CRITICAL CINEMA TARGET GROUPS

YOUNG, BUSY AND SO MANY CHOICES – HOW CAN WE MAKE CINEMAS MORE ATTRACTIVE FOR YOUNG AUDIENCES?

Commissioner of the study

Verband der Filmverleiher e.V.

HDF KINO e.V.

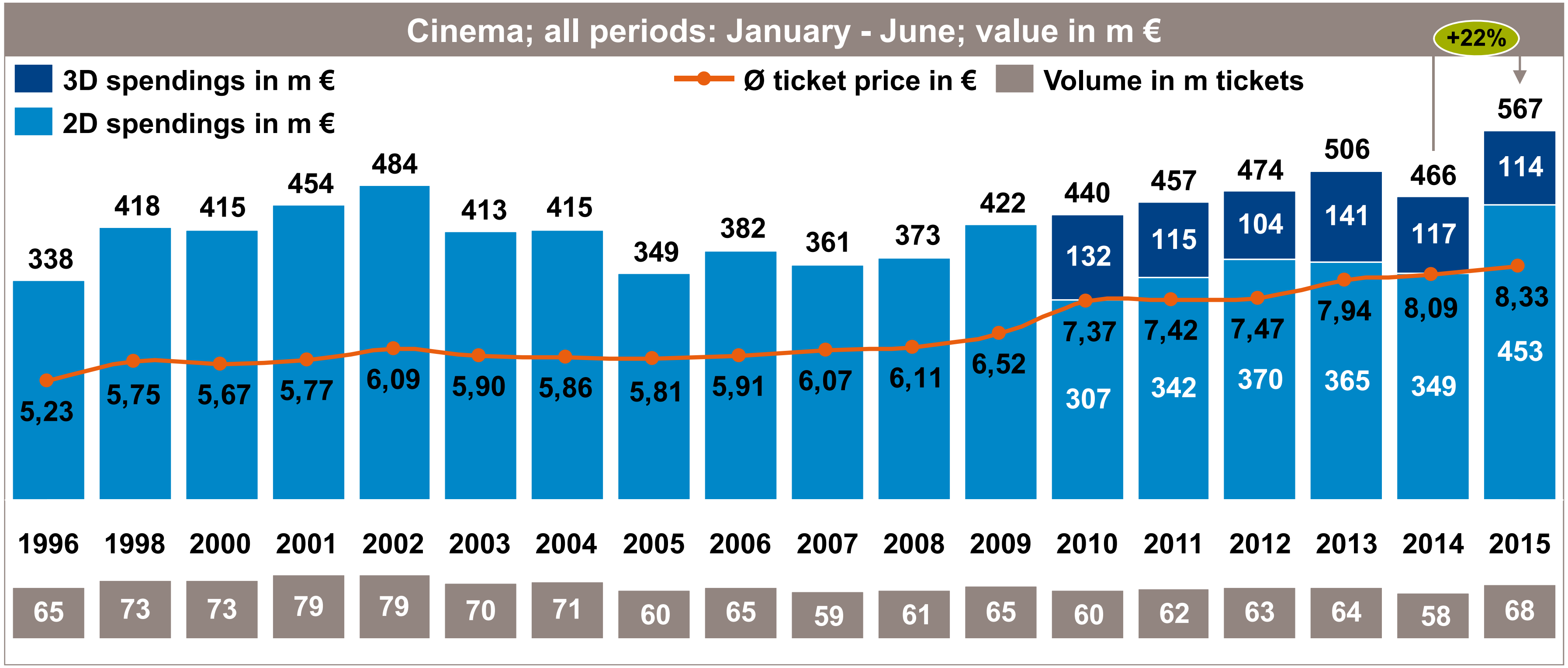
AG Kino - Gilde deutscher Filmkunsttheater e.V.

sponsored by

FFA Filmförderungsanstalt

Please note that in particular situations, for example at a high degree of specification, a comparatively low number of counts can occur, which may limit the accuracy of the interpretation to some extent.
In such cases, the data may be less conclusive. If required, smoothing procedures will be applied in order to facilitate time series analysis. To correct for coverage gaps, internal/external benchmarks have been used.

Half-year cinema results: best box office of all time after six months.



