A Recent History of Distribution

Distribution has changed so much since the first edition of this book was published in 2007! And it continues to change all the time … but I think it’s best to know where we’ve come from before figuring out where we’re ultimately headed. Thus, I think it’s important to visit what the “story” of distribution really is.

But first things first: by definition, distribution is the process by which a film reaches the marketplace and is made available to its target audience. Practically speaking, distribution means selling your film to theatrical distributors, broadcast networks, DVD companies, and video-on-demand (VOD) platforms.

In today’s market, it is more difficult than ever to get distribution for your film. Why? Because there are more films on the market than ever before. Historically, it took a lot more effort to make an independent film, and distribution was easier to secure. In the 1980s and early 1990s, for example, there were a lot fewer independent films on the market, and distributors actually paid advances to secure distribution rights to a film. Because digital technologies hadn’t taken hold yet, filmmakers were still shooting their independent films on film as opposed to digital video. As a result, independent films of the ’80s and early ’90s tended to be in smaller supply and higher quality, and distributors snapped them up at high prices.

Then in the mid-’90s the digital revolution began, and filmmaking was democratized. Suddenly, there were more films on the market than distributors could handle. Filmmakers were thrilled to exercise their artistic license making films on the new, inexpensive format that miniDV delivered. In the process, they flooded the market with independent films, and distributors couldn’t keep up. Acquisition prices started to go down, because as the supply of independent films increased, distributor demand decreased.
By the late ’90s, distribution deals became harder and harder to come by. The presale market, which before had guaranteed distribution in the territory of the presale, dried up. Filmmakers could no longer rely on foreign sales to finance their budgets. Once upon a time, two or three foreign sales could finance an entire independent film budget, and the rest was profit. By the late ’90s and early 2000, that was no longer the case at all. At this point in distribution history, the market turned upside down.

By 2001 and 2002, independent films became a commodity. They were sold “by the pound” to foreign buyers, for a thousand bucks here and there. Now filmmakers had to rely on getting a U.S. distribution deal to recoup their budget. Fortunately, by this point, the U.S. DVD market was hotter than ever, and independent films, especially genre films like horror or action, were snapped up by U.S. DVD companies to fulfill their output deals with Blockbuster, Hollywood Video, and all the other video stores that were flourishing. Even if the advances these U.S. distributors paid weren’t that big, filmmakers were guaranteed royalty checks, which over time helped recoup their budgets and pay back investors.

One downside at this point in distribution history was that although DVD deals were aplenty, getting a theatrical distribution deal for an independent film was almost impossible. Theater owners just weren’t interested in booking the types of independent films that were on the market. Unless the film happened to have a big cast and could guarantee tickets would be sold or had just won the audience award at Sundance, advertising prices had gone up so that the economics simply didn’t work. Also, because there were so many independent films on the market, there were not nearly enough screens to put them on. That is one reason why the DVD format became so popular as mass-market distribution.

This brings us to today, where not much has changed in terms of distributor demand and prices paid for independent films except for one critical development. Fortunately, “new” distribution channels have opened up to absorb some of the supply of films in the market. The Internet, video-on-demand, and pay-per-view are all distribution channels unique to the past few years that have allowed for greater distribution of independent films. Although these channels do not currently account for big dollars, they are slowly becoming a viable income source for filmmakers. I hope that in the next ten years, film budgets will be able to be financed by these new distribution platforms and have DVD and theatrical distribution be the profit, turning the market right-side-up once again.

**THE CURRENT STATE OF THE MARKET: A REALITY CHECK**

A recent survey among domestic and international buyers regarding the state of the market attempted to determine why there has been such a
dramatic price decrease in license fees since the early '90s as well as a severe drop-off in distribution advances. Here’s what the findings were:

1. Ten years ago, before every aspiring filmmaker was making a film on a miniDV camera, there were fewer films on the market, and therefore the films commanded higher licensing fees. Back then, it was even possible to presell certain territories, which meant that a filmmaker would receive money in advance for a project in exchange for the buyers obtaining exclusive rights to that project in their territory. Therefore, you could essentially raise the money for your movie before shooting it. Unfortunately, those days are gone.

The state of the market is not what it used to be. The truth is that

2. Currently, only the smallest percentage of independent films get U.S. theatrical distribution UNLESS they’ve won awards at one of the MAJOR film festivals, or the cast is packed with A-list stars.

