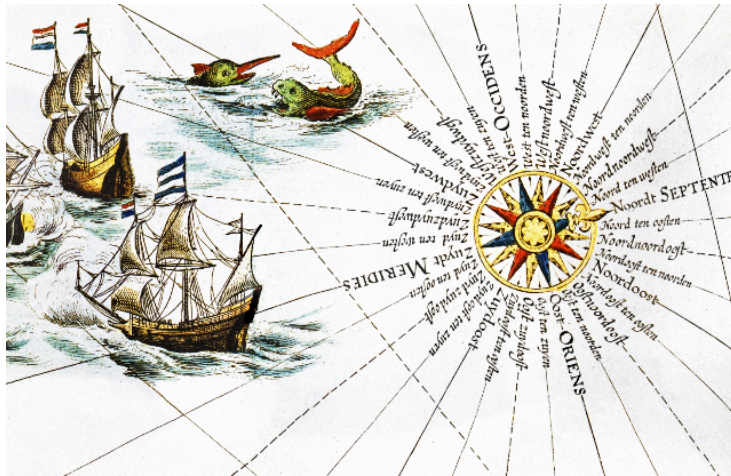


WELCOME TO THE NEW WORLD OF DISTRIBUTION

By Peter Broderick

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Welcome to the New World of Distribution. Many filmmakers are emigrating from the Old World, where they have little chance of succeeding. They are attracted by unprecedented opportunities and the freedom to shape their own destiny. Life in the New World requires them to work harder, be more tenacious,

and take more risks. There are daunting challenges and no guarantees of success. But this hasn't stopped more and more intrepid filmmakers from exploring uncharted territory and staking claims.

Before the discovery of the New World, the Old World of Distribution reigned supreme. It is a hierarchical realm where filmmakers must petition the powers that be to grant them distribution. Independents who are able to make overall deals are required to give distributors total control of the marketing and distribution of their films. The terms of these deals have gotten worse and few filmmakers end up satisfied.

All is not well for companies and filmmakers in what I call the Old World of Distribution. At Film Independent's Film Financing Conference, Mark Gill vividly described "the ways the independent film business is in trouble" in his [widely read and discussed keynote](#). Mark listed the companies and divisions that have been shut down or are teetering on the brink of bankruptcy, noted that five others are in "serious financial peril," and said that ten independent film financiers may soon "exit the business." Mark made a persuasive case that "the sky really is falling... because the accumulation of bad news is kind of awe-inspiring." While he doesn't

expect that the sky will “hit the ground everywhere,” he warned “it will feel like we just survived a medieval plague. The carnage and the stench will be overwhelming.”

Mark’s keynote focused on the distributors, production companies, studio specialty divisions, and foreign sales companies that dominate independent film in the Old World. Mark has many years of experience in this world. He was President of Miramax Films, then head of Warner Independent, and is now CEO of the Film Department. He sees things from the perspective of a seasoned Old World executive.

I see things from the filmmaker’s perspective. For the past 11 years, I have been helping filmmakers maximize revenues, get their films seen as widely as possible, and launch or further their careers. From 1997 until 2002, I experienced the deteriorating state of the Old World of Distribution as head of IFC’s Next Wave Films. After the company closed, I discovered the New World of Distribution in its formative stages. A few directors had already gotten impressive results by splitting up their rights and selling DVDs directly from their websites.

Filmmakers started asking me to advise them on distribution, and, before I knew it, I was a “[distribution strategist](#)” working with independents across the country and around the globe. Since late 2002, I have consulted with more than 500 filmmakers. While some have taken traditional paths in the Old World, many more have blazed trails in the new one. I’ve learned from their successes and failures and had the opportunity to share these lessons with other filmmakers, who then have been able to go further down these trails. It has been very exciting to be able to participate in the building of the New World, where the old rules no longer apply.

Many of the rulers of the Old World continue to look backwards. Having spent their entire careers in this realm, played by its rules and succeeded, they can’t see past the limits of their experience. For them, the Old World is the known world, which they refer to as “the film business.” They explain away the serious problems facing the Old World by citing the film glut, higher marketing costs, mediocre films, and the historically cyclical nature of the industry. They appear to believe that everything will be just fine with enough discipline and patience—if fewer, better films are made, costs are controlled, and they can hold out until the next upturn.