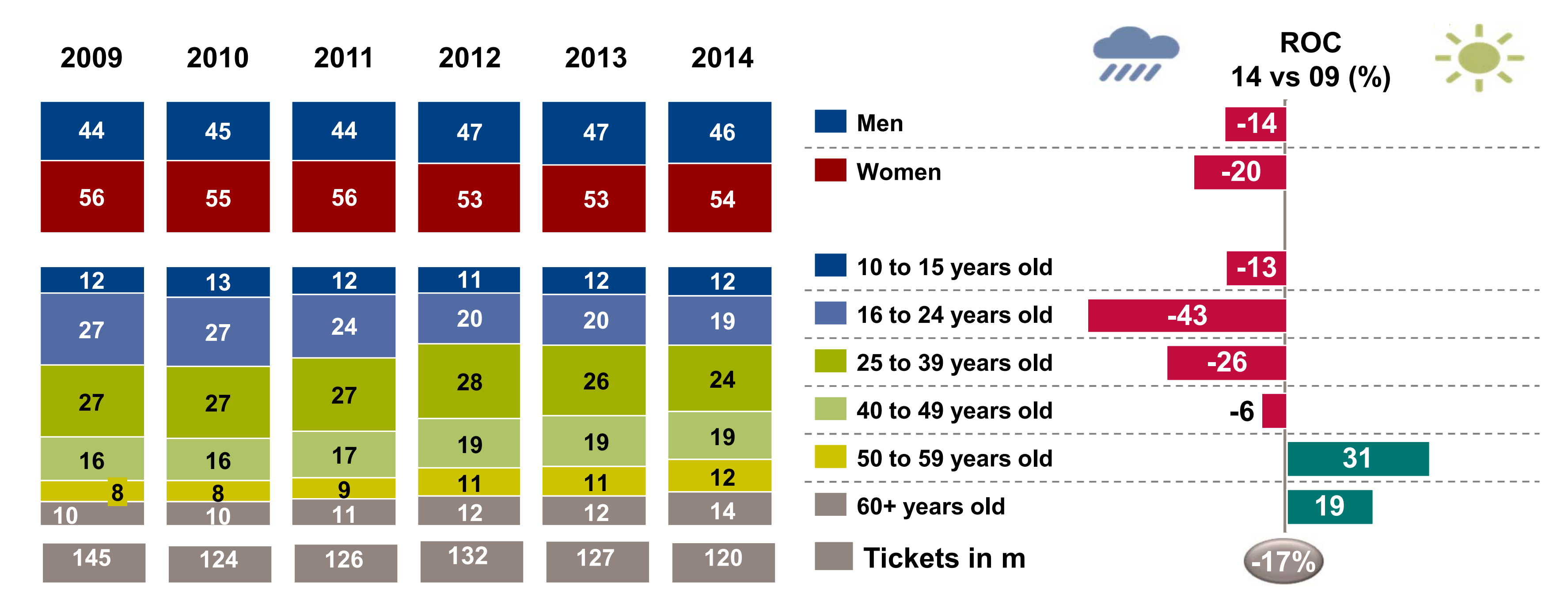
Cinema; all periods: January-June; spendings in m € n 2015= 11,640

3D since August 2009

Please note that in particular situations, for example at a high degree of specification, a comparatively low number of counts can occur, which may limit the accuracy of the interpretation to some extent.
In such cases, the data may be less conclusive. If required, smoothing procedures will be applied in order to facilitate time series analysis. To correct for coverage gaps, internal/external benchmarks have been used.

In the long term, however, there is a declining trend among 16-39 year olds; the significance of this group has fallen from 54% to 43% within five years.

Development by age and gender; tickets in %



Cinema, all periods: January - December; sales in %

n 2014 = 20,346

Please note that in particular situations, for example at a high degree of specification, a comparatively low number of counts can occur, which may limit the accuracy of the interpretation to some extent. In such cases, the data may be less conclusive. If required, smoothing procedures will be applied in order to facilitate time series analysis. To correct for coverage gaps, internal/external benchmarks have been used.

