PARROT
ANALYTICS

MOVIE DEMAND WHITEPAPER

Movie Demand

How Movie Demand Can Drive Better Strategic Decisions

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Moving Into the Future of Film

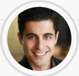
The film industry is at a pivotal moment in its century-long history. A massive technologically driven revolution that has impacted and irrevocably changed how people want to watch movies has led to new businesses, shifting priorities, and concerns about what the future looks like.

What hasn't changed is demand for film. What has changed is where that demand stems from, and how it impacts strategic thinking around distribution. A film may have exceptional demand in a theatrical space, while another title may not garner enough demand for a theatrical run but overperforms on an OTT service creating newfound value.

Recognizing, understanding, and using Parrot Analytics' Movie Demand can help make more insightful and informed decisions about a film's distribution, marketing power needed, regional licensing, and even what potential OTT platforms make the most sense for a Pay-1 window depending on audience interest in an entire catalog as it relates to a specific film.

The future of film is changing. Not getting lost in the noise means seeing every possible roadmap.

EXECUTIVE INTRO



Wared Seger | CEO

As we have been doing for TV shows, we are now making available to the industry the audience demand by country for movies across all distribution windows – from theatrical releases to streaming exclusives – for all movies including new releases and library content. With multiple years of global historic demand data also available, there are large implications on concept testing, windowing, box office forecasting, pre-release marketing and distribution.

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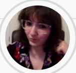
AUTHOR INTRO

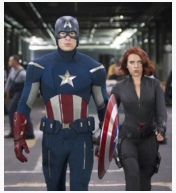


Julia Alexander | Director of Strategy

Julia Alexander is Parrot Analytics' Director of Strategy. She consults clients, journalists, and industry insiders on tectonic shifts in the technology, media, and telecommunications industry, with a strong focus on streaming growth, theatricality, and M&A. She also writes expert commentary for multiple media organizations. She worked in media for nearly a decade prior to joining Parrot Analytics.

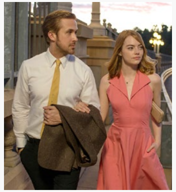
Executive Summary

To best understand how Movie Demand can help studio, OTT, and production company teams better understand the market for each title, this paper will examine:



Sequels, superheroes, and scaries

A key component of the theatrical equation is whether a film feels like it needs to be seen with other people, whether it needs to be seen the second it's released, and whether it requires technology still not available at home for the best experience. Sequels, superheroes, and scaries often fall into this category.



Event-style musicals

Musicals or event-style music-focused productions are still prominent, but even with directors like Steven Spielberg behind the camera and multiple Oscar nominations, the market is still finnicky to navigate. What does demand for musical productions on different platforms tell us about their future?

Comedies

Comedies are increasingly becoming rare at the theater as the industry pivots comedies to streaming originals. Is there still an audience for comedies in the theatrical space? How does talent demand determine what films have a better shot of playing in theaters than others?

Dramas

It's no surprise that based on criteria seen in the sequels, superheroes, and scaries section, the number of dramas released in theaters per year has diminished over the last two decades. The revenue those dramas do bring in is down more than 40% compared to the early '00s. What's going on in the drama space?

Day-and-date releases

Day-and-date releases were all the rage during the pandemic, but the cannibalization factor does play a significant role in determining what films are better served by a 45-day-window, what films are better served as a streaming original, and the few that may exist with the strongest return somewhere in the middle.

The benefit of direct-to-consumer

The large elephant in the room: streaming exclusives. Although the film industry is still reliant on theatrical releases globally, streaming-first distribution strategies can help both those in the OTT space and those with traditional theatrical businesses. What type of movies make the most sense to become streaming exclusives and which ones can still benefit from a theatrical release?

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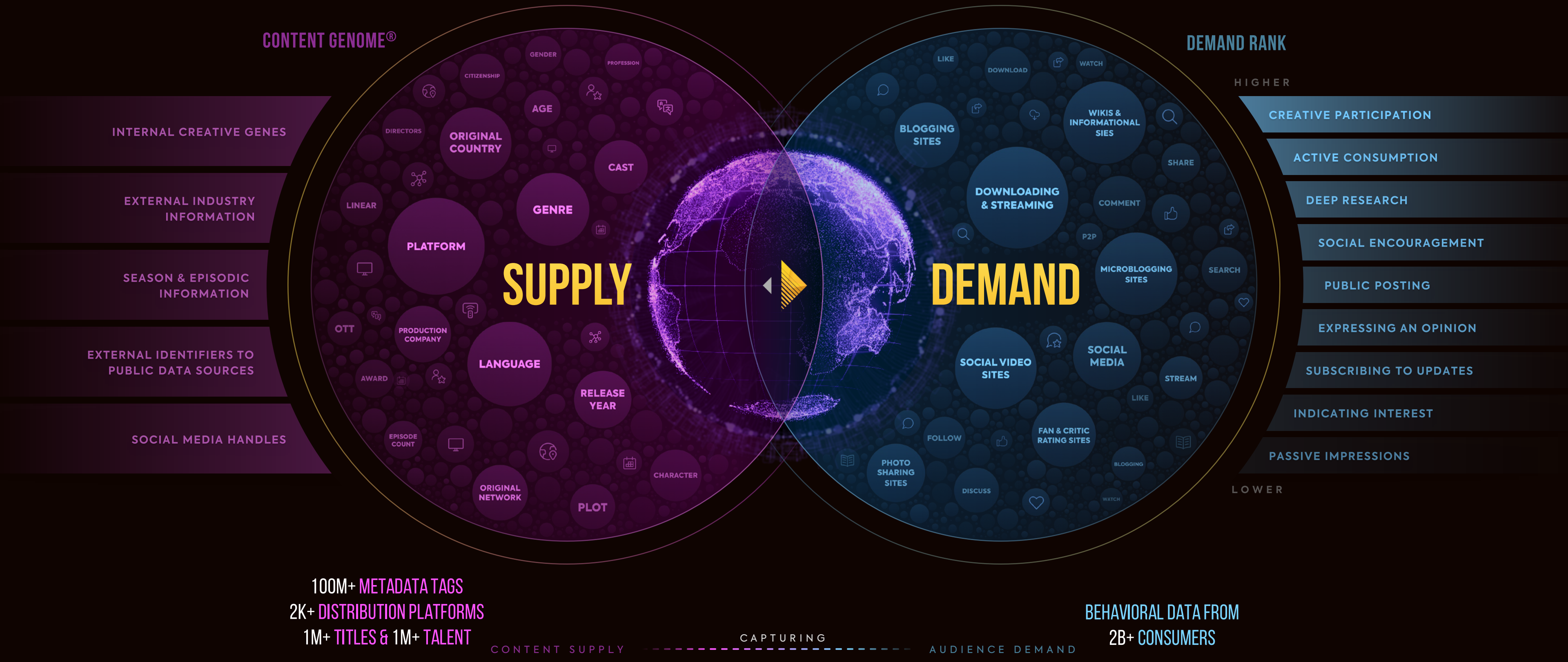
Supply and Demand in the Attention Economy



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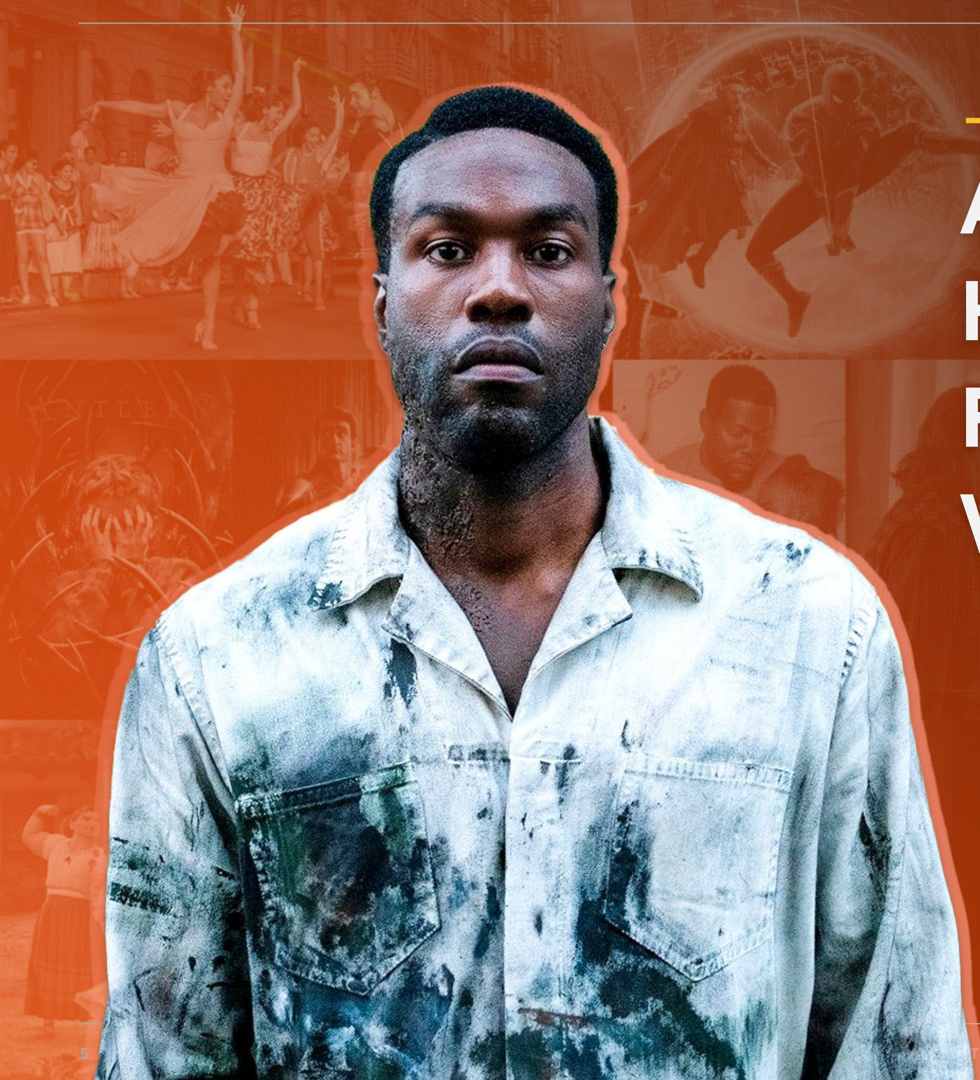

A Brief History to Help Predict the Future — and Where We Are Now

MOVIE TRIVIA

Jaws is widely considered the first ever blockbuster movie. Steven Spielberg's iconic shark film has grossed $470 million in global returns, including $260M domestically, and helped to set in motion the idea of a summer blockbuster. Without *Jaws* — or films like the *Star Wars* trilogy — today's current film landscape might look completely different.

