Perspectives on Film Distribution in the U.S.: Present and Future

By

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Abstract

I believe film has the power to transform people’s lives and minds and to enlighten today’s generation like any other medium. This is why I wanted to write my thesis about film distribution as it will determine the future of the industry itself. The way films are distributed, accessed and consumed will be critical in shaping our future entertainment culture and the way we approach content.

The goal of this thesis is to analyze current distribution models, consumer behaviors and distributors marketing efforts to try anticipating the best models for the film industry. I also want to explore what the changes in the distribution landscape mean for the creatives and the content creation in overall.

I will focus my analysis on movie distribution in the United States as I consider this country to be the most changing and dynamic market in the whole industry. Trends and practices in the US should be predictive of future distribution and consumption models in international territories.

In addition to the high number of articles that helped me for this thesis, I will very often refer to Chuck Tryon’s On-Demand Culture: Digital Delivery and the Future of Movies (2013), and Anita Elberse’s Blockbusters: Why Big Hits – and Big Risks are The Future of the Entertainment Business (2013).

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Introduction

The film industry has shifted over the last decade. We have reached a high stage of instability in which film distribution and production companies are all being challenged by the transformation of business models, distribution channels, and audience desires. In the words of David Thorburn (“The Film Experience”), we are undergoing complex and quick changes leading to three main phenomena.

The first one is related to digitization and the consequent “mobility” it has triggered. Martin Scorsese wrote an open letter to his daughter – published in Indiewire - in which he says that the future of filmmaking is bright because, now – thanks to new technologies - everyone can access cheap equipment and create great content. Revealing one’s creativity and talent has become possible at any price.

“I don’t think I’m being pessimistic when I say that the art of cinema and the movie business are now at a crossroads. Audio-visual entertainment and what we know as cinema... appear to be headed in different directions. In the future, you’ll probably see less and less of what we recognize as cinema on multiplex screens and more and more of it in smaller theaters, online, and, I suppose, in spaces and circumstances that I can’t predict.

So why is the future so bright? Because for the very first time in the history of the art form, movies really can be made for very little money. This was unheard of when I was growing up, and extremely low budget movies have always been the exception rather than the rule. Now, it’s the reverse. You can get beautiful images with affordable cameras. You can record sound. You can edit and mix and color-correct at home. This has all come to pass”.

The idea of mobility means that you can create content for almost no money and that everyone can access it anytime and anywhere. We have access to stories to an extent that has never happened in history. The second phenomenon is constant instability. How can we explore these new technologies and their consequent impacts if film distribution and production are in an endless state of complex changes? All the basic elements that used to constitute the movie industry have exploded. The last phenomenon is “immersion”. Today, consumers are expecting the movie experience to be amazingly cinematic. While 3D movies have changed storytelling, as well as consumer behaviors, the recent advent of Virtual Reality suggests that the future of film is immensely different than what we have ever known. This excitement about the emergence of a new technology, of which we still ignore the whole potential, could be seen as a parallel to the end of the nineteenth century when people discovered cinema. Through the big screen, people were surprised and scared to see that movies could look so real. More than a century after, the film industry is about to bring out a new aspect of realism, but we still ignore how we will feel about it.

These three phenomena show that innovative technologies, expanded distribution, limitless content and fragmented audiences have transformed the film industry and disrupted traditional business models. As challenging as it can be for studios, it is even more difficult for independent distributors to get their films out there, in a time when entertainment options are overwhelming, audiences expect any movie to be everywhere at a low price. How can we make sure that films keep resonating with audiences and building a cultural legacy for future generations? As Anders Waage Nilson and Rune Smistad express in their report, ICT
challenges and opportunities for the film industry - a value chain perspective on digital distribution:

"It is not a shift from one slow-changing system to another, it is a shift from a predictable world to a non-predictable world. The online world is not a world but a state, an unstable state which constantly creates possibilities, while killing others. The future calls for agility of mind, both in content and industry policy. Predictions are becoming increasingly hard to make, and mind-bending innovation is becoming the rule, not the exception”.

My thesis will revolve around the new practices in film distribution and will question the existing business models in order to learn which are economically viable. Is the movie theater experience still relevant or are we shifting into a complete on-demand culture? Does Anita Elberse’s “blockbuster” strategy make sense or will people turn themselves into “misses” instead of “hits” to quote Chris Anderson in The Long Tail? Digital distribution raises questions about how movies are accessed and consumed, and how they impact our entertainment culture. Besides, technology is often portrayed as a determining force, but cannot these changes be due to popular aspirations? What do people really want to see, when and on which distribution channel? Analyzing consumer behaviors and desires is crucial to understand which model the film industry is heading toward. Eventually, how will content creation be impacted? If the way films are distributed changes radically, wouldn’t it change the way content is imagined, financed and produced as well?
1. What trajectory is film distribution heading toward?

1.1 How does the film industry currently work?

1.1.1 A short description of the film industry value chain

In overall, the film industry landscape involves producers, distributors, and exhibitors. Film studios work as vertically integrated structures handling everything from physical production, financing to domestic and international distribution. Through diversification, studios also entered into such fields as video games, television, theme parks and home video. Studios usually rely on production companies to handle creative and physical production. Production companies can either work with studios or independently. If a production company works with a studio, the studio will be in charge of the movie’s worldwide distribution. If not, the production company has to find distributors that will help to finance the film. If a production company only produces, then it has to look for a US distributor and an international seller. When a movie is sold to a distributor, the distributor acquires every distribution right - theatrical, video, TV and on-demand. The distributor can either distribute the movie on each channel by itself, or sell the rights of each specific channel to more specialized distributors. Independent distributors, contrarily to studios, acquire movies in order to distribute them on their domestic territory only.

Let’s be more specific:

**The production company:**
A production company handles the development, pre-production, production and post-production of a movie project. A producer is the money person who buys the scripts, hires actors, a director, and a crew and ensures that the film is being made and sold to a distributor. A production company is considered to be "independent" if it does not have a distribution deal with one of the six major studios (Disney, Universal, Warner Bros, 20th Century Fox, Paramount, and Sony). Once a producer acquires a script, the goal is to sell the movie to a distributor for more than what was invested. On the one hand, small independent production companies raise money from personal savings, private investment or international sales. On the other hand, respected producers usually work with agents to create a sales package with a script, a thrilling cast and a famous director. The goal is to generate a bidding war between studios – if the production company does not have a first-look deal with one of them. If they sell the movie’s rights to a studio, they usually sell them worldwide, as the studio will handle domestic and international distribution. In general, financing can be a very stressful process for producers as they can be developing a film for several years and not succeed in financing it entirely.

**The distribution company**
The role of a distribution company is to find a movie’s audience and target it. It should distribute the movie to every distribution channel - theatrical, video, TV, on-demand - to reach the largest audience possible. A producer can sell a movie to a distributor handling either both domestic and international distributions or domestic distribution only. On another scale, a producer can also sell a movie to a distributor handling distribution for all the exploitation rights or to a distributor that will sell the rights for a specific distribution channel. Besides, distribution companies spend a lot of money in marketing campaigns to attract viewers.
Definitions
- On Demand rights:
  - VOD: Streaming or temporary downloading
  - EST (Electronic Sell-Through): permanent downloading
  - FVOD (Free VOD): includes on-demand advertising and on-demand programming
- SVOD rights: Streaming or temporary downloading through a subscription model
- Television rights:
  - Pay TV
  - Free TV
  - PPV (Pay-Per-View): Pay TV system in which a fee has to be paid per show
  - NVOD (Near Video-On-Demand): several copies of a program are broadcasted at short time intervals so it is more convenient for viewers

The exhibitor
Theatres are in charge of movie programming. There are independent exhibitors or large chains. Programming will depend on their mandates and their audience. Exhibitors handle ticketing, concessions (representing the majority of their profits) and film projection. They work directly with distributors regarding programming terms, marketing, and material delivery.

1.1.2 How had the film industry been doing in 2015?

1.1.2.1 Theatrical results

1.1.2.1.1 A record-breaking year, but disappointing parameters

In 2014, US/Canada box office was $10.4 billion, down 5% from $10.9 billion in 2013. After the disappointing year 2014, the box office reached $11.1 billion for the first time in history. It was especially an incredible year for Universal Pictures. The studio ended with 21.3% of market shares in the United States in 2015 while Disney was behind with

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1 MPAA, Theatrical Market Statistics 2014
2 Variety, Box Office has record year as few share the wealth, December 2015
19.8\%\textsuperscript{3}. Universal has been the fastest studio to cross $5\text{ billion}$ at the worldwide box office. However, the high ticket price helped Hollywood to hide that movie attendance has been decreasing for years. Tickets sold ($1.27\text{ billion}$), and average tickets sold per person ($3.7$) both declined by $6\%$ in 2014\textsuperscript{4}.

While box office results have been pretty stable, sometimes sluggish, admissions were, on the contrary, on the downward slope. 2015 results are highly related to the success of blockbusters such as Star Wars: The Force Awakens, Jurassic World, Avengers: Age of Ultron and Furious 7 that will also end up among the top seven highest-grossing films of all time. In his article, Box Office Has Record Year as Few Share the Wealth, Bret Lang, senior film and media reporter for Variety, refers to Chris Aronson, Fox’s domestic distribution chief, who noted that “a significant portion of the overall gross was coming from far fewer films...Yes, it was an up year, but that was driven by fewer films than normal.”

In On-Demand Culture: Digital Delivery and the Future of Movies (2013), Chuck Tryon introduces Thomas Schatz. Schatz noted that the flurry of mergers in the 1980s and 1990s helped establish what he calls “Conglomerate Hollywood,” (qtd in Tryon, 2013, p.7) in which six companies take in the majority of revenues. In 2015, the market share of the leading six studios – being Disney, Universal, Fox, Warner Bros, Sony, Paramount - was 80.6\%, which does not leave much for independent studios like Lionsgate (5.9\%) and smaller independent distributors like The Weinstein Company (2.6\%). If we add up the market shares of their independent divisions – Focus Features, Fox Searchlight, and Sony Pictures Classics

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\textsuperscript{3} Box Office Mojo
1.1.2.1.2 What do 2015’s theatrical results reveal on moviegoing trends?

The trivialization of 3D movie releases has been critical in these record-breaking results. In 2005, James Cameron and George Lucas held a presentation at ShoWest, a renowned convention for the film industry, which altered the course of cinema history. They convinced exhibitors to invest in digital equipment in theaters, arguing that it would help revolutionize cinema through the use of digital 3D. They claimed 3D would bring back audiences to theaters. Tryon (2013) indicates that conversion costs were estimated at $100,000 per screen (cited in Tryon, 2013, p.76) at that time. Cameron ambitiously promised that:

"With digital 3D projection, we will be entering a new age of cinema. Audiences will be seeing something which was never technically possible before the age of digital cinema -- a stunning visual experience which 'turbocharges' the viewing of the biggest, must-see movies. The biggest action, visual effects and fantasy movies will soon be shot in 3D. And all-CG animated films can easily be converted to 3D, without additional cost if it is done as they are made. Soon audiences will associate 3D with the highest level of visual content in the market, and seek out that premium experience".

Cameron’s remark underlines that he considered moviegoing as a show, a spectacular and technically impressive entertainment above all. According to Tryon, “Cameron’s comments offer a useful introduction toward thinking about how cinema has been redefined in the era of digital projection” (Tryon, 2013, p.77). According to Cameron, 3D would offer an improved moviegoing experience, changing, by the way, people’s expectations when going to theaters. He showed it with Avatar, which is still, as of today, the biggest movie success in the world. Now, movies are more and more considered as events. 2015’s box office results can easily prove it; the four highest grossing movies came all with big 3D releases. Therefore, the multiplication of 3D and IMAX releases has increased ticket prices. With movie tickets costing more than $15 in most theaters – at least in big cities - audiences expect to be mesmerized by the cinematic experience. Although 3D was meant to reverse the sluggish box office results, it has actually turned into a standard distribution practice.

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5 DCinema Today, George Lucas and James Cameron to Highlight Digital Cinema and 3D Movies at ShoWest 2005, March 2005
According to LEK’s Spotlight on Media & Entertainment: Box Office Trends published in February 2015, the increased availability of 3D screens, as we can see in the graph above, drove ticket price increase due to the surcharge. However, since a few years, enthusiasm for 3D has cooled. Tryon (2013) rightly quotes David Bordwell, an American film theorist and historian, who observes that “film exhibition, once a stable technology undergoing only mild alterations, will henceforth suffer change that is fast, radical, unpredictable and perpetual” (qtd in Tryon, 2013, p.95). As a result, he adds that exhibitors will undergo significant costs to improve outdated equipment and offer more impressive experiences.

1.1.2.2 Home entertainment

1.1.2.2.1 Physical

In On-Demand Culture (2013), Tryon followed up on Schatz’s notion of “Conglomerate Hollywood” that he defined in 2008. Schatz states that studios fitting within larger conglomerates have the possibility to distribute their content via the widest variety of channels. Despite huge budgets reaching hundreds of million dollars, most films were ensured to be profitable because plenty of delivery options. However, after the collapse of the DVD market in 2008, movies’ profitability was not guaranteed anymore - DVD sales used to be crucial. Tryon (2013) indicates that consumers were becoming more likely to buy momentary
access to movies – DVD or Blu-Ray rentals, streaming, VOD. They have been opting for more mobility and flexibility.

Therefore, “physical” sales – DVD and Blu-Ray - have declined, while on-demand sales have increased as we can see in the graph below.

![Graph showing evolution of home entertainment revenues](image)

**Evolution of home entertainment revenues ($bn)**

In the article, *Why 2015 Home Entertainment Figures Should Worry Studios*, Andrew Wallenstein, Co-Editor in Chief at Variety, announces that according to the Digital Entertainment Group research, the “total U.S. home entertainment spending” increased by 1% to reach over $18 billion in 2015. These results reverse a 1.8% decrease registered in 2014. However, he indicates that studios should be worried of that figure because it is a mix of inconsistent revenue streams including sales and rentals of DVDs and Blu-rays, VOD, electronic sell-through, and SVOD. It appears that adding SVOD is problematic. It is somewhat odd to include SVOD and not premium channels like HBO, Showtime, and Starz as Netflix has evolved into a more TV-centric service whereas home video is still essentially driven by movies. He adds that the 2014 total without SVOD is $13.8 billion, down from $15 billion in 2013, showing once again that physical sales are undergoing a tough time.

