



Film Industry Trends



USA

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FIGURES

1.1: COMPOUND ANNUAL GROWTH RATE (CAGR) v/s OVERALL ECONOMIC GROWTH

1.2: US AND CANADA CINEMA REVENUES AND ADMISSIONS 1995-2015

1.3: US AND CANADA TICKETS PER CAPITA FOR POPULATION AGED 2+, 2005-2015

1.4: MOST POPULAR MOVIE GENRES IN NORTH AMERICA

1.5: REVENUE STREAMS IN PROPORTION OF THE U.S. BOX OFFICE

Sectoral Snapshot

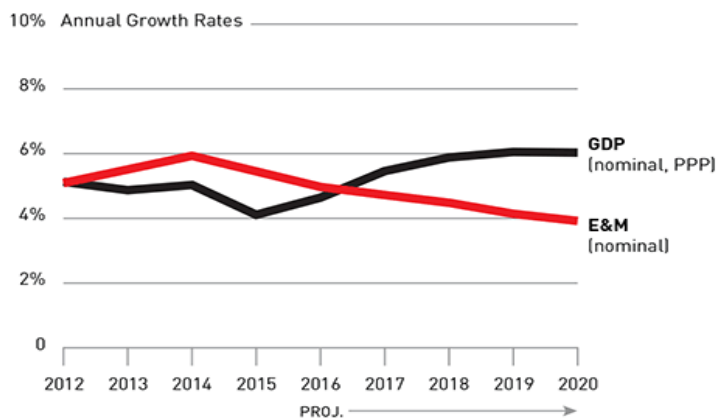
Report: Film Industry in USA

The USA film industry popularly known as ‘Hollywood’ has gloriously ruled the world cinema for years. Since 1920s this industry has been a world leader in generating maximum revenues per year. However, in recent years a shift in the world-cinema is posing increasing challenges for Hollywood to retain its lead position, especially due to the continuously growing industries like that of China and Russia. According to PwC’s Global Entertainment and Media Outlook 2016-2020, China is expected to beat the box office revenues of the US by 2020, by reaching a gross revenue of \$15.1 billion as compared to that of the US as \$11 billion.

fig 1.1

Exhibit 1: Growing but Slowing

Over the next five years, growth in spending on entertainment and media will lag overall economic growth.

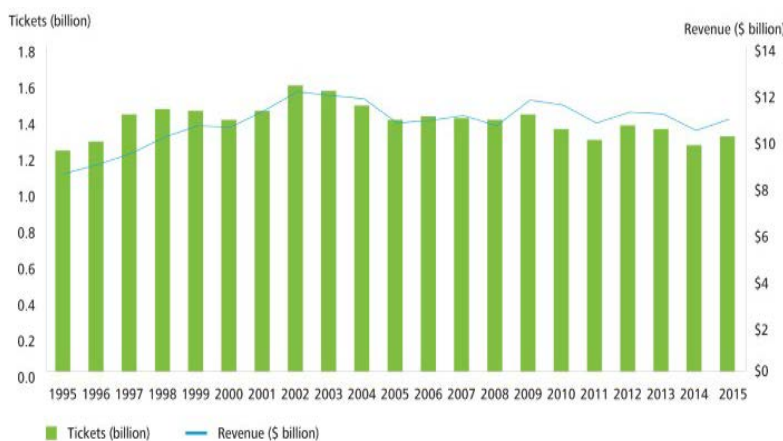


Source: Global Entertainment and Media Outlook 2016–2020, PwC, Ovum

Source: *strategy-business*: A World of Differences



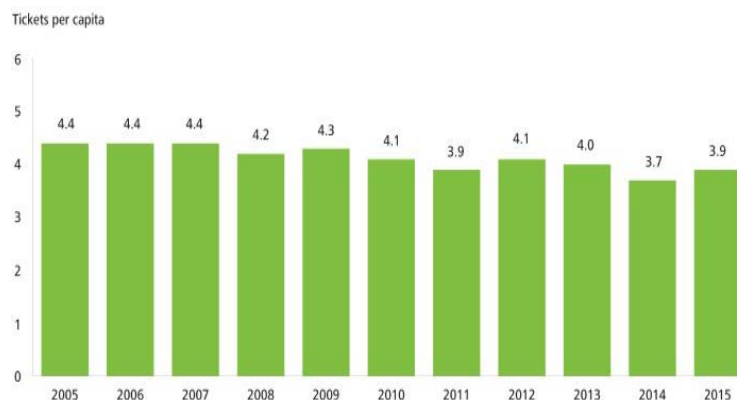
fig 1.2



Sources: MPAA, Deloitte Canada analysis. For further information on the sources, see endnotes.

US and Canada cinema revenues and admissions 1995-2015 in billions
Source: MPAA, Deloitte Canada Analysis

fig 1.3



Sources: MPAA, Deloitte Canada analysis. For further information on the sources, see endnotes.