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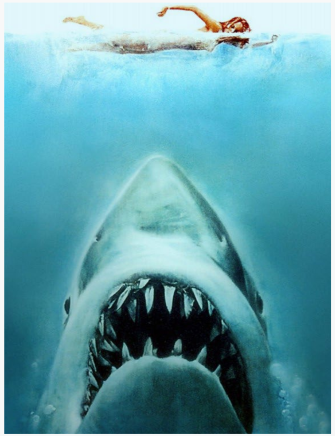
Lessons from the Past

Between 1975 and 1978, three movies were released that would forever change how audiences thought about what could be accomplished in a movie theater: *Jaws*, *Star Wars*, and *Superman*. Though these films were released more than 40 years ago, much of the fanfare around their release, the undeniable and irrevocable effect it had on the movie-going public, and the technology shifts that created new viewing expectations for audiences strike a strong resemblance to what's happening today.



By the '90s, the number of films released was was on par with previous decades, but a large percentage of films shifted distribution strategies, going straight to video. Strong DVD sales in the '90s translated to rising profit margins, creating significant new revenue — often at a fraction of the price and production time it would take for a theatrical release, and without fear of diminishing box office returns that would stain quarterly sheets and trade headlines.

Partnered with the birth of premium cable that got Americans excited about intricate dramas playing out on television (and playing out less on the big screen), and the advancement of affordable, quality home audio and visual technology, consumer expectation shifted dramatically into the early and mid '00s. The biggest takeaways from two of the most transformative (if subtly at times) decades in cinema reverberated into our modern day dilemma.

- More affordable, high quality home technology created a fantastic atmosphere to experience many types of movies previously experienced at cinemas.
- Rapid adoption of VHS, DVD, and Blu-ray technology, in conjunction with retailers like Blockbuster and quick delivery services like Netflix, made watching relatively new movies or ones skipped in theaters much cheaper. (In the 2000s, with the birth of iTunes, studios started shrinking theatrical windows on some titles and positioning the idea of day-and-date releases to keep up with this shift in consumer behavior.)
- Films that capitalized on state-of-the-art technology, A-list casts, or belonged to a readily proven franchise saw strong box office results despite actual ticket purchases stagnating.
- Television was on the brink of producing some of the most sought after storytelling that would forever shift notions of what medium constituted prestige.

The overarching question hanging over the entertainment industry heading into the 2000s was one that never posed an issue before: how to make hundreds of millions of people actually want to go to movie theaters more than a few times a year. It was an existential question posed by the introduction of groundbreaking technology, yes, but the answer was in understanding the foundational changes in consumer behavior. The same is true today.

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Enter A New Millennia, When Everything Changed

A few important data points emerged over the last 20 years painting a picture of where the theatrical industry was headed when it came to feature film releases.

Each one is necessary to understand that radical shifts borne out of technological advances and consumer behavior patterns aren't going to change. Audiences aren't suddenly going to stop streaming original movies — they'll only accelerate. Streaming services like Netflix have conditioned subscribers to expect a new movie every week, on top of new television shows. Mobile social networks like TikTok and YouTube take up larger percentages of daily consumption time. Demand for certain genres as theatrical exclusives continues to diminish.

Understanding these aspects will help determine acquisition and distribution strategies, but a simple way of approaching any film is a two-part question (that comes with its own subset of questions): do I need to see this right now, and do I need to see it in theaters?

With that question in mind, below are key figures and changes over the last two decades that have led to the industry's current reality, predicament, and opportunity.

1. Per capita admissions declined by 1.6% per year on average over nearly two decades in the United States.
2. DVD sales in the United States hit $16.3 billion at their peak in 2005, representing just under 65% of the total home video market at the time; but as the decline began (DVD sales represented just under 10% of the total home video market in 2018 with $2.2 billion in revenue), it was offset by the notable increase in VOD, digital, and streaming subscription sales. As such, the decline in physical home video revenue was on the path to being offset by new digital venues launching on the heels of revolutionary technology adoptions.
3. Apple's launch of the App Store in 2008 — and the true birth of the mobile internet — broke down the barrier of access between consumers and content even more. Netflix launched on the App Store in 2010, just a few years after offering a streaming option and three years before getting into original programming.

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4. PC and console gaming continued to accelerate. The gaming industry saw $145.7 billion in revenue in 2019, greatly surpassing $42.5 billion in box office revenue.

5. In 2000, superhero movies made up just over 3% of the total market share from a creative perspective. There were three movies released — including Fox's *X-Men* — but this was hardly a key strategic force in Hollywood. Instead, the majority share of the box office belonged to drama films, which made up 21% of the market share. (Creative fiction made up 50.80% of total marketshare.)

6. By 2019, the last year before COVID-19 hit, drama made up 12.3% of total domestic market share despite being the genre with the most releases, according to box office tracking site The Numbers. Action and adventure combined made up just under 60% of the total box office market share, with half of the number of total movies that fell into the genre category. By 2021, drama made up just over 5% of total market share. Action and adventure films, led by superhero movies, made up just under 70% of total box office share.

7. Lastly, but intertwined with the last point, the "Golden Age" of television transformed into the era of "Peak TV" as the number of scripted and unscripted series order hit north of 500 series for the first time in 2019. That's a jump of more than 150% compared to 2009 when there were 210 shows. More entrants in the space — most notably Netflix, Amazon, and Hulu — saw jumps in content spend, shows ordered and, most importantly, consumer attention and spending.

The world has seen more world altering technological shifts, which have led to cataclysmic changes in consumer behavior and value perceptions, that businesses rooted in century-old businesses are trying to maneuver. Less than 25 years ago, a transformational shift from focusing solely on theatrical to theatrical and home video markets yielded higher profit margins — but the shift to streaming hasn't become a separate profit window for studios yet.

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CASE #1

Sony Pictures: A Lesson in When To Go Theatrical, and When To Sell

MOVIE TRIVIA

Spider-Man: No Way Home was one of the most successful films ever, grossing more than $1.9 billion globally at the box office and becoming the most financially successful Spider-Man film of all time. It was also the movie that made analysts, exhibitors, and studio executives wonder if theaters "were back" after two long uncertain years brought on by the pandemic.

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CASE #1

Lay of the Land

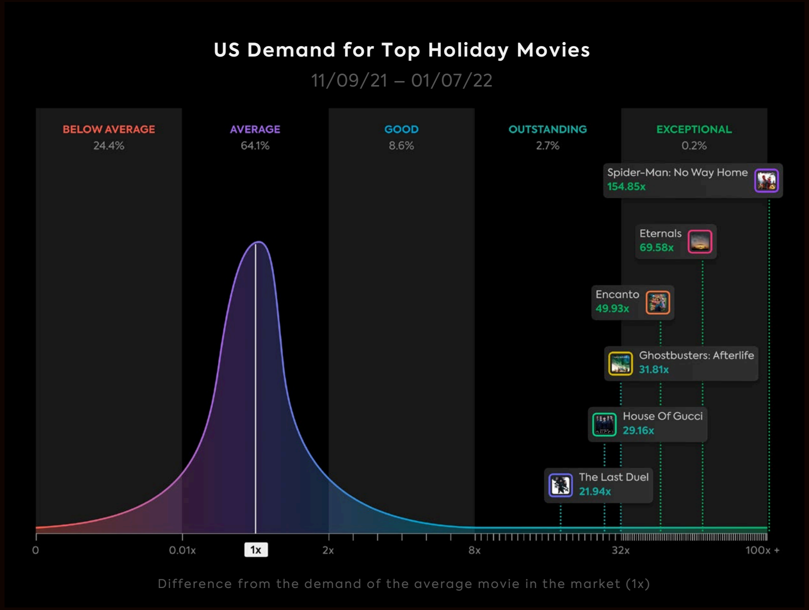
We Have Spider-Man: But What About Everything Else?

Effectively, a studio like Sony has four major options:

- A traditional full theatrical release (70 days) followed by a PVOD and physical release window, and then Pay-1 and Pay-2 windowing with partners
- A shorter theatrical release followed by a PVOD and physical release window, and then Pay-1 and Pay-2 windowing with partners
- A traditional or shorter theatrical release (45-70 days) followed by exclusive placement on an SVOD platform
- A streaming exclusive with an SVOD partner

In 2021, Sony Pictures only had a few principal theatrical releases in the US: *Venom: Let There Be Carnage, Ghostbusters: Afterlife, Peter Rabbit 2, and Spider-Man: No Way Home*. With the exception of *Peter Rabbit 2,* each film far surpassed $50 million at the domestic box office, with *Venom: Let There Be Carnage* and *Spider-Man: No Way Home* both among the three most successful films at the domestic box office. Each movie was almost guaranteed to perform exceptionally well at the box office because of its inclusion in a broader, highly in-demand franchise.

Therefore, it's easier to convince audiences to get into a car or subway, sit beside someone who may be coughing and sneezing, and pay extra for a film. That's a big part of what sells a theatrical release today, and that's unlikely to change.



Key to understanding Sony's approach to theatrical releases is acknowledging that Sony Pictures has steadily shuffled several of its titles throughout 2021 with a major SVOD partner — Netflix. Movies like *The Mitchells vs the Machines, Fatherhood, Vivo, Hansel & Gretel*, and *Wish Dragon* all went directly to Netflix. By shuffling titles, Sony can focus its theatrical attention on movies with exceptional levels of demand within genres that dominate the box office revenue marketshare. Again, box office revenue for certain types of films has increased over the last decade, even with attendance per capita declining year after year and an overall decrease in total tickets sold.