However, it is worth signaling that, as Ron Sanders, president of Warner Bros. Worldwide Home Entertainment Distribution, summed it in Variety’s article, *Home Entertainment Chiefs Hopeful Discs Can Face Down OTT Threat*:

“2015 has shaped up to be a really interesting year, and one that has defied expectations. First, the physical business is not dead, and has declined at a

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6 Figures are taken from Ben W. Sheppard and John G. Plumpe’s study *The Rise of SVOD: How the Growth of Subscription Video-on-Demand Impacts Copyright Holders*
slower rate than most ‘experts’ predicted. Second, the digital business (especially EST) has remained an incredibly strong growth engine for consumer sales despite several years of double-digit growth performance. Finally, the explosion of new technology and higher quality sources has injected real optimism for the future.”

1.1.2.2 Digital

In the same Variety article we mentioned earlier, Andrew Wallenstein reveals that SVOD increased by 25% year-over-year for two consecutive years. Wallenstein adds that SVOD is lower than its true total (cf. graph above) because the Digital Entertainment Group did not take into account Amazon Prime subscriptions. Regarding digital sales, VOD and EST sales are around $2 billion each. EST showed a healthy 18% growth but the growth rate actually decreased from the 30% rate of 2014.

![Graph: US total physical home video revenue and total electronic home video revenue (Sm) from 2010 to 2019 (Source: PwC)](image)

We can conclude from the theatrical and home entertainment earnings that, while theaters face a future of continuous upgrades with better cinematic experiences, watching movies at home is characterized by more flexibility and convenience. Audiences are looking for the best possible value and are less eager to own content. The “event” viewing in theaters is now opposed to the “casual” viewing at home.

1.1.2.3 TV

According to the graph below, from LEK’s Spotlight on Media & Entertainment: Over The Top TV Trends, TV still represents a significant part of viewers’ consumption.
In The Hollywood Reporter article, *Big Media CEOs Make A Wobbly Case That The Weak TV Ad Market Will Be Short-Lived*, David Lieberman, Deadline Executive Editor, refers to Morgan Stanley which predicted a “slow but steady leakage of the traditional TV ecosystem’s video advertising revenue [market] share” heading to 2020. There is a clear shift toward digital platforms exacerbated by the phenomenon of cord-shaving and cord-cutting. The results of the latest Pew Research Center survey of broadband adoption are summarized in the graph below. Netflix, Hulu and Amazon have become legitimate alternatives to TV and Youtube gather more than a billion viewers around TV networks of interests.

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7 Variety, Cord cutting survey: 19% of Young Adults Have dropped cable or Satellite TV Service, December 2015
The venture capitalist Marc Andreessen, who co-invented in Netscape, predicted that “TV in ten years is going to be one hundred per cent streamed. On demand. Internet Protocol. Based on computers and based on software. Software is going to eat television in the exact same way, ultimately, that software ate music and as it ate books.”

The changes in TV-watching behavior are crucial for the film industry because so much major studios profits are derived from cable networks that get affiliate fees from cable and satellite providers.

1.2 What is challenging traditional business models in the film industry?

1.2.1 Key challenges

1.2.1.1 New technologies

In the article, Free! Why $0.00 Is the Future of Business, Chris Anderson explains that “the rise of ‘freeconomics’ is being driven by the underlying technologies that power the Web. Just as Moore’s law dictates that a unit of processing power halves in price every 18 months, the price of bandwidth and storage is dropping even faster. Which is to say, the trend lines that determine the cost of doing business online all point the same way: to zero”. The advances triggered by new technologies establish cheaper barriers to entry. It is simpler and cheaper for content producers to create and distribute movies; digitization has empowered consumers and creatives. Filmmakers do not necessarily need millions of dollars to make a good movie anymore. A great example is Tangerine, a 2015 American comedy-drama.

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8 The New Yorker, Outside the Box, February 2014
directed by Sean S. Baker. The movie was entirely shot with three iPhone 5s due to budget constraints and cost $100,000 to produce. It only made $702,354 at the US Box Office, but these earnings are already more than seven times the film’s production budget and they do not take into account the non-theatrical sales. *Tangerine* has been very popular online since it was continually praised by the critics and was often lauded as one of the better films of 2015.

Aside from movies, digitization has seen the rise of online videos through digital channels that also constitutes a fierce competitor. Given that creating content is easier now, there are too many entertainment options. Consumers are overwhelmed and it has become harder to convince them to watch one specific movie over another, or content of another format. As a result, the film business is becoming riskier. Meanwhile, new technologies like sophisticated recommendation engines make it more straightforward for consumers to find and buy what they want to watch.

### 1.2.1.2 Windowing

While analyzing windowing, Tryon (2013) indicates that, in the past, exhibitors were granted an exclusive “window”, enabling them to show a movie without having to compete with versions of that movie that were distributed on other channels. Typically this window lasted about 6 months. He refers to Jeff Ulin, media executive, attorney, entrepreneur and author of *The Business of Media Distribution- Monetizing Film, TV and Video Content in an Online World*. Ulin shows that this window has been progressively shortened after the advent of DVD. Ulin observes that “the average window between the theatrical premiere and the DVD release was 5 months and 22 days in 1998, but by 2008, that window had shortened to 4 months and 10 days” (qtd in Tryon, 2013, p.70). This decrease was due to studios’ desire to have DVD releases of summer blockbusters ready before Christmas. Ulin adds that DVD sales have been declining steadily since 2003. However, the window system remained in place until recently, when the decrease in DVD sales, one of the primary revenue streams for studios, pushed them to look for new alternatives. The expansion of digitization has changed when, where and how viewers engage with content. Thanks to high bandwidth, consumers expect to have access to content anytime and anywhere. Traditionally, theatrical exhibitors refused to shift from the traditional model requiring studios to wait at least 90 days before a movie is released for home entertainment channels. This model has not changed for years even though ticket sales decreased, home theaters proliferated, online consumption increased as well as extensive piracy. This situation has been a key challenge for the major Hollywood studios: “How do they monetize the digital space without jeopardizing long-standing (and quite lucrative) relationships with exhibitors, advertisers, and cable operators?” as Curtin, Holt, and Sanson ask in *Distribution Revolution: Conversations about the Digital Future of Film and Television*.

In the past few years, some distributors have tried to disrupt these traditional business models. For instance, Redbox’s kiosks disturbed DVD distribution patterns. Tryon explains that “studios worked to negotiate a retail window of 28 days between the ‘street’ date when new DVDs would be available for purchase and the date when they be available for rental via Netflix and Redbox” (Tryon, 2013, p.115). Day-and-date, Ultra-VOD or even earlier VOD releases also frighten exhibitors. They spent the last years fighting against decreasing ticket sales by offering better theater experiences with 3D and IMAX, improved sound and seats. They argue that if distributors shrink exhibitors’ exclusive theatrical window, they won’t be able to make any money. However, this argument does not take into account that most movies do not run in theaters after one or two months and that distributors have to launch new
marketing campaigns for the other channel releases as the film becomes out of people’s mind. Paramount tried to find a solution to this problem by working directly with exhibitors. The studio announced a creative deal that would benefit both parts. “Changing decades of tradition, two major North American cinema chains... agreed to let Paramount make two fall titles available digitally just 17 days after they are all but done with their theatrical run (albeit on fewer than 300 screens)”. AMC Theatres and Cineplex Entertainment accepted to shrink the window between the theatrical and home entertainment releases of two Paramount’s low-budget horror films this fall - Paranormal Activity: The Ghost Dimension (October 23) and Scout’s Guide to the Zombie Apocalypse (October 30). The 90-day home entertainment debut window fell to just 17 days. Since this creative deal is risky for exhibitors, Paramount shared a percentage of its digital revenue during the first three months from the initial US theatrical release. AMC CEO and president Gerry Lopez said: “Consumers know theatrical movies from their 'gotta see it now' exclusive releases in theaters, but every movie is different, and a one-size-fits-all business model has never made sense. This model aligns the interests of consumers, filmmakers and exhibitors to maximize the theatrical experience first and then enable legitimate digital access”. In this specific example, horror films usually have a theatrical run of fewer than three weeks. This win-win model bringing more flexibility to the theatrical windowing system should be the future of film distribution as regards to theatrical releases.

1.2.1.3 The rise of massive online retailers and content aggregators

As Anita Elberse asks in her book, Blockbusters (2013), “is the rise of online distribution channels a sign that soon the ‘old’ rules of the entertainment business will no longer apply?” (Elberse, 2013, p.11).

Theatrical exhibitors and cable companies now compete against many digital players such as Netflix, Amazon, Hulu, iTunes, Youtube, Vimeo, just to mention a few. Why are they challenging traditional business models? As Chris Anderson explains in The Long Tail, since the Internet and corresponding technologies reduce the costs of search, consumers find products, which may be uniquely well suited for them, more easily. At the same time, the Internet also lowers storage costs and makes it simpler for online distributors to keep a huge library. According to Anderson, “emerging digital entertainment economy is going to be radically different from today's mass market. If the 20th century entertainment industry was about hits, the 21st will be equally about misses.” He adds: “For too long we've been suffering the tyranny of lowest-common-denominator fare, subjected to brain-dead summer blockbusters and manufactured pop. Why? Economics. Many of our assumptions about popular taste are actually artifacts of poor supply-and-demand matching - a market response to inefficient distribution”. The physical world puts two constraints on the film industry: the physical world itself and the need to find local audiences. He considers that hit-driven economy is “the creation of an age without enough room to carry everything for everybody...This is the world of scarcity. Now, with online distribution and retail, we are entering a world of abundance. And the differences are profound”. He values a “Long Tail” strategy through which consumers are considered as individuals and benefit from a more diverse choice of content, “ending the tyranny of the hit”. Digital distribution has developed the hope that everyone could watch content adapted to their personal tastes anytime and anywhere.

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A company like Netflix completely disrupted the lucrative DVD and Blu-Ray market. Tryon (2013) argues that Blockbuster Video’s dramatic decline would have been almost inconceivable fifteen years ago, when Blockbuster had more than 8,000 stores and collected $5.4 billion in revenue from around 3 million annual customers (cited in Tryon, 2013, p.104). Subscription services have challenged the notion of ownership. Consumers increasingly value the opportunity to rent an infinite number of movies, instead of a few ones. In addition to SVOD platforms, companies like Amazon, Apple or Google also puts a lot of pressure on established business models because, as they dominate the sectors in which they operate, they have enough influence to dictate entertainment goods’ pricing and movies’ windowing.

1.2.1.4 An extra need for curation

As we mentioned in the key challenges section earlier, consumers are more than ever overwhelmed with the amount of content available. Matt Mergener, former features writer and film reviewer wrote in 2014 an article at Tiny Mix Tapes, 2014: The Rise of A24 and Drafthouse Films, saying that:

“We live in a world where over 100 hours of video is uploaded to YouTube every minute. It’s a moment in history that is both exciting and overwhelming, a moment when a curatorial voice is not only helpful, but also necessary to guide us toward what we consider meaningful and significant in our culture. Sure, algorithms can be handy, making everything in our lives quick, easy, and more efficient. Netflix tells me I want to watch more horror movies because I watched and liked You’re Next last week. But I also want my viewpoint expanded, challenged; I want to see new things. This is just one job of a curator. A human touch feels necessary to capture the elements of the new and the different, that unquantifiable concept of discovery. An algorithm can’t fully explain why a movie is important and how it fits into the broader landscape of a time and a place or why it matters in the historical timeline of cinema, art and storytelling”.

This need suggests that distributors have to be more attentive to the content they choose and be aware of their audience desires. Viewers are expecting from film companies to appropriately and effectively choose the right movies.

1.2.1.5 The eroded value of film

1.2.1.5.1 Piracy

Piracy is often blamed to lower a movie’s “fair price”. But other reasons, such as consumers’ expectations that prices will decrease with the advent of digital channels, may be more dangerous. According to Tryon (2013), many websites argued that piracy could be a form of unofficial marketing, enabling people to “sample” a film before buying it legally or watching it in theaters. However, this argument offers no assurance that consumers who download a copy of a movie would rent or purchase it legally afterward (cited in Tryon, 2013, p.54).
1.2.1.5.2 New business models and pricing

The persistent availability of movies in online catalogs minimizes consumer desire to own a movie. As users are more likely to purchase temporary access to a unique viewing, through VOD or SVOD, it tends to lower movies' value. Digitization has impacted the value of content, which is more and more perceived by consumers as close to 0. Redbox and its very low prices have also contributed to lower the perception that movies, as entertainment goods, are genuinely priced. Tryon argues that “movie watching became a more informal practice, one that required even less commitment than renting a title from a bricks-and-mortar. In all cases, streaming, VOD and EST did not only change how movies were purchased or rented; instead, they changed the perception of the film and TV text and altered the behaviors of consumers and the business practices of the industry self” (Tryon, 2013, p.31).

1.2.1.6 Changes in audience behavior and watching habits

Audience endlessly changing tastes and behaviors complicates distributors’ tasks. Audiences do not have the same habits as they did and the new ways of consuming content are affecting their willingness to pay for certain services.