Objective and analytical design of the study

Objective

- Analysis of the target group development within the cinema market and identification of the critical cinema target groups
- Understanding barriers within critical cinema target groups
- Determination of the motivators and drivers to increase the frequency of cinema attendance
- Identification of promising starting points so that appropriate measures can be taken
- Creation of an objective rationale basis and review of previous theories for development within the target groups

Three-stage research approach

Qualitative exploration (Stage 2):
deep dive into the world of cinema using the qualitative research approach.
Why does it happen?

Quantitative study (Stage 3):
Quantitative examination of barriers and identification of approaches and future potential.

Panel analysis (Stage 1)
Analysis of target group development within the cinema market based on the GfK Media*Scope Panels

Objective and research design of the study

Study design: GfK Consumer Panel Media*Scope

Methodology	Written diary survey online & paper and pencil
Sample	25 000 participants (gross)
Population	67.8 million private Germans aged 10+

Study design: Focus groups

Methodology	Qualitative focus groups
Sample	6 groups with 6-8 participants
Place of study	Frankfurt, Berlin
Target group	• Aged 14-17; pupils; separated by gender • Aged 18-25; apprentices & students; mixed-gender • Aged 26-39; Young Professionals & young families, mixed-gender

Study design: Quantitative study

Methodology	CAWI/ Online survey
Target group	Persons aged 14+ going to the cinema at least once in the last 2 years
Sample	• Representative of the German online population • Boost with 14-27 years olds and 28-39 years olds • Total sample: n=1 514

Analysed target groups

Observed target groups at a glance

CRITICAL CINEMA TARGET GROUPS

TOTAL
People aged 14 and over have been to the cinema at least once in the last 2 years (Online population)

14-19 YEAR OLDS without child/ren

Significantly different target groups

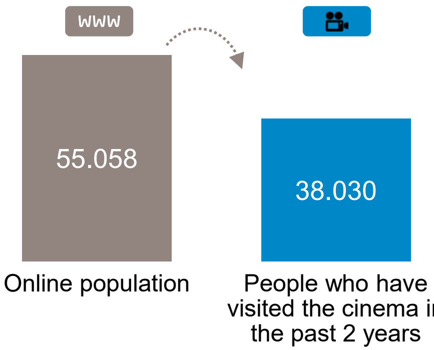
16-24 YEAR OLDS without child/ren

25-39 YEAR OLDS without child/ren

Target group along the lines of panel results

Out of 38 million cinema-goers, 11.6 million were in the (critical) age group of 14 to 39

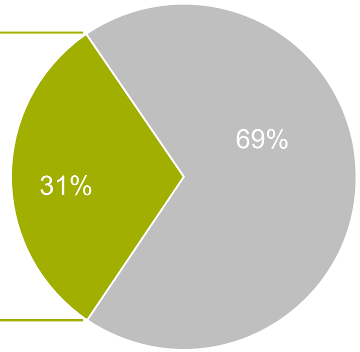
SIZE OF THE CINEMA MARKET
In thousands



CINEMA TARGET GROUPS 14-39 YEARS OLD

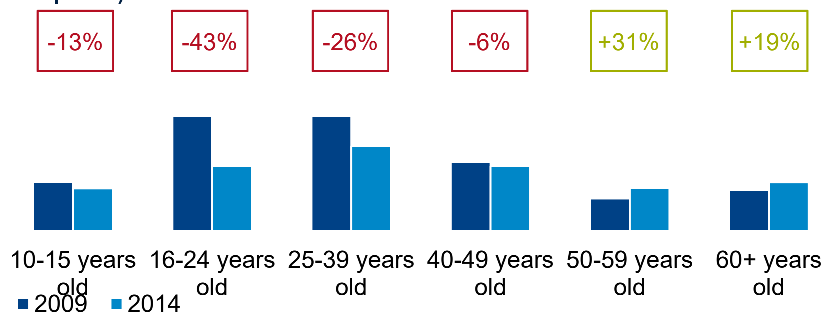
11.6 million, of which

- 4.2 million 14 to 19 year olds without child/ren
- 6.0 million 16 to 14 year olds without child/ren
- 4.8 million 25 to 39 year olds without child/ren

