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CREATING GROWTH

# THE FUTURE OF THE UK ENTERTAINMENT SECTOR





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## Nyman Libson Paul

We started in 1933 when the wonderful world of celluloid was in its infancy, providing a wide range of services from traditional accountancy and tax compliance to much broader commercial and business advice. Over 80 years later we have looked after some of the biggest and brightest stars and projects in Film, TV, Music and Theatre. This continues to the day with our knowledge and expertise expanding into the world of Animation, Video Games and Digital as we continue to evolve with our client base. Our network and knowledge extend around the world assisting our clients with their global ambitions and keeping pace with the rapid globalisation of the entertainment industry.

## Executive Summary

Though a year of uneven economic growth, 2014 was highly successful for the UK's creative industries. A recent government report reveals that the creative industries are now worth £76.9 billion a year to the UK economy, with the gross value added having risen to 9.9%, a marked increase on 2013.<sup>1</sup> What's more, the UK entertainment industry is predicted to grow annually by 3.1% until at least 2018, giving investors the confidence to invest even further in the creative industries.<sup>2</sup>

Indeed, this investment provides an important opportunity for Britain to consolidate its international position. Demand for British television and film content is high across the globe, and by empowering production companies and supporting the expansion of film studios, the UK will be able to entrench its role as one of the world's leading producers for film and TV. Likewise, the UK has the opportunity to use the global popularity of animation to increase the size of its industry, and allow it to compete for digital as well as cinematic projects for decades to come. Whilst these industries will continue to grow steadily, 2015 will be a dramatic year for British video game producers. As mobile phones overtake consoles as the most popular gaming device, the largely mobile-centred UK industry will have the chance to steal ahead of international rivals, and firmly establish the UK's place as a tech leader. Whilst the UK's position as the global theatre capital is much more certain, the next year will present the theatre industry with opportunities to follow that popularity with greater profit, and thus to attract new investors to Britain's oldest form of entertainment. What is certain, however, is that with game developers growing alongside theatre producers, there has never been a better time to invest in British creativity.



## Television

The popularity of UK TV exports is greater than ever, with high-end tax relief and new investment opportunities, combined with a global trend for Pay-TV services, increasing international demand for British content. In order to meet this demand, the BBC is due to commission more drama series, whilst pan-European funding agreements are allowing producers to create higher-quality, cinematic programming to meet the needs of today's more eager and discerning television audience.

### KEY FACTS & FIGURES

**£12.9BN**

The British TV industry generated £12bn in revenue in 2013, of which £1.3bn came from sales to international markets (a 5% increase on 2012).<sup>3</sup>

**46%**

46% of the BBC's programming was produced externally in 2011/2, a figure that is expected to grow even bigger in the coming years.<sup>6</sup>

**168**

There are currently 168 TV production companies based in the UK.<sup>9</sup>

**£465M**

The UK TV industry generated £465m from television exports to the USA alone. It is predicted that exports to the ABACUS countries (Africa, Brazil, Australasia, China and the USA) will double by 2018.<sup>4</sup>

**NO. 3**

The UK is now ranked third in the world for the export of television content.<sup>7</sup>

**1.9 MILLION**

1.9 million hours of television was broadcast in the UK in 2013, of which 30,092 were first-run original content shown on the five PSB channels.<sup>10</sup>

**£575M**

A £575M boost to the creative economy is expected if the BBC decides to focus on acting as a publisher broadcaster, investing in work from external production companies.<sup>5</sup>

**£395M**

£394m was spent on television production qualifying for HTR between April 2013 and May 2014, including £225m of inward investment.<sup>8</sup>

**50%**

Half of all UK adults now claim to have used a Video on Demand (VOD) service in the past twelve months, a figure which has almost doubled since 2010. Netflix is the fastest growing VOD service, with a 6% growth in popularity between Q3 2013 and Q1 2014.<sup>11</sup>

## KEY TRENDS

### *The Future of the BBC*

Changes to the way the BBC is run are creating huge new opportunities for the independent television industry in the UK. For several years, the BBC has been increasing the number of externally produced programmes it broadcasts, in order to improve the quality of its content. A 'Window of Creative Competition' was established in 2007, allowing external companies to compete with the BBC for 25% of its programming.<sup>12</sup> By 2014, independent producers were winning all of the commissions in areas such as drama and natural-world documentaries and the BBC is now expected to abolish quotas for these categories, allowing external producers to produce much more of its content.<sup>13</sup> In July 2014, BBC Director General Tony Hall called for a "competition revolution"<sup>14</sup> that could create £400m in commissioning opportunities<sup>15</sup>. This process began in October, with the BBC announcing that it had cut seven production roles from its drama department<sup>16</sup>, in order to encourage commissions from external production companies.

When the BBC's Royal Charter is renewed in 2016 opportunities for British production companies are expected to increase even further. Pact – the trade association representing British television producers – has revealed that consumer demand for independent content has increased, following the success of shows such as *Sherlock* and *The Voice*, and expects this trend to continue further as the BBC commissions more of its programming.<sup>17</sup> This snowball effect promises to create even greater opportunities for the independent sector. A report by Oliver & Ohlbaum Associates suggests that changes to the BBC's Royal Charter could in fact create £575m in opportunities for the creative sector, whilst offering an appealing £30m saving to the taxpayer<sup>18</sup>. Likewise, All3Media Managing Director Jane Turton has argued that the production opportunities would be even greater were the BBC to open flagship shows such as *Top Gear* to external producers<sup>19</sup>. With the independent sector at an all time high (having grown by almost 7% year on year for over a decade<sup>20</sup>) there

is little doubt that the BBC will continue to create many more opportunities for it to flourish, in order to serve both its viewers and the UK television industry.

### *The rise and rise of Pay-TV*

The transformative effects of Pay TV services on the industry are only just being understood. As well as driving consumers to watch more content, Pay TV is leading them to demand a greater variety of programming, in many new formats. A recent report has revealed that rather than cutting the cords of unwanted services, viewers are actually accumulating multiple Pay TV subscriptions<sup>21</sup>. Whereas families once shared a single content package, it is now common for individual family members to hold separate Pay TV subscriptions, significantly increasing household spending on television content. Pay TV services also lead to greater consumption by encouraging binge watching, in which viewers watch several episodes of a series in a single sitting. As binge watching becomes an increasingly popular form of relaxation, customers will be willing to spend more on subscriptions, and industry revenues will increase. Indeed, the full effects of Pay TV on the industry have yet to be realised. Despite the fact that 73% of all viewers enjoy binge watching<sup>22</sup>, those earning over \$55,000 are almost twice as likely to binge watch as those earning under \$20,000, due to the higher cost of Smart TVs<sup>23</sup>. As these fall in price, consumer demands will increase even further, and transform the television industry.

The rise of Subscription Video on Demand (SVOD) services, for which consumers pay a monthly subscription giving them unlimited access to movies and television series, has also led to a significant increase in the popularity of TV content. Indeed, Deloitte has suggested that the distinction between film and television is being replaced by a two-tier system in which specially chosen online series are often preferred over both traditional film and TV content<sup>24</sup>. No longer constrained by TV schedules, viewers are increasingly opting for the longer and more rewarding plots of television series over feature films. In a recent survey 29% of viewers with SVOD-enabled TVs revealed that they are watching fewer DVDs, whilst 30% are watching more TV than they used to<sup>25</sup>. This content has certainly flourished on Netflix, with US series *Breaking Bad* responsible for 11.9% of all Netflix streams

in the UK in 2014<sup>26</sup>. With major SVOD providers now producing their own content (such as Netflix's *House of Cards* and Amazon's *Transparent*) this trend looks set to continue even further, and the UK is leading it. It is Europe's strongest SVOD market by far, with revenues exceeding \$1.75 billion, more than 30% of all European SVOD revenue.<sup>27</sup>

### *Pan-European Collaboration*

These transformations can already be seen in the variety of the content consumers are choosing to view online. As well as popular American series such as *Breaking Bad* and *Game of Thrones*, programmes such as the Danish series *The Killing* and Sweden's *Wallander* have achieved global success online, reaching an audience far greater than their domestic markets. Indeed, broadcasters in over 120 countries, as well as Netflix, have purchased the rights to *The Killing*<sup>28</sup>, and the Danish-UK Chamber of Commerce has suggested that it has been so popular that it helped to broker a number of trade deals between the countries.<sup>29</sup> The global reach of *The Killing* thus reveals the extent to which online TV services are creating new possibilities for domestic television content. With programmes such as *Downton Abbey*, which recorded the highest ever viewing figures for a première on US station PBS<sup>30</sup> and has been seen by 160 million viewers in China<sup>31</sup>, the UK is especially well poised to take advantage of Pay TV's ability to build a lucrative global audience for domestic TV content.

The UK is also benefiting from the new funding and production relationships that this audience allows. Following its commitment to invest £600m in original British content<sup>32</sup>, in 2013 Sky released *The Tunnel*, a new TV series that it had co-produced with French television network Canal+. This partnership allowed the networks to share the £16m production cost<sup>33</sup>, and thus to create a series that can compete with the increasingly cinematic television content available online. The success of *The Tunnel* has continued to direct Sky's production strategy. Sky has placed it at the heart of a new digital campaign on YouTube, in order to attract new subscribers.<sup>34</sup> Moreover, it has not only commissioned a second series<sup>35</sup>, but has also announced another partnership with Canal+, for a European crime drama called *The Last Panthers*<sup>36</sup>.