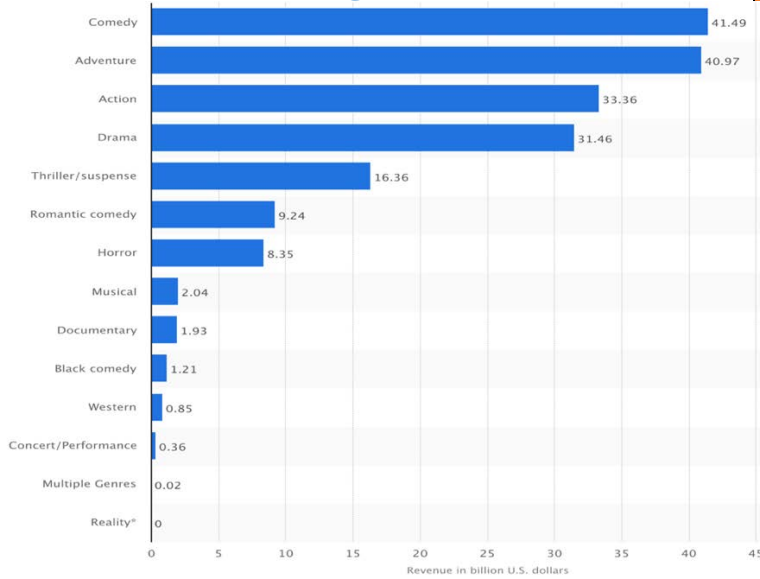
US and Canada tickets per capita for population aged 2+, 2005-2015

Source: MPAA, Deloitte Canada Analysis

- Even though global filmed entertainment revenue is expected to rise at 4.1% CAGR till 2019, USA is being predicted to show just an above-average growth of 4.6% CAGR.
- As shown in fig 1.2, according to Deloitte Global, the yearly box office revenue change between 1996 and 2015 has been quite random, however the growth figures managed to be in the range of 6% and 10%. Also, number of tickets sold never went up by more than 12% or fell by more than 6%. Thus, according to Deloitte Global’s predictions the average revenue growth rate in the near-term would be one percent. However, the number of tickets sold will decline by about one percent per year within a range of plus or minus 10%.
- Apart from this, the box office dollars are expected to grow at a very minimal pace and can actually decline, if inflation factor is counted in.



fig 1.4



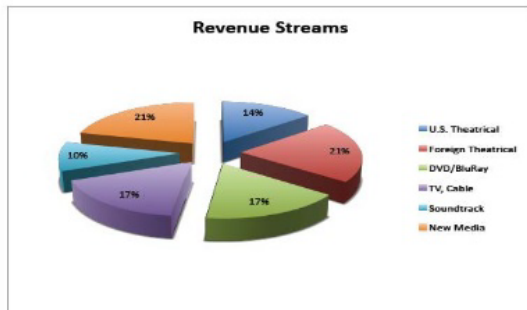
Source: *statista.com*: Most popular movie genres in North America

fig 1.5

Revenue streams

IN PROPORTION OF THE U.S. BOX OFFICE

U.S. Theatrical	1	14%
Foreign Theatrical	1.5	21%
DVD/BluRay	1.2	17%
TV, Cable	1.2	17%
Soundtrack	0.7	10%
New Media	1.5	21%



Source: *slideshare.net*: Oliver's_Wings_Business Plan 2015

- Furthermore, as shown in fig 1.3, for North American film industry, tickets per capita have been declining since 2005. From 4.4 visits per year to 3.9, there is an 11% total decline or an annual compounded decline of 1.2 percent.
- The annual box office revenues are primarily driven by the success of top five blockbusters, and this collection basically contributes towards the yearly volatility and 40% of the total box office revenue as reported by Deloitte, in a trend analysis. This is the reason for a five percent revenue dip in 2014 and an eight percent rise in 2015. Leading financial services and brokerage firm Stifel had predicted the industry to face a 5% downturn in 2016.
- The easy accessibility of legal and illegal movie streaming / downloading has a direct impact on the box office revenues and is much more on the number of tickets sold. Over the period of 2002-2015, total revenue decline rate was 0.8 percent as compared to 1.5 percent decline in number of tickets sold.
- The revenue impact is compensated for by the rising prices of the tickets and even more with pricier 3D movie tickets and large-format movies (like IMAX).



Resources

Movie genres by box office revenue in North America 2016 | Statistic. (n.d.). Retrieved from <http://www.statista.com/statistics/188658/movie-genres-in-north-america-by-box-office-revenue-since-1995/>

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- If the spending on movie-making is focused on franchises and sequels, then the risks can be lowered and also these categories savor better international success. These international box office revenues can contribute to more than 60% of the total revenue for a domestic film.
- Apart from these the total revenue includes ancillary revenues- home video sales, pay-per-view and TV/OTT licensing, syndication fees and merchandising, which again is a potential area to tap.
- Although premium movie experiences like 3D and IMAX carry a risk of drifting the audience away because of higher prices, yet the exhibitors can leverage this approach. At the same time the industry must highlight the fact that the actual increase in the ticket price is only 1% as opposed to the general misconception about the same. Exhibitors can also use under-utilized exhibition space for events like live opera shows, eSports, and renting out space for business meetings/events.