| Committee(s): | Date(s): |
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| Barbican Centre Board | 20 January 2016 |
| **Subject:**<br>Cinema: Annual Presentation | **Public** |
| **Report of:** Director of Arts<br>**Author:** Rob Rider, Head of Cinema | **For Information** |


## Summary

This report provides an overview of the Cinema department's strategy and planning, in the context of the Centre's vision and mission. It examines current developments in the film industry exhibition sector, and the challenges and opportunities that these developments provide. An overview of past activity is included in Appendix I. The report is divided into the following sections:

1. Strategy and internal context
2. State of the Cinema Industry
3. Planning 2016 *For reasons of commercial sensitivity, reported more fully in non-public section.*
4. Planning 2017 *For reasons of commercial sensitivity, reported in non-public section.*
5. Challenges
6. Opportunities

- *Appendix I – Programme Highlights of 2015 For reasons of commercial sensitivity, reported in non-public section.*
- *Appendix II – Technical Developments*
- *Appendix III – Financial Summary: 2015/16 For reasons of commercial sensitivity, reported in non-public section.*
- *Appendix IV – Financial Summary: 2014/16 and 2015/16 Comparison For reasons of commercial sensitivity, reported in non-public section.*
- *Appendix V – Finance: Top Ten New Releases, Apr to Dec 2015 For reasons of commercial sensitivity, reported in non-public section.*


## Recommendation(s)

Members are asked to:

- Note the report and discuss the questions set out in section 6.

## Main Report

1. **Strategy and internal context**

1.1 The Barbican's Vision is 'Arts without Boundaries' and our mission is to be a 'world-class centre for arts and learning'. Within these overarching objectives our messaging remains 'the local cinema for the local audience and an arts cinema for an international arts centre'.

1.2 Within this framework our film programme offers the best international new releases, together with curated seasons, film festivals, talks with filmmakers, and leads in the presentation of the performing arts on screen. In this sense Barbican Cinema is unique; no other London cinema offers this balance between an arts and mainstream programme.

1.3 We invest in the artists of today and tomorrow by creating a platform for directors and other creative talents, and work with a variety of international film festivals and arts partners. We showcase the work of young programmers and filmmakers and collaborate with the Guildhall School of Music and Drama.

1.4 Through our activities we develop programmes to inspire more people to discover and love the arts. We programme free offsite events in East London, offer reduced price tickets to 16-25 year olds through the Young Barbican membership scheme and special student ticket prices. We have welcomed families for more than 30 years to our Saturday morning film club (Framed), and established the London Children's Film Festival in 2005, which continues as the annual Framed Film Festival. We also present regular Parent & Baby screenings of the latest new release titles.

1.5 As part of the new 5 Year Strategic Plan we are ensuring that all of our programming meets the plan's objectives and are looking at ways in which cinema can contribute to the Foyer project, supporting the Barbican as a destination.

1.6 In our New Release programming we strike a balance between art cinema and commercial. We offer audiences a wide breadth of films including mainstream blockbuster titles such as Spectre and Star Wars, whilst also programming smaller independent and art-house titles that have a niche appeal.

1.7 We continuously look for opportunities to bring our core Cross Arts strategy to the New Release programme with films that connect with Music, Theatre and Visual Arts audiences. We continue to develop a strong repertoire of Performance Cinema – which following the Board's recommendation, we have increased from 10 to 50 performances per year, both live events and recorded 'encore' screenings. In addition, our repertory and special events programme provides the opportunity to reach a more specialist cinephile audience, and to work consistently to our Cross Arts strategy. We monitor Performance Cinema and other arts projects, and adjust our offer according to what is successful.

1.8 We also maintain a balance between accessible and more demanding programming. A strong intellectual rigour runs throughout our arts programming, whilst at the same time ensuring that our offer is accessible to the widest possible audience.