3. When you do start selling your film, it is harder than ever to get companies to agree to pay you the entire license fee up front. Be prepared for payment plans to be spread over long periods of time. Also, know from the outset that there will most likely be long lag times before actual payment reaches you. The reason for this is that DVD companies, for example, receive payments from retailers in increments based on sales of your film. Basically, they don’t pay you until they get paid. It’s a cash flow issue.

4. Unfortunately, the days of hefty minimum guarantees (aka advances) by DVD companies are gone for independent films. Many of the U.S. DVD distributors are currently offering royalty-only deals. This means that you can expect a royalty check about nine months to a year after you sign your distribution deal. The reason for this delay is that normally the DVD companies must first recoup their advance and their marketing and manufacturing costs before they pay you royalties. Now a big part of the reason for the disappearance of advances in the DVD world, I’m told, is due to the fact that you can walk into Walmart and buy big studio blockbusters for $7.99. So that leaves the $1.99 bin for independent films. Because DVD companies get lower wholesale prices for independent films, they can no longer afford to pay big advances.

**WHY THE DISAPPEARANCE OF DISTRIBUTION ADVANCES?**

In some cases, distributors are willing to take the risk and give a distribution advance to help get the ball rolling or help fill in a financing gap. More often than not, however, distribution advances have caused a number of distributors to go out of business. Some of them started investing insane amounts as production advances or minimum guarantees and
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were never able to recoup their money. As a result, the rules of the game have been completely rewritten. The new rules are
1. The production has to have A-list stars attached to the project.
2. The producer has to be innovative and willing to bring other funding to the table.
3. Distributors have to believe the producer can deliver the finished product as promised.

Distributor investments quite often lead to creative collaboration on a project because distributors have been so burned in just giving producers money and waiting for a completed film. On some films, distributors will invest money and then presell whatever territories they can to recoup their advance right away and in some cases raise additional capital for the film.

The bottom line is that most distributors are reluctant to take the risk in giving an advance. From their point of view, in most cases, it just isn’t fiscally sound because most projects don’t end up making enough sales to cover the advance. And even if they do recoup the advance, it takes several years of sales to get the cash flowing.

SO NOW WHAT DO YOU DO?

Despite these disparaging statistics about the market, there are certain types of projects that distributors always seek out. Even if you are working with a small budget, both domestic and international distribution possibilities are still available out there.

Although you may not be able to control the dynamics of supply and demand, there are factors you can control that will increase the likelihood your film gets distribution. The next chapter discusses specific steps you can follow.

Producer Betsy Chasse, In Her Own Words, On Distribution Today (www.betsychasse.net)

In five years my kids may wonder what a movie theater is….

It seems as though everything we thought we held sacred is shifting. Books are now read on computers, phones, and iPads; long phone chats are now replaced by long Skype chats (I’m still not fully into that one—sometimes I like to wear pajamas!). TV is any time, any place, and now movies are on their way out of the Cineplex and into… well, wherever.

The old notion that one must pay a small fortune to sit in a dark room with sticky chairs to see a good film is shifting toward going to your local yoga studio to see a film and hear from the filmmaker. People are looking for a more intimate experience when seeing a film. They want to feel a part of something. To me, this is part of a larger movement within society to belong. It’s no wonder social networking has had such a big impact on all of us.

These days it’s not just enough to have a movie. You need a brand. In my experience, people want to know more than what they see in a film. They want the whole story… the filmmaker’s
So Now What Do You Do?

story. They want to connect on a deeper level for a more complete experience, and that can’t always happen in 90 minutes. Think about what other products you can create from your film concept. Books, additional DVDs, seminars (it ain’t about t-shirts and hats anymore—although those are good, too).

For sure, audiences will always flock to the theaters for your typical Hollywood blockbuster, but my guess is most of you reading this book aren’t making those.

What is a filmmaker to do to get her film seen? I live by three golden rules when making or considering a film for distribution.

1. Know your audience (I mean really—not “Everyone will love my movie!”), but really know your **core audience**. Get specific—very specific. Understand their patterns. Where do they like to go? What magazines or websites do they read? How do they communicate with each other about what’s new and what’s interesting to them? How do you reach them? Nowadays traditional advertising just doesn’t cut it. You must know how to target your marketing to maximize the little advertising dollars you have. If your film speaks to your core, then they will do the real work that is the best marketing you can have for a movie: word of mouth.