## ONES TO WATCH

### All3Media

All3Media Group is the largest independent TV production company in the UK, with a turnover of £515m<sup>37</sup>. It now comprises 18 different businesses, and was itself bought by Discovery Communications and Liberty Global in a joint venture for £550m in October 2014<sup>38</sup>. The Group's success can be attributed not only to its acquisition of the companies behind some of the UK's most successful shows, from *Masterchef* to *Skins*, but to its efforts to maximise the global value of that material. In 2013, the Group's CEO Ramzan Golant announced a three-year strategy, under which it would focus on building revenue from existing assets, rather than acquiring new businesses<sup>39</sup>. Under this plan, All3Media will substantially increase what it earns from outside the UK, currently 50% of its revenue<sup>40</sup>, by establishing an international distribution arm and strengthening its business in key markets such as the USA. All3Media formats *The Cube* and *Are You Normal?* are already very successful in China<sup>41</sup>, whilst hit series *The Missing* has been commissioned for a second series following demand from both UK and US networks<sup>42</sup>.

### Tinopolis

Tinopolis is one of the UK's largest production and distribution companies, and is responsible for the UK coverage of Premier League and Champions League football, as well as long-standing factual programmes such as *Question Time*. Recently, however, the Tinopolis Group, estimated to be worth £300m<sup>43</sup>, has begun to purchase a number of much smaller independent documentary production companies, including Firecracker Films, which pioneered 'shock documentaries' such as *The Boy Who Will Never Grow* and *Diary of A Teenage Virgin*<sup>44</sup>. Ron Jones, Executive Chairman of Tinopolis, has explained that the rise of online television has challenged the control of traditional TV networks, creating an additional audience of digital browsers, whilst driving the networks to look for new content<sup>45</sup>. Factual entertainment, such as Firecracker's 'shock docs' and the pop concert films such as *Justin Bieber: Never Say Never* and *Katy Perry: Part of Me* produced by production company Magical Elves, also purchased by Tinopolis in 2014<sup>46</sup>, are especially popular with the next generation of viewers who are used to searching for their own content. Having expanded its portfolio with such tactical acquisitions, it won't be surprising if the Tinopolis Group exceeds its valuation of £300m after having been put up for sale itself in October 2014.

### Kudos Films

Kudos, founded in 1992 and sold to Shine Group in 2007 for around £35m<sup>47</sup>, is one of the production companies that has benefited the most from the BBC's decision to embrace drama from the independent sector. Despite the fact that its founder Stephen Garrett warned in 2010 that it would struggle to make dramas such as the hugely popular *Spooks* under increasingly stringent BBC budgets<sup>48</sup>, Kudos has gone on to produce some of the most successful UK drama series of recent years, and it is now responsible for some of the BBC's most highly anticipated series. Kudos was responsible for *The Tunnel*, the Anglo-French drama broadcast on Sky Arts that was funded through an innovative partnership between Sky and Canal+. Likewise, *Broadchurch*, named the best television series of 2013 by the Radio Times, with an average of over 9 million viewers per episode, was funded in a unique collaboration between ITV, German public-service broadcaster ZDF and BBC America<sup>49</sup>. The content produced through these partnerships has allowed Kudos to win several BBC drama commissions in recent years. It is responsible for the recently extended *Death In Paradise*, produced in partnership with France Television, and *From There to Here*. In 2015, the BBC will broadcast *Rivers*, a highly anticipated police drama produced by Kudos, starring Swedish film-star Stellan Skarsgard. By pursuing new relationships, Kudos has been able to produce award-winning drama for several networks, and is perfectly poised to win new quotas once the BBC abandons its quotas.

### *Blinkbox*

So far, Blinkbox, the Video service founded in 2007, has remained the underdog in an industry dominated by Netflix and Amazon. Though it was bought by Tesco in 2011, Blinkbox announced that it made an £18.5 million loss in 2014<sup>50</sup>. The service is highly innovative, however, and with Vodafone preparing to bid for it, so that the phone network can compete with the content provided by BT and EE, Blinkbox is likely to remain central to the future of UK TV. In November 2014, Blinkbox announced that it would allow its users to download its content to the hard drive of their device, enabling them to watch it on the go<sup>51</sup>. This gives it a huge advantage over Netflix and Amazon Prime, which place restrictions on the content that users are able to save to their devices. With 10 million Britons now watching television on a mobile or tablet, a 300% increase on the 2013 figure<sup>52</sup>, this will give Blinkbox a huge advantage in appealing to changing consumer habits. Likewise, a recent study in the US has shown that users now spend more time looking at their mobile phone than they do the television. By preparing to bid for Blinkbox, Vodafone recognises that the future of television is outside the home, allowing it to significantly strengthen its mobile offering.

### *Chalkboard TV*

Founded in November 2013, Chalkboard TV is one of the UK's newest TV production companies. However, with a commission for a three-part series from ITV<sup>53</sup> and a development and distribution partnership with Sky Vision<sup>54</sup>, it has already achieved significant industry support. These deals have contributed to an industry-wide doubling of first-look distribution deals in 2014. This can be explained by the fact that, from its creation, Chalkboard TV has targeted the ever-expanding export market. Chalkboard was founded by highly experienced executives from the BBC and Shine, the UK's biggest TV producer, and as Barnaby Shingleton, Director of Entertainment and Factual at Sky Vision, explains: "The ambitions for both Chalkboard TV and for Sky Vision are totally aligned; the creation and distribution of entertainment programming of scale and quality with global appeal"<sup>55</sup>. Likewise, the Middle Eastern/ European Production Group Izen has invested in Chalkboard, with the express intention that it will produce content they can export to their markets<sup>56</sup>. With its first format, a fly-on-the-wall documentary about office Christmas parties, due to be broadcast in the UK in December 2014, Chalkboard is living up to the expectation that it will focus on universal formats.

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## THE NEXT 12 MONTHS

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2015 will be a year of tremendous change and opportunity for the UK television industry. The first months expect to see substantial takeover bids for Tinopolis and Blinkbox, following 2014's run of TV industry acquisitions. Having begun by purchasing Cable & Wireless in 2012<sup>57</sup>, 2015 is expected to be the year in which Vodafone launches its home and mobile-TV packages, further revolutionising the digital content market. UK terrestrial television is also expected to receive a shake-up, whatever the outcome of the General Election in May 2014. With the BBC itself pushing to commission more content externally, and both of the major parties prepared to reconsider the terms of its Royal Charter, a boost for the industry is inevitable. 2015 will also see the release of highly anticipated new series, produced through innovative new partnerships. Sky Atlantic and Canal+'s second collaborative series, *The Last Panthers* will be broadcast in 2015, whilst *River*, commissioned by the BBC and produced by Kudos, will air later in the year, ensuring that 2015 will be as exciting for viewers as it will for industry professionals and investors.



## Film

Film was the first creative industry to benefit from UK tax relief, the success of which has seen it extended to other industries. This has provided the infrastructure to ensure that the UK can compete to produce international block-busters such as *Star Wars: Episode VII* and *The Avengers: Age of Ultron*, alongside British franchises such as *James Bond* and *The Woman in Black*, that continue to dominate the global box-office.

### KEY FACTS & FIGURES

**\$4.1BN**

British films took \$4.1bn at the global box office in 2013, 11% of the global share.<sup>58</sup>

**100,000**

The British film industry alone employs more than 40,000 people and is responsible for more than 100,000 jobs.<sup>59</sup>

**£1.6BN**

UK Film-making generates more than £1.6bn a year – excluding the income it generates by providing additional services.<sup>60</sup>

**£100M**

The UK film industry has benefited from generous tax relief, worth over £100m a year.<sup>61</sup>

**£1.075BN**

This has seen inward investment increase by an incredible 14%, to £1.075bn.<sup>62</sup>

**420**

In 2013 the BFI recorded 420 production companies in the UK, up from 392 in 2012.<sup>63</sup>

**241**

The number of films produced in the UK in 2013, of which 137 had budgets of over £500,000.<sup>64</sup>

## KEY TRENDS

### *Developing the Infrastructure for the Future of British Cinema*

For several years now, there has been a sustained global demand for British cinema. Box office revenues of British films have exceeded £1bn in every year since 2011<sup>65</sup>, and the UK now continually represents 11-15% of the global film market<sup>66</sup>. This success looks set to continue, with forthcoming releases including *James Bond 24* and *The Woman In Black 2: Angel of Death*, both of which are part of hugely successful global franchises. 2012's *Skyfall* has earned over \$1.1bn worldwide<sup>67</sup>, making it both Sony Picture's most successful release and the highest grossing British film ever. With the film industry increasingly dominated by a few global blockbusters, these brands promise to keep Britain at the centre of the industry for years to come.

Such successes have led to investment in the studio infrastructure that allows the UK to produce such mammoth film projects. The Pinewood Studio in Buckinghamshire, at which *Skyfall* was shot, is due to undergo a £200m 100,000 sq m expansion that will see it able to compete with Hollywood for the biggest international film projects<sup>68</sup>. Pinewood's second London studio in Shepperton, which produced the recent *Avengers* movie, has also seen an 86% occupancy rate and a 10% boost in its profits<sup>69</sup>. Likewise, Elstree Studios in North London is undergoing a multi-million pound extension that will expand its studio space by a quarter, allowing it to move its focus from television to film production<sup>70</sup>.

The UK is also set to benefit from the £14m expansion to Belfast's Titanic Studios<sup>71</sup>, and the proposed creation of a £40m film studio in Scotland<sup>72</sup>. The UK thus looks set to benefit from a current Europe-wide shortage of studio space, further establishing itself as a world-leading centre for film production.