Many of these executives seem unaware of the larger structural changes threatening their world. They recognize that video-on-demand and digital downloads will become more significant revenue streams but seem confident that they can incorporate them into their traditional distribution model. These executives do not understand the fundamental importance of the internet or its disruptive power. By enabling filmmakers in the New World to reach audiences directly and dramatically reducing their distribution costs, it empowers them to keep control of their “content”.

The Old World executives who do acknowledge the New World can be as dismissive as record industry executives were when they first noticed the internet. Their usual condescending response is the internet may work for “little” films with “niche” audiences. After admitting that the internet represents added competition for eyeballs, they are quick to point out that little money is currently being made from digital downloads or online advertising.

Notable successes in the New World represent the shape of things to come. Several filmmakers have each made more than one million dollars selling their films directly from their websites. Other filmmakers have begun raising money online. During 10 days of internet fundraising, [Robert Greenwald](#) attracted \$385,000 in contributions for his documentary “[Iraq for Sale](#).”

Arin Crumley and Susan Buice built awareness for their feature “[Four Eyed Monsters](#)” through a series of [video podcasts](#). They then made their film available for free on YouTube and MySpace, where it was viewed over a million times. Arin and Susan made money through shared ad revenues and Spout.com sign-ups, and then snagged a deal with IFC for domestic television and home video distribution. Wayne Wang will follow in their footsteps when he premieres his new feature “The Princess of Nebraska” in [The YouTube Screening Room](#) Screening Room on October 17th.

The power of the internet was also demonstrated by the remarkably successful documentary, “[The Secret](#).” During the first stage of its release, “The Secret” could be streamed or purchased at the film’s website, but was not available in theaters, on television, in stores, or on Amazon. During the next stage, [the book](#) was launched by Simon & Schuster in bookstores and online. After the book shot to the top of the bestseller list, “The Secret” DVD was finally made available

in retail stores and on Amazon. Over 2 million DVDs were sold during the first twelve months of its release.

The following chart illustrates the essential differences between Old and New World Distribution:

OLD WORLD DISTRIBUTION	NEW WORLD DISTRIBUTION
Distributor in Control	Filmmaker in Control
Overall Deal	Hybrid Approach
Fixed Release Plans	Flexible Release Strategies
Mass Audience	Core and Crossover Audiences
Rising Costs	Lower Costs
Viewers Reached thru Distributor	Direct Access to Viewers
Third Party Sales	Direct and Third Party Sales
Territory by Territory Distribution	Global Distribution
Cross-Collateralized Revenues	Separate Revenue Streams
Anonymous Consumers	True Fans

Here are ten guiding principles of New World distribution:

- 1. GREATER CONTROL** – Filmmakers retain overall control of their distribution, choosing which rights to give distribution partners and which to retain. If filmmakers hire a service deal company or a Booker to arrange a theatrical run, they control the marketing campaign, spending, and the timing of their release. In the OW (Old World), a distributor that acquires all rights has total control of distribution. Filmmakers usually have little or no influence on key marketing and distribution decisions.
- 2. HYBRID DISTRIBUTION** – Filmmakers split up their rights, working with distribution partners in certain sectors and keeping the right to make direct sales. They can make separate deals for: retail home video, television, educational, nontheatrical, and VOD, as well as splitting up their digital rights. They also sell DVDs from their websites and at screenings, and may make digital downloads available directly from their sites. In the OW, filmmakers make overall deals, giving one company all their rights (now known or ever to be dreamed up) for as long as 25 years.
- 3. CUSTOMIZED STRATEGIES** – Filmmakers design creative distribution strategies customized to their film's content and target audiences. They can begin outreach to audiences and potential organizational partners before or during production. They often ignore traditional windows, selling DVDs from their websites before they are available in stores, sometimes during their theatrical release, and even at festivals. Filmmakers are able to test their strategies step-by-step, and modify them as needed. In the OW, distribution plans are much more formulaic and rigid.
- 4. CORE AUDIENCES** – Filmmakers target core audiences. Their priority is to reach them effectively, and then hopefully cross over to a wider public. They reach core audiences directly both online and offline, through websites, mailing lists, organizations, and publications. In the OW, many distributors market to a general audience, which is highly inefficient and more and more expensive.

Notable exceptions, [Fox Searchlight](#) and [Bob Berney](#), have demonstrated how effective highly targeted marketing can be. “[Napoleon Dynamite](#)” first targeted nerds, “[Passion of the Christ](#)” began with evangelicals, and “[My Big Fat Greek Wedding](#)” started with Greek Americans. Building on their original base, each of these films was then able to significantly expand and diversify their audiences.

