

Virtual Reality and Cinema – Opportunities for Monetisation

At the 2016 Cannes Film Festival we attended a very interesting discussion on ‘Virtual Reality and Cinema – Opportunities for Monetisation’ at the Next Pavilion which focuses on the future of film.

Virtual Reality (VR) has a high profile in the News and, at events where there has been an opportunity to try out VR, long queues have formed for the chance of even a few minutes experiencing the technology. Even at Cannes where access is quite tightly controlled it has proved necessary for Attendees to book a session well in advance.



The question is can this high level of awareness and interest in VR be used to earn money. However before discussing that subject it is worth knowing how much is the market now worth and how fast is it growing. The answer given was that in 2016 the VR market will be worth \$1 Billion. There being a split of that figure between \$700,000,000 for hardware and \$300,000,000 for content. These are the sort of numbers that would make most people sit up (we certainly did) although it was pointed out that the Global Smartphone market is also worth \$1,000,000,000 – **but that is \$1Billion per day not annually....**

As for growth in the value of the market, the 2016 figure is 5 times the 2015 figure which we thought was remarkable. However it was pointed out that this could carry on at that rate or equally it might not. Goldman Sachs have apparently estimated that the VR market could be worth between \$80 Billion and \$125 Billion.

The Panel members for the discussion were:

- Mario Kenyon – Furious M
- Jip Sahmoud – The VR Cinema
- Alex Barder - VRWERX LLC
- Eugene Chung - Penrose Studios

A brief review of some of the VR Devices was conducted – the Oculus was mentioned, also Devices from HTC and Sony, and then the Samsung Device which connects to their newer Smartphones and finally a Device made of cardboard and fitted with lenses into which a Smart Phone is placed. An example of the cardboard Device was handed to all the Delegates when they registered for the Festival on Tuesday afternoon. When discussing this device someone warned of the possibility of users not assembling the cardboard device quite correctly which if coupled with the possibly inferior performance of the slightly older but still VR compatible phones resulted in a delay between the movement of the Users head and the image which also might be of questionable quality – a whole new experience described vividly by one panellist as Vomit Reality...

The “top end” VR headsets are currently between \$600 and \$800 which is a bit more than a top of the range Smartphone. It should be remembered how often a Smartphone is used as well, for example if someone looks at their \$500 phone 50 times a day for two years that works out at around 0.01 cent per look. You are going to have to use your new VR headset a lot to get a similar level of value for money out of it. When viewed on a Bar Graph it is clear that at present VR Equipment sales are tiny compared to Smartphone sales.

There are some issues with VR to be confronted which could have an impact on the take up of VR and therefore the income generated from it. For example most entertainment is experienced in the Company of others, for example when you go to the Cinema or Theatre with your Partner or friends or family. A photo was shown of a crowded cinema where everyone was wearing large headsets which clearly would mean you lose contact with the person you went along with. VR could be utopian (a way to transport the user to a magical new world) or it could be dystopian – suppose the new virtual world becomes more important than the actual real world and users get hopelessly addicted? It was also noted that prolonged use of VR could affect the way the senses work when you remove the headset, for example you might be well advised to delay getting behind the wheel of a car for a while...

There are other issues. VR is expensive to produce and heavy on data, a few minutes of VR can be many Gigabytes of data. So to make and distribute a longer VR movie you will be handling a very large dataset. A very large percentage of the world’s population use spectacles, it is likely they are going to have to remove them to use a VR headset. Then there is the question of the weight of the Devices. What weight can be tolerated for say a 90 minute VR Film? Another issue is the reaction of some users. A brief video of a Lady trying VR was shown. We do not know what horrors they presented via the Device but she quickly flew into a panic and someone had to step in rapidly and remove the Device to return her to non-virtual reality!

One of the Panel Members did mention that in their view (and this was although they were heavily involved in VR obviously) it was, at the end of the day, just another medium – warning the Audience to beware of there being too much hype around it.

The whole question of how long a VR Film should be was discussed. Eugene Chung described a film his company had made ‘Allumette’ which was 20 minutes long. Another panellist seemed to think 30-35 minutes was about right. The possibility of people adapting to VR and being happy to spend longer in a Virtual World was also raised. VR was described as being unique as it connect to the brain far more directly and provides a lot more information/stimulation more immediately than say reading a passage in a book and imagining the scene the Author is creating as you read. Of course successful VR also requires the total immersion of the user in the VR world with no distractions from the real one! The conclusion to the “how long” discussion was that at present no one really knew!