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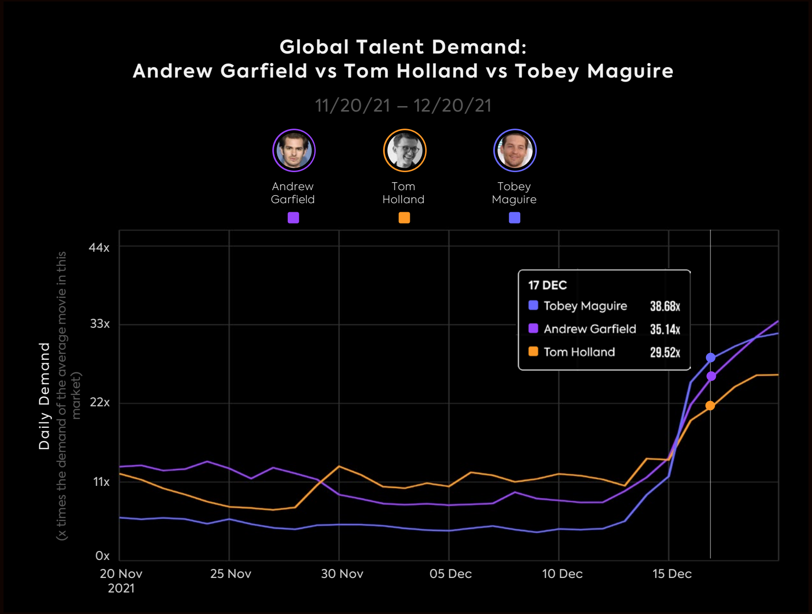
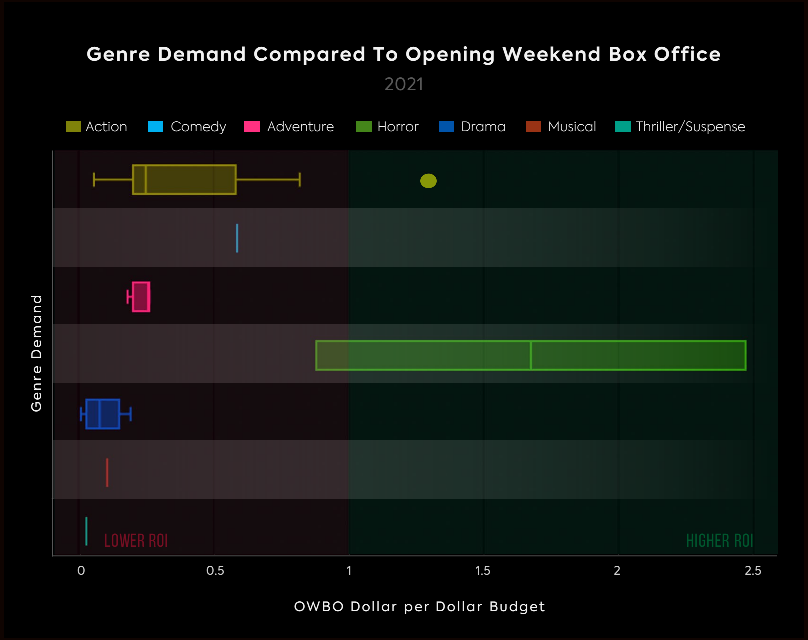


A core question about theatrical releases is how major of a role does talent in getting people to theaters? Despite a worse performance at the box office than *Ghostbusters: Afterlife, Halloween Kills*, and *The Many Saints of Newark, House of Gucci's* talent demand was still much greater than its peers. When it comes to box office success, the stronger the brand or IP, the less impact talent may have on the overall performance — people are coming out to see *James Bond, Spider-Man*, or a new installment in their favorite franchise, not necessarily the star power behind it. Although, being in a movie like *Spider-Man: No Way Home* can lead to large influxes in demand for talent, as seen above.

The bar chart below demonstrates the ratio between opening weekend box office numbers and cost of a film, demonstrating which genre provides the highest return on investment. Where talent demand can really help, however, is within streaming where there is a plethora of titles that can consume audiences' time. It's here that having in-demand star power, like in *The Last Duel* or *House of Gucci* can separate a title from the rest of the library, and become an incredibly valuable title to a new batch of companies.



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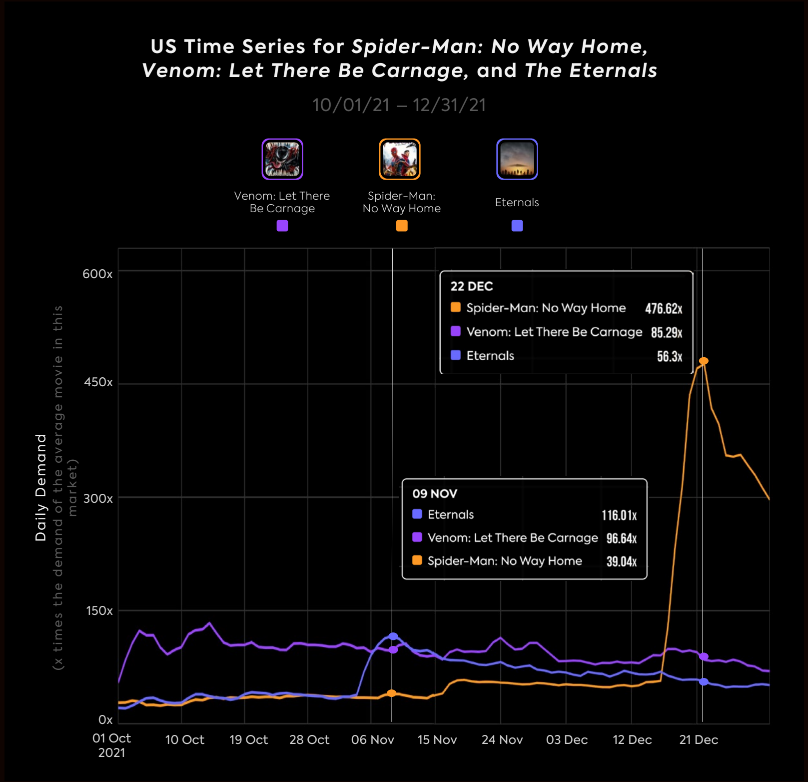

The value perception a movie like *Spider-Man: No Way Home* or *Ghostbusters: Afterlife* provides — hitting the sweet spot of needing to watch something immediately to keep up with conversation and avoid spoilers, and seeing that

movie on a big screen with high class technology (like IMAX) — is easier to sell to consumers. Therefore, it's easier to convince audiences to get into a car or subway, sit beside someone who may be coughing and sneezing, and pay extra for a film. That's what sells a theatrical release today.

Talent is still important; great acting or directing on films under a banner can help create a brand that generates enough consistent demand that people will go see those films. A24 and NEON are great examples. But as competition for people's attention shifts more than ever between the small screen and the big screen, and as macroeconomic headwinds including spiking inflation mean that consumers are looking for more value per purchase, taking a family to theaters when there's great films at home becomes a more difficult decision. The value proposition of a theatrical release for the vast majority of consumers in the United States and other global regions has to greatly exceed what it used to be two decades ago. This is key to the central discussion on distribution and content strategy — where does a film go, for how long, and to which partner to generate the strongest response, both culturally and financially?

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When to Go Theatrical, Followed By PVOD and Streaming

Since in-demand genres that perform well theatrically also tend to lead demand for titles on streaming, companies like Sony can hit on a double whammy for projects that play in theaters for a certain amount of time (between 35 and 45 days being the sweet spot) and then through ancillary revenue like PVOD and Pay-1 partners.

Spider-Man: No Way Home, *Venom: Let There Be Carnage*, and *Ghostbusters: Afterlife* would likely provide exceptional annual value for streaming platforms in the United States. This co-relates to strong box office performances, reiterating that these types of movies are best served by a theatrical release (with a minimum of 45 days in theaters) and a short PVOD secondary window.

Although not a Sony movie, a perfect film to illustrate this type of is *Free Guy*. The movie saw three peaks in demand — when the film was released, when it became available through digital and physical purchase rentals, and then again when it hit HBO Max and Disney+. As the demand tapers off, it does so slowly. They can command higher licensing fees for streaming services like Netflix, Paramount+, or Peacock that are looking for highly in-demand franchise movies to bring in additional or lapsed subscribers, and use those films to bring in lapsed or hesitant subscribers to their own services.