The multiplication of devices and the screen fragmentation is crucial to consumer behaviors changes. People are now connected through smartphones, tablets, laptops, TV, consoles...This multiplicity of choices makes them believe they can watch everything on any platform. Another priority for distributors is to appeal to young generations. Millennials are the most active video viewers and creators of any age group. This audience is very present on social media platforms like Snapchat, YouTube, Vice and Instagram - short format videos being their favorite form of content. As Alex Carloss, Head of Youtube Entertainment, explains in Anita Elberse’s Blockbusters, YouTube is an example of “next-generation platform” that “has no geographical borders and no specific devices of access” (qtd in Elberse, 2013, p.156). He describes the three phases of video distribution that have been facilitated by digitization:

“Broadcast was the first wave, with very general content being offered up to a general audience. By the late 1970s and early 1980s, cable came around and more channels were available to consumers. MTV was born for music, CNN was born for news, and ESPN for sports. But launching a cable channel still requires a sufficiently large audience to justify the infrastructure and other expenditures. At Youtube, we now see a third phase – an opportunity to give specific audiences content tailored to them in categories that are undeserved by the current media landscape” (qtd in Elberse, 2013, p.157).
The new idols of Millenials emerge from viral amateur. For example, Lionsgate announced in April 2015 the launch of a new specialty division named Lionsgate Premiere. This division will handle up to 15 movies a year, targeting in priority young audiences and will specialize in “innovative multiplatform and other release strategies” to reach “affinity audiences with branded content and targeted marketing.” In that vein, the studio also announced this last October that it acquired the rights for the project Dirty Thirty with Youtube stars Grace Helbig, Hannah Hart and Mamrie Hart who already successfully released Camp Takota on February 14, 2014 on their movie’s website and later on iTunes. This new trend evidences the convergence of viral digital videos and the feature film format. In addition to considering “digital” stars as actors for movie projects to attract youngest audiences, these young celebrities could also be helpful as referrals. Distributors could think of a partnership with some of these creators to promote latest films targeted toward teenagers in their viral short videos.

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11 Deadline, Lionsgate introduces distribution unit to target next-gen audiences, April 2015
Web video is driven by native creators producing short content that reaches a massive audience and grows overall video consumption

Example of successful content creators that are driving changing viewers’ behaviors (Source: Michael Wolf from Activate)

1.2.2 Summary of impact across the release chain

1.2.2.1 Theatrical

The fundamental impact of all the challenges cited above on the theatrical market is that attracting people to watch a particular movie is much more competitive since the market has become more crowded. Convincing exhibitors to program an independent movie is increasingly tough, as theater owners want to maximize their profits and blockbusters are generating more revenues. While you can easily find movies from big independent distributors like The Weinstein Company or Fox Searchlight, in theaters, smaller ones find it very difficult to bring their films to cinema audiences. This is why exhibitors’ slates seem less diverse as more blockbusters’ wide releases are programmed. As a result, marketing has become more crucial than ever to raise consumer attention. Thus, marketing budgets tend to be amazingly high.

1.2.2.2 Home Entertainment

Ten years ago, DVD sales could be the principal source a movie’s revenue. Now, physical video sales have declined as audiences look for online and cheaper alternatives. A trend that arose in the music industry last year could be useful to understand what may happen for movies physical sales. In the article Millennials push 2015 vinyl sales to 26-year high in
US, Luke Morgan Britton indicates that the Recording Industry Association of America has posted sales of 9 million vinyl albums in the first half of 2015, as opposed to 14 million in the whole of 2014. Britton states that “the vinyl revival has been attributed to younger consumers, what the industry terms as 'millennials.'” He quotes Josh Friedlander, RIAA's senior vice president of strategic data analysis who said that "in an increasingly digital age, vinyl records can provide a deeper, tactile connection to music that resonates with some of the biggest fans." This trend of “collecting” has surely started in the film industry. We should soon face a revival for physical sales. A company like Criterion that offers beautiful collector DVDs and Blu-Rays and creates special editions for movie lovers would be an excellent reference for that. DVD and Blu-Rays will more and more become collection objects.

1.2.2.3 TV

The introduction of digital platforms has also eroded TV sales, which can no longer cover a significant amount of films’ upfront costs. Even if digital platforms represent a great new opportunity, VOD and SVOD sales do not compensate for the losses in physical and TV sales yet. Even if the margins are higher, the revenues tend to be lower since many digital players adopt very low prices. Though the film industry has always been characterized by its uncertainty, films’ revenue streams are even less guaranteed.

However, TV is adapting to these changes and most networks have streaming offering. Moreover, in a crowded marketplace, viewers still appreciate the curative capabilities of known television brands. Smart TVs will also enable to better understand TV viewing habits for better programming and ad buying. The TV segment is undergoing many crucial innovations that will help companies retain their consumers. TVision Insights, founded in 2015, is the only company to measure “eye-on-screen” with computer vision technology. Sensors capture emotional reactions and engagement data that enable agencies, advertisers and TV networks to have more precise information on television advertising and programming. The advent of data metrics for TV – remaining the largest ad market – has come. Instead of measuring households’ behaviors, TVision Insights is able to understand each individual. People are consuming more TV content than ever, but the linear TV programming, as we know it today, may not exist in a few years. However, if networks are able to better understand their consumers and implement innovative and appropriate actions, the value of TV sales would raise again – helping distributors to sell their movies on this channel segment at a higher price and targeting the right viewers.

1.2.2.4 Is there a response to the challenges posed to the traditional model?

Anita Elberse, in Blockbusters (2013), suggests that the challenges mentioned above – piracy, perception of films’ lower value by consumers, crowded marketplace - show that “the blockbuster strategy is becoming more necessary than ever” (Elberse, 2013, p.236). Investing in movies has become riskier. So she argues that only movies in greatest demand will be able to be profitable and earn back their production and marketing costs. Therefore, “content producers can react to this new reality by doubling down on blockbuster investments and focusing even less on smaller bets” (Elberse, 2013, p.236-237). When she says that this trend is already in place, she is right. Studios are mostly focusing on tentpoles. 2015 has showed that people were really excited about these big projects. She appropriately quotes Alan Horn, chairman of the Walt Disney Studios: “Because the technology is shrinking the pie, at least in
the foreseeable future, we’ll have to make fewer smaller movies, or make those smaller movies for less money” (qtd in Elberse, 2013, p.237).

Anita Elberse’s statement raises many questions. Should the movie industry only focus on those movies that the audience knows already? Is that it? What about the beautiful sentiment of surprise associated with the discovery of a true work of art? Does that mean that movies that are not franchises or adaptations cannot win? Does that imply that viewers are followers and have desire to discover new stories? I’ll try to respond to these questions throughout my thesis.

1.3 The different types of releases

1.3.1 Wide releases: films as events

Wide releases correspond to movies that are playing nationally. This strategy is mainly used for blockbusters or “mainstream” movies. The goal is to capture quickly the attention of the widest audience possible. Wide releases are also associated with huge marketing budgets concentrated at the time of the release. Anita Elberse indicates that marketing spending increases dramatically in the six to eight weeks before the release. A studio will spend about two-thirds of its marketing budget on television advertising in the final two weeks before a film’s release. This is why opening weekends are considered so important as they are very predictive of these types of movies' final results (cited in Elberse, 2013, p.65).

Elberse also notes that several studies on the film industry showed that the best forecaster of a movie’s box office revenue is the number of screens in which they play. Through her own research in which she wanted to also test the effects of factors such as genre, star power, seasonality, competition and advertising, she demonstrated that “an increase in the level of distribution is the most efficient way to increase sales… Higher advertising expenditures help too: an advertising not only directly increases sales by triggering audiences to buy tickets, it also indirectly drives sales by reassuring theater owners that dedicating screens to a movie will be worth their while” (Elberse 2013, p.69).

It is worth noting that distribution scale and advertising surely helps, but do not guarantee a movie’s revenue. A few blockbusters have failed to attract viewers even though they were promoted with wide releases and big marketing budgets. With a $150 million production budget and a wide release on 3,515 theaters, Pan only managed to reach $35 million domestically. And Pan is not an exception. With a production budget of $176 million and a wide release on 3,181 theaters, Jupiter Ascending reached $47 million domestically. Eventually, Fantastic Four with a production budget of $120 million and a number of screens attaining 4,004, also had troubles to breakeven, making only $56 million in the US. Besides, none of these 2015 movies succeeded to reach decent results abroad. On the contrary, The Witch an independent movie distributed by the label A24, with a production budget of $1 million has amassed more than $23 million on 2,204 theaters. The box office results – which are already impressive for such a small film - are not high enough to program it on more screens. Though, the movie must have been considered as a true event. Creating an event around a release has proven to have a great impact on the results. The release of Star Wars in December 2015 would have brought a huge audience anyway, but the desire to push it as a premium cinematic experience and welcome fans to come with costumes of their favorite characters definitely spread the buzz in a more powerful way to those who are not familiar with the franchise.
1.3.2 Platform releases: the power of word-of-mouth

Most movies use a limited or “grassroots” release. The idea is to discover how much money should be spent on marketing throughout the release. As movies are “experience goods”, distributors cannot know in advance how a movie will be evaluated. This strategy is much more interesting for smaller movies because it looks for efficient ways to use available and scarce resources. Usually films open on a few screens in the biggest cities – New York, San Francisco, and Los Angeles generally. As Anita Elberse explains, “the primary goal of these efforts is to attract not the largest, but rather the right audience to the product, in the hopes that those early customers will in turn spread positive word of mouth and help draw in new audiences” (Elberse, 2013, p.60). If the movie is positively received and shows a potential to bring more people to theaters, the distributor will increase the number of locations where the films play and the number of screens, while raising the marketing budget.

Sony Pictures Classics is a company that praises this kind of release. In accordance with their philosophy, platform releases work perfectly with their model and the films they support and distribute. During Chicago International Film Festival’s new Industry Days series, which ran from October 22 to 25 2015, Indiewire shared a Q&A with Michael Barker, the co-founder and co-president of Sony Pictures Classics, in the article, *Sony Pictures Classics’ Michael Barker on Changing Audiences, Working with Auteurs and the Future of Indie Film*. Barker explained that:

> “[Sony Pictures Classics is] a different business from the mainstream. You can’t open on 1,000 screens, you can grow into 1,000 screens. These films require time in the set-up, how they’re released. The ultimate goal is that films have an afterlife, that they are remembered 10, 20, 30 years later. Those movies make more money over a longer period of time rather than those that aim to just win the weekend. We want them to be remembered after we’re gone.”

They can be proud of their strategy since they have managed to bring a big audience for what could be considered as “niche” movies in the US. For instance, Paul Weitz’s *Grandma* reached about $7 million domestically in 2015, Asghar Farhadi’s *A Separation* and Xavier Beauvois’s *Of Gods and Men* respectively reached $7 million and $4 million in 2011.

*Persepolis* that resulted in $4.4 million in the US box office is a great example of a platform release operated by the marketing and distribution experts from Sony Pictures Classics. According to Sandy Mandelberger in her *Marketing Case Study of Persepolis* on Cineuropa’s website, the distributor usually opens in a few cinemas in New York, Los Angeles and San Francisco, in order to create positive critical reactions, word-of-mouth and build awareness. They make sure to keep their movies in theaters as long as possible, so audiences have the time to discover them. As a result, their marketing budgets are small and tend to be cooperative ads, as Mandelberger notes – SPC advertises several of their movies at the same time. *Persepolis* was launched at the Toronto International Film Festival in September 2007. The movie was released on seven screens in the US on December 21, 2007. This was a risky strategy, since studios usually release their biggest family titles during that time of the year, in addition to their “prestige” movies for awards consideration. However it made sense because Persepolis was selected as the official French entry in the Academy Award race. When Oscar nominations were announced, the film actually obtained a place in the Best Animation category instead of Best Foreign Film. Building on this critical success,
Sony Pictures Classics widened the release to 58 theatres by the end of January and kept increasing until the Oscar ceremony in late February. Mandelberger indicates that “in its 9th week of release in late February 2008, the film was playing on over 500 screens in the US and Canada, having grossed almost $4 million since its late December opening”. When Persepolis lost to Ratatouille for Best Animated Film, Sony Pictures Classics cut back the number of screens to 75 for most of March and down to 30 the first week of April. The film was a success in the US, all the more when we look at its difficult subject and singular filmmaking.

Furthermore, Eric d’Arbeloff, Co-President of Roadside Attractions, explained to me, during our conversation on April 19th 2016, how the company was a pioneer in “aggressive platform” releases. This distribution pattern is inspired from the traditional platform release. However, instead of releasing a movie on a few screens only during the first weekend, it would be released on 250 to 350 screens. This strategy worked very well for Mud, A Most Wanted Man, and Mr. Holmes - respectively $21.6m, $17.2m, and $17.7m at the US box-office. If there is a lot of publicity around the movie and if it proliferates online quickly, why make people wait? The risk of the traditional platform release is that, by the time it gets to the potential audience, viewers could have lost their interest in the film because they had to wait for too long for it.

1.3.3 Theatrical releases with an accelerated VOD release

This distribution strategy aims to release a movie in theaters and to have a VOD release earlier than traditionally. Small and mid-range movies have increasingly shown that being released on VOD shortly after the theatrical release can be a profitable strategy. Snowpiercer was recognized for its successful theatrical and VOD release in the US. The film directed by Korean director Bong Joon-ho, had a production budget of $40 million and A-list actors such as Chris Evans or Tilda Swinton. Bong Joon-ho had an existing audience in the US due to the success of his earlier movies, notably The Host. Snowpiercer was distributed by RADiUS-TWC, the label from The Weinstein Company dedicated to multiplatform VOD and theatrical releases. According the Screen Australia’s study Issues in Feature Film Distribution, the film opened in 8 theaters on June 27, 2014, widening to 250 screens and grossing $4.5 million throughout its theatrical play. The film was released on VOD two weeks after its theatrical release, earning $6.5 million on VOD in two months. This example shows that singular distribution patterns also have great potential.

Among the distributors using this strategy, there is also Amazon Studios. Chi-Raq was the first film produced by the digital platform. It partnered with Roadside Attractions to make the movie play in willing theaters on December 4th, 2016 before airing on Amazon Prime on February 4th, 2016. However, as exhibitors fear that Amazon quickly releases the film on their platform, most of them have been unlikely to program the film as they usually ask for at least a 90-day theatrical window. Despite these challenges, the film managed to gross about $2.6 million in box office. The theatrical release remains important since it built awareness and convinced more viewers to subscribe and watch the movie on Amazon Prime.

