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DOCURAMA WHITE PAPER

POST POLITICAL SEASON WRAP UP: DOC MARKET CONTINUES TO RISE

Executive Summary

The start of a new year gives us pause to reflect on the recent attention that has been paid to the documentary genre; to be sure, documentaries have arrived and are here to stay. Yet while the recent surge of enthusiasm for documentaries is observed in this year's boon of political docs, interest in the genre extends far beyond the political category. The recent success of the genre can be attributed to a number of factors:

- Newfound creativity and imagination from filmmakers as well as new, innovative filmmaking techniques have introduced a new style of storytelling that is speaking to audiences in greater numbers than ever before.
- Fervor over these new docs at film festivals a decade ago has finally translated to the mainstream, bringing a greater number of quality docs to commercial theaters as well as significantly higher per-title box office revenue.
- The theatrical success of documentaries has begun to translate to DVD. Higher box office numbers are yielding higher DVD unit sales, and doc DVD sales are increasing at a rate faster than the entire DVD category.

And yet the ascendancy of the documentary genre, on DVD in particular, has been limited by the rate of acceptance from brick and mortar retailers, whose constant battle for shelf space and store compliance issues has prevented them from exploring better positioning alternatives for these films. With docs still at an early period in their growth curve, however, we feel optimistic about the future. In time, DVD retailers will begin to take stock of the fertile opportunities that the genre presents, allowing documentaries to truly ascend into a bona fide category on DVD.

THE DOCUMENTARY BOOM

With this year's bumper crop of high-profile, controversial documentaries related to the presidential election, one might conclude that it is political docs that are the driving force behind the recent popularity and success of the documentary genre. However a review of the genre overall suggests that the recent proliferation of political docs is merely representative of, and not responsible for the documentary boom; to be sure, current consumer enthusiasm for documentaries appears to extend well beyond the political arena. And so with the election behind us, while we may begin to see an ebbing to the deluge of political documentaries, the ascendancy of the documentary genre itself should

not be affected, and we believe that docs will continue to be “hot”, both theatrically, and on DVD.

Of the top 100 doc performers on DVD, for example, only 14 are politically oriented. Indeed, popular subject matter for documentaries extends far beyond the political realm to embrace topics ranging from sports (21 films in the top 100), to music (30), to urban themes (16), and biographies (7).¹

A SHIFT IN STYLE

So if not on account of the political doc, the question remains, what is responsible for the current high-level enthusiasm for documentaries? One possibility may be the recent shift in both the style and format of most contemporary docs. Talking heads, once de rigueur, have been replaced by films that expose the natural drama inherent in real-life situations and more closely resemble the structure of a three-act work of fiction. “Theatrical Docs” as we may now call them, can now go beyond the traditional voice over and one-hour television formats to delight and surprise us in ways as compelling as a Hollywood blockbuster, allowing such filmmakers as Michael Moore and Errol Morris to win audiences in addition to Academy Awards. In other words, the documentaries of today are infinitely more accessible and thus capable of reaching larger audiences. Having made great strides at the multiplex, documentaries on DVD are now also poised for growth in the next few years.

THEATRICAL SUCCESS

As documentaries evolve into a more entertaining genre, they are drawing audiences to the theaters in larger numbers than ever. Films such as this year’s box office phenomenon *Fahrenheit 9/11*, as well as other high-profile docs such as *Winged Migration* and *Supersize Me* have all achieved box office numbers in excess of \$10M,² something largely unheard of for a documentary film during the 1990s. And yet box office success

¹ Nielsen Video Scan

² Nielsen EDI

for theatrical documentaries is not limited to just a small number of films. Indeed, theatrical revenue has grown exponentially across the entire genre over the last decade.

This latest documentary trend was largely born out of the film festivals of the mid 1990s, which up until that point had mainly been the stomping grounds for traditional documentary filmmakers making films of the historical/talking heads variety. Suddenly, with films like *Paris is Burning* and *Paradise Lost*, film festivals began to present works from a new set of filmmakers, intent on evoking the suspense, drama and inherent narrative structure of real-life situations. In due course, the enthusiasm of festival audiences was transferred to the theatrical market, in time translating into greater box office dollars. To be sure, box office numbers for theatrical documentaries saw a four-fold increase between 2000 and 2002. In 2000 and 2001, the cumulative box office for the documentary genre languished around \$5M; by 2002, it had jumped to \$32M. By 2003, anointed in the press as the “year-of-the-doc”, box office revenue reached close to \$45M. Now in 2004, documentaries are on target to have another banner year. Even disregarding the \$100M+ theatrical success of *Fahrenheit 9/11*, box office numbers for documentaries could reach as high as \$50M.³ While these numbers, of course, pose no threat to Hollywood’s sheer dominance at the box office, they clearly indicate that the documentary phenomenon and its place in the American entertainment landscape is here for a long and ascendant stay.