The next question was where would someone go to experience VR – if it is to grow then people have to try it and then hopefully want to go out and buy more of it. You need to purchase a headset or go to a VR Cinema such as the one being operated by Panel Member Jip Sahnoud. His VR Cinema has had 25,000 Visitors at a cost of 12 Euros a visit – comparable to a traditional cinema. He addressed the issue raised earlier of the “shared experience” which is part of a trip to a more traditional cinema by saying that his Customers still discussed the film together after removing the headsets. He also noted that discussing the film during the presentation in a traditional Cinema can make you unpopular with the other Audience Members around you, along with talking on your Mobile or eating popcorn

noisily and so on. Another way to build demand for VR was to open VR Arcades to allow people to try it out and apparently this is already big Business in China and Korea.

During the above part of the session there was a lively discussion of where and how to pitch the price of the content. Eugene said his company had made some content available for free – for a limited time - to stimulate demand. Other Panel Members were not enthusiastic about this approach as they felt it risked devaluing the content and there was a risk that even setting a low price initially could lead to a situation where the price charged was permanently depressed. Slightly outnumbered (although we should say the discussion was entirely amicable) Eugene reiterated that the content had been made available for free for a limited time only. If it was good enough Consumers would be prepared to come back and pay for more of the same quality in the future in his view. Finally it was generally recognised that there was two types of content to consider within the world of entertainment – Cinema and Gaming and they are different.

VR as a new art form was discussed. It appeared that everyone agreed it needed to be 360 degree so the user felt they were inside the production with the action happening around them. Without that there was no point in using VR. There was some suggestion that VR was better suited to Theatre Directors than Film Directors as the former were used to working in 3D with each person in the Theatre Audience getting their own perspective of the Show depending on where they were sitting (which would depend on how much their ticket cost).

How are the Big Hollywood studios approaching VR? It appears that interest is high although VR could be viewed as a “disruptive innovation”. This was defined as a situation where the new technology would be hard for a large organisation to organise itself to work with it effectively while a small firm might be able to respond more quickly to the developing technology.

Some felt that VR would be easier to take up for people who had never worked in traditional Cinema and that today’s teenagers who had grown up with the new technologies and were more used to “a virtual way of thinking” (we cannot think of a better phrase!) would be the ones who would really take it forward in the future.

“VR is a level playing field as a new Art Form. There will be a 14 year old Kid working in his Parents Garage who will be the VR Spielberg of the future”...“Young Kids will do things with VR we never thought of”

Another subject was the representation of the Human form in VR, this is not seen as an easy thing to do but interestingly appeared that you might not need to represent a Human in a totally photo realistic way and that an Avatar, even one as simple as an Oculus Toy Box Character which apparently is a simple shape with two eyes had proved acceptable.

The subject of Augmented Reality was touched on very briefly. Eugene predicted a merging of VR and AR in the future and further envisaged glasses of some kind replacing VR headsets and even Smart Phones. Alex felt that it was quite likely that the use of VR in the fields of Education, Medicine, Professional Training in the workplace and other areas of Human activity would far exceed the size and value of VR in the world of entertainment.

There were numerous questions from the Panel at the end and it was clear that there were people from all around the world gathered in the small tent next to the Harbour who were heavily involved in VR at a high level. We noted a great deal of Business Card swapping and there was a clear buzz among those present.

Soon after the talk ended we were making my way through the Marche area of the Festival intending to get lunch (at the excellent American Pavilion) when we noticed an Oculus headset on one of the stands. It was configured so that you could look at a map of an area of South America, select a location to explore, and then you were in a Jungle environment looking around at a full 360 degree world. One of our team Andrew Smith was invited by the Host of the stand to try it out and experience VR for the first time. When he first looked down he did a momentary double take as his eyes told him that he was in fact hovering in mid-air above the trees (He is not good with heights). He also found himself turning 360 degrees and looking up and down expecting the image to run out and non-virtual reality to return.

He liked it and would like to try it out again. He found the graphics were not razor sharp but were ok if you kept moving. This will improve quickly as new Devices come to the market just as Computer Graphics on home PCs did and since then further experience with newer more advanced devices have confirmed that progress is being made rapidly. It seems very clear to us that VR in the entertainment business has a future and could easily generate a lot of money and that whoever gets it absolutely right is going to do very nicely thank you. We would not be too surprised to find they too had attended this discussion.

Brown Withey LLP

6th Floor, 48 Gracechurch Street, London EC3V 0EJ