1.3.4 Day-and-date releases

A day-and-date release is when a movie is available both in theaters, DVD, and VOD on the same day. Margin Call is a worthy example of this strategy’s potential. The film’s US rights were sold in 2011 at the Sundance market to Lionsgate and Roadside Attractions for about $1 million. J.C. Chandor’s financial thriller received very positive reviews when it
opened on October 21st, 2011. The film grossed $5.3 million domestically on a budget of $3.5 million. It debuted with a limited release of 56 screens and expanded to 199. The film also made another $5 million in VOD. Daniel Miller, Reporter for the LA Times, in the Hollywood Reporter article, Sundance 2012: The Day-And-Date Success Story of ‘Margin Call’, concludes that “rather than undercutting its theatrical release, its VOD availability and the resulting buzz it created is credited with giving the movie a boost in theaters.” If people spread good words about the movie, their relatives will want to see it and you do not want to delay this free marketing. You neither want your potential consumers to watch the movie illegally. This release pattern brings a new perspective on the table. Cross-channel buzz is powerful.

However, like for the accelerated VOD release, major exhibitors expect a 90-day theatrical window, so day-and-date will be programmed in the remaining independent theaters. This challenge implies that the film will lack visibility. If Magnolia Pictures has been so successful in its day-and-date and Ultra-VOD releases, it is because its parent company, 2929 Entertainment, owns Landmark Theatres, one of the biggest arthouse movie theaters chains in the US. Netflix is planning to use that strategy for all its releases, but not for the same purpose. Netflix’s first movie release was Beast of No Nation. Of course, its theatrical release was limited to 31 theaters as cinemas were boycotting the movie - or Netflix a.k.a their biggest “enemy”. This beautiful and impactful film, that is a true cinematic experience, only grossed $90,777 in the US. However, as Pamela McClintock, Senior film writer at The Hollywood Reporter, states in her article, Why Netflix Isn't Worried That 'Beasts of No Nation' Flopped in Theaters, the theatrical release is considered as publicity for the digital platform. It is also a way to be in the Oscar race – even if Beast of No Nation was surpassingly snubbed at 2016 Academy Awards. Ted Sarandos clarified what Netflix was expecting from the film: “It is a privilege to instantly offer a story this human, radical and worthy to people in more than fifty countries. Whether in theaters this week or on any Internet-connected device now or in years to come, people all over the world are getting a unique opportunity to appreciate this film”. According to the results revealed by Netflix, the film found an audience on the platform. By the end of October 2015 (the film was released on October 16, 2015), the movie in North America had already made 3 million views. Netflix’s goal is not about doing great results on opening weekends; it wants people to subscribe because of their good original content. There is no doubt that many people decided to pay the $7.99 subscription to watch this movie. Sarandos even added: “Nothing we’re doing is meant to be anti-cinema. I have great confidence that if things were day-and-date [the theatrical experience] will compete … People need choice. It might be that theaters have to give up some of that, but in total, more movies will be seen.”

Another new initiative that looks a lot like a day-and-date release is the “Screening Room” proposal announced in March 2016. Screening Room is the Sean Parker and Prem Akkaraju-backed start-up that aims to offer new releases of movies at home. It will offer new movies for $50 at the same time as they are being released in theaters. Consumers would need to pay $150 to access the anti-piracy box that transmits movies. Viewers have 48 hours to watch the movies. The idea is to target older audiences who have responsibilities that prevent them from watching movies in theaters, but who still do not want to miss them. Steven Spielberg, Peter Jackson, J.J. Abrams, Brian Grazer and Ron Howard, just to mention a few,

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13 Business Insider, Netflix releases impressive ‘Beast of No Nation’ streaming number, October 2015
14 The Guardian, Should Hollywood be afraid of the march of Netflix?, June 2015
are supporting this initiative\textsuperscript{15}. However, as Tryon clarifies in \textit{On-Demand Culture} (2013), studios have already tried to implement similar strategies. Sony and Warner experimented new distribution patterns in 2011 with respectively Adam Sandler’s family comedy \textit{Just Go With It} and the Liam Neeson action film \textit{Unknown}. They wanted to examine if enough viewers would be willing to purchase the equivalent of about three adult movie tickets – so around $50 - to watch a movie a few weeks before its availability in DVD or streaming. The premium VOD experiment failed. Studios announced that there was a lack of consumer interest and that there was a huge pressure from theater owners and star agents. According to Tryon, “in essence, the failure of premium VOD reflected the ongoing problem of price facing studios in the era of digital delivery, especially as consumer began to seem more inclined to pay lower amounts for temporary, informal access rather than premium prices for appointment viewing” (Tryon, 2013, p.39-40). Here, the ability to watch a movie as soon as it is released in theaters could please movie buffs who want to watch the movie but who can’t go out – parents or older people for example. In the Variety article, \textit{Screening Room Study: Interest Is High, But Price Is a Problem}, Bret Lang cites a research on “Screening Room” showing that one in four consumers would “definitely pay to use” that type of service. However, many of them were reluctant to pay $50. It appears that interested consumers “would spend a maximum of $35 to rent a new movie at home”. In an entertainment culture where flexibility is key, “Screening Room” represents a good alternative to broaden the scope of viewer. Nonetheless, it is not guaranteed to take off because the price of the service is considered too high and theater owners perceive this initiative as a huge threat - they want to protect their exclusive hold on films.

1.3.5 Ultra-VOD releases

Magnolia and IFC Films have paved the way for innovative distribution releases. Magnolia, for example, releases 35 to 40 films a year and 25 of them undergo an Ultra-VOD releases. VOD strategies have been stretched to the point that movies could be released on VOD before reaching theaters. Magnolia released the Kirsten Dunst - Ryan Gosling drama \textit{All Good Things} via VOD several weeks before the film opens in theaters in December 2010. Tryon (2013) states that the film made over $4 million in rentals through VOD, although it grossed less than $1 million theatrically (cited in Tryon, 2013, p.38). There can be two reasons why distributors choose Ultra-VOD releases. They do not have enough resources to launch several marketing campaigns for each distribution channels and want to compact everything at once. It allows them to create a buzz that could be helpful for the theatrical window if the VOD is successful. It was the case for RADiUS-TWC’s \textit{Bachelorette}. It was released on Ultra-VOD a month before it opened in theaters. Another reason can be that the distributor is confident that the accumulated revenues will be higher this way – even though we know that an Ultra-VOD release is usually painful for the theatrical window.

1.3.6 Straight-to-video releases

Straight-to-video releases skip the theatrical window and go directly on video or online releases. For some filmmakers VOD is a savior as Brent Lang indicates in an article from The Wrap, \textit{VOD Rides to the Rescue of Indie Film}. He quotes Marc Schiller, CEO of the indie marketing firm BOND Strategy and Influence who called VOD releases “the future”. However, it is hard to know about movies’ results on VOD as earnings are rarely released – except for theatrical. Moreover, a straight-to-video release often has a pejorative undertone.

\textsuperscript{15} Variety, Steven Spielberg, J.J. Abrams, Peter Jackson backing S. Parker’s bold home movie plan, March 2016
However, it can help independent filmmakers or small companies who lack a significant budget to market their movie since releasing a film theatrically can be very expensive.

The reason for releasing a movie straight-to-video can also be because of its controversial nature. It was the case for James Franco’s *As I Lay Dying*. Yet, it is a prestige movie, which premiered at the Cannes Film Festival starring the A-list actor, James Franco. The film’s material was considered too tough to be released in theaters. Another reason for releasing straight-to-video could also simply be negative reviews or a lack of public interest.

### 1.3.7 Direct-to-consumer releases

New technologies and digitization have enabled filmmakers to directly distribute their movies online without any intermediate. While presenting his brand new film, *Red State*, at the 2011 Sundance Film Festival, Kevin Smith sought to promote a new model of self-distribution with a sensible use of social media. According to him, when studios pick up movies at high prices, they do not necessarily serve the interest of the filmmaker who can feel alienated from the film he produced. In *On-Demand Culture* (2013), Tryon refers to Karina Longworth, writer, film historian and podcaster, who argued that “we’re moving from a top-down culture in which media companies dictate where the eyeballs will be directed to one in which each of us curates our own personal ‘main stream’ from a variety of niche content streams” (qtd in Tryon, 2013, p.138).

In an article written by Eric Blattberg, UX designer, on YuMe, *Digital distribution platforms for indie films, from Netflix to BitTorrent*, Janet Brown, CEO of FilmBuff, discusses some of the main options for self-distribution. Vimeo appears to be an interesting tool for content creators who already have a substantial audience. Video on Demand, Vimeo’s direct sales platform, allows anyone to sell their video directly through the Vimeo player. The revenue share is 90% of the revenue for the video owner and 10% for Vimeo, which is pretty generous. According to Janet “it’s really an enabling mechanism for the creator. If you’re a YouTube star or a chef that has a huge following, then you can just tweet your followers and say, ‘Hey, my movie is on Vimeo,’ and reap a larger reward thanks to that direct connection with your audience.” Other competing platforms are VHX and Gumroad. As believed by Tryon “in this case, DIY culture not only placed emphasis on finding alternative distribution models but also served a larger pedagogical purpose, one that called for more transparent relationship between producers and consumers of media content” (Tryon, 2013, p.154). It is a new way of being an independent filmmaker. However, it is worth adding that many “Do-It-Yourself” projects did not attract much viewers. Successful direct-to-consumer distributed content usually involve people with a strong fanbase or powerful advocates.

There is also another way to directly self-release a movie - this time theatrically. Tugg.com and Gathr are revolutionizing the use of social media to fill theaters. Tugg.com works with theater chains and enables users to schedule movie screenings when theaters are not crowded. Tugg.com reserves a screen, manages ticketing and material delivery. Tryon (2013) notes that Tugg was crucial in screening Matthew Lillard’s crowdfunded directorial debut, *Fat Kid Rules the World* (cited in Tryon, 2013, p.130).

We can conclude from the analysis of the diverse release patterns that without a change from the influential players of the industry, especially studios and large theater chains, it will be difficult to have successful innovative online distribution strategies. While releases
on different distribution channels can feed one another, if too much pressure is put on a movie because it is not released traditionally, it will necessarily lose its potential audience. The world and the viewers are changing, but it does not mean that the key players are or want to.

### 1.4 A segmentation of distributors’ different strategies

#### 1.4.1 Established distributors

##### 1.4.1.1 Studios and the blockbuster strategy

In *On-Demand Culture* (2013), Tryon refers to Jeff Ulin, former Lucasfilm, Paramount, and Universal executive, who says that “studios are financing and distributing machines” (qtd in Tryon, 2013, p.99). Ulin adds that studios are mainly characterized by their “capacity to market and distribute movies with an eye toward generating the maximum possible profit” (qtd in Tryon, 2013, p.99). This is why studios are so keen on preserving a strict control over their various intellectual properties and dividing movies’ rights as it is being distributed through several channels and screens worldwide. Distributors want to delineate cautiously the windows of when a movie might be available in a particular format to maximize titles’ profitability. In addition to that, because of their tremendous overhead costs, studios need quick successes. They try to bet on projects that can maximize their profits across every segment: theme parks, TV, merchandising... They invest in what seems to them the least risky, which means franchises or adaptation. For the last 15 years, film studios have adopted what Anita Elberse calls in her book *Blockbusters* (2013) “blockbuster strategies.” Disney has been a fabulous example in that sense. While Marvel maintains its creative integrity, Disney has helped the company rise into one of Hollywood’s most valuable brands, thanks to movies but also video games, online video, and merchandising, just to mention a few complementary segments.

In 1999, Alan Horn, new as a COO of Warner Bros, implemented a brand new strategy. He decided to mostly focus on four or five tentpoles and “support those picks with a disproportionately large chunk of its total production and marketing budget”. In general, these movies also include expensive A-list stars that help to attract a fanbase. Even if other studios had produced big budget movies before, it had never been implemented as a consistent strategy. Since then, it seemed to have become the magic solution! As Anita Elberse (2013) affirms, under Horn’s leadership, Warner Bros became the only studio to cross $1 billion at the US box office for 11 years (cited in Elberse, 2013, p.3). This strategy has proven even more relevant when Paramount decided to focus on mid-range budget movies with lesser-known talents. Instead of driving sales, the studio wanted to manage its margins. However, this cautious strategy turned into a big failure. According to Anita Elberse (2013) “by early 2004, Paramount had become known for mostly B-grade films featuring mediocre talent, and its profits had fallen by more than 30%” (Elberse, 2013, p.28).

Let’s evaluate if we can find the same conclusions than Anita Elberse in 2015. The blockbuster strategy can be defined as the following: “the highest performing companies in the entertainment and media sector thrive by investing a relatively large proportion of their resources in just a few titles and then turning those choices into successes by giving them a higher level of development and marketing support” (Elberse, 2013, p.42). It is reflected in the production of franchises based on the adaptation of other successful formats (books, comics...), great production value and big marketing investments. In her book, she gives the
example of Warner Bros’ strategy in 2010 when the studio had the highest market share in the US market (18.2%). They spent their production budget as following:

![Graph showing Warner Bros movie slate in 2010 - Comparison of budgets and Domestic/Worldwide Box Office](image)

*Warner Bros movie slate in 2010 – Comparison of budgets and Domestic/Worldwide Box Office (Source: Box Office Mojo)*

In 2010, Warner Bros released 22 films, spent $1.5 billion in production costs, and $700 million on marketing. Warner Bros spent a third of its 2010 production budget on its biggest titles: $250M on *Harry Potter and the Deathly Hallows - Part 1*, $175M on *Inception* and $125M on *Clash of the Titans*, *Sex and the City 2*, *Harry Potter and the Deathly Hallows - Part 1*, $175M on *Inception* and $125M on *Clash of the Titans*, *Sex and the City 2*, *Harry Potter and the Deathly Hallows - Part 1*, $175M on *Inception* and $125M on *Clash of the Titans* and *Sex and the City 2*. Thanks to the data above, we can obviously see that the blockbuster strategy makes sense. However, I want to add that smaller movies that were not supposed to benefit from this strategy made excellent results and were highly profitable such as *Due Date*, *Valentine’s Day*, *The Town* and *A Nightmare on Elm Street*. Let’s look at the graph below:

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16 Box Office Mojo
We can see there that the ratio US Box Office/Film Budget = 1.18 for *Harry Potter and the Deathly Hollow Part I* while it is equal to 2.49 for *The Town*. Besides, WW Box Office / Film Budget = 3.84 for *Harry Potter* and 4.16 for *The Town*. In this case, even if *Harry Potter and the Deathly Hollow Part I* is the highest grossing film for Warner Bros in 2010 - domestically and worldwide ($296m and $960m respectively) – *The Town*, which is a mid-range movie with a production budget of $37m, seems more profitable. However, among the 18 non-franchise/blockbuster movies, 8 have a ratio WW Box Office/ Film Budget inferior to 1.5 (usually the minimum ratio to breakeven for studios’ films after production and marketing costs*), while all the “event-films” have a ratio WW Box Office/ Film Budget superior to 2.88. These films are more successful internationally than domestically, as the ratio does not cross 1.67 for US Box Office/Film Budget for any of the four movies. This example confirms that it is perilous to bet on smaller projects, but it can be an ever-more rewarding investment than blockbusters.