The recent success of the documentary is not only evidenced by increased theatrical revenue across the genre as supported above, but by the number of documentary films actually achieving a bona fide theatrical release. Previously, one saw only a handful of documentaries a year reach theaters, and even then these were limited to art house venues at best. But today, documentaries can be found playing at the local megaplex, something indicative of a trend that we have seen evolve over the last several years. Considering the top 200 theatrical documentaries of all time, all of which span the past 20 years, the number of films released between 2000 and 2004 has more than tripled, achieving a

³ Nielsen EDI

steady 25% increase from year to year. Further, we find that 35, or nearly 20% of these films, were released in 2004.⁴

DOCS ON DVD

Thus it should come as little surprise that while docs have begun to make significant strides at the box office, such success should also extend to DVD. Indeed, the 2003 “year-of-the-doc” has made a logical transition in 2004 to the “year-of-the-doc-on-DVD.” For starters, while the total number of sell-thru unit sales for the entire DVD format doubled between 2001 and 2004 (138M in 2001 vs. 303M in 2004), unit sales for documentaries on DVD have tripled in that same period (1M in 2001 vs. 3.7M projected for 2004)⁵. Similarly, the sheer number of documentaries released on DVD has increased at a rate faster than the growth of the DVD market as a whole. Compared to a 70% increase in the number of DVDs released between 2001 and 2004 for all titles in all genres (6410 releases in 2001 vs. 10,830 in 2004), the number of docs released on DVD between 2001 and 2004 has doubled (from 396 to 800 projected for 2004)⁶. In keeping with this trend, the all-documentary DVD label Docurama has also experienced yearly growth in its number of DVD releases since its inception in 1999. Compared to just 10 films released in 2002, Docurama went on to release 28 films in 2003, 36 films in 2004, and is presently on target to release over 40 films in 2005⁷.

Much of the proliferation of documentaries and more specifically documentaries on DVD can be attributed to the advent of digital filmmaking, and the greater facility with which films can be made and produced. In addition, alternative distribution opportunities such as DVD have also enabled new documentary voices to be heard. In recent years, television has been the primary source of funding for the documentary market, with cable and PBS also a principal vehicle for distribution. However, most of these funds come with creative strings attached. The documentaries have to fit the specific format or brand of the network or show for which it is being produced. With digital video substantially

⁴ Nielsen EDI (Numbers do not correct for inflation)

⁵ Nielsen Video Scan

⁶ Nielsen Video Scan

⁷ Docurama Internal Stats

reducing the burden of fundraising for filmmakers, the greater challenge has become finding an audience. Only so many documentaries will make their way to theatrical release, thus DVD has become and will continue to present a viable distribution alternative.

Another explanation for the recent success of documentaries on DVD is due, quite simply, to the strong correlation that exists between box office success and DVD sales. With the recent proliferation of successful theatrical docs, as previously discussed, so comes a successful slate of docs on DVD. Theatrical hits such as *Fahrenheit 9/11*, *Winged Migration*, and *Super Size Me*, for example, have all also performed well on DVD.

Title	Lifetime Box Office Rev⁸	DVD Unit Sales⁹
<i>Fahrenheit 9/11</i>	\$119,200,329	801,713
<i>Bowling for Columbine</i>	\$21,576,018	464,783
<i>Winged Migration</i>	\$11,689,053	157,482
<i>Super Size Me</i>	\$11,536,423	67,784

The data also suggests that while a strong relationship exists between box office performance and DVD sales, their correlation is not contingent. In other words, a good box office is not necessary for a film to succeed on DVD. Recent documentaries such as *Biggie and Tupac* and *American Pimp* were not huge theatrical performers, and yet DVD sales for these titles were greater than sales for the arguably higher profile film *Super Size Me*.