1.9 Diversity has always been central to our programming, and this year we have taken further steps to address diversity issues in cinema. We have incorporated more content and positive representation of women, gay and trans people, as well as ensuring that we are engaging with as many nations and cultural groups as possible. We work with partner organisations that extend our audience reach, broaden and enrich the tone of the programme, and improve diversity both on screen and in the curatorial voice.

## 2. State of the Cinema Industry

2.1 Whilst cinema admissions have been flat across Europe over the last 10 years, 2015 (the final figures for which are yet to be confirmed) looks set to reveal a change. With over 140 million cinema admissions in the UK to October 2015, it is expected that cinema attendance will show a rise in 2015 for the first time in 3 years, and reach its highest level since 2002.

2.2 Average UK cinema attendance is 3.5 cinema visits per year amongst the general population. The largest attendance sector is now 45 + years. For the first time since the 1950s, 16-24 year olds are no longer the biggest sector.

2.3 Currently there are 3,876 cinema screens nationwide, spread across 743 cinema sites. 3,112 of the screens are in multiplex sites. Just 7% of screens are dedicated to ‘specialised’ programming.

2.4 The three largest chains are Odeon (115 cinemas in UK with 881 screens – owned since 2004 by equity firm Terra Firma), Vue Entertainment (82 cinemas in UK with 776 screens - owned since 2013 by Canadian investment company Omers Private Equity and Alberta Investment Management) and Cineworld (81 cinemas in UK with 807 screens - taken over in 2014 by Cinema City International, a public company based in Holland, and the third largest cinema operator in Europe).

2.5 The specialist cinema sector is dominated by three operators: Picturehouse, Curzon Cinemas and Everyman Media Group. Picturehouse Cinemas (acquired by multiplex chain Cineworld for £47m in 2013) runs 23 cinemas with 66 screens; Curzon Cinemas was established with the opening of the Curzon Mayfair in 1934, and now owns 10 sites with 25 screens, mainly in London; the Everyman Media Group runs 16 cinemas across the UK and is expanding with new sites opening in Bristol and Harrogate in 2016.

2.6 With the growth of open-air, pop-up cinemas, and in particular the startling success of Secret Cinema, a new emphasis on the cinema experience, rather than the film offer, has evolved. In London, the so-called ‘boutique cinema’ concept has been headed by the Everyman group, where the experience includes more than the film on screen, and concentrates on venue and service. Audiences can watch films whilst being served champagne and a three course meal. Everyman CEO Crispin Lilly refers to his buildings as ‘venues’, rather than ‘cinemas’. Similarly in the Lake District, the owner of the long established art-house Zeffirelli’s, brands her operation as “a restaurant with a cinema” – not vice-versa.

2.7 With the emphasis on experience, a range of new features is emerging. A number of cinemas have replaced individual seats with sofas. The Electric Cinema in Portobello Road has gone one step further and removed its front-row seats, and installed beds with duvets, so that customers can experience the film from the comfort of a mattress. It takes its cue from Eurocorp, the French cinema chain, which led on the beds in cinemas idea. (However it is worth noting that a variant of this concept, whereby audiences would lie back and view the film at a 45° angle on the auditorium ceiling, featured in some of the original plans for the Barbican Arts Centre!)

2.8 The ‘cineplex’ concept is under discussion, where the cinema becomes a social playground, providing customers with a full night out. Screens are converted into restaurants and night-clubs, enabling audiences to view a film and then dine and dance. A Madrid multiplex has turned one screen into a children’s adventure playground, providing child-care facilities while adults watch a film.

2.9 In the light of these developments, and the move towards the cinema foyer as a retail space, it is interesting to note that Justin King, former Sainsbury's head, has recently been appointed Terra Firma Vice-Chairman, with responsibility for Odeon Cinemas.