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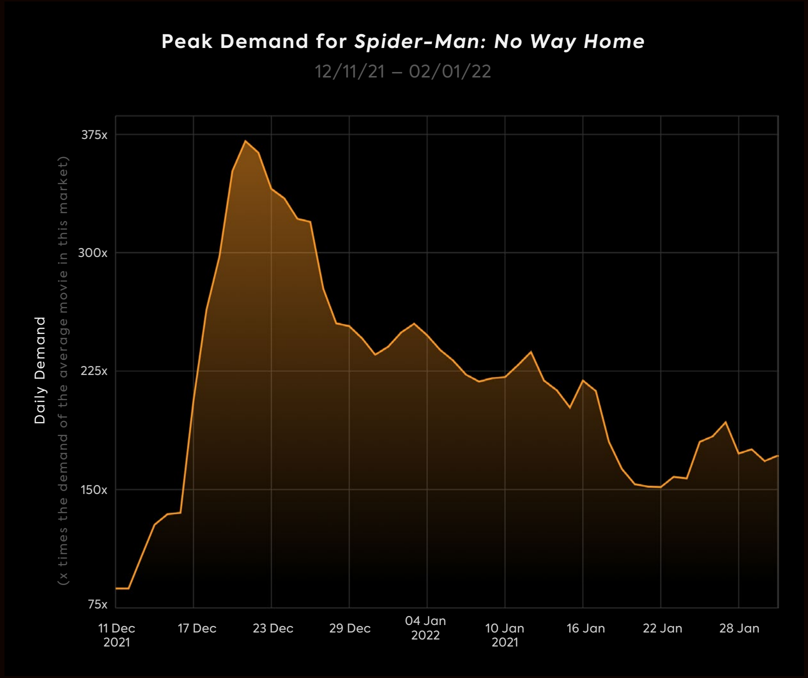
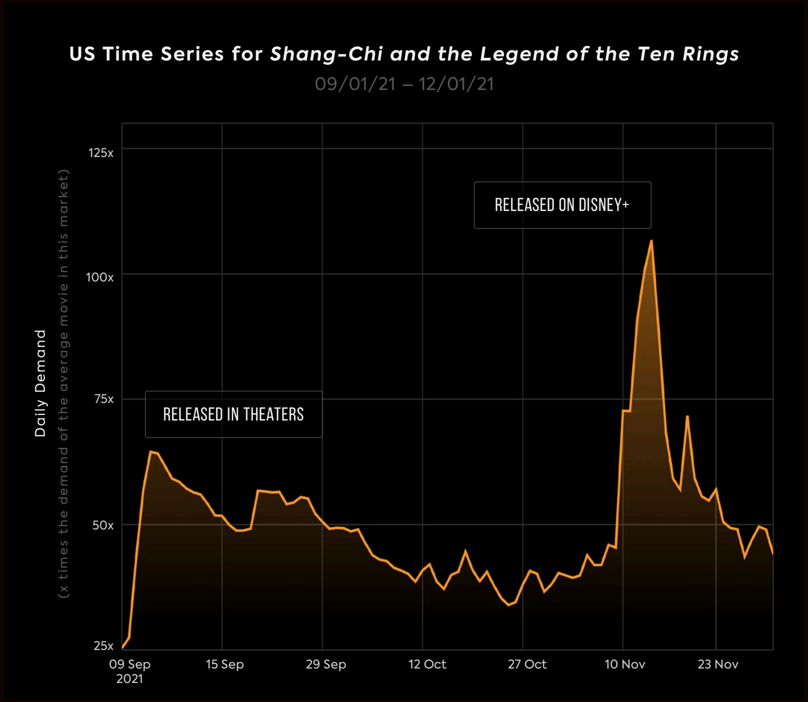


Spider-Man: No Way Home is slightly different. The percentage change in streaming catalog demand for *Spider-Man: No Way Home* doesn't fluctuate too much within the first 23 weeks of its release. (Parrot Analytics used Netflix's catalog as a benchmark because Netflix is the most subscribed-to platform globally, and features the widest array of genres, tapping into a four-quadrant audience that other SVODs haven't penetrated yet).

Unlike movies like *Shang-Chi and the Legend of the Ten Rings*, which saw a double peak between its release week and when it hit Disney+, *Spider-Man: No Way Home* can stay in theaters for the entire length of its release and still perform well on Netflix whenever it lands on the streaming service. This reiterates its value both as a theatrical exclusive and then eventual streaming title.



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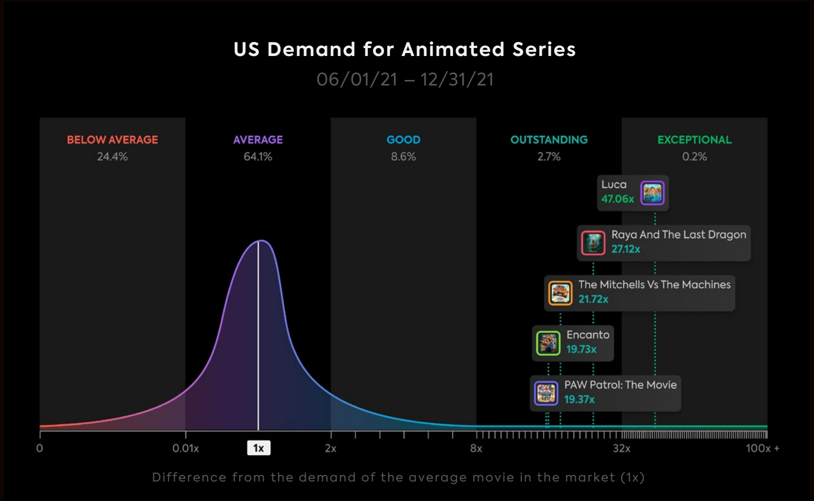
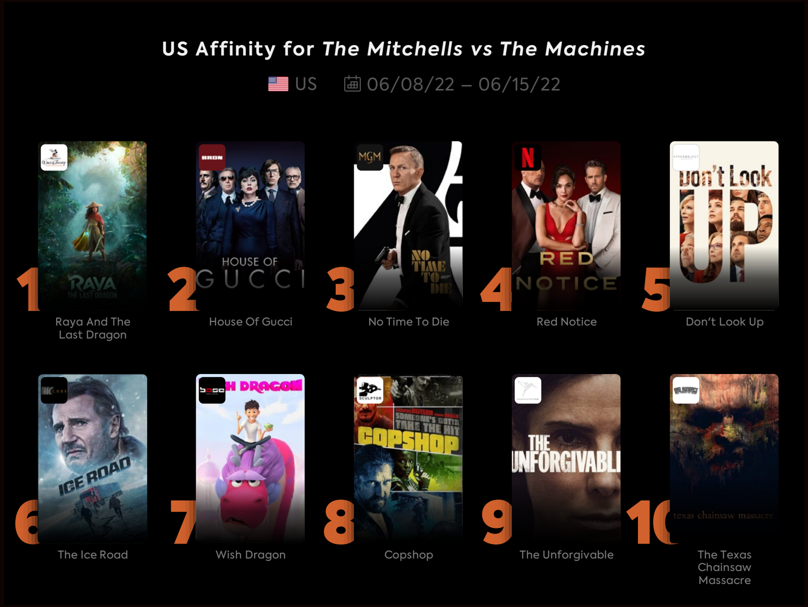
Streaming Exclusive

Much like Warner Bros. and Disney, Sony has also shifted a select few of its titles to streaming exclusives.

While the animated fare (*The Mitchells vs the Machines, Vivo*, and *Wish Dragon*) may have performed decently at the box office, none of the aforementioned titles are sequels to established hits that have a built-in audience, nor do they have the branding of a Disney Animated or Pixar film. Instead, Sony Pictures found a distribution channel that's very invested in offering more animated and family films to compete with Disney: Netflix. Sony can provide high quality films from well known directors and other talent for a higher fee.





Vivo and *Wish Dragon* stayed on Netflix's Global Top 10 English-Speaking Films list for up to six weeks at a time. Vivo amassed 110.7 million hours during its six week run on the Top 10 list. Kids content is sticky, and parents rely on it, helping Netflix reduce churn. When theatricality is still changing, the guaranteed revenue from a partner like Netflix can help support Sony's future development slate. Theatricality is still crucial for developing franchises, as many executives have stated, but certain types of films see consistent demand on streaming, which increases the value of those titles to both the buyer and the seller.

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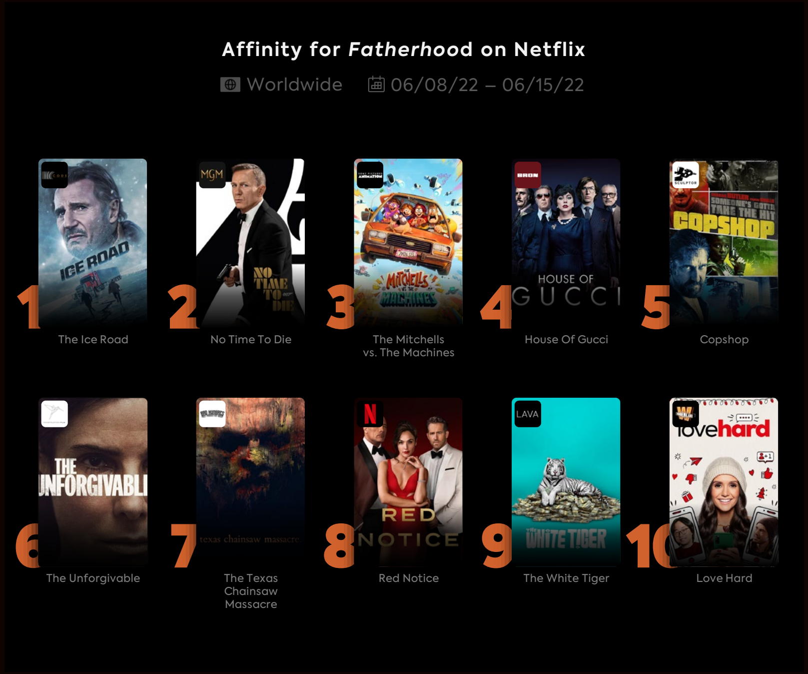
Fatherhood, from Kevin Hart, is a comedy-drama that also would have likely underperformed at the box office. Of movies that made more than $50M domestically in 2021 theatrically (less than 25 total) 58% were action/adventure (and nearly half of those were superhero movies), 21% were animated movies (with 60% of those were sequels, and 40% from Disney Animation), and 17% were horror movies.



On streaming platforms like Netflix, however, where demand for certain genres of films like absurdist comedies, romantic comedies, and dramas are necessary to round out overall offerings to four quadrants of subscribers, a film with Kevin Hart (who also has stand-up specials on the platform) can help increase engagement and retention, while satiating consumer appetite for a constant revolving door of new things to watch. This chart demonstrates just how much affinity Fatherhood has with other Netflix titles. Arguably, *Fatherhood* is more valuable to Netflix than it is to Sony in theaters, and Sony can demand a higher fee because of that reason.

Having that guaranteed revenue (alongside less marketing responsibilities and dedicated investment) allows for Sony to transfer that marketing budget and focus to its theatrical releases that are more likely to bring in swaths of audiences.

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CASE #2

Encanto Reiterates Theatricality Works with Streaming, and *West Side Story* Lessons

MOVIE TRIVIA

Encanto became one of the first movies under Disney to prove to leadership that franchises could be born out of smaller theatrical windows and strengthened through global, cheaper, direct-to-consumer platforms like Disney+. *Encanto* saw its demand skyrocket the day it hit Disney+, where it stayed one of the top 10 films in the world between late December and early April. .

