

...Bond. James Bond

Over the close to thirty years Dodona Research has been researching cinema markets, we have discovered a lot about the quality and idiosyncrasies of data on the subject. That box office data often misses the tail of a film's run, or that sometimes what statistics say are cinemas are actually licences to operate cinemas, which can make a difference. But most data, perhaps after some work, is good enough for practical purposes.

With one exception, which is that data relating to screen advertising in cinemas is mostly unusable. There are a variety of reasons for this. Notably the point at which screen advertising is measured varies. Some sources collect expenditure by advertisers, others measure the income of cinema owners. This latter number is reduced from the first by agency fees, production costs and the distribution costs of prints and delivery. The first may anyway represent actual expenditure or be at ratecard, that is represent what would have been spent had no discounts been negotiated. The most useless data of all tells you that cinema advertising has consistently accounted for 5% of the total advertising market in each of the last 20 years.

This is a shame because screen advertising is both highly profitable and more volatile than the cinema industry's other main revenue streams. The table below illustrates this. It shows the revenue of the two UK sales houses, Digital Cinema Media and Pearl & Dean, for each year since 2010.

The big drop in Pearl & Dean's share in 2011 arises from the decision of the Vue circuit to switch horses at the beginning of 2011. In the subsequent six years the companies' combined revenues have fallen in two: 2013 and 2016. These were the years following the release of two James Bond films, *Skyfall* and *Spectre*.

Thus the title of this newsletter. James Bond is the cinematic property advertisers most want to be associated with so Bond films invariably lead to an uplift in screen advertising.

UK Cinema Advertising

£m	DCM	P & D	Total
2010	44.546	25.092	69.638
2011	51.704	12.309	64.013
2012	53.373	14.771	68.144
2013	49.341	13.229	62.570
2014	52.686	14.547	67.233
2015	65.127	18.526	83.653
2016	64.207	18.411	82.618

As well as *Spectre*, 2015 also saw the debut of The Gold Spot. This a spot after the trailers and immediately before the main feature, an innovation facilitated in part by digital projection, which has long promised benefits to screen advertising, in the form of increased flexibility, lower production costs and shorter lead times. As the majority of the audience is now in the auditorium, The Gold Spot commands a commensurately higher rate than normal advertising.

It may also be part of the reason screen advertising held up relatively well in 2016. Indeed, there are signs that the introduction of digital technology has led to something of an expansion in the market since 2013, as shown in the table below which compares DCM and Pearl & Dean revenues with UK box office.

Advertising as % Box Office

	%
2010	7.0
2011	6.2
2012	6.2
2013	5.8
2014	6.4
2015	6.8
2016	6.6

Time will tell. In the meantime, the accounts of these two companies allow us to closely track the health of screen advertising in the UK. And whatever happens, there's another James Bond movie to look forward to in 2019!

Further information:

www.dodona.co.uk
customer.service@dodona.co.uk