### *The Rise of Video on Demand*

Subscription Video on Demand (SVOD) services such as Netflix and Lovefilm are transforming the movie industry. At the end of 2014, US spending on video subscriptions exceeded video rentals for the first time<sup>73</sup>. In the UK, the SVOD market was estimated to be worth £323m in 2013, up by 37% from 2012, and by over 400% from 2002<sup>74</sup>. What's more, this expansion is only just beginning. Netflix, the world's largest SVOD provider, has earmarked \$400m for the next stage of its expansion in Western Europe<sup>75</sup>. The subscription service is also planning to increase its share of the movie industry. At present, TV shows constitute 80% of all Netflix viewing activity<sup>76</sup> – encouraged by exclusive series such as *House of Cards*. However, with the sequel to the 2000 smash-hit *Crouching Tiger Hidden Dragon* set to be released straight to the subscription service, and many more films expected to follow, the SVOD services will transform the movie industry in the years to come.

The rise of SVOD comes at a time of solid growth for the global movie industry, which is predicted to increase in value by 4.5% annually until 2018, and most commentators are confident about its impact<sup>77</sup>. A recent survey of over a thousand industry professionals revealed that 61% expect that within four years the revenue from video on demand services will match that of DVD sales at their peak<sup>78</sup>. Another thing that most commentators agree on is that SVOD services are changing the movie industry, with consumers watching a greater variety of films, but choosing to see only a few of them at the cinema. The UK film industry, which supports a healthy mix of independent and block-buster movies, is thus well poised to benefit from the rise of SVOD. Services such as the British Film Institute's BFI-Player will bring hundreds of British films to a global audience. At the same time, SVOD promises to benefit high-budget films. Distributors get approximately 70% of the revenue from Netflix views (as opposed to 50-60% from cinema), and Netflix offers a more stable distribution channel, making it easier to raise initial investment.

### *Crowd-Funding*

Crowd-funding, which allows projects to seek finance from consumers directly, has transformed a number of industries in recent years. It is thought to have raised over \$6bn in 2013<sup>79</sup>, but until now movies have been under-represented amongst its success stories. Tough rules from the Securities and Exchange Commission in the USA mean that anyone investing for equity in a film must already be 'fully accredited'<sup>80</sup>. With projects in America therefore unable to offer a return on investment to their funders, it has been difficult for them to reach the high levels of finance needed to support a film production. Thus, only 40% of film projects reach their target, most of them low-budget productions<sup>81</sup>.

This is not the case in the UK, however, where the next-generation of crowd-funding platforms, which do offer investors equity, have taken off. One such platform is Syndicate Room, which has been used by *Tomb Raider* director Simon West to raise over £1m for a forthcoming film, *Salty*<sup>82</sup>. Combined, West's films have made over \$1bn at the box office<sup>83</sup>, and his decision to use equity crowd-funding is regarded by many as a turning point for the film industry. In the US, it is expected that the SEC will relax its rules on equity investment, bringing a model that is taking off in the UK to Hollywood<sup>84</sup>. Equity crowd-funding not only promises to allow film projects to reach their investment targets, but will help to ensure that projects retain support through to their release. Without industry investment, crowd-funded films such as *Borrowed Time* often struggle to obtain a broad release. However, *Salty*, which will see equity split between studio investors and crowd-funders, promises to combine industry support with thousands of new investors, to create a crowd-funding model for film that will transform the industry.

## Distribution

Film distribution too, is transforming. For several years there has been a trend in the UK for smaller cinemas, serving wealthier communities. Over 70% of those in the highest income bracket visit the cinema at least twice a year, compared with just 39% of those in the lowest bracket<sup>85</sup>. It is this increasingly high-paying and homologous cinema-going audience that led membership of the independent Picturehouse Cinema group to rise by 140% in 2012 alone<sup>86</sup>. Cineworld then bought Picturehouse for £47.3m<sup>87</sup>, and the group's profits have continued to grow ever since.

This increasingly dependable audience is also behind the development of Picturehouse's 'Our Screen' service, which will allow customers to select which films are screened at their local cinema. This service was first pioneered by US start-up Tugg, which had organized for over 180 films to be shown in 300 global cities within a year of being founded<sup>88</sup>, and has recently raised \$5.9m in further investment<sup>89</sup>. In the UK, Picturehouse's 'Our Screen' service has led to the rapid cultivation of an audience for British film. The recent British film, *Northern Soul*, had only been scheduled for release in a few cinemas across the country, but demand from 'Our Screen' led Picturehouse to release it across all of their cinemas, with the film eventually entering the UK Top Ten<sup>90</sup>.

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## ONES TO WATCH

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### Pinewood Studios

After nearly being forced to close in the 1990s, Pinewood Studios has gone on to become a highly profitable global brand. As well as recording a significant increase in profits at its studios in Shepperton and Hertfordshire, Pinewood has agreements with studios in Toronto, Atlanta, Malaysia and China<sup>91</sup>. Having re-established itself as one of the world's greatest film studios, and with global franchises such as *James Bond* and *Star Wars* set to return to the studio, Pinewood is set to become increasingly powerful<sup>92</sup>. In November 2014, Pinewood Shepperton acquired the 50% stake, which had been bought by Aviva in 2006, for £36.8million<sup>93</sup>. With full control of the studio, Pinewood is expected to expand its Shepperton site even further. What's more, 2014 saw the studio significantly increase the number of services it offers. Pinewood now has eight of its own active Film Production Companies, compared to just three the year before<sup>94</sup>. The £200m Pinewood Studios Development Framework will see the studio's production infrastructure continue to increase<sup>95</sup>, and allow it to compete to offer an even greater range of services.

### Working Title

Working Title is one of Britain's most successful production companies, and has been responsible for some of its most iconic films from *Billy Elliott* to *Bridget Jones*. In 1999, Polygram, Working Titles' corporate backer, was bought by NBCUniversal<sup>96</sup>. Since then, Working Titles' international reach has significantly increased, and looks set to grow much further. The studio's 2013 film, *Les Misérables*, took over £41m at the UK Box Office, and has made over \$400m worldwide<sup>97</sup>. In the year of its release it was the highest grossing British film at the UK box office, and entered the ranks of the most successful British films of all time. Working Title's global reach looks set to increase. In 2015 it will release *Everest*, a \$65m 3D adventure thriller starring Jake Gyllenhaal and Kiera Knightley. It will also air *About A Boy*, a new television series produced for the US and based on the British novel by Nick Hornby.

### Neal Street Productions

Founded in 1999 by director Sam Mendes who was joined by Pippa Harris and Caro Newling in 2003, Neal Street Productions is one of the fastest growing independent production companies in the UK. Neal Street is unique in the number of successes it has had across film, television and theatre, with a hit musical such as *Shrek* opening in the same year as a blockbuster film such as *Revolutionary Road*. Founder, Sam Mendes, has

explained that it is this versatility that permits Neal Street Productions to produce innovative content across all of the formats<sup>98</sup>. It has also allowed Neal Street to respond to the global entertainment industry, with the company's highly successful *Call the Midwife* and *Hollow Crown* series of Shakespeare adaptations being aired on the BBC in the UK, before a cinematic release of the latter in America<sup>99</sup>. With the production of the fifth series of *Call the Midwife*, *The Hollow Crown* due to return for a second run plus Neal Street already commissioned to produce several new TV series in the US, the company only looks set to increase its versatility.<sup>100</sup>

### Curzon Cinemas

Once seen as a small, independent chain of cinemas dying out in the face of multiplexes, the Curzon cinema group is now experiencing huge growth, opening a raft of new cinemas whilst expanding its innovative Curzon Home Cinema service<sup>101</sup>. Having opened a flagship development in London's Victoria, Curzon are due to open new cinemas in Sheffield, Oxford and Colchester<sup>102</sup>. Given the trend for smaller, better-quality cinemas, Curzon's expansion looks set to continue, and will allow it to better compete for new releases. At the same time, however, Curzon has launched its 'Home Cinema' service, allowing users to watch independent movies at home, on the day of their release. The service is extensive, and backed by a \$50m investment<sup>103</sup>, as well as support from Samsung<sup>104</sup>, Sony and BT

– all of whom are keen to offer it to their customers. Curzon is thus perfectly placed to respond to changing consumer tastes, and its online platform will allow Curzon to become increasingly central to the UK film industry.

### Fly Film

Fly Film is one of the UK's newest and most innovative film production companies, providing a platform for some of Britain's most experienced film makers. Founded in 2009, its work includes Terence Davies' critically acclaimed *The Deep Blue Sea*, which was received highly on both sides of the Atlantic, as well as documentary films including *Swadlow* and *The Spirit of '45*. Fly Film's ability to identify independent projects with a broad reach will see it release new films by Samantha Morton and BAFTA-winning director Marc Isaacs in the coming year<sup>105</sup>. Fly Film was also selected to receive a Vision Award from the BFI Film Fund in 2013, as well as business mentoring by the Nesta Creative Business Mentoring Network<sup>106</sup>. With so much support, and an already acclaimed repertoire, Fly Film is one of the UK's fastest growing film production companies.

## THE NEXT 12 MONTHS

2015 is widely expected to be another record-breaking year for the British film industry, with global blockbusters such as *The Avengers: Age of Ultron* (April 2015), *James Bond 24* (November 2015) and *Star Wars: Episode VII* (December 2015) to be released over the course of the year. 2015 will also see huge developments to the infrastructure of the film industry, with work set to begin on the expansion of Pinewood Studios, and the independent cinema chain Curzon due to open several new properties. August will see the release of *Crouching Tiger Hidden Dragon 2* the first film to be released at cinemas and on Netflix simultaneously, and with SVOD predicted to grow by more than 40%, more viewers than ever before are expected to be streaming movies through the internet over the course of the year.