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CASE #2

Disney: *Encanto* Reiterates Theatricality Works with Streaming, West Side Story Lessons

Shorter Theatrical Run In Partnership With Streaming

Encanto amassed a total domestic box office haul of $96 million, accounting for 100% of the total domestic box office run before the film was moved to Disney+ on Christmas Day. *Encanto* garnered another $160.1 million internationally. The performance coincides with trend data that shows more than 20% of all 2021 movies that made more than $50 million at the domestic box office were animated movies, with 60% of those being sequels and 40% coming from Disney Animation. This is an increase of roughly 6% over 2019 when just under 15% of all movies that grossed more than $50 million at the domestic box office were animated films.

Stronger box office market share for animated films in 2021 (even if actual box office revenue is more subdued) indicates that animation could benefit from a more hybrid approach.

Both *Encanto* and *Raya and the Last Dragon* being released in theaters and then heading to Disney+ helps Disney make some of its original investment back while also bringing in new Disney+ subscribers and/or decreasing churn rates for global consumers who don't want to go to theaters.

For example, there is heavy demand for Encanto in the APAC region. This is key as Disney+, much like other streaming services, are trying to establish a strong foundation in the APAC region. And, for Disney+ specifically, ensuring that demand remains high in India (a market that makes up 40% of total Disney+ subscribers, but carries the lowest average revenue per user of all available markets) is crucial. Notably, India's domestic box office saw a massive decrease between 2019 and 2021 ($124.9 billion rupees in fiscal 2019 vs $27.4 billion rupees in fiscal 2021).

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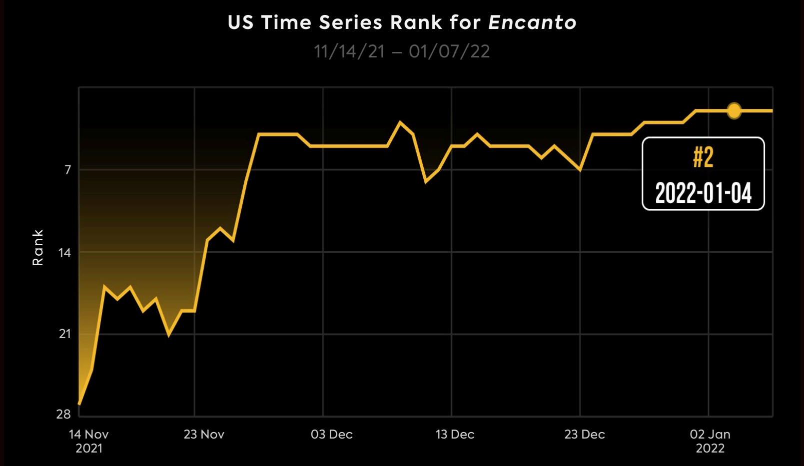
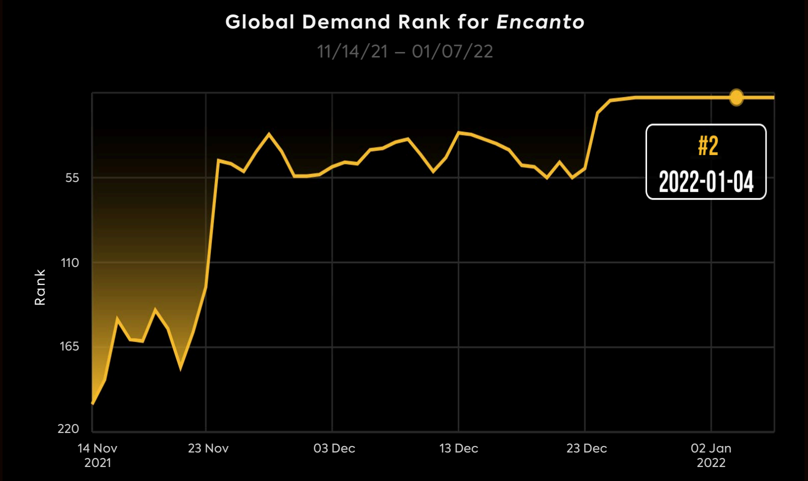
Windowing

Encanto brings up the question of windowing for Disney, a company that has dominated the box office for the last decade.

Having *Encanto* in theaters for 45 days and then moved to Disney+ where it's available to consumers for no additional cost and safer than a movie theater helps bolster demand. The chart below looks at peak global demand for *Encanto* during its theatrical run and its move to Disney+. The box office drop (week/week) after *Encanto* became available on Disney+ sits at 61%, but its demand surges and maintains a peak demand of #2 globally — only behind *Spider-Man: Far From Home* — for 10 days.





While Disney only kept *Encanto* in theaters for just over 30 days to ensure *Encanto* would be available on Disney+ for the holidays, the move demonstrates just how successful a shorter theatrical window and direct-to-streaming route can be. Kids content (animation) can generate 2-3 times more value on streaming platforms.

For Disney, where theatrical movies can make or break franchises, but the sustained growth of Disney+ is a core concern, *Encanto* is able to deliver on both fronts. It's the type of movie that in non-Omicron times is likely to have generated more than $100 million in domestic box office revenue (as animated films and family movies still make up a sizable portion of box office revenue), but that value increases on Disney+ when the title is moved there right after.

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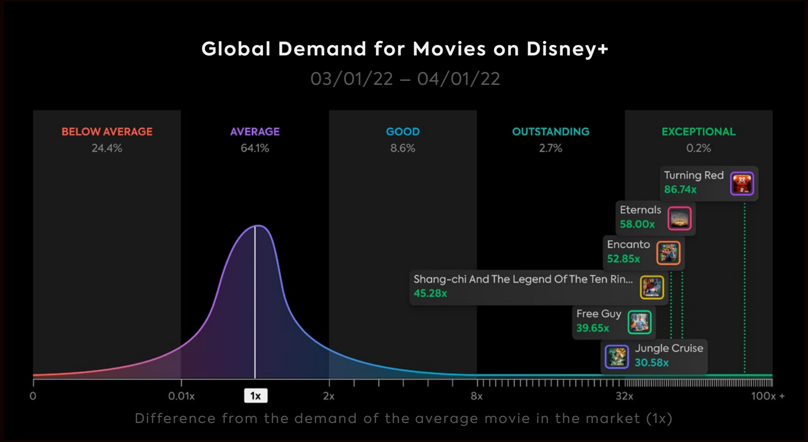
Not All IP Is Equal — Straight To Streaming

While many of Disney's live-action remakes and originals have found their place at the box office, others have not. Here are some examples over the past few years: *Dumbo* lost $160 million, *Through the Looking Glass* both saw more than 40% drops in profit compared to the first films, and *Nutcracker* saw a loss of just under $70 million. If those films were released with a slightly more mature Disney+ product and audience, in a period of unprecedented acceleration, Disney Studios executives have a new path in front of them, one that will please both investors and audiences alike: Disney+ originals.



West Side Story is an example of a Disney movie that may have benefitted from a straight to theatrical release. The drop off between its theatrical run and potential streaming date is sharper, but then evens out. The potential value of *West Side Story* on a streaming platform is greater than its box office return. Musicals also have a slightly higher per dollar value on streaming than they do in theaters.

Most crucially for Disney, *West Side Story* is the type of movie that (had streaming rights belonged fully to Disney instead of existed as part of the previous Pay-1 window deal struck between 20th Century Fox and HBO) would have broadened the content offering on the platform over the holidays. Similar to the jump in subscribers — and the jump in type of subscribers — who came to Disney+ for *Hamilton* in July 2020, *West Side Story* helps create a more four quadrant offering.

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CASE #3

Cannibalization and *The Matrix Resurrections*

MOVIE TRIVIA

The Matrix Resurrections is the fourth installment in the beloved, long running Matrix franchise, and saw Keanu Reeves return as the iconic Neo. The film was one of the last titles WarnerMedia (now Warner Bros. Discovery) launched as a day-and-date title on HBO Max as part of its "Project Popcorn" strategy in 2021.

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CASE #3

The Effects of Cannibalization, and Knowing When To Pivot — *The Matrix Resurrections*

The Matrix Resurrections is the best example of cannibalization effects of day-and-date releases. The film grossed $37.67M in domestic box office revenue since it was released on December 22nd. While demand for the film remained relatively stable within the United States over the same period of time, box office performance week over week faltered (as is typical with every release).

Internationally, in territories where HBO Max isn't available, box office performance saw slightly stronger returns. In Japan, for example, the film has grossed $12.6 million in the same amount of time (just over 30% of The Matrix Resurrections total domestic box office revenue so far in a much smaller market).

Shortening Or Eliminating the Window

What went wrong with *The Matrix Resurrections* that one of the most beloved film IPs (the original Matrix films have grossed more than $1.5 billion at the box office) can barely crack $150M in box office revenue — unable to even recoup production budget costs? Most crucially, could it have been predicted? Lastly, knowing what we know in regards to box office trends, demand data points, and viewer consumption habits, was a theatrical release necessary?

1. *The Matrix Resurrections* was slated to compete primarily with *Spider-Man: No Way Home*, a movie that dwarfed its demand domestically and outpaced demand internationally.
2. Its target audience was slightly older than *Spider-Man: No Way Home*, and box office trend data has reiterated that theatrical attendance was largely supported in 2021 by young, 18-35 year old males.
3. It received a B-minus Cinemascore, and a 64% rating on Rotten Tomatoes, and word of mouth from the reviews quickly spurred negative reactions.
4. Relying on heavy meta storylines can alienate new audiences who might have been interested otherwise.