*This ratio is usually relevant for blockbusters, as marketing expenses are known to usually reach 50% of the production costs. Marketing spending is not a public data; this is why it is more difficult to assess smaller films’ marketing costs. For smaller movies, marketing costs could equal twice, three times to four times the production costs – if a movie costs $5m, studios can easily spend $20m to market it. Therefore, we should not compare blockbusters and smaller films’ ratios on the same “scale”. Simplistically, a “breakeven” ratio for a blockbuster could equal 1.5, while it would be 2.5 to 4 (or more) for a small movie. I would add that smaller independent distributors would be much more cost-effective than studios regarding marketing costs, which lowers the ratio.*

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*17 Box Office Mojo*
Let's now look at the Warner Bros' blockbuster strategy in 2015. 2015 was a very disappointing year for the studio. They had a 13.9% market share, behind Disney and Universal (respectively 19.8% and 21.3%). Warner's blockbusters – franchises or movies that had a budget superior to $100m – were San Andreas, Mad Max, Jupiter Ascending and Pan.

<table>
<thead>
<tr>
<th>Budget ($m)</th>
<th>US BO ($m)</th>
<th>WW BO ($m)</th>
</tr>
</thead>
<tbody>
<tr>
<td>San Andreas</td>
<td>$180m</td>
<td>$300m</td>
</tr>
<tr>
<td>Mad Max</td>
<td>$200m</td>
<td>$350m</td>
</tr>
<tr>
<td>Jupiter Ascending</td>
<td>$250m</td>
<td>$400m</td>
</tr>
<tr>
<td>Pan</td>
<td>$200m</td>
<td>$350m</td>
</tr>
<tr>
<td>In the Heart of the Sea</td>
<td>$250m</td>
<td>$400m</td>
</tr>
<tr>
<td>Point Break</td>
<td>$200m</td>
<td>$350m</td>
</tr>
</tbody>
</table>

Warner Bros' blockbusters in 2015 – Comparison of budget with Domestic and Worldwide Box Office

Here we can clearly see that except for San Andreas and Mad Max, the four other blockbusters hardly reached box office revenues that would even equal the production budget. What went wrong for Warner Bros' strategy? On the contrary, Universal Pictures reached fantastic results in 2015. The franchises did great at domestic and worldwide box offices:
- Jurassic World: $650m at the US BO and $1.7 bn WW (Budget: $150m)
- Furious 7: $350m at the US BO and $1.5 bn WW (Budget: $190m)
- Minions: $335m at the US BO and $1.2 bn WW (Budget: $74m)
- Fifty Shades of Grey: $165m at the US BO and $570m WW (Budget: $40m)
- Pitch Perfect 2: $183m at the US BO and $286m WW (Budget: $29m)
- Ted 2: $80m at the US BO and $215m WW (Budget: $68m)

In addition to having powerful franchises' sequels such Jurassic World, Furious 7 and Minions, for instance, Universal Pictures managed to turn mid-budget movies like Trainwreck, Everest or Straight Outta Compton into big hits. As Mr. Shell, a Comcast executive installed as head of Universal, said “we’re in the business of making money for shareholders, we’re focused on the bottom line. We’re proud of the small movies that generate significant profitability. And sometimes small movies become big movies.”

18 Box Office Mojo
19 The New York Times, Universal conquers the Box Office, without a superhero, August 2015
Let’s look at Universal 2015 slate of movies:

![Graph showing movie budgets and box office revenues](image)

*Universal’s movie slate in 2015 – Comparison of budgets and Domestic/Worldwide Box Office (Source: Box Office Mojo)*

If we look at this graph, the revenues of the “franchises” we mentioned earlier are impressive compared to the other movies. Let’s now look at the “ratio” graph:

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20 Box Office Mojo
Here we clearly see that *The Visit* and *Unfriended* were very profitable – even though marketing costs should have been more than three times the budget for both films. They were one of the less expensive movies to produce – respectively $5 million and $1 million. Both are horror movies and the results are consistent with the current trend of producing cheap horror movies that end up being very successful – thanks to Jason Blum! *Straight Outta Compton* has a US BO/Budget ratio = 5.8, which is superior to *Jurassic World*, *Furious 7* and *Minions’* ratios that were, nonetheless, highly successful abroad. *Straight Outta Compton, Trainwreck, The Visit, Everest, Sisters, Krampus, The Boy Next Door, Unfriended* all had WW BO/Budget ratio > 3.5 and should all have broke-even - we can note that *The Boy Next Door* has an impressive WW BO/Budget ratio = 13.0. Of course, some bets have failed. The big budget movies *Seventh Son* and *Blackhat* were big flops. *Steve Jobs, Crimson Peak, Jem and the Holograms, Legend* and *By The Sea* had disappointing results.

Looking at Universal results in 2015, it is clear that Warner did not have the right strategy for its blockbusters’ releases. Warner spent too much money on properties that had no value for consumers. However, Universal’s small to mid-budget successes could question the standard blockbuster strategy. Is it the most relevant one for such a complex and changing industry? What about investing a lot of money on projects that have a strong fanbase like *Jurassic World*, *Star Wars* or Marvel’s movies and be cost effective for smaller projects? When Alan Horn says “we'll have to make fewer smaller movies, or make those smaller movies for less money,” I only think the second part of the sentence is relevant today.

How will 2016 look like for studios? Warner Bros will be releasing 19 films. Among those, 4 movies have adamant IPs: *Batman vs Superman* – already $862 million at the worldwide box office as of April 30th 2016 or about a month after its release - *The Legend of

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*Universal’s US Box Office/Film Budget Ratio & Foreign Box Office/ Film Budget Ratio*

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*Box Office Mojo*
Tarzan, Suicide Squad, and Fantastic Beasts and Where to Find Them. Warner has some independent/prestige movies like Midnight Special or Collateral Beauty. The rest is basically comedies – cheap ones or with A-list actors like The Nice Guys – as well as cheap horror movies. Warner’s line-up is very diverse. The combination of comedies and drama with strong blockbusters should enable the studios to be more profitable in 2016 than in 2015. Universal will be releasing 21 movies. They have the franchises Huntman’s Winter War, Jason Bourne and will be releasing Legendary’s Warcraft. While Universal lacks big IPs for its 2016’s releases compared to 2015, it could be successful on comedies that benefit from a worldwide echo like Neighbors 2 and Bridget Jones’ Baby. Nonetheless, Universal won’t be able to reach its 2015’s results. Fox will be releasing 14 films. It has been very successful with the release of Deadpool that was a lot cheaper than any other superhero releases. Deadpool’s production budget was $58 million instead of the usual $200 million, with $761m in worldwide box office earnings. Fox has also had good results with Kung Fu Panda 3 - $510m in worldwide box office. X-Men: Apocalypse, Independence Day: Resurgence, Miss Peregrine’s Home for Peculiar Children and Assassin’s Creed should enable Fox to keep up with its very good start. In 2016, Disney should release 13 movies. After the success of Zootopia ($931m in worldwide box office), and The Jungle Book (already $685m in worldwide box-office), Disney should also be successful with Captain America: A Civil War, Alice Through the Looking Glass, Finding Dory, and Rogue One: A Star Wars Story. Paramount is about to release 14 movies in 2016. It has some franchises for its 2016 releases, but not strong enough: Teenage Mutant Ninja Turtles: Out of the Shadows, Star Trek Beyond, Jack Reacher: Never Go Back, Ben-Hur. Finally, Sony Pictures will release 18 movies. Except the potential success of Ghostbusters remake, it is pretty difficult to anticipate Sony’s results. Basically, studios have all one or two “prestige” movies, some cheap horror films, some big comedies and several franchises/remakes/sequel/prequels. Even though studios have a similar strategy, Disney, Warner and Fox should “win” in 2016 thanks to great brands, while Universal will lag a little bit behind. Paramount and Sony may not be able to catch up.

1.4.1.2 “Traditional” independent distributors

As we saw it earlier, the blockbuster strategy can bring a lot of money to a studio like for Warner in 2010 or Universal and Disney in 2015, through strong franchises and identifiable stories or concepts. But now that new technologies make it easier and cheaper to create, and market content, should not that induce the end of old rules? Actually, consumers are overwhelmed by too many entertainment options. This is why it is even more important to massively invest in some products to make them visible and attract people to see them. Even if it is pleasant to have niche tailored products, people still like to share interest for the same things and go watch the same movies to discuss them. It is much more fun for them to be excited about it together.

In Blockbusters (2013), Anita Elberse states that “the more content producers focus on costs rather than driving their sales, the more money they lose their bid to contend for the most promising new projects” (Elberse, 2013, p.36). However can we generalize this affirmation for the whole motion pictures landscape? It seems that this strategy does not work for every distributor, especially for those that support smaller independent movies. Trying to cut costs and investing in smaller bets is not irrelevant for everyone. The best examples are Sony Pictures Classics and Fox Searchlight. These two distributors are respectively the independent arms of Sony Pictures Entertainment and Fox. While the majority of specialty divisions have collapsed - Gramercy Pictures, October Films, USA Films, Paramount Vantage, Paramount Classics, Overture Films, FilmDistrict, Warner Independent – others like Focus
Features or Miramax have been completely transformed. Sony Pictures Classics is distinctive because the original chiefs are still there and because they remained faithful to their philosophy. For more than 25 years, they have been very selective in the movies they chose. They are committed to the idea of cinema as an art form by being the best possible supporter of one of the most talented filmmakers of the last three decades. Finally they have always been very cost effective. Every revenue stream counts. The same could be said about Fox Searchlight. Fox Searchlight is a great example of a company that managed to produce and distribute pretty “cheap” independent movies that made amazing results. Juno which was released in 2007 had a production budget of $7.5 million and reached $143 million domestically and $231 million worldwide. Slumdog Millionaire, which was released in 2008 - their largest commercial success - had a production budget of $15 million and reached $141 million domestically and made $378 million in worldwide box office. More recently, 12 Years A Slave with a production budget of $20 million made $57 million domestically and $188 million in worldwide box office. Fox Searchlight is known to work on movies that often appeal to Oscar voters, which is a great promotion tool. In his Q&A with Fox Searchlight executives, Bret Lang wonders how the company has managed to endure and to remain a key player in the independent film business. Steve Gilula and Nancy Utley, Fox Searchlight co-presidents, explain that they have rigorous budget guidelines. They argue that this system allows them to be very independent because they are free to decide which distribution strategies are the best. These two distributors also value a traditional release pattern with a first theatrical window in order to leave enough the time for the movie to generate word-of-mouth. They consider theatrical releases to be the best format to watch a movie. That does not mean they are not ambitious regarding their films’ promotion. Their original marketing campaign was key in the success of The Grand Budapest Hotel for instance. They underlined the particularity of Wes Anderson’s universe and enabled spectators to immerse in a completely different world. They built, for example, a “Budapest” collection on eBay with Anderson’s collaborator Waris Ahluwalia. Adam Stockhausen, the film’s production designer, also curated an art collection inspired by the film. Fox Searchlight showed a model of the hotel in theaters from Hollywood to Berlin and in many museums as well. As a matter of fact, I agree with Elberse’s when she says that “smaller bets being ‘safer’ is a myth” (Elberse, 2013, p.42), as every project for an independent distributor is very risky. But I think that smaller distributors cannot anyway be risk-averse. Their business is necessarily uncertain as they work with artists and pieces of arts and not with “products” only.

The chance that independent distributors have is also that when they work with prestigious directors, they are able to have projects with A-list actors who can attract more viewers. Let’s look for example at the cast of Wes Anderson’s The Grand Budapest Hotel: Ralph Fiennes, Jude Law, Harvey Keitel, Edward Norton, Bill Murray, Tilda Swinton, Léa Seydoux, Owen Wilson and the list is still long. The movie grossed $60 million domestically and $175 million worldwide for a budget of $25 million. Actors know they won’t be paid as well in these kinds of movies as in blockbusters, but still do it because it “improves” their reputation.
Let’s now look at the return on investment of 2016 Academy Award Best Picture nominees:

![ROI of 2016 Academy Awards Best Picture Nominees](image)

This year’s nominees mainly included movies from studios: *The Martian* and *The Revenant* were distributed by Fox, *The Big Short* by Paramount, *Mad Max* by Warner Bros and *Bridge of Spies* by Disney. *Brooklyn* was distributed by Fox Searchlight, *Spotlight* by Open Road and *Room* by A24. The eight movies had very different budgets: from $6 million for *Room* to $135 million for *The Revenant*. The US BO/Budget ratio for *The Revenant, Bridge of Spies* and *Mad Max* were the only ones to be inferior to 1.5. However, they have good WW BO / Budget – superior to 2.5. It could be explained by the fact that they have very high budgets. As these are studios’ movies, it does not matter as much as for non-studios ones, because they are able to easily breakeven through studios’ foreign subsidiaries. The three movies distributed by independent distributors - *Spotlight, Brooklyn, Room* - have the best US BO/Budget ratio - respectively 3.0, 3.5 and 2.4.

Independent distributors with their ability to truly support filmmakers, and to slowly create buzz around their movies, are also able to find a large audience for their bold and tough movies and to be profitable. Nonetheless, it takes them a bit more time.