## Animation

The animation industry is undergoing a boom that is continuing to exceed expectations. In 2014, for the first time ever, animation was the UK's most popular genre at the cinema and was responsible for 21% of all box office receipts, despite only making up 5% of releases<sup>107</sup>. At the same time, television networks and online video services significantly increased the amount of animation they commissioned.<sup>108/09</sup> This global trend will continue in 2015, with more animated film releases expected than ever before<sup>110</sup>, and a combination of tax relief and new digital opportunities ensuring that the UK animation industry continues to grow.

### KEY FACTS & FIGURES

**21%**

In 2014, for the first time, animation was the UK's most popular genre and was responsible for 21% of box office receipts.<sup>111</sup>

**\$222BN**

Globally, the animation industry is worth \$222bn.<sup>112</sup>

**7%**

The animation market is growing at 7% year-on-year, across markets from the UK to Japan.<sup>113</sup>

**60**

In 2014, the British animation industry celebrated 60 years of success, with its earliest films including *Animal Farm* and the iconic *Watership Down*.<sup>114</sup>

**4,600**

The number of people employed in the UK animation industry has increased by 7% since 2009, rising to 4,600.<sup>115</sup>

**300**

In 2014, Netflix commissioned 300 hours of new content from Dreamworks, leading the Head of Global Consumer Products to speculate that by 2019 over 80% of its content would be driven by Netflix.<sup>116</sup>

**30,000**

A new animation training scheme, supported by Lupus Films and Cloth Cat Animation, will offer 30,000 hours of training to 50 students across the UK.<sup>117</sup>

## KEY TRENDS

### *Tax Breaks: Laying the Foundations for a Diversifying Industry*

Less than four years ago, the animation industry in the UK warned that it was “in crisis”<sup>118</sup> after more than 50% of its jobs went abroad as a result of falling broadcast revenue and tax incentives from foreign governments.<sup>119</sup> However, the global animation industry was continuing to grow, going from comprising 4.5% of all film and TV in 2008 to 10% in 2012<sup>120</sup>. By offering a discretionary 17.5% tax credit to animators, Canada was able to win 80% of all animation commissions from the US<sup>121</sup>. Likewise, French animation exports managed to grow by 24.3% from 2011-2, to be worth \$61.1m<sup>122</sup>. By introducing tax relief for animation in 2013, the industry in the UK has generated over £42m of investment, and led the BBC to commission five new animated series in 2014.<sup>123</sup> Indeed, it was so successful that in 2014 the UK Government announced that it would extend tax relief to children’s programming, providing a further boost to the industry.<sup>124</sup>

Moreover, as well as allowing UK studios to compete for TV and film contracts, tax relief is providing the stability to allow the industry to grow to support the increasing number of digital commissions that are expected in the coming years.

Thus, as well as producing ‘children’s cross media’ - the term it uses for cartoons that are produced for digital devices as well as children’s television - Nexus Productions Ltd is also responsible for website and app development, online advertising and installations for museums and live events<sup>125</sup>. With the digital sector growing at more than three times the rate of the UK economy<sup>126</sup>, Nexus Ltd can expect to see its revenue from these areas increase in the coming years. Similarly, Blue Zoo, which received over £800,000 towards the production of children’s animation *Digby Dragon*<sup>127</sup>, has more recently released its first app, *Alphablocks*<sup>128</sup>. Sliced Bread, the animation company responsible for children’s cartoon *The Green Marine*, earns most of its income from corporate commissions, including a web series for Sony and a Facebook App for Coca-Cola<sup>129</sup>,

whilst Formula Fun Entertainment, which received tax relief for a new pre-school animated series<sup>130</sup>, earns the majority of its income from animating brands for industries such as motor sports to the medical sector<sup>131</sup>. With animation tax relief widely acknowledged as a successful scheme, and the recent announcement of new animation training programmes, the UK animation industry is perfectly poised to continue to take advantage of these diversifying revenue streams.

### *Frozen - Putting Animators In Charge of Children’s Entertainment*

The unexpected success of Disney’s 2013 animated fantasy-film *Frozen*, now the fifth best-selling film of all time<sup>132</sup>, has led the children’s entertainment industry to realise the importance of high-quality animation in driving revenue. Indeed, *Frozen* continued to break records in 2014. As well as winning two Oscars, it became Amazon’s best-selling film of all time based on pre-orders alone<sup>133</sup>, and went on to sell over 3 million copies.<sup>134</sup> Even the soundtrack went on to become the biggest selling album of the year, moving 800,000 copies.<sup>135</sup> By the end of the year *Frozen* had become Walt Disney Pictures’ most successful ever release, bringing in over \$1bn<sup>136</sup> in film revenue alone, contributing over a third of Walt Disney Studios’ operating income for the year.<sup>137</sup>

What is most interesting about *Frozen*, however, is how unexpected its success has been. In 2010, Disney announced that it was abandoning its focus on fairy-tales, in favour of video-game style titles such as *Wreck It Ralph*. In doing so, it lost its focus on the traditional storylines most associated with high-end animation.<sup>138</sup> This meant that in the year of the film’s release, Disney struggled to ship enough merchandise for the film, leading to international stock shortages<sup>139</sup>. The movie’s popularity has led the industry to realise that it is Intellectual Property that drives the subsequent merchandising opportunities, and thus to place animators and storytellers at the heart of story-telling once again.

This has also been the case at toy-manufacturer Mattel, whose Barbie doll lost out to Disney’s *Frozen* merchandise.<sup>140</sup> In 2011, Mattel acquired

HIT Entertainment, the animation studio responsible for the world’s most popular pre-school format, *Thomas and Friends*, as well as *Barney*, *Pingu* and *Fireman Sam*.<sup>141</sup> The studio’s value had fallen by \$200m since 2005<sup>142</sup>, however, and Mattel too has seen its sales fall year-on-year, despite the fact that overall toy sales increased by 14% in 2014.<sup>143</sup> Mattel’s difficulty, which has seen sales of Barbie dolls drop by more than 40%<sup>144</sup>, has been blamed on its failure to focus on storytelling, with numerous licensing agreements leading to an increasingly confusing character identity. By contrast, *Frozen* merchandise has generated over \$1billion in sales<sup>145</sup>, and continually exceeds retailer’s expectations, leading stores in the UK to limit purchases of dolls to one per person<sup>146</sup>. Mattel’s response has been to empower the animators at HIT Entertainment, rather than its own managers, to control the content for its core brands and to offer “consumers a seamless and immersive brand experience”. By empowering its animation team, and putting them in charge of distribution, Mattel will be hoping that they can generate compelling stories, such as those behind the success of *Frozen* and the *LEGO* movie, which gave the brand an 11% boost, helping it to also surpass Mattel’s toy sales.<sup>147</sup> With HIT Entertainment having already announced an all-new *Bob The Builder* series for 2015<sup>148</sup>, and Disney set to continue its “animation revival”<sup>149</sup>, 2015 will see animation increasingly at the heart of the growing global children’s entertainment market.

### *Control Over Content*

Another huge trend for the animation industry is the fact that children are increasingly in control of their own viewing. In the UK, one in three children now own their own tablet, and more than 60% regularly use one at home.<sup>150</sup> That number is expected to increase significantly in 2015, as new features are introduced to ensure that children are safe when browsing online.<sup>151</sup> A number of apps that give access to YouTube content whilst allowing parents to impose strict content restrictions are now available<sup>152</sup>, and 2015 will see the release of children’s games that use in-app purchasing responsibly, ensuring that parents will feel far more comfortable leaving their child to use a tablet unsupervised. What’s more, children’s tablet manufacturer Leapfrog has announced new models, aimed at 3-9 year

olds, with even greater capability, meaning that even the youngest children will be able to choose from an even greater variety of content, and in doing to so, shape the future of the entertainment industry.<sup>153</sup>

Already, this trend is driving significant investment in animation. Netflix recently commissioned 300 hours of animation from Dreamworks Studios that will include spin-off series from some of its most popular brands, including *Shrek* and *Madagascar*.<sup>154</sup> Online Video on Demand is expected to be so popular for children's content that Dreamworks Head of Global Consumer Products, Michael Connolly, has revealed that, whilst 95% of its current revenue comes from films, "five years from now, probably around 20% will be movie-based. The other 80% will all be [derived from] Netflix-driven content."<sup>155</sup> At the same time, new apps by traditional broadcasters are driving the need for animated content. The BBC recently launched its 'GO CBBC' App. Described as a modern day equivalent to Willy Wonka's everlasting gobstopper by CBBC controller Cheryl Taylor, the app features a range of new animated content, from cartoons to games.<sup>156</sup> Likewise, the recent launch of the YOU Kids App, a Chinese video on demand service, led to lucrative deals to bring new material, including *Thomas and Friends* and *Bob The Builder* to the Chinese market.<sup>157</sup>

The increasing influence of children over what they consume is also leading animation to become more prevalent in new areas. A recent Scholastic survey of British children revealed that 91% of children prefer books they choose themselves to ones chosen for them, and when they do choose for themselves, the majority want more control over the story.<sup>158</sup> It is exactly this that is offered by the next generation of interactive e-books, which use animation to give readers the

ability to control the story's events. British children's publisher Nosy Cow has revealed that its latest e-books use more animation and are more interactive than previous titles<sup>159</sup>. With children now able to choose content for themselves, 2015 will see the animation industry continuing to run to catch up to their demands.