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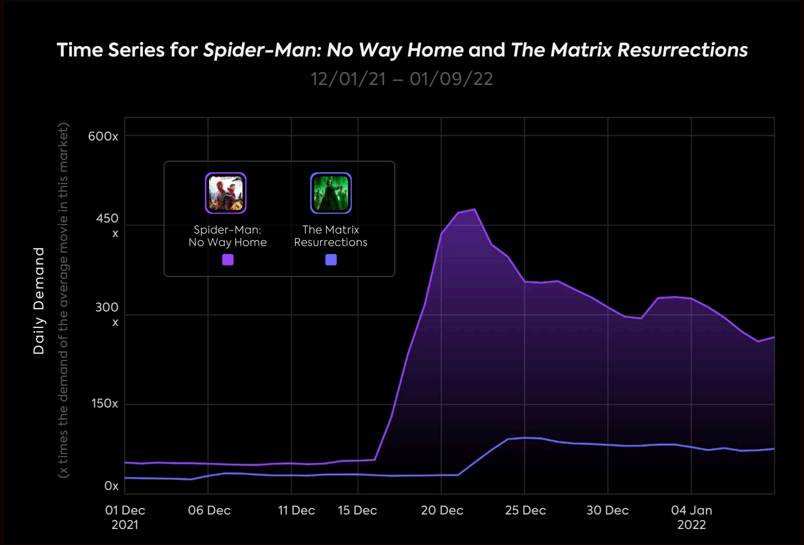

All of these point to The Matrix Resurrections not likely performing at the level Warner Bros. executives may have hoped to achieve on the $150 million investment. However, *The Matrix Resurrections* was reportedly one of the five most watched shows on HBO Max over the course of the year (alongside *Wonder Woman 1984*, *Godzilla* vs. *Kong*, and *The Suicide Squad)*.

Instead of relying on a 45-day theatrical release, WarnerMedia could have shortened the release of *The Matrix Resurrections* to 14 days, made 85% of the total box office revenue thus far, and rode the wave of demand and accessibility (especially with Omicron spreading) on HBO Max.

Crucially, *The Matrix Resurrections* has very little affinity with HBO Max programming. Dune is the one film that is available on HBO Max alongside *Resurrections*. When titles have low affinity with a platform's catalog, they're more likely to bring in subscribers who are seeking out the film. A big part of release decision making is counter programming — and with options available on streaming as well as in theaters, the window for prime ROI shrinks.

Parrot Analytics' data demonstrates that films belonging to in-demand theatrical genres, which received an exclusive but shorter theatrical release followed by a move to streaming or VOD, saw double the peak demand for those titles.

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CASE #4

The Power of Horror — Low Cost, High Reward

MOVIE TRIVIA

Halloween Kills marked the sixth time that Jamie Lee Curtis returned to the film's franchise as iconic "final girl" Laurie Strode since the original film was released in 1978. Curtis' affinity for the role, and her love of the franchise, has helped keep fans tuned in and excited for new entries more than 40 years after the first installment.

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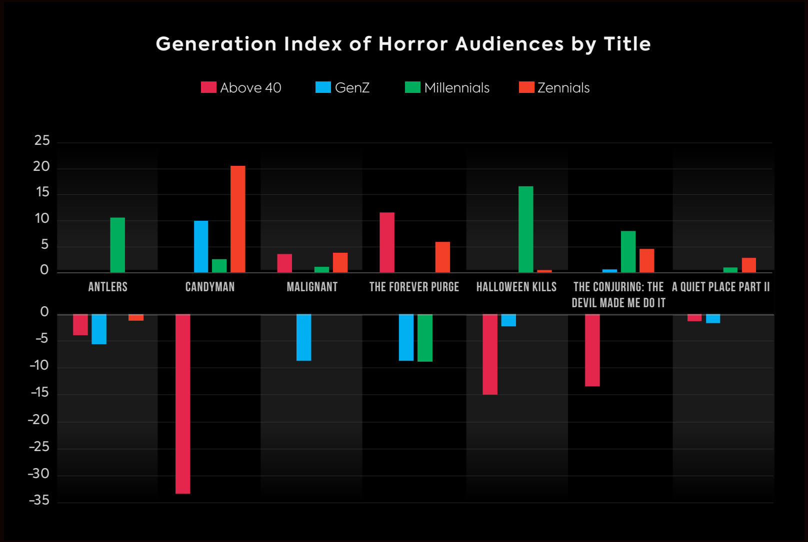
CASE #4

The Power of Horror — Lower Cost, Higher Reward

What has proven to be exceptionally true in this period of experimentation, trepidation, and adaptation is that demand for horror can work well in both mediums, delivering value in theatricality and streaming, but may be limited by the overall size of the genre.

Demographic breakdowns for several horror movies released in 2021 demonstrate that the majority of titles over index with millennials, followed by zillennials. They also tend to over index with male audiences. (Interestingly, sequels within long-running franchises demonstrated a smaller divide compared to original films, like *Antlers* and *Malignant*, which skewed far more male). This is good news for theatrical releases, where ticket sales are driven by young, male audiences between 18 and 34.



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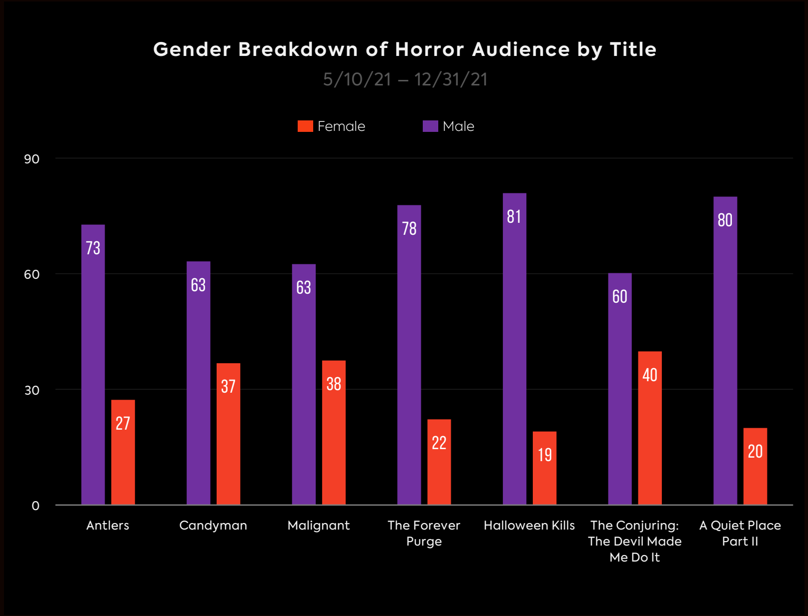

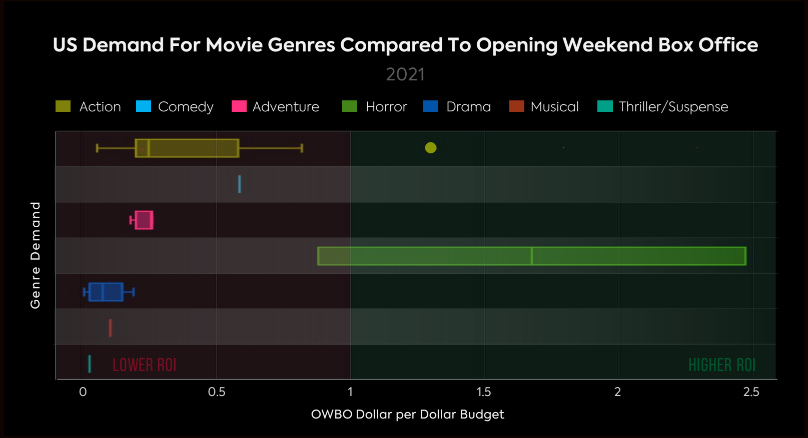

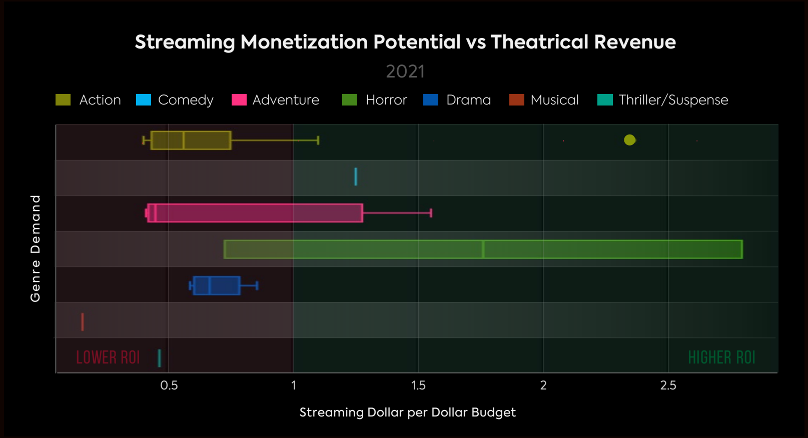

As we can see in the first chart to the right, the opening weekend box office for titles compared to total budget for the films reiterates that horror generates a very strong return on investment. This is especially true when comparing the theatrical return on investment for horror movies to dramas theatrically. Considering that horror films cost a fraction of the price that big action movies require, but can produce the same type of franchiseability, there's room to experiment with different type of distribution methods. This allows for theatricality and streaming.

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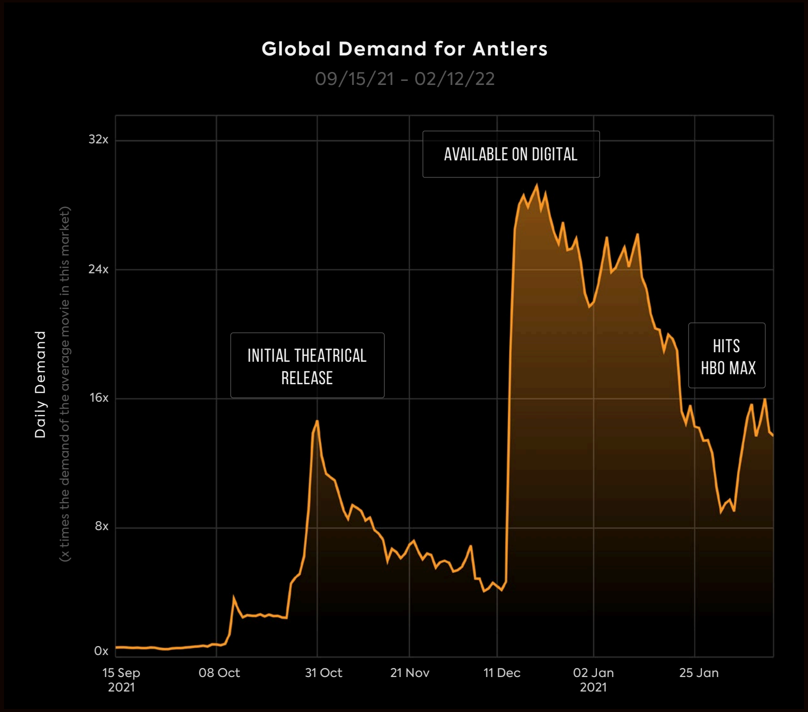
Theatrical vs Streaming

Since horror is a genre that can perform well theatrically and on streaming, trying to figure out what to bring to theaters and what to bring to streaming can get tricky. To examine this scenario in more depth, we can look at *Halloween Kills, Candyman,* and *Antlers* as examples.