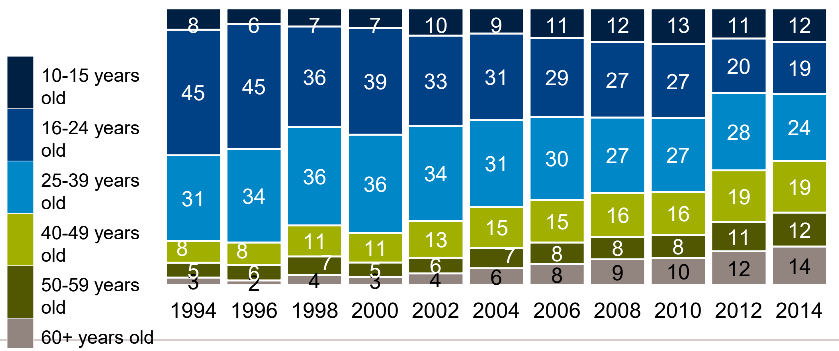


Initial situation - split development of the cinema market

The cinema market is losing its younger target group while the older target group is increasing (ticket development)



The consequence: successive shifting of the cinema market towards the older target groups (based on tickets in%)



Critical target group 16-39 years old. The relevant key figure range & intensity are developing negatively

	COVERAGE IN% (population 2009/2014)			FREQUENCY OF ATTENDANCE (tickets per person 2009/2014)		
10-15 years old	80	+5%	84	4.9	-17%	4.1
16-24 years old	71	-13%	61	7.4	-29%	5.3
25-39 years old	58	-15%	49	5.3	-6%	4.9
40-49 years old	49	-12%	44	3.9	+13%	4.4
50-59 years old	30	+12%	33	3.6	+6%	3.9
60+ years old	20	-1%	20	3.5	+14%	4.0

About prices - dominant but not the silver bullet

Already known and unsurprisingly:

Cinema is a leisure activity, ...

- which is not considered to be attractive in terms of cost
- and is (therefore) enjoyed mainly at the weekend, days off and/or on certain special occasions

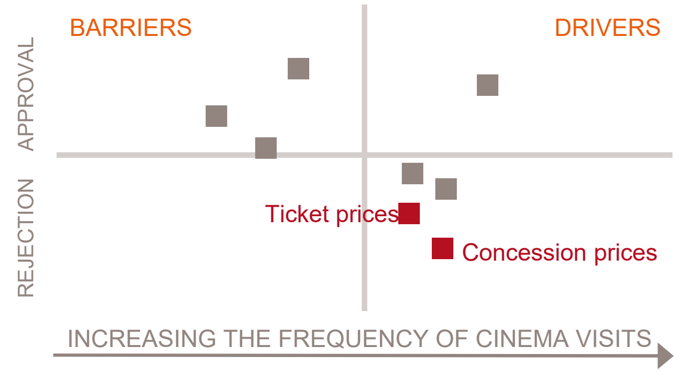
Nevertheless: The "silver bullet" is not to reduce prices for tickets and concessions!

Top 6 cinema trigger ideas

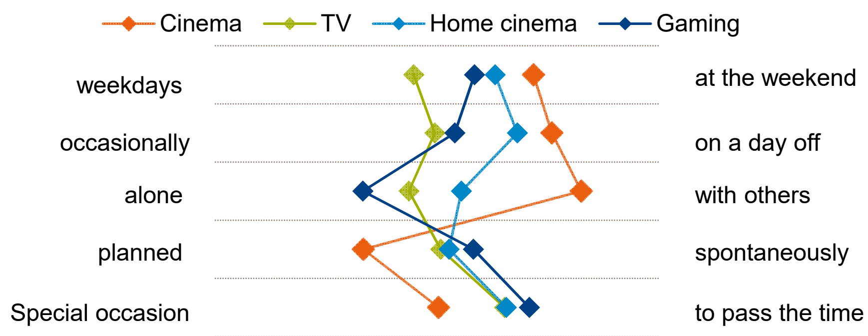
Pays for ...