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## ONES TO WATCH

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### *Aardman Animation*

Aardman is Britain's best known animation studio. Founded in 1972, it is responsible for *Wallace & Gromit*, a property that has generated television series, feature films and video games, as well as several spin-off productions. Aardman also owes its success to a shrewd ability to adapt its content to the changing financial realities of the animation industry. In 1999, it announced a 12-year deal with Dreamworks worth \$250 million that saw the release of internationally successful films such as *Chicken Run* and *Flushed Away*.<sup>160</sup> More recently, Aardman has begun to pursue several new revenue streams, in order to stabilise its accounts and turn an operating loss in 2012 into a £2.1m profit in 2014.<sup>161</sup> In 2012 it launched the Animatelt App for iOS, which allows users to direct its iconic Morph character and create their own animations. In 2015, a second version of this app will be released, allowing users to share their creations across social media, and thus dramatically increase the visibility of Aardman's IP.<sup>162</sup> Indeed, whilst 2015 will see the release of *Shaun The Sheep*, a feature film financed by Studio Canal that is expected to be Aardman's biggest release since the \$106m-grossing *Chicken Run* in 2000, it will also see 15 new episodes of *Morph*, created by Aardman and funded through a Kickstarter campaign started

by the studio itself.<sup>163</sup> By finding such ways to control and maximise the value of its IP, so that it turns a profit even in the years in which it doesn't release a major film, Aardman is increasingly attractive to consumers and investors alike.

### *MacKinnon Saunders*

Whilst computer-generated animation has transformed the industry, constituting 72% of animation services offered in the UK<sup>164</sup>, its success has led to increased interest in alternative styles of animation. These technologies are also still developing, and 3D printing now allows animators to print out new parts for their puppets. MacKinnon Saunders is a puppet and animation studio that also acts as a consultant on the use of these different animation technologies. It has experienced incredible success in recent years, as interest in stop-motion film has been reignited. The studio worked on two of Hollywood's biggest animations, Tim Burton's *Corpse Bride*, which made £53m at the box office<sup>165</sup>, and Wes Anderson's *Fantastic Mr Fox*, which made \$46m. MacKinnon Saunders has further diversified its revenue by partnering with the Komixx Media Group to form its own production company, and has received over £600,000 in tax relief for a children's animation, *Calamity Island*, commissioned by CBBC<sup>166/67</sup>. Its next production, *Wanda and the Alien*, will air in the UK on Channel 5, and has already been sold to Nickelodeon to be broadcast in 70 countries.<sup>168</sup>

## Locksmith Animation

Launched in April 2014<sup>169</sup>, and with its website still offline<sup>170</sup>, Locksmith Animation is one of the UK's newest animation studios. However, with investment from Shine TV's Elizabeth Murdoch and Double Negative, Europe's largest film visual effects studio, Locksmith is also set to become one of its biggest. Indeed, Locksmith will become the first UK animation studio to focus exclusively on high-end computer generated animation for film.<sup>171</sup> This category is not only most likely to qualify for tax relief, the industry-changing success of *Frozen* suggests that it is also likely to be highly lucrative. To create this success, Locksmith Animation has world-leading staff. Double Negative has appointed Tom Jacomb, former Associate Producer at Dreamworks<sup>172</sup>, to the Feature Animation division it set up to work with Locksmith, whilst Locksmith's founder, Sarah Smith, was formerly an executive at Aardman<sup>173</sup>. As Smith explains, "We have tax credits. We've got the talent and we've got the children's stories. We have the whole set", and, although just formed, she argues that Locksmith has the ability to lead a new wave of high-end British film animation.<sup>174</sup>

# 21%

In 2014, for the first time, animation was the UK's most popular genre and was responsible for 21% of box office receipts.

## Sliced Bread

Formed in 2002 by Christina Vilics, also from Aardman, and advertising designer Jamie Denham, Sliced Bread has led the way in exploring the commercial possibilities of animation. The studio creates games, apps, infographics and educational materials, as well as more traditional films and advertisements. The 24-part series it designed for Sony Europe was watched by 200,000 weekly viewers and was so successful that Sony extended it to 20 further markets.<sup>175</sup> The series' success is revealed by the fact that each viewer watched it for an average of 6 minutes<sup>176</sup> - engaging them with Sony's product range for far longer than they might otherwise have spent on the website. What's more, the flash game they designed for Coca-Cola reached 479,000 viewers in its opening weeks, whilst *1066*, a game they created for Channel 4, has been played 18 million times by over 762,000 individual visitors.<sup>177</sup> By creating new forms of animated content, Sliced Bread is able to generate high levels of engagement. Having developed strong relationships with some of the world's biggest brands, the animation studio is expanding the size of its team<sup>178</sup>, so that it can continue to offer new animated products, from moving infographics to e-cards that help brands to engage customers in entirely new ways.

## Cognitive Media

Formed in 2014 by artist and illustrator Andrew Parks, Cognitive Media provides simple hand-drawn animations for cutting-edge digital projects. Cognitive Media began by producing the animations for the Royal Society of the Arts' RSA Animate series, the most popular non-profit channel on Youtube<sup>179</sup>, with over 64 million views.<sup>180</sup> Cognitive Media has since played an important role in a number of digital educational platforms

and now provides animation for the highly influential *Ted Talks*, which have had over a billion views between them<sup>181</sup>, as well as charities such as the Bill and Melinda Gates Foundation.<sup>182</sup> What's more, Cognitive Media is also at the forefront of the animated e-book category. It recently partnered with publisher Profile Books to *animate its Ideas in Profile series of e-books*. Profile Books' previous partnership with developer Inkle Studios led to Time Magazine's Game of the Year 2014<sup>183</sup>, an animated and interactive re-telling of Jules Verne's *Around The World In 80 Days*. With sales of *80 Days* far exceeding those of an ordinary e-book, Cognitive Media's partnership with Profile Books might be an important step to seriously expanding its revenue.

## THE YEAR AHEAD

2015 is expected to be the biggest ever year for blockbuster animation. For the first time, Pixar is releasing two films in a single year: the surreal comedy *Inside Out* in June and prehistoric adventure *The Good Dinosaur* in November. It will be a strong year for British animation too, with Aardman Films due to release *Shaun The Sheep: The Movie* in February, followed by a shorter film in December. The year will also see the release of more British animated IP for television, including a remake of *Thunderbirds* for ITV in spring and a new series of *Bob The Builder* in the autumn. As well as the release of new content, 2015 will also be an important year for the growth of the industry, as HIT Entertainment rethinks the strategy for its core brands, and Locksmith Animation continues to establish itself.



## Video Games

2015 is expected to be the year in which mobile phones overtake games consoles as the most popular gaming platform<sup>184</sup>, and with the majority of UK developers already designing games for mobile operating systems, the UK is perfectly placed to take advantage of this trend. Indeed, 2015 will see new opportunities for developers to increase revenue from their existing content, from releasing merchandise to introducing real-money gameplay, as their audience grows and video games become mass-market.

### KEY FACTS & FIGURES

**\$93BN**

Globally, the video games industry is worth \$93bn, more than the film and music industries combined.<sup>185</sup>

**£1.72BN**

A recent report by Nesta suggests that the UK video games industry is worth £1.72bn – almost double the 2012 estimate of the Department of Media, Culture and Sport.<sup>186</sup>

**£3BN**

A report by PWC predicts that video games will be the fastest growing sector of the UK entertainment industry, and will almost double in value, to be worth £3bn by 2016.<sup>187</sup>

**£25BN**

Deloitte predicts that Video Games Tax Relief will be worth £25bn a year to the industry.<sup>188</sup>

**58%**

58% of UK developers have already made a claim for Video Games Tax Relief, and those that did were able to claim an average of 7.5% of their total costs.<sup>189</sup>

**23**

The UK is home to 23 of the world's top 100 video games development studios.<sup>190</sup>

**1,902**

There are 1,902 video games companies based in the UK, of which 64% create content exclusively for mobile.<sup>191</sup>

**7.5%**

UK consumers spent over £2.5bn on video games in 2014, a 7.5% increase from 2013, securing the UK's place as the biggest video games market in Europe.<sup>192</sup>

**1.5BN**

In 2014, 1.5bn people played video games on a mobile device globally.<sup>193</sup>

**46%**

46% of mobile gamers in the US and Western Europe spent money on in-app purchases.<sup>194</sup>

## KEY TRENDS

### 'Mass Geeks' and the End of the Console

The biggest trend in the video games industry has been the increasing popularity of mobile gaming, and 2015 is expected to be the year in which mobile games sales finally eclipse those of games for consoles.<sup>195</sup> This trend is moving so fast that, by the end of 2014, market research company Newzoo was forced to increase the growth estimates it gave in Q1 by over \$5bn, to suggest that the global mobile games market will be worth \$40.9bn by 2017.<sup>196</sup> The UK is perfectly placed to flourish in this rapidly changing market. The Newzoo report acknowledges that the growth of mobile gaming can partly be attributed to the cannibalisation of the console market, the value of which has fallen from \$28.9bn in 2008 to \$18.3bn in 2014.<sup>197</sup> With 64% of its games developers publishing exclusively to mobile<sup>198</sup>, the UK can be expected to benefit from this change to the industry. The UK games industry has grown so fast that in September 2014 it was revealed that it was worth £1.72bn, double the estimate of the government's own growth forecast, making it the UK's strongest performing entertainment category.<sup>199</sup>

Although mobile games are often cheaper to purchase than console titles, they offer greater revenue potential. 40% of console owners only purchase one full-price release a year<sup>200</sup>, whereas mobile games constantly offer players opportunities to purchase new content. What's more, publishing to smartphones gives developers access to a greater number of more affluent consumers. A recent Deloitte survey revealed that the 49% of UK households which owned at least one smartphone were 12x more likely to own six or more other computing devices<sup>201</sup>. More importantly, three quarters of those households fell into the ABC1 category, and so have the highest expendable income.<sup>202</sup> Mobile gaming thus allows developers to reach wealthier consumers with more opportunities to purchase more content. Indeed, the desire to play for longer is the most popular reason for purchasing mobile games, and it is clear that mobile games developers have the opportunity to earn revenue across several

platforms. Players of *Minecraft*, which has sold over 18m copies for PC and Mac<sup>203</sup>, can extend their gaming by downloading the mobile app for a further £4.99<sup>204</sup>, whilst players of *Assassin's Creed* who download the mobile Companion App are also given additional chances to purchase access to new levels. With so many opportunities to generate revenue, mobile gaming promises to be profitable as well as popular in 2015.