A key point to keep in mind is that horror can deliver some of the highest efficiency for streaming services, meaning that it's valuable for an SVOD platform looking to add a litany of titles to its offering for a relatively low cost (scale) and therefore can make a horror title more valuable when it comes to licensing negotiations with studios. Relatedly, streaming is not as strong of a source of value for horror titles — this means new IP or more experimental films at a lower cost can benefit a streaming service but won't harm the potential theatricality revenue for a studio release because riskier bets don't guarantee revenue.

Antlers, an original movie without a well known cast (as is typical for horror movies), from producer Guillermo del Toro went to theaters around Halloween. Despite having del Toro's name attached to the project and the ideal seasonal release date, Antlers failed to move the needle domestically, pulling in just shy of $11 million. It did, however, jump in demand the minute it became available on VOD.



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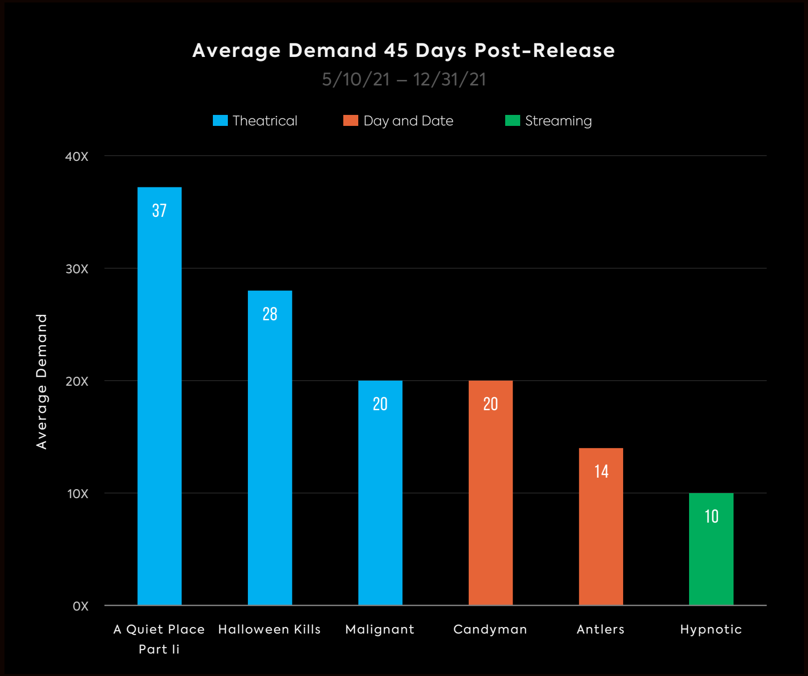
What's the best move for Disney in this situation? It's far more likely that had Disney retained streaming and furthering window rights to the film, it would have gone to Hulu, where there may have been more of an impact throughout Q4 and in fiscal 2022. Instead, the movie lost out on its maximizing revenue window (first release) and demand has decayed ever since.

Then there's *Halloween Kills*, which saw a day-and-date approach. As part of a long-running, very in-demand film franchise, *Halloween Kills* was poised to do well at the box office. The film was released while the Delta variant was raging, but that didn't set back film sales as much as the subsequent Omicron variant. Horror movies continued to over perform at the box office in 2021, and we know that established IP is easier to draw crowds in than non-established IP. Plus, *Halloween Kills* has a stronger audience in the millennial and zillennial age group, which represents the demographic most likely to seek out a movie in theaters.



Acknowledging that having the film on Peacock (NBCUniversal's SVOD platform) at the same time it's in theaters cannibalized some of the box office revenue, we can see that demand for the film is still stronger than some of its competitors 45 days after release. For NBCUniversal, where the goal is to drive revenue at the box office while also growing its streaming service, *Halloween Kills* performs both duties.

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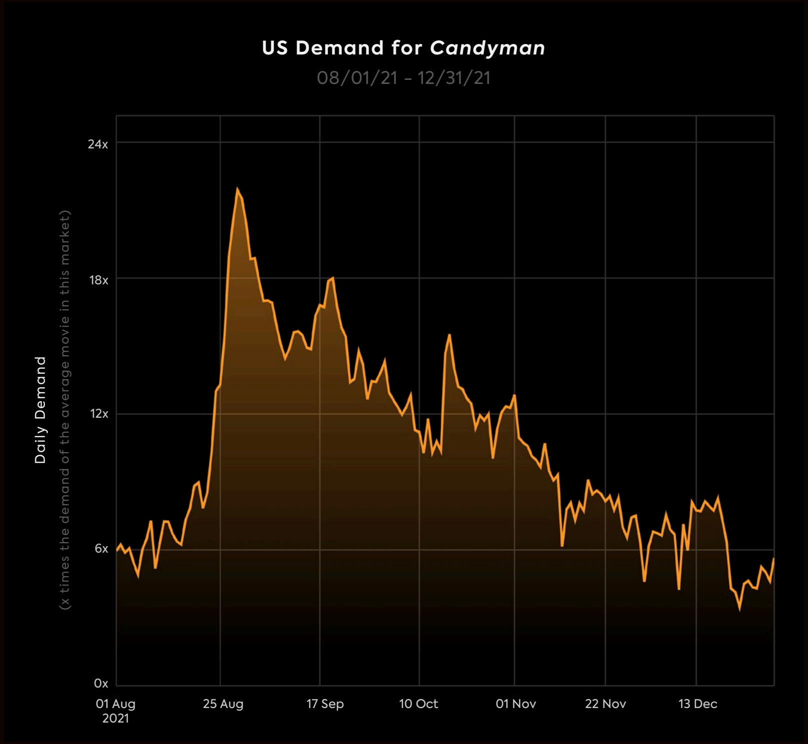
Another example is Universal's *Candyman*. The film received a traditional 70+ day theatrical release, but was also made available on VOD just after 21 days (as part of Universal's new deal with AMC Theaters and other distributors). It was later made available on Prime Video. Theatrical box office revenue and continued demand (seen in the second chart to the right) insinuates that it's the best move for Universal, capitalizing on two different peak windowing opportunities — but the continued demand will likely see a bump once it's available on a streaming service like HBO Max (as is part of Universal's continued output deal).



If action is the most theatrical genre, and dramas find the most value on streaming, horror is the rare genre that over indexes on both. By studying certain case studies, like the ones above, executives will have a better understanding of how and where to release a movie, maximizing every dollar of investment.

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CASE #5

Netflix Ushers in a New Era for Films

MOVIE TRIVIA

Don't Look Up didn't pop the weekend it was released — Christmas Eve — but as more people discovered the film over the holidays and word of mouth about Adam McKay's new title spread, the film saw demand skyrocket in its second and third weeks.

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CASE #5

Netflix Ushers In A New Home For Films — Don't Look Up

What Works For Streaming, Doesn't Mean It Works Theatrically

On the surface, *Don't Look Up* should work as a theatrical release. It stars an incredibly in-demand cast (Timotheé Chalamet, Jennifer Lawrence, and Leonardo DiCaprio were all within the Top 20 most in-demand actors between December 20th, 2021 and January 8th, 2022, boasting between 33x and 38x the average demand of all actors in the United States) from an acclaimed director and features action elements despite being labeled a black comedy. It made less than $1M upon its limited release in early December.

US demand for the film (seen to the right) better illustrates what happened with *Don't Look Up*, and why it's the perfect movie for streaming that works for Netflix. Although demand started growing globally for the movie upon its December 24th release on Netflix (33x the average demand of all films globally), it skyrockets and then peaks around the New Year, seeing a whopping 76x the average demand of all films globally. This coincides with exponential increase in conversation — and discourse — about the film, resulting in hyper increased attention on and demand for the film.

The subsequent question is whether that increase in demand would translate to box office sales if it were in theaters, but understanding the tonal conversation surrounding the conversation is also key. Since *Don't Look Up* was available on Netflix globally, the barrier of entry to watch a movie that had kickstarted a whirlwind of discourse was effectively non-existent. Netflix's own self-reported weekly consumption reports show that more cumulative hours were viewed in its second week (152.3M) than in its opening weekend (111M) despite the film being available over Christmas.