2.10 In contrast, some cinemas, in order to save on costs, have reduced the audience experience. The Gate Cinema Notting Hill is now a single person operation. There are no hosts or ushers, and no projectionist. This is cinema stripped bare; ticket prices have not changed and the Gate has experienced a modest 4% increase in revenue in 2015 compared to the previous year, but audiences complain of a cold, clinical experience.

2.11 Beyond the new release sector, Film Festivals are another key aspect of the film landscape, and are thriving. The London Film Festival, Edinburgh International Film Festival, and other long established festivals such as Sheffield (DocFest), Cambridge, Chichester and Leeds, attract huge attendances throughout UK. With screenings often attended by directors and actors for talks and introductions, film festivals provide added-value experiences at their one-off screenings.

2.12 In an industry dominated by male practitioners, there has been extensive recent discussion about the number of women working in the film industry, at every level. There is a current debate in the independent cinema community regarding the adoption of the ‘F’ (Feminist) rating for films, similar to the classifications ‘U’ / PG etc. Originating at the Bath Film Festival in 2014, and inspired by the adoption of the ‘Bechdel test’ by four cinemas in Sweden, a number of other UK festivals and cinemas are providing appropriate films with the ‘F’ stamp of approval, depending whether the film meets the following criteria: Does it have a female director / Is it written by a woman / Is, or are there significant women on screen in their own right?

2.13 New ticketing and pricing models are emerging. In response to YouGov and other research that indicates that price is still the main barrier to cinema attendance (including the ABC1 segment), a large number of new ticketing models are being initiated throughout the sector. These include ‘All Inclusive Packages’ (cinema tickets plus food and beverage, similar to a package holiday), ‘Early Bird Tickets’, pre-paid ‘Multi-cards’ (tickets and food can be bought with a card which has been previously loaded with a specific sum), ‘Satisfied or your Money Back’ schemes (customers receive a refund if they do not like film and leave within the first 30 minutes), and a range of other membership schemes, subscription services, loyalty and reward card initiatives. One proposal encourages audiences to use their mobile phone in the auditorium while watching trailers, with a ‘Book Now’ mobile phone app. Other systems enable audience members to buy tickets for films for which they have seen the trailers, as they leave the cinema.

2.14 With cinemas in the UK now 100% converted from 35mm analogue film projection to 2K digital, technological developments have focused on sound and image quality. These include Dolby Atmos (an immersive sound environment), 4K digital projection and higher frame rates - 48 fps (frames per second) as opposed to the standard 24 fps. Top-of-the-range cinemas are now installing these features to enhance customer experience and move ahead of competitors.

3. **Planning 2016**

3.1 Our programme planning emerges from the Barbican’s vision and mission, the Centre’s newly launched Strategic Plan, as well as Cinema’s specific messaging. Each project engages with one or more of these objectives: World Class Arts & Learning, Developing a Ladder of Engagement, Cross Organisational goals, Family Friendly and Young Audience objectives, the Cultural Hub Strategy and the Design and Curation of our public spaces.

*For reasons of commercial sensitivity, this is reported more fully in the non-public section.*

4. **Planning 2017**

*For reasons of commercial sensitivity, this is reported in the non-public section.*

**5. Challenges**

5.1 In 2015 over 550 films were released in the UK, but the current buoyancy of the British film industry is based upon the extraordinary success of just a handful of titles. This poses a potential risk for the industry in years when such outstanding blockbuster films are not produced. This imbalance is reflected directly within the Barbican programme, and is revealed in the fact that although we screened over 120 new release films in 2015, nearly 50% of our income was derived from just 10 titles (see Appendix IV). The risk factor is further accentuated by the fact that 22% of our new release income came from just 2 titles.

5.2 Competition from other film formats – the numerous film viewing alternatives to cinema attendance have been cited in previous reports, and include Video on Demand (VOD) platforms such as Netflix and Amazon Prime, long-form TV serials, DVD box-sets, BBC iPlayer, Virgin-on-Demand, Sky Store and other time-shift viewing platforms.