### A New Gaming Market

A report in September 2014 identified that 52% of the UK gaming audience were female, a 3% increase from 2011<sup>205</sup>, and the industry is rapidly innovating to adapt to this increasing demographic. Female gamers have also been the most receptive to technological developments. They constitute 57% of mobile gamers in the US<sup>206</sup>, play for 35% longer than men and spend 31% more on in-app purchases.<sup>207</sup> Furthermore, they play a wide variety of games; a study of 1.1 million gaming devices found that they outnumber men in a number of genres, from bingo and poker to platform and management simulation games.<sup>208</sup>

Indeed, the gaming habits of this demographic are behind some of 2014's biggest video games success stories. *Kim Kardashian: Hollywood*, a mobile game aimed at the star's young female fans, earned over \$43.4m from in-app purchases in its first quarter<sup>209</sup>, quadrupling the revenue of its developer, Glu Mobile.<sup>210</sup> What's more, the loyalty of its predominantly female users, who are 42% more likely than male gamers to still be playing a title a week after they purchase it<sup>211</sup>, led Glu to sign a further three-year licensing contract with Kim Kardashian.<sup>212</sup> In an industry frequently beset with long-term insecurity, the loyalty of female gamers thus promises to offer greater stability. What's more, the subsequent success of *Lindsay Lohan: Price of Fame*, a similar product aimed at an older demographic, suggests that there is the potential for more celebrity-based games to enter the market. With celebrity endorsement already having created a spin-off perfume industry worth \$1.2bn<sup>213</sup>, it has the potential to earn the games industry a lot more than the \$200m thought to have been made by *Kim Kardashian: Hollywood* in the year of its release.<sup>214</sup>

As well as spending more on in-app purchases, female gamers offer greater merchandising opportunities. UK developer King Digital Entertainment, who describe the typical player of their \$4bn grossing *Candy Crush Saga* as a woman aged 25-45<sup>215</sup>, has recently announced that it will launch clothing lines in India and the US, where it is partnering with New York-based designer and e-retailer Zara Terez. In India, the brand's plans are even more extensive, and its licensing partner, Dream Theatre, will launch confectionery and home furnishings, alongside a full clothing collection. With 45% of *Candy Crush*-rival *Angry Birds*' revenue coming from merchandise, King Digital Entertainment has the potential to nearly double its earnings. As developers create more content for female gamers, merchandising opportunities will continue to expand, further pushing the growth of the gaming market, expected to reach \$102.9bn by 2017.<sup>216</sup>

### Real-Money Gameplay

As technological developments increasingly lead the digital and real world to overlap, video games now enable players to use their own money within the game, in what is known as 'real money gameplay'.<sup>217</sup> Whilst games have long had their own currencies or allowed users to pay to unlock new levels, the prominence of e-wallets and mobile data connectivity means that it is now possible for gamers to have instant access to their real bank accounts as they play. This has led market analysts H2 to predict that real-money gaming will grow by 25% in just three years, from being worth \$30bn in 2012 to \$40bn by 2015.<sup>218</sup> The UK is one of the most developed markets for such gaming. 4.5m Britons use their mobile phones to gamble<sup>219</sup>, whilst a KPMG report notes that the UK is by far the largest, most mature and most competitive online bingo market globally.<sup>220</sup> With France having unravelled its state monopoly on gambling, and the USA increasingly legislating in favour of real-money gameplay, the opportunities for experienced British developers are strong. Indeed, this has led to the takeover of bingo-game developer Bejig by Gaming Realms, a new group of gambling and gaming companies that aims to lead this global trend, and the acquisition of mobile bingo provider Chelbis by Contagious Gaming for \$3.5m<sup>221</sup>.

Developers are only just beginning to realise the potential of integrating real-money gameplay. In November 2014, Atari announced the launch of *Atari Casino*, which will see monetised adaptations of classic games such as *Star Raiders* and *Pong*. As CEO Fred Chesnais declared, "The real-money gaming industry is growing at a rapid rate and we have the opportunity to capture a piece of the market at an early stage".<sup>222</sup> Real-money gaming also promises greater opportunities for new developers, giving them access to an additional revenue stream and increased exposure. Revered game developer American McGee recently announced the launch of a mobile spin-off of the 3D-action title *Akaneiro: Demon Hunters*, that would allow users to use real money in a slot-machine style game.<sup>223</sup> McGee explained that playing with real money would increase the thrill for his adult gamers, whilst supporting the development of new titles, and encouraged other developers to do so.<sup>224</sup> BeTable, a British company that helps developers to convert their titles to casino-style games, raised \$18.5m in a second round of venture capital funding<sup>225</sup>, and is credited with introducing real-money gameplay to the US.<sup>226</sup> With new markets yet to develop, and games developers only just realising the potential for growth, H2's prediction of rapid expansion for real-money games seems a safe bet.

## ONES TO WATCH

### King Digital Entertainment

London-based King Digital Entertainment (KDE) is one of the world's biggest games developers. With revenues of \$2.31bn<sup>227</sup>, in 2014 its games were played over 834 million times a day by an average of 348 million unique users each month.<sup>228</sup> King's games, such as *Candy Crush Saga*, are available on platforms from Apple iOS and Facebook to Chinese web browser Tencent. By pursuing compatibility across platforms, at the very time that tech manufacturers are trying to lock users into their ecosystems, King Digital Entertainment has been able to amass a digital network of users larger than Amazon, Twitter or LinkedIn.<sup>229</sup> It is this network that allows it to make a profit from its free-to-play games, through advertising revenue and in-game purchases. In Q3 2014 alone it made over \$500m from in-game purchases, 77% of which was from mobile phones, suggesting that King Digital Entertainment, and the mobile-focussed UK games industry, will continue to succeed as mobile gaming expands.<sup>230</sup> Indeed, with KDE already outspending both Xbox and PlayStation on TV advertising in the US<sup>231</sup>, the company's incredible growth looks set to continue.

### UsTwo

UsTwo is the company behind Apple's Ipad Game of the Year 2014<sup>232</sup>, *Monument Valley*, and is one of the largest tech developers in the UK, with annual revenues of over £20 million.<sup>233</sup> With offices in London, New York and Sweden, UsTwo will continue to expand with a new office in San Francisco in 2015, at the heart of the American games industry.

Releasing games directly to mobile, UsTwo is one of a new generation of developers that uses its expertise to create new kinds of digital content. Furthermore, as well as the game *Monument Valley*, which earned over £1.2 million in its first month, UsTwo is responsible for the operating system of Tesco's Hudl tablet and the interface of Barclays' PingIt app. Even the music in the UsTwo office is controlled by an app of their own design.<sup>234</sup> UsTwo thus has a wealth of useful resources, and it puts these to use, along with investment capital, in a venture programme that is responsible for a third of its revenue.<sup>235</sup> As founder John Sinclair explains, with the same skills increasingly in demand by everyone from games developers to online banking designers, "It's all about talent - everyone's fighting for talent." With an expanding staff of over 200, and industry influence through its venture programme, UsTwo is leading this international competition for talent.<sup>236</sup>

### Media Molecule

The news that women now represent the majority of video game players will not have come as a surprise to developer Media Molecule (MM). MM was co-founded in 2006 by one of the industry's leading female voices, Siobhan Reddy, who remembers deciding that, "I never want to make another game where we don't address our female audience."<sup>237</sup> Its first major game *Little Big Planet* achieved this and revolutionised the industry by inviting co-operation between players and allowing them to design their own game environment. The game won 2 BAFTAs<sup>238</sup>, sold 5.74m units<sup>239</sup>, and led to Media Molecule becoming a part of the PlayStation Worldwide Studios. MM's subsequent game, *Tearaway*, based on a

series of paper cuts, was similarly design focussed and offers users the chance to follow all of its events through a female character. With Sony's continued support, and a highly anticipated new game for release in 2015, Media Molecule will continue to ride the wave of female engagement.

### Jagex

Founded in 2001, Cambridge-based Jagex is one of the UK's best-established online game developers, with over 500+ staff and offices in London and California.<sup>240</sup> Jagex is responsible for *Runescape*, an online fantasy game with over 200m accounts<sup>241</sup>, and which retains the Guinness World Record for the Most Popular Free Online Multiplayer Game. Though it made its name with a traditional fantasy game, Jagex is dedicated to innovation. Based in Cambridge, it has close links to the university, and a number of its staff are drawn from there, including founder Andrew Gower.<sup>242</sup> Having already developed an enormous and dedicated community of players with *Runescape*, Jagex is expected to achieve comparable success with its new title, *Block N Load*. As Vice President David Solari explains, the first developmental rule of this game was that it should be fun, and features such as the cartoonish characters and a constantly-changing game world will see the game appeal to an even broader audience<sup>243</sup>.