### 1.4.2 Bold and inventive distributors

#### 1.4.2.1 STX or the midsized movies revolution

STX Entertainment is a studio founded in 2014 by Robert Simonds that aims to “reinvent the system” in the words of Tad Friend in his New Yorker article about the company, *The Mogul of the Middle*. Friend notes that the six major studios, facing the great challenges of a crowded market, have decided that the future of the film industry was betting on blockbusters. Even though they invest on low-budget films for targeted audiences (teens,
horror), they put most of their efforts on “movies that cost more than three hundred million dollars to make and market”. Those tentpoles do not rely on actors’ performance but on intellectual property, stories that people already know by heart from other mediums. Yet, production value and star power clearly attract people to the movies. Friend reveals that in 2014, studios released 70 fewer star-driven movies than they did in 2005. However, such movies are those that people tend to remember. He cites Michael Clayton, Argo, American Hustle, American Sniper that all made great results at the domestic box office. Now, studios have annually one or two bold movies only, basically for the Oscar race. Friend quotes Simonds who reacted to this situation by saying “there’s a huge vacuum there. And that vacuum is the place you can tell human stories—what I think of as movies”. STX’s strategy is thus to invest in the loophole, the gap that has been left by studios: mid-sized movies – between twenty and eighty million dollars – with A-list actors. According to Friend, STX’s internal data showed such “star-driven” midsized movies were “profitable 30% more often than the average Hollywood film”. Therefore, by 2017 STX expects to release between twelve and fifteen movies a year. STX work on lower budgets by giving actors a participation in the back-ends instead of huge upfront revenues.

Adam Fogelson, STX’s Chairman of the Motion Pictures Group, wanted to prove STX could build a studio without theme parks, TV networks and thousands of employees to help create awareness for their movies. His goal is to be cost effective regarding production costs, but to keep substantial marketing budgets in order to win back movie audiences. Friend quotes a longtime film executive who predicted that the following would happen: “with Google, Verizon, A. T. & T., Comcast, Hulu, YouTube, Facebook, Amazon, and Netflix getting into original content, studios won’t be able to compete with digital distribution. Within three years, Paramount won’t be in existence, Sony will disappear, Fox will buy Warner Bros., and you’ll have Fox, Disney, and Universal left”. This comment has been countered by the very appropriate one: “despite its current volatility, this is the most stable business in the history of the United States. The six studios that are here today have been here since the beginning, early in the last century. That’s a function of some serious impediments to getting into the business.” If Hollywood has been so enduring and resistant to disruptive changes, that can be explained by their unique relationships with talent and an expertise in providing “globally satisfying films”, which is not simple to do.

The other crucial element that characterizes STX is that Huayi Brothers, a Chinese film conglomerate, invested in the company, providing them with a quarter of their production costs. Having support from China that should exceed the North American market by 2018 is a great start.

Eventually, where STX has been brilliant is its big emphasize on marketing. The company combined its marketing and production arms so every decision about a project is thought through the scope of marketing in order to best promote the projects. Their marketing for their first film, The Gift, was inventive and effective. The movie deals with a young married couple who is being completely disturbed by an old acquaintance of the husband, who brings them mysterious gifts. So STX did a deep dive into 50 bloggers and reporters social-media past to discover odd things and send them creepy personalized gifts. The day later, another box was sent, with the movie trailer. They blurred the line between the thriller and the reality and perfectly used the power of influencers to market the film. The Gift managed to gross $44 million domestically and $15 million abroad, while it cost five million to produce and $27.5 million to market.
1.4.2.2 “Established” independent disruptors

IFC Films, the distribution arm of the Independent Film Channel, and Magnolia are considered as the pioneers in innovative and successful VOD releases for quality independent films. As I mentioned earlier, they have been experimenting with day-and-date, earlier VOD releases or Ultra-VOD. Both companies are respectively backed by AMC Networks and 2929 Entertainment that also owns the arthouse Landmark Cinemas, enabling Magnolia to easily distribute its films theatrically without additional pressure from exhibitors. RADiUS-TWC is also considered as a key player in multiplatform releases with the success of Bachelorette and Snowpiercer. RADiUS-TWC usually works on smaller projects than its parent company The Weinstein Company, but has more freedom and flexibility in terms of distribution and release strategies.

1.4.2.3 The new heroes

When I write “new heroes”, I am referring to the young, audacious following distributors: A24 and Drafthouse Films. A24 has been able in four years to create a “cinematic brand”, to rephrase what Matt Mergener said in his Tiny Mix Tapes’ article, 2014: The Rise of A24 and Drafthouse Films. After a mixed debut, A24 caught everyone’s attention with Harmony Korine’s Spring Breakers and Sofia Coppola’s The Bling Ring, which grossed more than twice what it cost to produce. A24 is making sure to have a distinctive style online with their clever and engaging marketing campaigns but also their edgy Twitter account. As Mergener notes:

“What’s different about A24 is not just that it has an understanding about who its audience is and where to reach them, but it actually engages them in a way that’s memorable, wacky, and unpredictable, sometimes downright funny. From politics, celebrities, and dancing stick men, to calling out Burger King for lazy promotional tweets, nothing is off limits. And every one of its [39,600] and growing followers sees them, enjoys them, and remembers them. The offbeat and the bizarre are part of its brand”. He adds “In an era when the otherwise flavors of choice at most theaters is the bland taste of the mainstream flick, the sequel, and the rehash, A24 brings the aura of the wild, dark, and absurd to the big screen”.

With Spring Breakers and more recently Room or The Witch, A24 showed that there is still an audience for challenging smaller and intelligent movies. As David Ehrlich, staff writer at Rolling Stone, notes in his Slate article, The Distributor as Auteur, “A24 has established itself as the film industry’s most forward-thinking company by releasing the kind of midsized, stylish, quality films that seemed on the verge of going extinct, transforming them into a collective theatrical experience”. A24 has successfully achieved to turn every release into a provocative event. Their closeness to filmmakers makes their strength. As Korine told Rolling Stone regarding Spring Breakers: “I want to do the most radical work, but put it out in the most commercial way.” Well, A24 responded very well! Their slate is very diverse. They released, among many others, the tough maternal drama, Room, the thriller, Ex-Machina, the science-fiction movie, Under The Skin, and the abortion comedy, Obvious Child. Eventually, Ehrlich recalls the conversation he had with the head of another distribution company at a film festival. He asked him what he wants his company to be and the person said: “I want to be A24. Everybody wants to be A24. God bless ’em’. If theaters are to remain something more than a repository for superhero movies, everybody might have to be”.

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Drafthouse Films also demonstrates it knows how to pick the right films for the right audience. Drafthouse created “Drafthouse Alliance”, a membership program that delivers products like limited-edition movies, invitations to events at the Alamo Drafthouse theaters or digital copies of Drafthouse’s next releases to its members. Drafthouse has no intermediate; it communicates directly with its movieloving consumers. Drafthouse builds its own audience, gather data about it, but also makes sure to have guaranteed viewers after theatrical releases. Drafthouse is extremely innovative as Mergener explains: “Drafthouse is moving beyond being a company that simply catalogs and sells its films as content. Each release screams and yells out to the viewer: This film is incredible, and it deserves to be on your shelf alongside the 32 other equally incredible Drafthouse releases”. A24 and Drafthouse are both using fun ways to effectively engage viewers and to create a reliable audience, mostly through successful social media strategy.

1.4.3 Different platforms addressing specific kind of viewers

1.4.3.1 Leading digital platforms

1.4.3.1.1 Netflix

Netflix has pioneered many of the principles that have defined the digital distribution revolution in the film and TV industries. Everyone should be able to watch a movie or a TV series adapted to their tastes, anytime and anywhere. Netflix is the dominant digital platform. Since Netflix launched its video streaming service, the company gave customers the opportunity to pay for distinct DVD and streaming video plans via a monthly subscription. Netflix made the interesting and relevant choice to only offer unlimited plans, through a versioning pricing strategy.

In The Long Tail, Chris Anderson argues that if consumers could afford content that better correspond to their tastes, they will migrate from “hit” products. Now that digitization has pushed away the limitations of the physical world, he affirms that:

“...[An] entirely new economic model for the media and entertainment industries ... is just beginning to show its power. Unlimited selection is revealing truths about what consumers want and how they want to get it...People are going deep into the catalog, down the long, long list of available titles... And the more they find, the more they like. As they wander further from the beaten path, they discover their taste is not as mainstream as they thought (or as they had been led to believe by marketing, a lack of alternatives, and a hit-driven culture).”

Therefore, according to Anderson, sensible companies should rely more on “the long tail” than on the head. Digital platforms with their “infinite shelves” are supposed to offer infinite choice. Netflix was pride to call itself a long tail company. However, what is striking about Netflix is the common complaints about the lack of popular movies available in its catalog, which should be paradoxical given the ability to make any digitized content available. Actually, it is possible technologically but not necessarily economically and legally. Netflix has an amazing DVDs for rental catalog. It owns DVDs in perpetuity because of the First Sale Doctrine. This law that initially applied to books “provides that an individual who knowingly purchases a copy of a copyrighted work from the copyright holder receives the right to sell,
display or otherwise dispose of that particular copy, notwithstanding the interests of the copyright owner.\textsuperscript{23} The First Sale Doctrine applies to physical products, not to streaming. As a result, Netflix has to continually negotiate deal terms and renew them if needed for its streaming service. While they paid flat fees to acquire DVDs for rental once, now for the same movie, they need to pay a fee to the content owner on an unknown-basis – this kind of information is not disclosed. Therefore, content acquisition is amazingly expensive for Netflix. During the Television Critics Association’s press tour that took place in January 2016, Ted Sarandos, Chief Content Officer of the company, revealed this year’s budget: “We’re going to spend in 2016 about $5 billion dollars on content on a P&L basis, which means about $6 billion in cash.”\textsuperscript{24} That number includes content acquisition and original programming. It is also difficult for Netflix to have newest titles quickly. Studios license their movies to streaming services about one year after their theatrical releases.

Netflix has transformed dramatically over the past years. 2015 has been a key year for Netflix because they released their first original movie, *Beast of No Nation* that received critical acclaim. It was also a strategic year due to their clear refocus on original programming. Their deal with Epix that was in place since 2010 expired in September 2015 – they lost the exclusive rights in 2012. So the platform won’t be able to stream the thousands of Paramount, MGM and Lionsgate movies anymore – basically blockbusters and “premium” content. In an official statement, Ted Sarandos expressed “We’ve enjoyed a five year partnership with Epix, but our strategic paths are no longer aligned. Our focus has shifted to provide great movies and TV series for our members that are exclusive to Netflix. Epix’s focus is to make sure that their movies will be widely available for consumers through a variety of platforms.”\textsuperscript{25} It was revealed that Netflix paid Epix $1 billion in licensing fees for the life of the deal. The end of this deal show that Netflix wants to have exclusive content that viewers can only find on the platform. So if consumers want to watch *Beast of No Nation*, Adam Sandler’s *Ridiculous Six*, Brad Pitt’s *War Machine* or the future Angelina Jolie movie, just to mention a few, they have to subscribe. Netflix want to be a unique platform with premium and bold content that can’t be found anywhere else. As they are investing more in originals, less money is left for acquisitions, so the catalog will be more cautiously assembled.

In addition to having disrupted the whole film distribution business, it is worth noting that Netflix has been extremely innovative in its relation to consumers and in its way of producing or investing in content. Data drives Netflix’s business. Netflix has been tracking subscribers’ preferences and habits and organizing its library into 79,000 categories to better recommend the next movie or TV show. Zach Bulygo, a blogger for KISSmetrics, explains in his article, *How Netflix Uses Analytics To Select Movies, Create Content, and Make Multimillion Dollar Decisions*, that Netflix decided to greenlight *House of Cards*, a $100 million show, because of big data based on the following information:

1. “A lot of users watched the David Fincher directed movie *The Social Network* from beginning to end.
2. The British version of ‘House of Cards’ has been well watched. 
3. Those who watched the British version ‘House of Cards’ also watched Kevin Spacey films and/or films directed by David Fincher.”

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\textsuperscript{23} United States Department of Justice, Offices of the United States Attorneys, 1854. Copyright Infringement - First Sale Doctrine

\textsuperscript{24} Entertainment Weekly, Netflix to spend $6 billion on content this year. Six billion, January 2016

\textsuperscript{25} Variety, Epix movies are leaving Netflix, coming to Hulu, August 2015
Furthermore, with more than 75 million subscribers\textsuperscript{26} and by investing around $70m in War Machine\textsuperscript{27} with Brad Pitt, Netflix is signaling its ambitions to be more than an alternative entertainment option. While Netflix was previously vulnerable because it was at the mercy of content providers, now consumers are subscribers to Netflix also because of original content that cannot be found somewhere else – even if it is not the main reason for subscribing for every user. Netflix has now a competitive advantage. However, Netflix’s original content is too expensive. As Netflix has to pay the production costs upfront, it faces some cash flow issues. Now, Netflix relies on international expansion to grow – it intends to operate in 200 countries by 2017. This amazingly quick implementation abroad implies buying movies and TV series’ worldwide rights. However, international catalogs are criticized for their lack of choice as Netflix did not acquire worldwide rights from the beginning and many people still can’t afford high-speed broadband. Netflix does not earn enough profit from its domestic operations to fully finance its original content projects and international ambitions. As Timothy Green explains in The Motley Fool’s article, 3 Massive Risks Facing Netflix, in February 2015, Netflix raised “$1.5 billion in long-term debt with a weighted average interest rate of 5.7%”, which will highly increase Netflix’s interest payments. Green adds “as debt piles up on Netflix's balance sheet, the potential negative consequences of the company's expansion plans falling short of expectations will be magnified. If profitability in Netflix's international markets doesn't improve as quickly as the company anticipates, or if its growth in the U.S. stagnates earlier than expected, those big interest payments could become a real problem”. Being a “mature” platform in the US, it nonetheless faces a raging competition from other tech companies, and traditional distributors, and pay TV services offering standalone streaming services like HBO Now.