5.3 Some industry analysts have recently described the competition posed by these various home-based cinema alternatives as ‘the sofa trap’. In short, the lure of home entertainment is seen as a challenge to cinema, first as the potential customer has to get dressed (you can watch VOD on the sofa in your pyjamas), secondly has to get to the cinema at a specific time (with VOD you can watch at any time), and thirdly has to pay a ticket price which is more expensive than VOD – and considerably so if more than one cinema ticket is bought.

5.4 VOD – we live in a so-called 'attention economy' where consumers demand immediate gratification. As noted above, VOD provides this more readily than cinema attendance. Netflix, although hit by falling subscriptions in the third quarter of 2015, nevertheless continues as a major competitor for cinema audiences, especially young people. Like Amazon, it tailors emails to each individual customer and 90% of Netflix' targeting is based upon what it already knows about the customer from previous transactions. As a result Netflix has not only reduced its spend on traditional advertising to zero, but also used its digital online marketing to achieve major success with young audiences.

5.5 Piracy is a major potential challenge, both to cinema attendance and VOD. In a number of countries, notably Eastern Europe and Romania, piracy via online torrents and other streaming platforms is the key barrier to cinema attendance. In Spain, the cinema market has virtually collapsed due to piracy.

5.6 Theatrical Windows – this is the trade term given to the gap between a film's cinema release and its release on DVD or VOD, and is a major source of dispute between film distributors and exhibitors (cinema owners). The window is currently set at 16 weeks, but distributors are eager to reduce the time-frame, in order to reduce costs by releasing the DVD on the back of the advertising campaign for the cinema release. Exhibitors on the other hand, wish to extend the window in order to maximise a film's 'theatrical' or cinema box office potential. One distributor, Curzon Artificial Eye, has scrapped the window completely, and releases its films in cinemas, on DVD and on VOD on the same day. As a result, certain exhibitors are refusing to run Curzon Artificial Eye films. The jury is still out on whether a reduced theatrical window will have a negative impact on cinema attendance.

5.7 Price and young people – in 1990, the 15-24 age group represented 61% of the UK cinema audience. In 2013 this had dropped to 33%, and in 2014 it had dropped further to 31% (BFI Statistical Yearbook). This is echoed by research in Germany by Christoph Freier, where cinema attendance by the 16-24 age group is also in decline. YouGov Research (Feb 2015) indicates that 67% of 16-24 year olds consider price to be the main barrier to cinema attendance. Whilst the YouGov Research revealed that Cinema is generally still the most popular way to view films, it also revealed that the 16-24 sector is more likely to view films at home on streaming, downloading and torrent sites than any other sector. There is concern that there will be a generation which has lost the habit of viewing films in the cinema.

## 6. Opportunities

6.1 In the light of the developments in the film exhibition sector cited above, the key question regarding Barbican Cinema and opportunities concerns the future relationship between film and audiences, and how we continue to build a viable model for cinema in the digital online world. Although some of the new ideas are not necessarily appropriate for us, the Barbican is not backward looking; our response is to focus on enhancing the artistic experience for our audience with well-chosen films, the unique balance of commercial and arts product (which is not available at other London cinemas) and a rich diet of supporting added value.

6.2 Barbican Cinema, alongside the BFI and a handful of other independent cinemas around the UK, still champions Film as an art form. We acknowledge that the customer experience is an important aspect of the desire of our audience to attend the Barbican, but not the only one. For us, the film programme is at the heart of our offer; from audience feedback we are aware that the quality of the programme is what brings our customers back. In a cinema world where other operators are placing experience over and above the film offer, this provides us with the opportunity to develop and expand the numerous audiences for whom the Film is the primary motivator.

6.3 Curatorial trust - when the Barbican screens a film, we are giving the film a stamp of approval to our audiences. As a brand, we are telling audiences that this is a film they should see. With trusted curatorial skills, there is an opportunity for the cinema programming team to become more transparent to audiences, rather than hidden behind the printed word of our brochures or our website. Removing the sense of a faceless operation can be another factor in building audience engagement, and provides the opportunity to add social value, as well as economic value.