1. Group, family and couples tickets
2. Collecting bonus and status points
3. Combined cinema tickets (ticket plus concession)
4. Online ticket orders with print@home/smartphone
5. Holiday ticket
6. Park&Watch (ticket plus parking/public transport)

Cinema prices are considered to be critical and have a relatively strong influence on attendance



Typical cinema events versus competitive offers

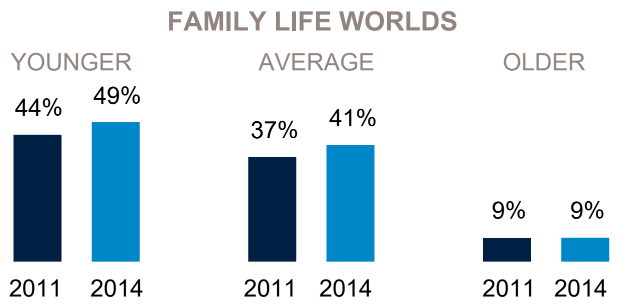


Topic: time budget

Two central "pain points":

- Consumers have less and less free time
- Increasing competition for this limited time with home theatre, gaming, social media ...

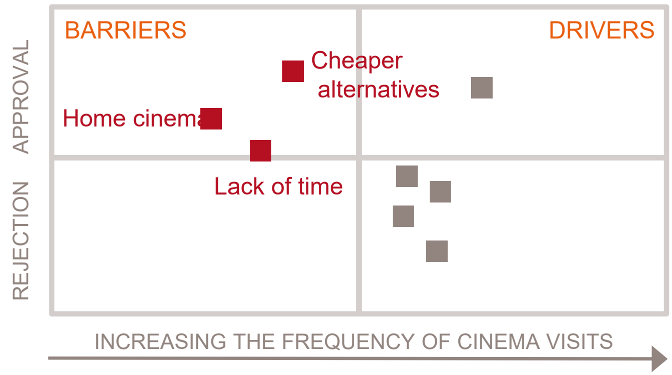
Perceived lack of time, increasing trend



"There are some weeks when I am so exhausted and can't do anything else **and just want to sleep.** Then I turn down every invitation." (25-39)

"It's hard to **satisfy everyone**. People are somewhat self-absorbed at that age, but I just want to see **my friends**, get **good grades**. And at the same time I also have obligations towards **my parents** and want a good relationship with them. " (14-17, f)

The two greatest barriers to the cinema are time constraints and competing offers



Time for social media

22%
all "desktop minutes" are "Facebook minutes"

24%
all "smartphone minutes" are spent on Facebook, Instagram or WhatsApp

Time for gaming

Ø HOURS PER WEEK FOR THOSE UNDER THE AGE OF 30

14.1 2014

13.2 2013

Positioning opportunities

there is a willingness to invest in leisure activities:

- Consumers are willing to spend money on their leisure activities when they see it offers value for money and it meets corresponding requirements
- The cinema is not currently perceived to offer <u>sufficient</u> value for money, as important leisure requirements such as **relaxation**, **socialising** and **fun** are not sufficiently fulfilled by the cinema - fun is clearly associated with shared time with family and fiends and active leisure pursuits (vs. entertainment as a passive activity) in this context

POSITIONING OPPORTUNITIES
FOR THE CINEMA

Relaxation

&

Socialising/fun

Socialising/fun and relaxation are ranked right at the top, while value for money ranks in the middle

RANKINGS FOR RECREATIONAL NEEDS (1-26)		FULFILLED BY: Cinema	Home cinema	Gaming	TV (series)
1	Spending time with family/partner (Socialising)	↓	↘	↓	↘
2	Fun (= active time together)	↘	↘	↗	↘
3	Relaxation	↘	↗	→	↑
4	Time with friends (Socialising)	↓	↓	↓	↓
7	Chilling/doing nothing	↓	↗	↘	↑
9	Time flexibility	↓	↗	→	↗
13	no cost	↓	↗	↘	↑
16	Entertainment	↗	↗	↓	↑
17	**Good value for money**	↘	↗	↘	↗
19	Rewards	↗	→	→	↘
21	Losing yourself in another world	↑	→	↗	→
23	Reduces frustration	↘	↘	↑	→
24	Not dependent on the weather	↗	↗	↘	↑
26	Competition experience	↘	↘	↑	→

Relaxation

Compared to the cinema, relaxation is more effectively achieved with:

Home cinema

"At home I get the same thing - only one month later - for less money and I can avoid the stress of going out. I have to queue up, book in advance. It takes more time and is stressful. At home, I can be comfortable and lay on the couch with a pizza. " (25-39)

TV (series)

"You experience things with them, you know the characters - it is exciting to see how they develop, what they are made of." (25-39)

"House of Cards: good actors, good making of, good story - everything a good film needs." (25-39)

Benefits of home cinema

GREATER CONVENIENCE
- Comfort/ no cost
- Can watch a film whenever you want
- Greater selection of films
- Time-saving

PERSONAL FREEDOM
- Possible to chat during the film
- Do something else at the same time
- Possible to stop for a break
- Privacy/being alone

Benefits of TV (serials)

MORE FLEXIBILITY
- Can enjoy together or alone
- Not time-dependent
- Can choose number of episodes
- Shorter series (45 min)

STRONGER IDENTIFICATION
- Strong and complex characters
- Development of the characters over the course of several episodes
- Exciting stories/scripts
- Longer-term identification (serial format)

Relaxation - increase convenience

Recommendation for cinemas: achieve more relaxation by increasing the convenience

- Reduce the effort associated with going to the cinema
- Improve the quality of time spent on the cinema premises
- Increase the appreciation of cinema-goers with (even) better service & staff

Preference for premium cinema with a convenience character

= large seats and plenty of legroom with staff providing snacks and drinks

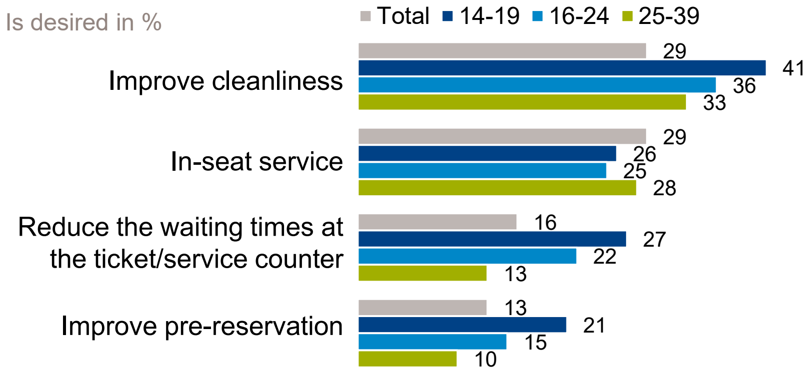
CRITICAL CINEMA TARGET GROUPS

TOTAL	14-19 YEARS OLD	16-24 YEARS OLD	25-39 YEARS OLD
12%	18%	14%	15%

Top convenience trigger ideas

- Online ticket orders with print@home smartphone (e.g. passbook)
- Park & watch: cinema ticket including parking/public transport ticket
- Cinema as a cosy area with a lounge-like character, including service for food / drinks + free Wi-Fi access
- Cinema time planning tool (especially interesting to teens + twenty-somethings)
- After-work theatre including optional drink and buffet

Do not neglect basic services



Socialising/fun as a central leisure need

Recommendation for cinema: reactivation and intensification of "socialising"

- The cinema has "lost" as soon as consumers get home and after their daily activities and they find it difficult to find the energy to go back out and continue their social life away from home

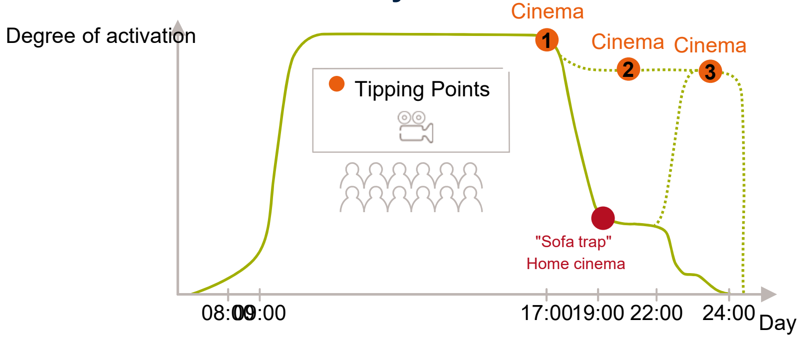
Problem "Sofa trap"

