

Cultural Daily

Independent Voices, New Perspectives

Indie Films at 7,000 Feet

Adam Leipzig · Thursday, January 19th, 2012

Gritty and winsome, polished and raw, excitable and flat-lined: indie movies have multiple personalities. If they were a character in one of their own films, they'd be the bipolar one, always in a state of glee or desperation. The experience of being around them fills one with joy and dread.

This year's Sundance is no exception. In the U.S. and World Cinema Dramatic and Documentary Competitions there will be 112 feature-length films, representing 29 countries and 44 first-time filmmakers. The films were selected from 4,042 feature-length film submissions composed of 2,059 U.S. and 1,983 international feature-length films, according to Sundance's official press release.

Even though the films this year are more fringe in spirit than last year's, we may predict about 40 of them will get some kind of deal – a huge percentage, until you take into account all the completed, full-length films that didn't make it into the festival. If you look at it this way, it means 4,000 films *won't* get distribution.

Figuring, conservatively, that each film cost \$300,000 to make (some of course cost much more), that means \$1.2 billion in production finance will not be recouped, on these movies alone, in just this one year. That's a staggering loss of financial resources, not to mention the time and sweat of the tens of thousands of people who worked on the movies.

Temp Check

Sundance is not a bell-weather of the independent film universe but, as I wrote last week in [Cultural Weekly's Sundance Scorecard](#), it is a temperature check.

To some extent, we'll understand a lot this year from what distributors don't buy. Many of them have full slates already, and will only hop into a film if they really love it and feel it will have commercial appeal. So this year will be interesting, because Sundance's selection committee has gone back to its indie roots with truly indie offerings – the kinds of films most distributors won't take.

On the other hand, audiences crave authenticity, as antidote to the manufactured confection of mainstream movies. Sundance films are nothing if not authentic. And let's not forget that indie movies make money: they accounted for about one-third of the US box office gross this year, and will likely win two-thirds of the major awards.

Indie Econ 101

Today, there are more ways than ever before to get eyeballs on your movie, yet fewer certain ways of charging those eyeballs for a peek. Let's follow the money for a few minutes.

You make a movie. You, the filmmaker, don't pay for it. You get family and friends, or wealthy people, or companies, to invest in it. They actually own the movie; you don't.

Now it's time to sell your movie. You'll work with a sales agent, who will charge 10% of the sales price. The sales price will consist of a minimum guarantee ("the MG"), and sometimes a minimum release and marketing ("P&A") commitment. The MG is cash the investors get up front... and it may be all the cash they will ever see. It is guaranteed money; the investors will only get more if the movie does really well at the box office and after. A minimum release commitment means the distributor promises to release the film in a certain number of theatres ("screens") and cities ("markets").

The distributor takes the film, creates marketing materials, and goes out to sell the movie to audiences. What does it cost to give an indie movie a theatrical release? Big companies, like Fox Searchlight, will spend \$2-3 million on initial marketing to open a picture. Smaller companies may spend \$250,000-\$1 million. Micro-companies might spend \$25,000 – \$100,000 which means they can't do lots of press screenings, hire a PR agency, or have multiple prints of a film so its run can expand beyond New York and LA.

How's the weather for indie films at the box office? Surprisingly good. Tom Bernard, co-president of Sony Pictures Classics, told me, "Independent movie theatrical has never been better. It's kind of a golden age." Why? Exhibitors are catching onto the special needs of indie films and their audiences; some, such as AMC and Cinemark, have special internal marketing units devoted just to indie films.

The Truth About Splits and VOD

For every dollar taken at the box office, the distributor will get approximately 40%, and the theatre (the "exhibitor") keeps the rest. Distributors keep telling me they are really getting 40%, but that is not always true – at times they will take as little as 35% or even 30%; sometimes it's a matter of negotiation with the exhibitor for each specific film, and each successive week the film is playing. Some movies play on VOD at the same time as, or even before, their theatrical run. While exhibitors have fought this practice with studio movies, they are increasingly willing to consider day-and-date VOD releases with indie films.

But they may exact restrictions. Last year, Roadside Attractions had to keep *Margin Call* below 200 screens – otherwise they would have violated their agreement with exhibitors that allowed *Margin Call's* simultaneous VOD release.

Tom Bernard disagrees with this business model: "Day-and-date theatrical and VOD release cannot do as well as the normal windows," he declared. "That's a myth that needs to be busted." While VOD will certainly become the primary way most audiences will see indie movies, the money is not there yet. The VOD/distributor split is roughly the same as with theatrical exhibition; the distributor gets 30%-40%. But VOD revenues seem more mysterious. They are not publicly available, as box office figures are. To get them, you have to subscribe to costly industry reporting service Rentrak. I hope that soon there's more free information and transparency for the filmmaking community.

DVD sales are down, and VOD sales have not replaced them. While Bernard told me, "VOD revenue is still a fraction of DVD revenue – about 10%," that figure seems low to me and others in the distribution community, and it is certainly movie-specific. Some films do well on VOD and others don't. IFC Films, for example, has built a massive business on VOD; their films often make \$1 million or more in VOD revenue even before their theatrical release, and typically they release theatrically on a very small number of screens.

What About You and Your Investors?

Likely you, the filmmaker, won't see any more money from your film, other than the low fee you took just to get the movie made. Nor will your investors get more money than their minimum guarantee, unless the film exceeds expectations. Remember: the splits coming back to the distributor are low, the distributor has its own expenses and profit to account for, and marketing

expenses are high.

Even with new technologies, indie filmmaking still won't be a steady paycheck.

Where Are We Headed?

Even though the indie movie business is far from certain (it has never been certain), it is beginning to stabilize. Oscilloscope head David Fenkel, told me that while VOD is still unpredictable, "it is more predictable than in the past two years. We're in a developing marketplace that has one or two cycles of maturing to go."

"Predictable" is the key word here. Even though non-theatrical revenues may be down, they are beginning to be predictable. That means distributors can begin to rebuild their financial models for how movies will perform. Better models mean better deal-making. Better profits will likely follow. David Dinerstein, who just signed on to head distribution for Liddell Entertainment, told me, "We are seeing an extraordinary change in how films are distributed, and it is an incredible time to be a filmmaker as well as distributor. Theatrical releases are working, and there are so many ways to get people to see your movie. There have been only 2 other shifts like this in the movie business. The first harkens back to the advent of VHS; naysayers said it would ruin the film business, but really it helped define New Line and Miramax. Fifteen years later, the advent of DVD helped define companies like Artisan."

Indie film exec Ruth Vitale, formerly of Fine Line and Paramount Classics, and engaged as a consultant this year, told me the way forward has become clearer: "As we become better at predicting how each delivery system works, we can go back to the model of running justified, conservative numbers – understanding each film's best channel for audience consumption. But here's what's key: we must never lose sight of the fundamentals – don't forget the audience and never feel like you have to follow the pack."

Indie films don't follow the pack, and neither does Sundance. That's one certainty you can count on this year.

Image from Hello I Must Be Going, directed by Todd Louiso, one of 4 Sundance opening night movies.

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