5. **REDUCING COSTS** – Filmmakers reduce costs by using the internet and by spending less on traditional print, television, and radio advertising. While four years ago a five-city theatrical service deal cost \$250,000 - \$300,000, today comparable service deals can cost half that or even less. In the OW, marketing costs have risen dramatically.
6. **DIRECT ACCESS TO VIEWERS** – Filmmakers use the internet to reach audiences directly. The makers of the motorcycle racing documentary, “[Faster](#),” used the web to quickly and inexpensively reach motorcycle fans around the world. They pulled off an inspired stunt at the Cannes Film Festival, which generated international coverage and widespread awareness among fans. This sparked lucrative DVD sales first from the website and then in retail stores. In the OW, filmmakers only have indirect access to audiences through distributors.
7. **DIRECT SALES** – Filmmakers make much higher margins on direct sales from their websites and at screenings than they do through retail sales. They can make as much as \$23 profit on a \$24.95 website sale (plus \$4.95 for shipping and handling). A retail sale of the same DVD only nets \$2.50 via a typical 20% royalty video deal. If filmmakers sell an educational copy from their websites to a college or university for \$250 (an average educational price), they can net \$240. Direct sales to consumers provide valuable customer data, which enables filmmakers to make future sales to these buyers. They can sell other versions of a film, the soundtrack, books, posters, and t-shirts. In the OW, filmmakers are not permitted to make direct sales, have no access to customer data, and have no merchandising rights.
8. **GLOBAL DISTRIBUTION** – Filmmakers are now making their films available to viewers anywhere in the world. Supplementing their deals with distributors in other

countries, they sell their films to consumers in unsold territories via DVD or digital download directly from their websites. For the first time, filmmakers are aggregating audiences across national boundaries. In the OW, distribution is territory by territory, and most independent films have little or no foreign distribution.

9. SEPARATE REVENUE STREAMS – Filmmakers limit cross-collateralization and accounting problems by splitting up their distribution rights. All revenues from sales on their websites come directly to them or through the fulfillment company they've hired to store and ship DVDs. By separating the revenues from each distribution partner, filmmakers prevent expenses from one distribution channel being charged against revenues from another. This makes accounting simpler and more transparent. In an OW overall deal, all revenues and all expenses are combined, making monitoring revenues much more difficult.

10. TRUE FANS – Filmmakers connect with viewers online and at screenings, establish direct relationships with them, and build core personal audiences. They ask for their support, making it clear that DVD purchases from the website will help them break even and make more movies. Every filmmaker with a website has the chance to turn visitors into subscribers, subscribers into purchasers, and purchasers into true fans who can contribute to new productions. In the OW, filmmakers do not have direct access to viewers.

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While almost everyone seems to have an opinion about the state of the Old World of Distribution, the New World is much harder to assess. Although its population is growing rapidly and there are a number of boomtowns, much of it remains unexplored. There are no maps or guidebooks. Fortunately I have accompanied hundreds of filmmakers on their journeys, and many others have sent me reports from the frontiers. Here is an overview of what many independents have discovered so far about the geography of the New World:

FILM FESTIVALS are more important for most films. Because it has gotten harder to achieve theatrical distribution, filmmakers likely to get little or no exposure in theaters must make the most of festivals to start building press and public awareness. Festivals continue to play an

important role in attracting distributors. But in the New World it is more likely that rights will be split among several distributors in deals signed months after the festival premiere than through an all-rights deal made at 3 AM in a condo at Sundance.

Filmmakers have begun selling DVDs at festival screenings. The documentary feature “[Lumo](#)” sold 80 DVDs at a single festival screening. Since today there are a greater number and diversity of festivals and markets than ever before, filmmakers are developing customized festival strategies, and then continually refining them as they receive invitations and start playing festivals.

In the NW (New World), a notable minority of films are skipping festivals entirely, having determined they aren’t worth the substantial investment of money time, and effort. This includes films that have avid core audiences and don’t need festivals (e.g. “The Secret”), films that have urgent political content and can’t wait for festivals (e.g. Robert Greenwald’s “Iraq for Sale”), and films that have immediate commercial opportunities which could be lost during months spent on the festival circuit.