- Strong leisure triggers are therefore needed to attract consumers back from the "sofa trap"

  - "If you've had a long day, you would rather do something at home and not go out any more." (18-25)
  - "You feel like being at home - it is cosy, comfortable and peaceful." (18-25)

- The strong leisure need **"Socialising/fun"** is an effective instrument that cinemas should deliberately use to attract more consumers to the cinema - before, during and after the drop in the daily activation curve

"Activation curve" of a day



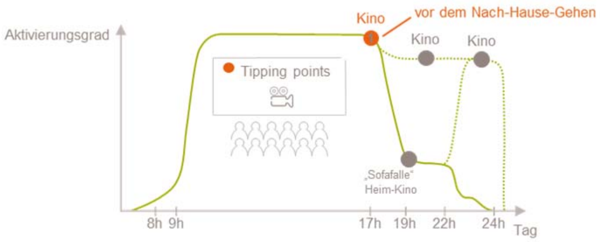
Social bonding/socialising as a central leisure need, which takes place several times a week

CRITICAL CINEMA TARGET GROUPS

Significance in %	TOTAL	14-19 YEARS OLD	16-24 YEARS OLD	25-39 YEARS OLD
Spending time with friends/family/partner **at home**	18%	32%	33%	20%
Spending time with friends/family/partner **while out**	17%	24%	26%	21%

Socialising/fun as a central leisure need

Cinema tipping point 1



SOCIALISING RECOMMENDATION FOR CINEMAS

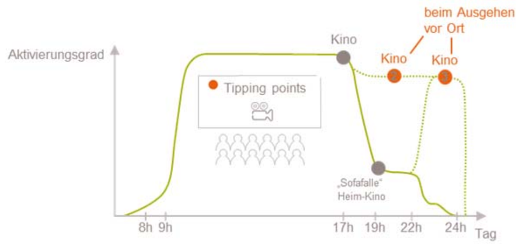
Introduction of "after-work" or "after-school cinema"

Concrete measures

- Partnerships with major employers to initiate e.g. monthly department events
- Introduction of corporate benefit services
- Encourage visitors more to share their cinema experience on social networks - ideally when buying tickets in advance to motivate others
- Fixed "after-school cinema" & "after work" screenings with corresponding target group films

Benefits **Better integration into everyday life**

Cinema tipping points 2 & 3



SOCIALISING RECOMMENDATION FOR CINEMAS

Intensification of target group concepts

Concrete measures

- Intensification of target group-specific cinema evenings, such as "Dude/Mancave Night" and "Girls' Night"
- Regulars' table character for these target groups (e.g. cinema regulars' table every first Tuesday of the month)
- Season pass e.g. for half a year

Benefits **Better integration into everyday life & personalisation**

ACCOMPANYING TREND RECOMMENDATIONS FOR FILMS

Reinforcement of personal contact

Concrete measures

- Loyalty card, with statuses up to Director's Club
- Important: must go beyond a reward character (e.g. bonuses) and should involve fun and personal service with the aim of making customers feel valued
- Personal approach, favourite beverage
- Ability to help choose films in advance

Benefits **Personalisation**

Information process and source of awareness

The majority of cinema-goers feel like they know noting or very little about the current cinema programme...

CRITICAL CINEMA TARGET GROUPS

Approval in %



TOTAL	14-19 YEARS OLD	16-24 YEARS OLD	25-39 YEARS OLD
60%	59%	57%	53%

... and only slightly more than half actively seek out information about current films

Approval in %



TOTAL	14-19 YEARS OLD	16-24 YEARS OLD	25-39 YEARS OLD
58%	52%	55%	67%

Top 3

- Cinema website
- Film previews/trailers on the internet
- Film previews/trailers in the cinema

The typical purchase journey when visiting the cinema

- Cinema visits are **almost always planned**. The planning horizon depends on the target audience (friends vs. family) and number of participants.
- **The film is most crucial** for the idea of going to the cinema (vs. the idea of cinema-going→choice of film).
- **Completely spontaneously**, i.e. to go to the cinema with no prior information about a specific film and choosing from the programme is (now) unusual.