2. Make a movie people want to see more than once. In this digital age, most of your revenues will not come from a theatrical release. (Should you choose to do a theatrical release, you should be thinking of that as an expense for marketing—not a revenue stream!) Your revenues will come from your DVD (and even that’s limited these days) to other digital distribution outlets such as VOD and PPV. The more people want to watch your movie, the more opportunities for revenues.

3. Make it cheap. You don’t need millions and millions of dollars to make or distribute your film. The less money of yours, your parents, or your investors you spend, the more likely you’ll make it back and be able to make more.

So now that you’ve made your film, you’ve figured out your core audience. Now what?

If I had a dollar for every person who said “You made a killing on *What the Bleep Do We Know,*” I would have actually made a killing. Even though *Bleep* is still considered one of the highest-grossing documentaries in U.S. history and has numbers thrown around like $30 million worldwide gross (no one actually knows, but it’s a good guess), the truth is it still hasn’t made its money back. Between theaters, distributor, and other fees, it’s still a struggle to squeeze any of those dollars back to the filmmakers (that’s me). Why, you ask?

Here’s the gross thing about gross: there are a lot of fingers in that pie. It starts with theaters. When you go see a movie and complain about those high ticket prices, you must think, “Those greedy little filmmakers!” But the truth is, most independent films see maybe 5 to 10 percent of that ticket price (and that’s a BIG MAYBE!). After the theater takes its cut (usually around 70 percent), the money goes back to the distributor and they take out their expenses and then their cut (usually between 25 and 30 percent), and if there is any money left over, then the filmmaker gets about 60 percent of that! (Okay, is anyone else confused?!) And that’s just for the theatrical run. Then there are foreign sales agents, foreign distributors, VAT taxes, distribution fees, legal fees, and on and on and on. That poor little filmmaker is lucky to get a dime when it’s all said and done.

So how do you make money making films? I know I said it—“Make money!”—“Gross!” especially in my genre—spiritual films—everyone thinks it should be for free! People seem to forget that you had to pay that guy with the camera and that girl with the mic. I know, we should all eat for free and make our own clothes. Nowadays everyone is waiting for Netflix or to download it for free. And right now, you’re not going to make any money from Netflix. That elusive advance seems so amazing when you hear about it, but after the checks clear and everyone has had his or her fingers in your pie, it’s not so appetizing.

I refer back to my three golden rules. Okay, so you did that, now what? Patience, creativity, more patience, and flexibility.
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Patience because—guess what?—it’s going to take a long time to make your money back. Be ready to stick to it for the long haul. Don’t be in a rush to take that first offer. And don’t be afraid to do it yourself. No one will put as much energy and care into the distribution of your film as you will, and even if you do sign that contract, it’s likely you’ll still be doing most of the marketing and promotion work yourself. Why not hold on to a bigger piece of that pie?

Creativity because finding a way to convince your audience that they should leave their house to see your film is as daunting as making the film. But it is possible, if you know your audience. Think of your film as a brand. It’s not enough just to have a movie. What’s your call to action? Why should I spend my hard-earned cash seeing your movie?

And finally flexibility because what you thought you knew about distributing your film today will be obsolete by tomorrow. You need to be ready to distribute your film in ways you didn’t think of before—find those revenue streams. They are out there in the most unlikely of places.

Right now, I am distributing a film, and I’m giving it away for FREE—yep—FREE. I have secured 500 colleges, groups, and organizations around the country to host screenings of the film. They get the film for free, and all they have to do is buy 30 DVDs to sell. They make money by selling DVDs … and I’ll move 15,000 DVDs on the first day of its launch. Not to mention, they are paying all the marketing and promotion costs for the screenings.

I can’t say it enough: filmmaking is combining art and commerce, which isn’t always the best combination. Don’t skimp on the commerce part, just like you wouldn’t skimp on the art part. Be as creative with your distribution as you are with your filmmaking. And by the way, hire someone smart like me to help you. The best money you can spend is on the right person to help shepherd your film, someone who understands your audience and how to reach them.

ADDITIONAL RESOURCES

For more information on the current state of the distribution landscape, check out “Dissecting Distribution”: www.FilmSpecific.com/dissecting distribution