1.4.3.1.2 Amazon Studios

Contrarily to Netflix, Amazon did not start with a DVD rental business. It has pursued a hybrid VOD and EST approach, providing consumers with the possibility to rent or buy streamed movies online. However, Amazon Prime Instant Video’s pricing system is unique. It offers a subscription service that enables any consumer who paid for an Amazon Prime account to have access to their streaming platform. As the video service has been created to encourage customers to do their shopping, it has become a valuable business.

Moreover, Amazon Studios announced in January 2015 that it would produce and acquire original movies for theatrical release and early window distribution on Amazon Prime Instant Video. Amazon Studios will produce and distribute about 12 mid-budget - $5 million to $25 million per title - movies per year\textsuperscript{28}. They theatrically released their first movie, Spike Lee’s Chi-Raq, in December 2015. The film received very good review and good box office results – more than $2 million domestically. At the 2016 Las Vegas’ CinemaCon, Amazon Studios assured exhibitors that the streaming company was friendly to a first traditional theatrical window. Amazon wants to work on movies that are not only meant to be watched at home on the streaming service, but also in theaters. Their 2016 line-up is a great evidence of their philosophy. Cannes Film Festival 2016 will screen five Amazon’s titles: Woody Allen’s Café Society, Jim Jarmusch’s Paterson and Gimme Danger, Nicolas Winding Refn’s The Neon Demon, and Park Chan-wook’s The Handmaiden. Amazon’s desire to work on prestige

\textsuperscript{26} The Verge, Netflix whizzes past 75 million subscribers thanks to record international growth, January 2016
\textsuperscript{27} The Guardian, Should Hollywood be afraid of the march of Netflix?, June 2015
\textsuperscript{28} Variety, Amazon Studios to produce movies for theatrical, digital release in 2015, January 2015
movies and their defense of the theatrical experience is changing how they are perceived by key players of the industry and elevating the company’s bright reputation.

Amazon is also very data-driven, which is notably helpful for their recommendation tool and for getting more insights on their consumers’ tastes. Amazon big value added is their whole retail service. The movie business can take advantage of the overall Amazon’s perspective to target and promote their content better than ever as they know their customers extremely well. However, Amazon’s business model is confusing and may not be the very well adapted to a growing movie business. The mix of Amazon Prime Instant Video with other Amazon services is not user friendly and makes it difficult to understand which consumer subscribed to which service, complicating budgeting issues. Fortunately, Amazon announced a new pricing model[^29] designed to attract viewers who want more flexibility, enabling them to pay for a monthly subscription.

1.4.3.1.3 Premium: Hulu

Hulu is the third leading digital platforms. Hulu was created in 2008 with free streams of TV shows and movies. Hulu also pioneered a new view of consuming content. They have turned their free model into a freemium one. Some content is free and ad-supported while others require a subscription to what was called before Hulu’s rebranding “Hulu Plus”. From the beginning, Hulu has focused on acquiring premium content. Hulu has significant deals with Epix that non-exclusively delivers blockbusters and content programming and Criterion that can satisfy movie buffs with their collection of classics.

Contrarily to its two other main competitors, Hulu has started creating its original TV shows, but not its own movies. Its primary focus is TV. Hulu’s primary advantage is to be backed by three major studios, NBC Universal, Disney, and Fox.

[^29]: Deadline, Amazon establishes separate prime, video subscription services with monthly options, April 2016

**Netflix, Amazon Prime and Hulu’s penetration in US TV Households**

According to the graph above from Nielsen’s “Total Audience Report” from Q4 2014, we clearly see that Netflix is the king of streaming in the US, followed by Amazon and Hulu. The main advantage of these three services is that they are often considered as complementary more than competitors.
1.4.3.2 Mubi: The human-curated platform

“Mubi specializes in independent, cult, classic and festival films...with a subscription fee of $4.99 a month”, as Leo Barraclough notes in his Variety article, *International Exec You Should Know: Mubi’s Efe Cakarel*. Unlike other digital platforms, Mubi focuses only on cinema. Even if Mubi also uses data a lot, it uses it for marketing purposes. The movies Mubi suggests are curated by its staff. Mubi’s model is to offer 30 films to choose from – with films being available only for 30 days. Mubi works a bit like an online film library with a focus on rare classics and contemporary, bold movies, proposing retrospectives from time to time.

Efe Cakarel was convinced that it was the right model to offer because “consumers feel overwhelmed by the huge number of titles on rival sites, like Netflix, and...the recommendation engines on those platforms don't work effectively...Algorithms cannot figure out what you want to watch. We travel all over the world to watch films so you don’t have to, and then bring you the best of cinema”. Robert Cookson’s article in the *Financial Times, Efe Cakarel: Delivering indie films to the masses*, asserts that when people are offered too many options, they are not necessarily satisfied. On big digital platforms like Netflix, Hulu or Amazon, people spend too much time looking for what they want to watch instead of watching and enjoying the content. According to Cakarel, by offering a “small, carefully-curated selection of films, Mubi eliminates the paradox of choice”. Cakarel also believes that people are increasingly moving toward consuming media at home through one of their many devices. As a result, acquiring all rights to films becomes crucial in order not to compete with other windows. As Tryon (2013) explains in *On Demand-Culture*, although Cakarel highlighted Mubi’s role as a curator of art-house cinema, he also stressed the role of social media. The website’s blog, The Notebook, is very helpful in building awareness and a global mobile-loving audience that is the target of the viral marketing of the films available on the site (cited in Tryon, 2013, p.34). Recently, Mubi showed that filmmakers are also starting to change their mind about non-traditional distribution patterns. Paul Thomas Anderson recently trusted Mubi with the exclusive worldwide premiere of his film, *Junun*, in October 2015, which thrilled the whole arthouse loving community.

Mubi’s “paradox of choice” strategy is extremely relevant at a time when curation is essential. But what brings a lot of value to Mubi is also all the additional content associated with the viewing. Great articles enable users to understand stories underlying the films, or directors’ inspirations. Subscribers can also access other members’ critics. However, being a very “niche” platform also means fewer viewers, and less revenue to acquire newer movies that are necessarily more expensive. If Mubi wants to appeal to more viewers it has to be careful not to forget its identity and brand. More viewers may mean more choice, thus more content, but also a difficulty to keep “humanly” curated content. However, Mubi does not want to be Netflix. The platform wants to build a real community and convince loyal followers. Thanks to data, they know where movie buffs are and how to reach them. Moreover, they are very well connected to filmmakers and festivals; this is why Mubi is a highly credible “niche” alternative. Even if it is not profitable yet, the platform has powerful financial backers. It announced a new funding round of $15 million in January, as well as licensing deals with Paramount and Sony Pictures Television.

1.4.3.3 Youtube: From amateur video to feature film contents:

Youtube is a gigantic TV network with amateur and professional short content. However, the website has had many initiatives towards feature film content. In 2008, Youtube
created its own video rental service. The financial model was first based on advertising. Youtube and the distributors shared a certain amount of the advertising revenue generated by the page. In Eric Blattberg’s article, Digital distribution platforms for indie films, from Netflix to BitTorrent, Janet Brown, CEO of FilmBuff, indicates that Youtube is, however, not a great place to post a film. FilmBuff experimented putting features on Youtube to get ads revenue, but revenues were very low. On the contrary, it is a great place to advertise a film. Then, it evolved into the a la carte rental service that we know. Youtube also partnered with major film festivals, like Sundance, to distribute movies.

Youtube also released its first original movies and series via Youtube Red, its recently launched ad-free subscription model, on February 2016. Youtube’s original content is based on big Youtube stars, who built substantial audiences on the platform. Youtube announced, “with YouTube Red Originals, we want to help them tell bigger and bolder stories that delight you, their fans. YouTube Red is your opportunity to support the passion projects your favorite creators have only dreamed about until now.”30 Youtube’s original content is nothing like Netflix or Amazon’s premium content, it is more about targeting an existing fanbase – mainly younger audiences with partners like AwesomenessTV or Fullscreen.

1.4.3.4 Other important players with different models to mention

To end with this analysis of distributors’ different type of models and strategies, I would like to mention other important players.

Apple is a huge distributor of movies and TV series through iTunes, where consumers can rent or buy content online. Movies can be rent from $0.99 to $3.99 - $4.99 if the rental in HD. As soon as a rental is downloaded the viewer has 30 days to watch it. If the viewer starts watching the movie, he has 24 hours to finish it before it expires. Movies are put on iTunes via distributors or aggregators. Working with distributors enables, however, to be noticed on the platform by the consumers, as they have marketing resources to support movies. iTunes is a key platform for independent filmmakers and distributors. Gaming platforms also sell and rent movies. Playstation Store and Xbox Video are the main “gaming” film distributors. Finally, ad-supported services such as Crackle and Snagfilms have opened another way of watching movies. It is free. However, their catalog is pretty limited as the number of advertisements is not sufficient to acquire a substantial number of movies. Moreover, the number of ads when watching content on these platforms can quickly become frustrating and dissatisfy consumers.

30 TechCrunch, Youtube will premiere its first original series and movies next week, including a new PewDieDie show, February 2016
### Summary of the most important movies digital distributors' models

1.4.4 The importance of film festivals as first curators and distributors

Film festivals have never been as important as today in such a crowded marketplace. The easiness of producing content makes it difficult for distributors to evaluate every movie available. Festivals enable them to discover new artists backed by the brand names of Sundance, South by Southwest or Tribeca. As Tryon (2013) notes, these three film festivals...
have used streaming video and social media to re-assess their role in a new era for film distribution, driven by digitization (cited in Tryon, 2013, p.158).

In addition to help distributors discover projects that fit into their mandates, film festivals have also played a more direct role in film distribution for independent movies by making films available online or on-demand. Let’s take the example of Sundance. Sundance has often been criticized for being a festival where studios’ specialty divisions would pick their next films instead of being a hub for “real” independent movies. As a result, the festival tried to renew its image of “champion of independent filmmaking” as Tryon claims (Tryon, 2013, p.164), by launching the Next series in 2010. It is a series of ultra-low budget films chosen by Sundance. The festival also helped Youtube build its movie rental service, making 5 films available online for rental including past successful Sundance films – Tryon (2013) indicates that this initiative had a very low financial success (cited in Tryon, 2013, p.159). Then, Sundance decided to use its brand to help a certain number of “Sundance” filmmakers to distribute their movies on digital platforms such as iTunes, Amazon, Hulu, Netflix, as well as Sundance’s own distribution service, Sundance Now. Besides, Sundance also built a streaming catalog of movies directed by its 6,000 alumni and worked with Kickstarter to help filmmakers raise money to produce and promote their movies.

All these initiatives have showed how a major festival has been reinforced into a major curator in the digital era and can be more than useful for debuting directors who need help to distribute their movies and get them out there in the world.

1.5 Conclusion & recommendation for the next business models

Given the trends and evidence we found, there is no unique strategy to implement. Distributors should precisely evaluate their resources in order to assess which type of strategy makes more sense for each of their movies. Studios’ huge overhead costs will naturally push them to use the “blockbuster strategy” discussed by Anita Elberse (2013). Smaller independent distributors have no interest in developing such approach. Being cost-effective and audaciously using the tools developed in the digital era such as social media and data analytics is crucial. Release patterns, budgets, and marketing strategies should be customized from a movie to another, as no project looks alike and should be considered alike. We have to remember that movies are also works of art before being products, driven and supported by artists. Their unique messages should be shared in a tailored way. Besides, movie releases, either theatrically or online, should be considered as unique events and not as a reproduction of the same used ingredients that seemed to work before. Film distribution is heading towards more flexibility. According to John Sloss, CEO of FilmBuff:

“All the distinctions that exist in terms of windowing and designations to pay for content will collapse. There will be two designations: One will be viewing at home, and one will be viewing in public. I think that the length designations will also disappear. Stories will be the length that serves them. All the vestiges of the 20th century that limited the inherent flexibility of film will go away.”

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31 The Hollywood Reporter, Future of Film: 4 Experts Predict How Moviegoing Will Chance in 10 Years, February 2014
However, as consumers are being overwhelmed by the number of entertainment options, curation is crucial. According to Eric d’Arbeloff, a theatrical release is “still a form of curation”. It represents a good way to identify some of the films worth seeing. Matthew Landers, Head of Marketing at IFC Films, indicated during the panel “Film Distribution and the Indie Film” at the MBA Media & Entertainment Conference 2016, that theatrical releases are still a great way to stand out for independent films in such a competitive landscape. At Sundance 2016, Birth of No Nation was sold to Fox Searchlight for $17.5 million\textsuperscript{32} - the biggest sale ever at Sundance – while the highest bidder was actually Netflix for $20 million. Netflix is a well-capitalized buyer that can offer a great security. However, the platform does not split the upsides with producers and investors like traditional distributors, it does not share its data, and the company is not interested in doing a substantial offline marketing campaign. Therefore, producers decided to choose Fox Searchlight rather than Netflix because of its experience with “prestige” pictures, its know-how with big theatrical releases and Academy Awards campaigns, and the fact that they successfully handled a similar title, 12 Years a Slave. Though, as Camille Bertrand, Acquisition Manager at Bleecker Street, explained at the “Film Distribution and the Indie Film” panel, the proliferation of buyers – with digital players like Netflix overpaying - and the related bidding wars are very bad for distributors who will find it more difficult to breakeven. This situation leads to more fails because budgets are higher than ever. As a result, small international sales companies, domestic distributors and producers would benefit from converging to be more competitive.

Being distinctive and affirming a brand is the secret sauce for every distributor. If Disney has been such a powerful studio in the past couple of years, it is because of its unbeatable brand name for the consumers. People watch “Disney movies”, they don’t even care about who directs or who acts in it - Let’s watch the new Disney! Their acquisitions of one of the most innovative companies in the business – Pixar, Marvel, Lucasfilm – and the movies’ promotion and marketing support on each channel Disney owns has brought an immense value to their intellectual properties portfolio. On a smaller scale, A24 seems to have convinced viewers of its wild and bold aura. They have managed to build a community of fans who follow their funny social media apparitions and who are eager to watch their next movie releases. Mubi also successfully adopted this approach. Their consistent audience is reliable and that’s the most important as we will see soon. Building a B2B brand name can prove to be very useful for distribution companies to convince the best producers and filmmakers to partner with them.