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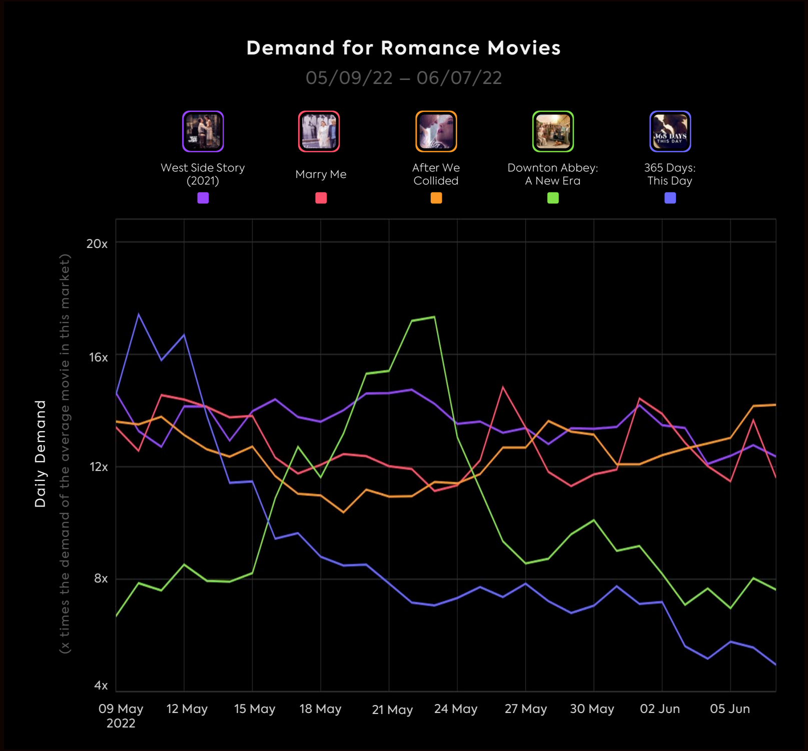
Had *Don't Look Up* been available theatrically, it would be competing with juggernauts like *Spider-Man: No Way Home*, still performing exceptionally well domestically and internationally. Both have exceptionally high demand, but whereas *Don't Look Up* doesn't fit into the second part of the "do I need to see this now and do I need to see it in theaters" equation. Audiences may have felt an urgency to watch (the demand spike illustrates that point), but it's the type of film that people can watch at home and derive the same pleasure.

Similarly, we see that genres all but eliminated from theatrical releases — most notably romance films and romantic comedies — over perform as streaming exclusives. The chart to the right proves industry assumptions that romance films on average aren't generating as much meaningful revenue for studios or distributors at the box office. They do see increased demand once available on streaming platforms, though.



Whether theatrical or streaming, all new movies are competing for the majority of demand amongst consumers. Part of a studio's release strategy also may be determining where consumers' secondary viewing habits are occurring. For example, if average consumers go to a movie every few months in 2021, data trends point to

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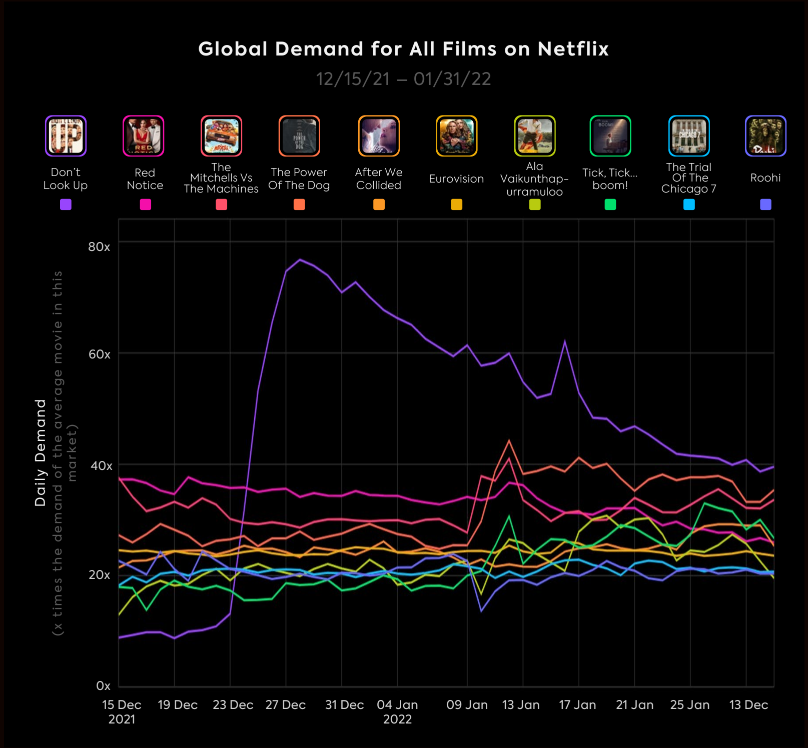
most consumers going to watch a highly anticipated action movie (most likely a superhero film or new installment in a massive franchise) or something for the family (like an animated film). For the wide array of other titles, those that may fall under drama or thriller categories, streaming is a very important source of value.



At home, there's more appetite for a wider array of movies that pass the time. Being able to provide consistently within this market creates continued demand for new releases that other audiences around the world are also watching. With *Don't Look Up*, the movie became one of the most talked about films globally, and was available to a market looking for a cultural zeitgeist moment to join from the safety of their homes while the Omicron variant raged. It also took demand away from competitors, increasing the value of that title on the platform.

SVOD Platforms Still Need Established Theatrical Franchises and Hit

It doesn't always have to be one or the other, though. Data shows that demand for films on streaming platforms that had a theatrical release increases on average and out performs films that didn't have a theatrical release. This is especially true with films that belong to ongoing franchises or with built-in fanbases.

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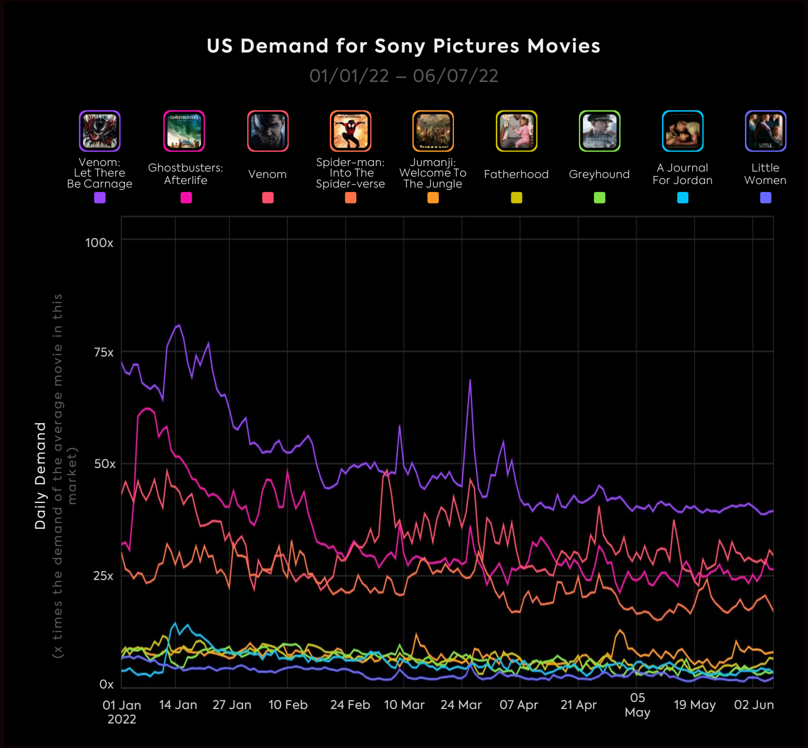

That's why Netflix is willing to spend north of $1 billion to become Sony's Pay-1 partner and offer the studio's theatrical releases exclusively on its platform to subscribers. What's increasingly clear is that theatricality is still crucial to creating franchises, and propping up franchises on streaming platforms. Disney+ and HBO Max's streaming franchises are only possible because of their cinematic counterparts, and Netflix's entry point into leveraging big franchise hits on its platform comes from hosting proven successes (like *Jumanji* and *Spider-Man*) alongside original fare.

Customers at home want to find a new movie to watch with their families, including those that they missed out on in theaters for whatever reason or those they want to revisit because they had so much fun the first time. Determining which of these titles can help lead to strong customer growth, customer engagement, or customer retention plays a big role in determining, as an OTT operator, what the best studio to ink a Pay-1 or Pay-2 window deal with is. Everything comes back to understanding audience, and audience demand, to make the right strategic decisions.

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Major Takeaways and Final Points

MOVIE TRIVIA

Steven Spielberg's *West Side Story* was one of the most nominated film at the 2022 Oscars with seven nominations, and saw Best Supporting Actress win for Ariana DeBose. The film to many seemed like a new take on the classic 1961 film, which was based on the beloved Broadway play.

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Conclusion

There are more avenues available to studios and production companies than ever before, and there are different strategies to implement to generate the strongest return for each title. Theatricality is still the strongest direct revenue driver for studios, but the quantity of films being released, the audience in each market showing up, and the duration of each film's length can be determined on a case-by-case basis.

Using Movie Demand to analyze and study these discoveries, studios can take a more informed approach to every aspect of their businesses: theatrical releases (including the length of a film's run), negotiation stages with third-party Pay-1 and Pay-2 partners, and films that can be moved or sold to by an SVOD or AVOD platform based on consumer demand.

This can be done country by country, platform by platform, to best understand where the audience is for the movies studios want to make, not the ones they think they should have to make.

Audiences are hungrier for great movies than ever before. They're proving willing enough to go back to theaters for movies that have the highest level of demand, are watching more movies at home than back in VHS and DVD rental days, and are seeking out films to watch with pals over the internet on group apps. Demand is strikingly high, but that demand is difficult to parse. Recognizing, anticipating, and responding to demand changes in the market to meet the right audience on the right venue is prescient for both short and long term success.

Everything is Changing

The industry is going through a revolutionary period that will bring in changes that affect the next 50 years of filmmaking and distribution. Movie Demand is crucial to staying ahead of the trend curves and making the most informed decisions.

To Find Out More About Movie Demand

Contact info@parrotanalytics.com, or directly follow up with Julia Alexander. She can be reached at **Julia@parrotanalytics.com**

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About Us

Parrot Analytics is the industry leader in global audience demand measurement. The company measures global supply and demand for entertainment, capturing over 2 billion audiences expressing demand for content and talent in over 100 languages, across all platforms, in 200+ countries. Parrot Analytics' partners use this knowledge to help better understand global supply and demand across all platforms to value content and talent, drive better production, distribution, acquisition and marketing decisions, as well as increase D2C growth and retention. For more information, visit www.parrotanalytics.com.

Our Mission

We are on a global mission to connect content creators with consumers by enabling data-driven decision making along the premium content value chain.

Our leadership and advisory team includes global media leaders, creators and scientists who are united in our vision of empowering the entire industry to make the very best content decisions. We do this because we believe in the magic of content and the impact it has on people's lives.

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