THEATRICAL DISTRIBUTION in the NW is under the filmmaker’s control. Many filmmakers work with a booker or service deal company, enabling them to fully control their theatrical launch while retaining all their distribution rights. To secure a theatrical release in the OW (Old World), filmmakers must give a single company all their US (or North American) distribution rights and total control of their film’s marketing and distribution. Some filmmakers want theatrical distribution so badly that they agree to overall deals even though there is no advance and no chance of receiving a financial return.

The current state of theatrical distribution is dismal for most independent features and documentaries. Theaters are overcrowded with studio films and higher-budget independents (including many mediocre equity-financed movies). When twenty-one new pictures open on a Friday in NY and LA, what chance do films with limited advertising budgets have?

In the NW, many filmmakers view a theatrical release as desirable but not essential. They make pragmatic assessments of the value of a theatrical run and whether they have (or can find) the

resources to do one cost-effectively. Rather than hoping for wide release in hundreds of cities, they explore very limited theatrical releases in one to six markets (via regular bookings and/or four-wall arrangements in which they rent theaters and keep all ticket sales). Filmmakers determine whether the possible benefits (reviews, awareness, Academy Award eligibility, career opportunities, etc.) outweigh the costs. If they decide on a theatrical release, they need to be as diligent about managing their expectations as controlling costs. While they can hope that their initial theatrical engagements will go well enough to allow them to go wider, they must be prepared for minimal ticket sales and no expansion to other cities. Some filmmakers decide theatrical isn't worth it and premier on television or video.

NONTHEATRICAL DISTRIBUTION can generate significant revenues for NW filmmakers. While the costs of theatrical distribution are almost always greater than the revenues, filmmakers can make money from every booking on a campus or at a museum. For each screening, an initial rental fee is paid as an advance on 35-50% of ticket sales. If filmmakers attend, they also receive a speaker's fee, usually at least \$750 plus expenses. Filmmakers also sell DVDs at these screenings. At \$20 per DVD, these sales can add up quickly. Some filmmakers work through nontheatrical distributors, splitting rental fees 50/50. Others do it themselves. Benefiting from all the publicity they generated during their theatrical release, the "[King Corn](#)" filmmakers organized 150 community screenings across the country.

HOME VIDEO DISTRIBUTION is the biggest source of revenue for most filmmakers in the NW. Choosing the right retail video distributor, structuring a fair deal, and maximizing direct sales from the filmmaker's website are all critically important. In the OW, filmmakers who make overall deals do not get to select their video distributor or structure the video deal. They are often discouraged or prohibited from selling DVDs directly. Some OW distributors believe that they are operating in a zero sum framework in which they will lose a DVD sale every time a filmmaker makes one. In the NW, most video distributors allow filmmakers to sell directly from their websites. Retail sales have often increased when filmmakers have actively promoted and sold their films online.

NW filmmakers use hybrid video distribution strategies to make the most of retail and direct sales. They often first make a limited edition DVD (just the film, no extras) available exclusively

from their website and at screenings. During this window before their film is in stores or on Amazon, filmmakers can maintain their price point (since no retailers are discounting it), receive 100% of revenues within a few days of a buyer ordering it online with a credit card, and acquire the email address of every customer. After this initial window of 3 or 4 months, their home video distributor makes a retail edition of the film (enhanced with extras) available to stores, Netflix, and Amazon. The filmmaker simultaneously sells this edition from the website and at screenings. NW filmmakers often receive a greater percentage of retail video revenues through 50/50 deals or distribution fee deals than OW filmmakers make through standard royalty deals.

EDUCATIONAL DISTRIBUTION can also garner significant revenues for NW filmmakers, but the choices are more complicated than they used to be. In the OW, filmmakers who controlled their own rights often had to choose between making a deal with a home video distributor or making one with an educational distributor who would sell copies to colleges, universities, libraries, and organizations. If filmmakers made an educational deal, they usually had to agree to postpone the home video release of their film, sometimes for as long as five years. Educational distributors were afraid that once a consumer DVD was available for \$25, they would no longer be able to sell their educational version for \$250.

In the NW, home video rights are more valuable, so many educational distributors are learning to coexist with home video. They have shortened the window they require of exclusive educational availability and are allowing filmmakers to sell from their websites. Some filmmakers have opted to do their own educational distribution, hiring someone part-time to handle it, buying mailing lists, sending emails or postcards to educators, selling directly through their websites, and using their own fulfillment company. It is much more work and is likely to produce fewer sales than an educational distributor can, but some filmmakers would rather keep all revenues after their costs than receive a 30% royalty. Filmmakers who believe they can make more money doing it themselves should consider whether the time required could be better spent on other aspects of their distribution, such as outreach to organizations.