### Size Does Matter

*Size Does Matter* is a mobile phone game created for Channel 4 by Dos Studios. Despite being the studio's first ever game, it has received a Pocket Gamer Silver Award and the BAFTA One To Watch Award in 2014.<sup>244</sup> The game was released to promote the 4Music television channel, and is centred around a series of challenges set to music by leading electronic artists. *Size Does Matter* shows how games can be used to promote other media. One of Channel 4's core ambitions for the past year was to, "look for opportunities in digital brand extensions including mobile games", following the success of products such as the *Made In Chelsea Game*, which left 95% of users more likely to watch the television series.<sup>245</sup> *Size Does Matter* promotes 4Music as well as the individual artists featured within the game, making the content more desirable by introducing an interactive element. Channel 4's 2014 report explains that games have been so successful that they have, "integrated online and TV commissioning teams to ensure a cross-platform approach across the whole organisation."<sup>246</sup>

# \$93BN

Globally, the video games industry is worth \$93bn, more than the film and music industries combined.

## YEAR AHEAD

2015 is expected to be an incredibly strong year for the UK games industry, from established developers to start-ups. The year will see new releases from Media Molecule and Microsoft-owned Dare for the PS4 and Xbox, as games consoles fight to keep their audience by pioneering new eSports accessories.<sup>247</sup> June 2015 will also see the release of London-based Rocksteady studios' *Batman: Arkham Knight*, the sequel its 5-million selling *Arkham City* title<sup>248</sup>. With 2015 predicted to be the year in which mobile games overtake consoles, it is also expected to be a strong year for the next generation of developers. This community will receive a boost from the London Mobile Games Week in January 2015. The BBC will be attending the event, seeking games partners for its biggest IP, such as *Top Gear*, *Doctor Who* and *The Great British Bake Off*. 2015 will also see highly anticipated new games from USTwo and Space Ape, whose last title, *Samurai Siege*, has earned more than \$21m since its release in 2013.<sup>249</sup> With mobile games becoming progressively mainstream, mobile developers will be an increasingly powerful position as they lobby the government to give video games the same cultural recognition as music and film.<sup>250</sup>



# Theatre

Thanks to the increasing popularity of experiences over products<sup>251</sup>, and the development of new technology that allows these experiences to be shared with more people than ever, the theatre industry has been flourishing for several years<sup>252</sup>. This is most true of London’s West End, which, despite government cuts to arts funding, earned £618.5m in 2014 and was 20% busier than Broadway<sup>253</sup>. However, whilst the industry’s success is not new, 2014 saw the development of a number of new initiatives that have improved its profitability, from the expansion of live broadcasting to the development of new experiential experiences and the introduction of theatre tax relief. As the industry continues to adapt to these trends in 2015, audiences can expect an increasingly international, immersive and accessible experience.

## KEY FACTS & FIGURES

**76%**

76% of the UK population have been to at least one theatre performance in the past four years, far higher than the number that attended sporting (47%) or music events (53%).<sup>254</sup>

**58%**

58% of theatre attendees attend more than two performances a year.<sup>255</sup>

**241**

London has more than 241 professional theatres, and together they are able to seat more than 11,000 audience members.<sup>256</sup>

**22M**

In 2012-3, more than 22 million people visited a London theatre, making it the most popular city for theatrical performances in the world.<sup>257</sup>

**£618.5M**

In the same period, London theatres earned £618.5m in revenue, more than the cities cinemas.<sup>258</sup>

**6,500**

The London theatres employ more than 6,500 full-time non-performing staff, in addition to the 3,000 performers appearing on the stage at any one time.

**1M**

Between 2012-3, more than 1 million people visited Stratford-Upon-Avon, British theatre’s second city, to see productions by the Royal Shakespeare Company including Matilda The Musical and Richard II.<sup>259</sup>

**55%**

55% of theatregoers would happily see the same show more than once, suggesting there is enormous potential for returning productions as well as video on demand services such as Digital Theatre.<sup>260</sup>

**200%**

The UK National Theatre’s NT Live service, through which it broadcasts its performances to cinemas around the world, grew by over 200% in 2013-14 alone.<sup>261</sup>

**38%**

A recent poll revealed that theatre is a social experience, with the majority of attendees (38%) visiting in groups of three or more.<sup>262</sup>

## KEY TRENDS

### *Live Theatre Broadcasting : A Growing Source of Revenue*

Though live theatre broadcasting is not new (New York's Metropolitan Opera organised the first live stream in 2006<sup>263</sup>) it is only now beginning to represent an important revenue stream for many arts institutions. Indeed, it has become an industry in itself, and it is currently the fastest growing technology within the UK arts today.<sup>264</sup>

When live broadcasting was first introduced, theatres were understandably cautious in their expectations of the new technology. The National Theatre chose not to sell future rights to broadcast performances, in an attempt to avoid complex negotiations and royalty disputes<sup>265</sup>. Now that its popularity has been proven however, theatres are finding new ways to make it profitable. The New York Metropolitan Opera, which made just \$5million from the technology when it introduced it in 2006, made \$34.5million from it in 2013.<sup>266</sup> Likewise, in just one year, NT Live has grown from making £2.4million and constituting just 3% of the National Theatre's annual income, to making £6.7million, 7% of its income.<sup>267</sup> NT Live broke records by broadcasting the theatre's production of *Warhorse* to over 1.4 million people worldwide, and its success can be expected to continue as the theatre places it at the heart of its growth plans<sup>268</sup>. Plans for the structural redevelopment of the theatre have been specifically designed to accommodate the expansion of NT Live, and will allow the theatre to house its own digital production facilities.<sup>269</sup> The commercial value of theatre broadcasting has been recognised by Digital Theatre, a video on demand service which allows users to watch productions by some of London's biggest theatres at home. With global access rights, and apps available for computer, SmartTV and mobile phone,<sup>270</sup> Digital Theatre has the potential to bring the London stage to a much larger audience than the 2,700,000 who have already watched an NT Live production.

As well as providing theatres with much needed revenue, live broadcasting is also leading them to develop new and more

accessible forms of performance. On the day of the UK parliamentary elections in 2015, Channel 4 will broadcast a production live from the Donmar Warehouse theatre in London that depicts responses to the events taking place on that date. In doing so, it promises to reach many more millions of viewers than the 250-seat auditorium can hold. More importantly, this production establishes a new framework for producing theatre for television. The play will only complete a short-run at the theatre before it airs, reducing costs and allowing the producers to hire, "some of the UK's most admired actors".<sup>271</sup> What's more, it will be filmed by TV production company TwoFour, which has suggested that the camera rig it uses to film fly-on-the-wall documentaries can be easily adapted for the theatre.<sup>272</sup> TwoFour was recently named the UK's 'Best Indie Production Company 2014', and its support for this project suggests that there is more commercial interest in broadcasting from the theatre. Indeed, in 2013 Google worked with the Royal Shakespeare Company to devise and broadcast an interactive production of *A Midsummer Night's Dream*<sup>273</sup>, whilst in 2014 The Guardian partnered with London's Royal Court Theatre to create short plays in response to topical events.<sup>274</sup> With the audience for live broadcasts growing rapidly, and producers keen to explore the technology further, live broadcasting is set to become an increasingly important aspect of the theatre industry.

### *The Future of International Productions*

Whilst London theatre might be more successful than ever, investors recognise that the export of British theatrical content presents even greater opportunities for growth. The Ambassador's Theatre Group, the largest theatre owner in the world, was bought by Providence Equity in 2013 for £350m<sup>275</sup>, and subsequently announced extensive expansion plans<sup>276</sup>. It will build and run a new theatre in Seoul, the world's fifth largest musical theatre city, as well as opening two theatres in Sydney, the city which currently provides most of the international products that tour in South-East Asia.<sup>277</sup> In 2014, it was also announced that Andrew Lloyd Webber's Really Useful Group was to split its theatre-owning arm from its copyright-owning division, in order to allow the latter to

expand globally.<sup>278</sup> Whilst the growth of its portfolio of venues is restricted by the lack of available theatre space in London, the market for the group's intellectual property is growing worldwide. The Really Useful Group has already had great success in China; after several successful tours of China, *Cats* was chosen by the Shanghai Grand Theater to receive a Mandarin translation in 2012, allowing it to reach a far greater audience.<sup>279</sup> Likewise, *Phantom of the Opera*, which has made \$5.6bn worldwide, sold 5,000 tickets in five hours when a production in Shanghai was announced.<sup>280</sup>

Thanks to new tax incentives British theatre is benefiting from a unique combination of commercial competitiveness and cultural exchange that allows it to succeed internationally. This is best shown by the recent success of the Royal Shakespeare Company (RSC), which has found international success in both New York and Beijing. The higher cost of producing and installing a show in New York, which is often four times that of London, means that many more shows transfer from the West End to Broadway than vice versa. The Royal Shakespeare Company's *Matilda* musical, which transferred in 2013, has made over \$16 million in just 19 months on Broadway, making it one of New York's most successful shows.<sup>282</sup> It has more recently been joined by the RSC's production of *Wolf Hall*, which is expected to be one of its most successful plays of 2015.<sup>283</sup> The RSC is also at the forefront of China's developing theatre industry. In September 2014, it received a £1.5m government grant to translate Shakespeare's plays into Mandarin, and fourteen Chinese plays into English.<sup>284</sup> Moreover, it is also seeking commercial partners for a forthcoming tour of China. Having increased its trading income by 45% in 2014<sup>285</sup>, whilst winning new government grants and increasing its profile abroad, the Royal Shakespeare Company is thus creating new commercial opportunities as it opens up new markets.