6.4 Audience Participation – a number of cinemas are instigating audience choice programmes, where customers themselves can have input into the cinema programme, for example on one evening each month. Schemes such as ‘Our Screen’ in the UK and ‘My Europa Max’ in France enable audiences to directly participate in their local cinema, by voting (and paying in advance) for the films they would like to see on the cinema screen. From a revenue perspective, the key point is that a pre-determined number of audience members buy tickets for the film in question before it is screened. It is thus an income generator, as well as providing audience involvement.

6.5 We are building audience engagement and participation, especially with young audiences, through the Young Barbican scheme (14-25 year olds), and our regular ‘Student Tuesday’ ticket deals. In addition our Young Programmers group, in partnership with Creative Learning, provides an opportunity for aspiring curators to learn how to programme and review films, both at our monthly ‘Focus’ film screening slots, and at the annual Focus Film Festival.

6.6 A further opportunity for increased ticket sales was made in December by the Barbican IT team, which has devised a new website design for easier booking journeys. This features most importantly, mobile phone booking optimization. This is especially important for cinema, as research indicates that over 30% of our cinema bookings are made by our customers using their mobile phones.

6.7 Entrepreneurial opportunities – film distributors expect 28 performances per week from London cinemas (4 shows per day x 7 days), but at the Barbican we have resisted this for many years, arguing that the City is a quiet space during the daytime on weekdays, as people are in their offices; if we were to run afternoon screenings there would be very limited business. Despite a regular Monday matinee performance, distributors are generally unhappy with this arrangement. However from our perspective, the running costs outweigh the potential income. On the positive side, our cinemas, unlike most other cinemas, are free during most weekdays, and are available for other entrepreneurial opportunities. Last year we achieved £21k from entrepreneurial activity, which included schools' screenings, cast and crew screenings, and other film industry related auditorium and screening hires. We will increase this target to £30k in 2016-17. Cinema also has a target of achieving a £50k increase in income a year under the Service Based Review, and our entrepreneurial activity will contribute to this target.

6.8 "Cinema is a tough beast. Many people predicted it would fall when television took off but it survived… and is here to stay" (YouGov Report, Feb 2015). Cinema's durability is partly because of cinema's vital role in the film value chain - research at the Sundance Institute reveals that if a film does not perform well in cinemas, it will not perform well on DVD, VOD, TV and other ancillary areas. But it is also because audiences value the big screen and an overall quality experience. With the Beech Street cinemas now established and embedded as part of London's film cultural life, and our flagship Cinema 1 still regarded as one of the finest cinema venues in the capital, we can ensure this quality experience for all of our customers in terms of our venues, alongside bold, inspiring and entertaining programming.

**Appendix I – Programme Highlights of 2015**
*For reasons of commercial sensitivity, reported in non-public section.*

**Appendix II – Technical Developments**

- As was noted last year, we were installing the software and kit to enable films to be delivered to the Centre as downloaded files, by high speed broadband delivery, rather than physically delivered to the Centre by van or courier. This is now fully operational, and of our new release films, 90% are now delivered by this method.

- It was also noted last year that we were examining the potential for automated projection systems in both Cinemas 1, 2 and 3. This technology (termed 'Theatre Management System') has now been installed, and is in its test period.

**Appendix III – Cinema Financial Summary: 2015/16**
*For reasons of commercial sensitivity, reported in non-public section.*

**Appendix IV – Cinema Financial Summary: 2014/16 and 2015/16 Comparison**
*For reasons of commercial sensitivity, reported in non-public section.*

**Appendix V – Cinema Finance: Top Ten New Releases, Apr to Dec 2015**
*For reasons of commercial sensitivity, reported in non-public section.*