rely on indies to produce films,

tapping in to niche expertise and the nimble business environment in smaller firms that can react swiftly to market conditions, as they are less affected by a large corporate structure. Hollywood has perfected the trifecta of franchises, sequels and remakes to yield consistent box office returns. United States box office revenues will reach \$12.6 billion, growing 4 percent by 2019. Movie theater admissions are increasing very slowly due to competition from multiple viewing and consumption devices and formats in the digital and online arena. The MPAA estimates that the U.S. film industry supports nearly two million jobs and \$104 billion in wages across subsidiary industries as well as \$16.7 billion in public revenues and \$14.3 billion in exports.

There is a boom in the video sector; live entertainment and branding firms are creating live content with music for consumption online, on streaming services and TV. There seems to be no end to the types of collaborations in creating unique content for online consumption.

U.S. films are viewed in 140 countries, but market barrier restrictions are plentiful, ranging from cultural content and censorship restrictions to

Top Filmed Entertainment Licensing Markets		Export & 2015 - 2019
Strong	1	China
Strong	2	United Kingdom
Moderate	3	Germany
Moderate	4	Canada
Moderate	5	India
Strong	6	Brazil
Moderate	7	Mexico

Data Sourced from PwC Global Media & Entertainment Outlook 2015-2019

import quotas, taxation, unfair customs valuation practices and protectionist measures, which are designed to grow domestic industries and keep foreign businesses at bay, and persistent and rampant piracy worldwide.

To stem piracy and disseminate best practices

worldwide, the U.S. Government works with trading partners in bilateral and multilateral trade negotiations to address these matters – a process that is critical to protecting the sector but can take years to reach agreements on, as different markets consider culture, art and intellectual property sectors differently by law – and in popular culture.

### Global Export Market Opportunities

There, film industry offers a handful of top trade shows for business and trade, including the Cannes Film Festival, the American Film Market, Hong Kong Filmart, MIP COM, and a slew of major or smaller film festivals around the globe, such as the Toronto and Sundance Film Festivals. Small businesses typically have to decide how to budget for the year and sometimes can choose only one or two shows to attend. In addition to meeting buyers and distributors at trade shows, independents can attend festivals and utilize social media and traditional marketing tools to gain attention for their content. The U.S. Department of Commerce offers export and licensing advice and has a series of fee-based services to assist businesses with overseas projects.

Besides the six top markets, there are pockets of opportunities depending on the types of content being sold and the experience of the exporter with foreign trade. For example, both indies and majors can take advantage of co-pro arrangements with a host of European and Latin American nations, Canada, China, South Africa, and many other countries that offer formal agreements or tax incentives for the filmed entertainment industry. A note about Africa: Nigeria’s film industry is growing but primarily in mobile and digital, which some say may compromise on the quality of filmed entertainment but saves costs on physical space and equipment. Other emerging African film markets include the Ivory Coast and Kenya, but South Africa is considered the most robust film and TV market on the continent. TV content is in demand across a variety of European markets and is often required to be translated or dubbed to local languages.

The MPAA and Independent Film and Television Alliance (IFTA), as well as state government film commissions, offer resources about domestic and overseas filming opportunities.