### *Immersive Theatre Turns A Profit*

Immersive theatre, in which the audience is free to roam whilst actors perform around them, is no longer new. Punchdrunk, the British company which pioneered this style of theatre, was formed in 2000, and has since created more than twenty different productions<sup>286</sup>. In 2014, however, the commercial potential of immersive theatre became apparent. Punchdrunk's newest show, *The Drowned Man*, was supported by the National Theatre and sold more than 157,000 tickets.<sup>287</sup> In doing so, it reached more than double the number of audience members as The Shed, the space the National Theatre dedicates to new plays.<sup>288</sup> Whilst Punchdrunk's productions are supported by arts funding in the UK, in New York they have been produced by Emursive, a production company established to realise the potential of interactive theatre. There, although Punchdrunk's *Sleep No More* was the most expensive Off-Broadway production of all time, costing just under \$10m, it has been consistently sold-out for 3 years and now returns an annual profit.<sup>289</sup> Moreover, Emursive has added new ventures to the site of the show, including a 140-seat restaurant, a rooftop bar and a music venue, that have become popular entertainment venues in their own right.<sup>290</sup> As venues such as the National Theatre look to form sustainable relationships with the businesses around them, Punchdrunk's decision to extend its intellectual property across these commercial enterprises provides a useful example.

Indeed, 2014 also saw the success of several more commercial immersive productions. Secret Cinema, which screens films in theatrical settings, staged a performance based on *Back To The Future* to an audience of 80,000<sup>291</sup>. Moreover, London-based 'creative agency' pd3 helped to produce an immersive theatre production entitled *Grimm's Tales*<sup>292</sup>. That

pd3, which more frequently produces experiential advertisements for brands such as O2 and Nike, supported this theatrical production, suggests that it may herald a new, more profitable, era for immersive theatre. As well as seeing the return of You Me Bum Bum Train, one of the first companies to experiment with this style, 2015 will also see a new, immersive production of *Alice in Wonderland* by theatre company Les Enfants Terribles and producer Emma Brunjes. What's more Punchdrunk, which has used its skills to create experiences for brands such as Playstation and Stella Artois, will launch an educational experience at the National Maritime Museum, revealing the versatility with which immersive theatre is able to create new value for existing organisations. Thus, despite often being more expensive to produce, immersive theatre is able to create new revenue streams for the sector, and will become increasingly important as the industry continues to develop.

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## ONES TO WATCH

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### *Cameron Mackintosh*

Cameron Mackintosh Limited is one of the largest theatre production companies in the world, and in the fifty years since it was founded it has been responsible for some of the world's most successful shows, including *Cats*, *Les Miserables* and *Phantom of the Opera*. It also owns seven of London's West End theatres, and has consistently invested in them to ensure that they remain competitive in the changing theatre industry. In 2014, the company purchased the Victoria Palace and Ambassador's Theatres.<sup>293</sup> Plans for the former will allow the stage to be extended so that it can accommodate large-scale productions, particularly those that transfer from cities whose theatres aren't constrained by the largely Victorian architecture of London's West End.<sup>294</sup>

Likewise, the Ambassador's Theatre (to be renamed the Sondheim Theatre) will be completely remodelled to remove the proscenium stage, and to give an auditorium that is similar to newer theatres elsewhere. This will not only better equip the theatre to accept transferring productions, encouraged under the UK's tax relief scheme, but will also allow it to offer directors used to working elsewhere even greater flexibility<sup>295</sup>. With trends such as immersive theatre and increased international touring rapidly transforming the industry, Cameron Mackintosh's decision to renovate these theatres from the inside out should prove to be a wise investment.

### *Secret Cinema*

Secret Cinema was founded in 2007 by Fabien Riggall, who had formed Punchdrunk only seven years before.<sup>296</sup> The company began by using live performance to create immersive screenings of classic films, staging *Blade Runner* in the set of a future city and *Ghostbusters* in a tropical garden. As well as increasing the length of its runs, to make £3.37m in 2014<sup>297</sup>, Secret Cinema also offers theatrical solutions for a number of other entertainment industries. Recently, film producers have realised the value of Secret Cinema productions in generating publicity, and it was given the exclusive right to show preview performances of *The Grand Budapest Hotel* and *Prometheus*, with the former making over £1.1m in a very short run.<sup>298</sup> Secret Cinema also partnered with Virgin Records to organise a series of concerts for singer Laura Marling that were as theatrical as they were musical. With concert sales having tripled within a decade and continuing to grow, Secret Music offers artists the opportunity to expand their offering, and reach an even bigger audience. Likewise, with the global restaurant industry also booming, Secret Cinema is focussing on its Secret Restaurant venture, which will

allow restaurants to offer a more theatrical experience. With Punchdrunk's 'The Heath' restaurant already filling 140-seats, there is clearly the potential for Secret Restaurant to make a similar impact in the UK, adding another revenue stream to the company's bow.

### Neal Street Productions

Neal Street Productions was originally set up in 1999 but in 2003 producers Pippa Harris and Caro Newling joined Sam Mendes, who is best known as the director of *Skyfall* and the forthcoming *James Bond* movie, *Spectre*.<sup>299</sup> Neal Street is unique in producing for film, TV and theatre, and revenue from international sources has been at the heart of its commercial success. Whilst the recently introduced 25% tax relief on touring theatre productions can be expected to generate an increase in the number of shows that transfer to the UK from America, such as *The Scottsboro Boys*, a musical which qualified for a £120,000 rebate<sup>300</sup>, Neal Street Productions has already developed expertise in this area. In 2009 it launched *The Bridge Project*, which led to the co-production of plays between The Old Vic in London and BAM in New York.<sup>301</sup> Moreover, Neal Street has facilitated the transfer of a number of London's most successful productions to New York, including *Enron*, *Red* and *Merrily We Roll Along*, and vice versa with the transfer of the \$24m *Shrek: The Musical* to London.<sup>302</sup> With new UK tax legislation expected to increase the number of touring productions, Neal Street Productions can be expected to continue to generate excellent value once it is sold in 2015, for a guide price of £40m.<sup>303</sup>

### Digital Theatre

Digital Theatre was launched in 2009 as an online video on demand service that allows users to view productions from a number of London theatres. The

company's commercial viability was recognised from the start, and it received a £750,000 investment from one of the UK's largest media funds, run by The Ingenious Group.<sup>304</sup> In addition, Ingenious' Chief Executive Patrick McKenna invested £250,000 of his own money.<sup>305</sup> By securing the international rights for its productions, Digital Theatre has access to a vast audience, and its archive already includes numerous productions from London's Globe Theatre, as well as sell-out productions such as *The Young Vic's A Doll's House*. Since then, Digital Theatre has added several new revenue streams, including an educational subscription service that is offered to schools and reaches more than 2 million students.<sup>306</sup> Moreover, Digital Theatre has partnered with Qatar Ministry of Culture to film theatrical productions from the United Arab Emirates and make them available to an international audience.<sup>307</sup> 2015 will see Digital Theatre continue to grow, as it adds the Old Vic Theatre to its list of partner organisations, and continues to expand the Digital Theatre Plus programme in schools through a partnership with academic publisher Routledge.<sup>308</sup>

### 1927

Founded in 2005, by animator and illustrator Paul Barratt, and writer and performer Suzanne Andrade, 1927 bring animation to life in a unique form of theatre that fuses projection with live animation.<sup>310</sup> As well as being celebrated for this ground-breaking aesthetic, 1927 have also been praised for its cost-efficiency and ability to raise funds. Although the company was denied funding as one of Arts Council England's National Portfolio Organisations, the much lower production and transportation costs that result from its use of projection has allowed it to tour its productions much more extensively. Thus, despite being small in scale, its 2014 show, *Golem*, was produced in collaboration with theatres in Salzburg,

London and Paris. With the show having already toured to Taiwan, it is scheduled to tour internationally throughout 2015-16<sup>311</sup>. 1927's use of cutting-edge technology has thus allowed it to devise a form of theatre that will remain especially viable as the industry becomes increasingly reliant on the revenue from international tours, and the UK government continues to uphold its tax relief for touring productions.

## THE YEAR AHEAD

2015 promises to be an incredibly busy year for British theatre. The spring will see a number of immersive performances from Secret Cinema, Punchdrunk, Les Enfants Terribles and You Me Bum Bum Train, as the companies compete to satisfy the city's well-established taste for immersive theatre. Experimentation with even newer forms will continue when Channel 4 broadcasts *The Vote* live from the Donmar Warehouse on 7th May, potentially inaugurating a new style of television play, as well as a new government.<sup>312</sup> Arts Council funding is predicted to stay constant after the election and large grants such as the £1.5m given to the RSC will produce results in 2015. Records will be broken in August, however, when Benedict Cumberbatch stars in an already sold-out production of *Hamlet* at the Barbican Theatre that has become the fastest-selling ticket in London theatre history.<sup>313</sup> With the producers in talks to broadcast the performance in cinemas, it has the potential to beat *Warhorse's* cinematic audience of 1.45m and become the production that defines London theatre for another five years.<sup>314</sup>

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