Title	Lifetime Box Office Rev¹⁰	DVD Unit Sales¹¹
<i>Biggie and Tupac</i>	\$94,874	125,788
<i>American Pimp</i>	\$287,724	117,640
<i>Beyond the Mat</i>	\$2,053,648	149,277
<i>Dogtown & Z Boys</i>	\$1,300,682	85,528

Furthermore, while the majority of sales for most mainstream Hollywood titles occur in their first year of release, documentaries on DVD are often evergreen, continuing to generate revenue well beyond their initial launch. The Docurama DVD release of DA Pennebaker's seminal film *Bob Dylan: Dont Look Back*, for example, has continued to generate revenue every year since its release in 1999. While 33% of sell-thru sales occurred during its release year, yearly sales have been steady at 15% of total sales for each subsequent year from 2000 to 2004,¹² bringing total unit sales for the title to over 175K.¹³

Another example of the success of docs on DVD can be seen with the films of Robert Greenwald, who used the format as the principal distribution outlet for two of his films—*Uncovered—The Whole Truth About the Iraq War* and *Outfoxed-Rupert Murdoch's War on Journalism*. Only after interest peaked in the two films because of media coverage surrounding their release on DVD, did the films succeed in securing a theatrical run. *Outfoxed*, for example, sold 25,000 copies in its first week on DVD and was ranked #1 on Amazon. Two weeks later, in August 2004, Greenwald's film began a limited theatrical run, showing in theaters in New York, Los Angeles, San Francisco and Washington D.C., followed by a roll-out to select cities across the country.

DOCS ON DVD AT RETAIL

Despite the recent success of docs on DVD, brick and mortar retailers have been slow to take advantage of the opportunity, particularly when compared to on-line retailers such as Amazon, who have been successfully nurturing and merchandising documentaries for several years now. Such hesitance, however, is not altogether surprising. To be sure, the never-ending struggle for valuable shelf space and store compliance issues limit the extent to which traditional retailers can embrace emerging genres, particularly with such emphasis traditionally placed on standard Hollywood fare. Without such limitations,

¹² Nielsen Video Scan

¹³ Docurama

Created by New Video/Docurama

however, on-line has been quite successful with the genre, merchandising documentary titles in new and creative ways. The shelves of most Blockbuster outlets, for example, do not house a dedicated documentary section, while their on-line counterpart Blockbuster.com has countless sub-genres for documentaries from categories such as Transportation and Philosophy to “Shockumentary” and Animals. Not surprising, then, that on-line’s share of the sell-thru documentary market over the past five years should be disproportionately large as compared to on-line’s share of the DVD market as a whole (49% vs. 33%)¹⁴. Without question, off-line retail has some catching up to do.

Thus as more and more successful theatrical docs are released, off-line might look to some of on-line’s merchandising techniques as a means of responding to and taking advantage of the realities of consumer demand for the genre. In addition to dedicating more shelf space to documentaries in their stores, off-line can also explore better positioning alternatives, moving docs out of the special interest section and into the new-release sections alongside the latest dramas and comedies. In addition, off-line might take a cue from booksellers such as Borders and Barnes & Noble, who have been aggressive in responding to consumer demand as new and lucrative book categories emerge. Indeed over the last decade, as non-fiction has grown to overtake fiction as the larger-selling category, booksellers have responded by dedicating increased shelf space to nurture the genre.

While trends in entertainment can be fleeting, others can reflect a shift in taste, and the evidence for documentaries clearly suggests the latter. Documentaries have arrived, and yet they are at an early period in their growth curve, with a ways to go in order to achieve bona fide acceptance as a veritable, and profitable, category. Through the creativity and imagination of filmmakers, however, who are using new techniques to craft fresh stores

¹⁴ Nielsen Video Scan (these numbers, while they include traditional on-line retailers such as Amazon, also include Specialty Mass Merchants including Costco, Best Buy, Circuit City. A significant portion of these sales, however, also encompass online – ie. Costco.com, BestBuy.com, etc...)



that speak to audiences, we anticipate that the genre will remain fertile, particularly as off-line retailers address and resolve the various challenges discussed above. With

a new crop of filmmakers and audiences to keep the excitement going, we feel optimistic about the genre and its impact on the future of entertainment.