TELEVISION can be an important source of direct and indirect revenues. Domestic television licensing fees range from hundreds of thousands of dollars down to thousands of dollars. For films that have had little or no theatrical distribution, a national television airing may make it

easier to make a retail video deal and sell DVDs. Some filmmakers let PBS air their film for no fee if they are allowed to sell spots at the head and tail of the broadcast to underwriters for sums that could total their entire budget. To maximize television sales overseas, filmmakers need a good foreign sales agent and, if it is a documentary, a version of their film that will fit a one-hour slot.

The innovative [IFC First Take](#) program demonstrates the growing importance of video on demand (VOD), which enables consumers to virtually rent individual movies for limited viewing periods. Collapsing traditional release windows, IFC First Take simultaneously launches films in theaters and on VOD through Comcast and other cable and satellite operators. The program was so successful that, this year, IFC started [Festival Direct](#), which, skipping theaters altogether, premieres films on VOD.

DIGITAL RIGHTS are the most complicated and contentious rights in the NW. Unlike in the past when rights were clearly separated, today they often overlap. Everyone seems to want some of your digital rights. The digital rights home video distributors want may conflict with the digital rights required in the TV deal which may conflict with the rights needed by Netflix for [Watch Now](#). Few companies are now making much money from digital downloads, but most are hoping they soon will. The notable exception is iTunes, which is best approached through one of its designated content aggregators. Filmmakers must carefully structure any deals that include digital rights so that they are complementary rather than in conflict.

Digital distribution is in its formative stages. While it is impossible to predict its future, it is clear that digital rights will become more valuable. For now, many savvy filmmakers are holding onto as many of their digital rights as possible, including the right to do digital downloads directly from their own websites. They are avoiding long non-exclusive deals. They also recognize that in many cases it isn't be possible to separate digital rights from analog rights, and that many deals will require a mix of both.

INTERNATIONAL DISTRIBUTION in the NW is still driven by television sales.

Independents taking a hybrid approach are working with foreign sales agents to sell their rights territory-by-territory, while retaining the right to sell directly into countries where they don't

have video distribution. Many filmmakers are making their films available to consumers around the world through DVD sales and digital downloads from their websites. In the OW, many filmmakers can't find a foreign sales agent and have no foreign distribution.

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If you're ready to venture into the New World, here's the best advice from the explorers and trailblazers that have gone before you:

Be strategic – In the Old World, most filmmakers have reactions not

strategies. They chose the best offer from those they receive. It is essential to be proactive in the New World. You need a strategy to navigate it successfully.

Think long term – Be clear about your goals. Are you creating a business around a group of films with common content? Are you building a career as an artist with a core personal audience?

Stay flexible – Implement your strategy stage by stage and modify it as you go. You learn valuable information in every stage that will enable you to improve your plan for the next stage.

Split rights – Retain overall control of your distribution. Take a hybrid approach, dividing certain rights among distributors and retaining the right to do direct sales.

Target audiences – Research, test, and refine your approach to core audiences. Understand who is most responsive to your films, and how to reach them most effectively.

Find partners – Look for national nonprofits, websites, sponsors, and distributors to team up with to bring your film to their members, subscribers, and customers.

Build a team – Find teammates who can help with the website, outreach, fulfillment, theatrical, domestic sales, and foreign sales.

Harness the internet – Use your website to build awareness, develop a mailing list, attract user-contributed content, and make direct sales. Design a compelling site that will have a life of its own.

Be creative – Avoid formulaic distribution ruts. Apply the same creativity to distribution as production. It is often harder to bring a movie into the world than to produce it. An innovative approach to distribution can make all the difference.

Make distribution happen – Design a distribution strategy and find the distributors, partners, and teammates to help you implement it.

Life in the New World isn't easy. Determination, persistence, and grit are required. There are no magical solutions and success is not assured. But for all the obstacles and dangers, there are unparalleled opportunities. Free at last to reach audiences directly, independent filmmakers can now take control of their distribution and reap the rewards.

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* Sign up [here](#) to receive my distribution bulletins on the latest in independent film distribution and marketing.