Top of mind - increasing cinema awareness

In addition to relaxation and socialising/fun: the cinema is less and less at the top of people's minds when planning leisure activities

"The cinema is not necessarily the first thing that comes to mind. What usually happens is that someone tells their friend and they then go especially. People don't just go and see what's on." (18-25)

"The cinema does not actively grab my attention, there are hardly any promotions. I keep getting handed flyers for other activities. The cinema seems to have really distant advertising." (18-25)

Two key channels to increase cinema awareness in the relevant set of leisure activities

1 Social networks

- Placement of trailers and moving images on social media and specific use of targeting options (e.g. appeal to consumers who "like" certain films)
- Location-based targeting near cinemas (GPS)

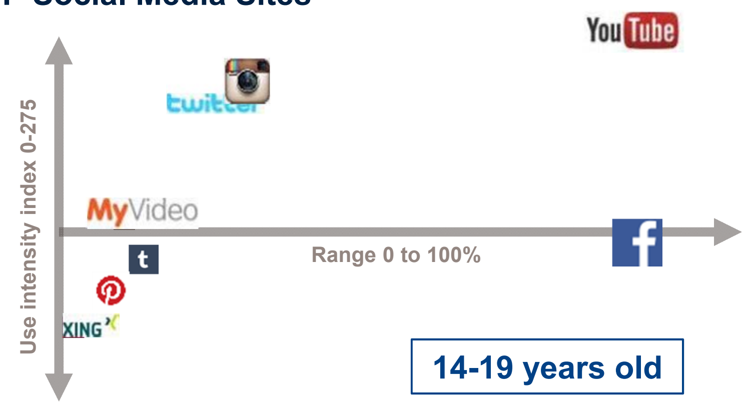
2 Appealing to consumers in the local area

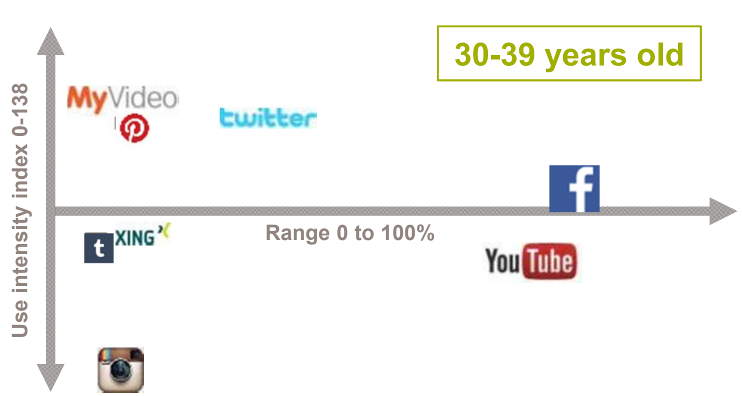
Cooperation with neighbouring restaurants and bars

→ inform visitors about the current cinema programme in a targeted way

→ pricing incentives and collaborations when visiting the cinema

TOP Social Media Sites





Entertainment & Reward

Special cinema USP:

- Unique atmosphere
- Losing yourself in another world
- Concentrated focus on the film: let go and get involved

Entertainment

&

Rewards

("Do something good for yourself")

"Big screen, big emotions, diving into other worlds and forgetting everything going on around me." (25-39)

"The images have a different impact on me than when I watch it on the big screen, as opposed to my tablet." (25-39)

"At the cinema, you close down all of your senses, you are focused, which is otherwise not possible any more - it's a way to avoid distractions." (18-25)

"Atmosphere - that's the difference." (14-17m)

Cinema surpasses the competition, mainly due to its rewarding character

NEEDS FULFILLED BY

	Cinema	Home cinema	Gaming	TV (series)
Entertainment	↗	→	↓	↑
Rewards	↗	→	→	↘

Recommendation for the cinema:

The special atmosphere and the rewarding character of the cinema should be supported by

- engaging worlds of adventure in the foyer of the cinema and
- appreciation by staff & premises design

But be careful: the cinema must not be exclusive! Difficult balance between being special and exclusive

!

TO SUM UP,

appreciation of the cinema, so the perceived price seems justified and the consumer is happy to pay it in the end, because "I am worth it"