\textsuperscript{32} Wired, How The Birth of No Nation became Sundance’s biggest sale ever, January 2016
2. What do consumers really want?

2.1 Is technology a determining force or can the changes in film distribution be explained by popular aspirations?

When discussing the changes in film distribution and consumer behaviors, technology determinist approaches are often raised. Technology determinism theorized by Marshall McLuhan states that “media technology shapes how we as individuals in a society think, feel, act, and how are society operates as we move from one technological age to another”\(^{33}\). So that would mean, for instance, that since new technologies enabled Netflix’s emergence, consumers won’t go to the theater anymore – or at least, less. Well, it is pretty simplistic. Is the technology really to blame? The situation we described in the first section can also be attributed to cultural changes and a need for more flexibility and mobility.

Digital delivery is not a new phenomenon as Tryon indicates in *On-Demand Culture* (2013). It had been technologically achievable by the late 1990s. Among early attempts, DivX, SightSound Technologies or even MovieFlix anticipated Netflix’s monthly-subscription model and also faced the challenges associated with acquiring rights for streaming or downloaded content. These ventures struggled to be accepted by the moviegoing community. The fact that legal online streaming only took off with iTunes or Netflix implies that the development of new technically advanced products does not necessarily mean that they will be successful – or accepted (cited in Tryon, 2013, p.25).

While traditional business models seemed to satisfy people 15 years ago, the emergence of the Internet and of an on-demand culture accompanying it, where everyone would be able to get any content quickly, anywhere, could explain why people have become so impatient. On the contrary, new technologies and the lower prices associated to it, certainly have had an impact on how people value movies.

2.2 The hopes and disillusion of digital distribution

2.2.1 Hope of infinite mobility and choices

If we look at the promises of digital platform regarding the idea of mobility, let’s go back to Tryon’s segmentation of the different kinds of media mobility (cited in Tryon, 2013, p.60). First, the idea of platform mobility corresponds to the fact that movies move easily from one device to another with minimal interruption. Second, the platforms are mobiles themselves with circulating content. So the two first types of media mobility translate the idea of watching movies “anywhere”. Third, it allows for temporal mobility, which means that viewers can watch content on a personal schedule – it is basically the ability to watch content “anytime”. In addition to media mobility, the idea developed by Chris Anderson in *The Long Tail* is also that an infinite amount of content tailored to each person would be available online.

As Tryon affirms in *On-Demand culture* (2013), people often consider that digital media can break the barriers of “geographic tyranny” (Tryon, 2013, p.21), providing audiences with access to films they could not typically see. Tryon refers to a New York Times

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\(^{33}\) [http://www.uky.edu/~drlane/capstone/mass/determinism.htm](http://www.uky.edu/~drlane/capstone/mass/determinism.htm)
article on the Independent Film Channel’s on-demand service and their acquisition of Johnnie To’s *Vengeance* – a Hong-Kong action director. The service enables movie lovers to discover new filmmakers and films, while a director like Johnnie To finds it very difficult to have his work seen outside of New York and Los Angeles in the US. This was also the idea behind Mubi’s creation. The original story is that Efe Cakarel, during a long stop at the Tokyo airport, was unable to find a way to watch Wong Kar Wai’s *In The Mood For Love*. As a result, he decided to create a platform in which people could access quality movies “anytime”, “anywhere” (cited in Tryon, 2013, p.21).

2.2.2 A disillusion?

Given the fragmentation of digital players over streaming rights, it can be difficult to for consumers to know what is actually available on which platform – even more if we focus on Netflix, Amazon, Hulu. The choices available are continually changing as the rights to stream movies detained by these platforms come to an end. Deals can also switch from a platform to another. It is what happened with the Epix deal that shifted from Netflix to Hulu or Criterion’s deal with Mubi that ended suddenly before it started dealing with Hulu. Websites such as Instawatcher were born to help consumers figuring out what can be watched on Netflix or Amazon Prime. No platform has permanent rights to movies – except when they produce their own original content.

As Tryon (2013) explains “despite claims about a giant celestial megaplex in the computing cloud, in which we will have comparatively easy access to the history of film, what we will have instead is something closer to a range of competing miniplexes, each with access to a limited range of content, with frequently changing marqueses depending on what content is available” (Tryon, 2013, p.32). Although Netflix is the dominant platform, the deal we suggested earlier show that no platform can be guaranteed to control the market.

Therefore, in an increasingly fragmented and crowded marketplace, knowing what the consumer wants – what content he/she wants to watch, but also how he/she wants to watch it - is crucial.

2.3 How do people want to consume their content: the impact of platform mobility on consumer behaviors

2.3.1 Key takeaways on the moviegoing experience

In this more and more convenient world, how do consumers consider the moviegoing experience? PwC’s Consumer Intelligence series, *Summer 2014 movie going declines a blip on the radar?*, provides key findings on what concern moviegoers and what would bring them back more often to theaters. The report was based on a survey conducted on 1,044 respondent in October-November 2014.

The first interesting question that PwC asked was how movie theaters changed over the past 5 years. High ticket prices is the first reason for global dissatisfaction, despite a better overall experience – best seating, 3D movies, improved concessions. Then, summer 2014’s movies did not appeal enough to the audience, showing that content is still king.
Ticket price is too high 53%
Movie genre/themes/titles not as interesting to me 41%
Prefer to watch movies on my own schedule 30%
Prefer to spend my money on other recreational activities 29%
Can see movies at home (on demand) shortly after they are released in the theatre 24%
 Prefer to spend my money on going out to dinner 19%
Don’t have same disposable income as I did in previous 12 months 18%
Decline in overall theatre experience 16%
Online pay content/series is just as entertaining 13%
Too many people using phones, tablets, or other technology 10%

Top 10 reasons for going same/less to theaters

Lower Prices (Net) 53%
Cheaper prices/lower prices 37%
Better Movies (Net) 23%
Better quality films 11%
Better prices on food 9%
Better theater Experience (Net) 8%
Coupons/deals/discounts 7%
Better food/drinks (Net) 6%
Less busy/more time to go to movies 4%

Ways to increase movie viewership in theaters

Base: Total Respondents (1044)
Q12. What would make you want to go to the movie theater more often than you do now?
Let's now look at why people go to the theaters:

![chart]

*What motivates people to go to the movies?*

The most important reason for going out to the movies is the interest in the film's subject/genre. Wanting a night out is also a key reason. So given these findings, what could be the right incentives to bring people back to the collective experience of the movie theater? 53% of respondents answered “cheap” seats. The “uberisation” of movie theaters could actually help theaters to fill a lot of empty seats with price-sensitive consumers. Younger audiences also expressed that they would love to assist to “super fan” experiences in theaters and that it would push them to come more often. Promoting a special “night out” could also help revive the flame for moviegoing. This study, analyzing consumer behaviors and habits, gives great insights on how theaters could innovate to promote the unique theater experience.

PwC also asked if there would be an interest in monthly movie subscription ($20 per month to see as many movies as wanted). Knowing that people go in average 4 to 5 times a year to theaters, it should be profitable for theater owners. The graph below clearly shows the interest. According to Bret Lang in his Variety article, *MoviePass Study: Theater Subscription Service Boosts Attendance by 111%*, MoviePass – a theatrical subscription service starting at $30 per month offering unlimited access to movies of theater partners – could help theaters attract viewers. Research demonstrated that the $30 to $45-a-month program increases attendance by 111%. As the CEO, Stacy Spike, explains “the younger, harder to get to come to theaters — we’re finding they are the ones who are signing up. It’s generational. With Netflix, Spotify and Pandora, millennials are in the habit of consuming things through subscription services.” While it may prevent theaters to entirely control ticket prices, it would help bringing back people more often to the movies. Knowing that viewers are increasingly less tolerant to ticket price increases, that could be a good alternative.
Interest in monthly subscription ($20 per month to see as many movies as you wanted per month)

2.3.2 Unlimited choice or “easy entertainment”? 

As we discussed earlier, the cultural and technological changes related to mobility made consumers want to experience services that they think would offer “unlimited choice”. In *The Long Tail*, Chris Anderson estimates that “everyone’s taste departs from the mainstream somewhere, and the more we explore alternatives, the more we’re drawn to them”. So, what do people crave for? Digging or easy watching? Anderson states in 2006 - when Netflix had not started its streaming business yet – that the neglected genres or subgenres such as Bollywood, foreign films or anime drove many new costumers to subscribe to Netflix. These three categories also exist in the streaming service. This argument would let us think that viewers want to have a pretty substantial choice.

However, complaints that there are not enough new titles on Netflix and the importance that the video rental service, Redbox, took over the years cast some doubts on the long tail model as the most appropriate for consumers. Redbox sell a small number of best-selling movies targeting an audience that wants to watch content they already heard about but missed in theaters. Redbox represents a very cheap option – the price of a rental increased to $1.50 from $1.20, and from $1 initially. However, Redbox has been struggling recently, with its revenue for the fourth quarter of 2015 decreasing by 17%[^1] The shining days of Redbox are gone. Even if it remains a good option for cheap and fast entertainment – as studios negotiated a shorter window for Redbox rentals to be released: 28 days after the DVD and Blu-Ray releases – we are now living in a digital age where there are already too many options. What a better example than Netflix that moved from DVD to streaming, with streaming subscribers quickly increasing all over the world, while DVD and Blu-Ray rentals subscribers increasingly declining?

[^1]: Cinemablend, Why Redbox is having serious problems, March 2016
By focusing on the rise and fall of Redbox and Netflix services, as Tryon notes, “we can [also] address … the changing habits, value, and beliefs that accompany these shifts and their implications for a distribution system in which the value of the movie and TV text has been redefined” (Tryon, 2013, p.104). Given the evidence we found, it is obvious that audiences would rather have unlimited choice and be able to watch newest titles as soon as possible. Impatience associated with the digital era where supposedly anything could be found, anywhere, will certainly encourage this to happen, enabling people to have the choice of watching movies the way they want – in theaters or online on their couch.

2.3.3 The advent of an on-demand culture characterized by individualism

In On-Demand Culture (2013), Tryon quotes Charles Acland, Professor and Research Chair in Communications Studies at Concordia University, who expresses that “individualism rules the world of entertainment. The contemporary environment of mobile, hand-held and personalized technological trinkets is a most astounding manifestation of this common sense” (qtd in Tryon, 2013, p.11-12). This individualism is associated with the increasing use of mobile and individual devices. This comment shows how movie consumption has evolved over the past years. Watching a movie was truly considered as a collective experience – being at home or at the theater. Tryon adds that “the ability to carry around personalized screens has prompted a number of critics to worry about the decline of public space, producing what conservative columnist George Will referred to as a kind of ‘social autism’” (Tryon, 2013, p.12-13).

Platform mobility promotes a more fragmented approach of viewership, indeed. However, it has also reshaped the ways audiences view content. While they will be looking for their niche content on their own, they may be craving to watch new trendy blockbusters in groups.

2.3.4 Building a digital collective experience through social media

Social media has redefined the collective experience that we thought was lost with the emergence of individual devices and on-demand culture. Consumers are still very engaged with movies and the messages they carry. Social media are actually playing a role in supporting collective viewings. Consumers now identify movies they want to watch and discuss them online with other people by tweeting or sharing trailers with their friends and network for example. As Tryon articulates in On-Demand Culture (2013), social media has been amazingly helpful in promoting upcoming releases, creating a “culture of anticipation” (Tryon, 2013, p.175). Social media has basically facilitated a convergence of reactions that were before taking place on film critics’ blogs or on Youtube.

Consumers want to be part of broad conversations and engage in movie promotion or criticism. They are now empowered with the possibility to raise their voice and to be listened through websites such as Rotten Tomatoes or platforms like Twitter and supplant the role of professional film critics.
2.3.5 Empowered viewers

2.3.5.1 Power of decision

In addition to being more listened to, consumers can now choose what and how they want to see the movies they are interested in. Tryon (2013) refers to Francesco Cassetti, an Italian film and television theorist, who affirms that traditional modes of viewership based on passively watching movies are no longer pertinent. “Instead, viewers ‘intervene’, a process that entails everything from choosing when and where to watch a movie to what platform they will use” (qtd in Tryon, 2013, p.66). Viewers become leaders who decide of their viewing experiences as users, turning movies into what he calls “multimedia projects” through comments, tweets, reviews, blogs. As information circulates instantaneously and freely – at least in the US - viewers are more powerful than ever.

2.3.5.2 Power of distribution

As we saw it earlier, people are looking for more personal experiences. Yet the cinematic experience has not lost interest from consumers, who still want to watch movies on the biggest screen possible. This is where Tugg comes in. Tugg’s library of over 1,500 films can be screened through exhibitor partners nationwide - Alamo Drafthouse, AMC Theatres, Cinemark Theatres, Studio Movie Grill, and Regal Cinemas. The beauty of this new “platform” is that people can mobilize others to promote a movie and screen it. It is also a great way for filmmakers to market their films and distribute them when building a substantial audience.

Tugg is the best example possible showing how social media has redefined collective viewing experience while being also mobile and flexible. Empowered audiences can now build what will be programmed in their local theaters.

2.4 Conclusion & recommendations

Through our analysis, we have shown that an on-demand culture promoting more mobility and flexibility in viewership does not mean a disengagement of the collective movie experience. Non-frequent moviegoers are somehow leaving the theaters to their couch because of the ticket price rise. However, it does not mean that theaters are on the path of dying. On the contrary, this trend could be reversed if theaters improve the overall experience and create “events” that would turn a genuine night out at the movies into a unique and special one.

Distributors should also be aware of the increasing and powerful role of consumers as online and word-of-mouth promoters and marketers. A viewer can do or undo a movie. So how can distributors respond to their desires, while taking into account their new consumption habits, in such an endlessly evolving era?
3. How can distributors understand and respond to consumers’ newest desires?

3.1 How distributors have traditionally addressed their audience?

3.1.1 A short history of audience’s perception by distributors

Historically, the film industry has been studying audiences’ tastes and opinion through studies such as surveys, focus groups, and interviews. As it is a very risky business, content creators and distributors have to look closely at what stories would appeal to consumers, in the hope to cover production and marketing costs. While research could be useful to catch a glimpse of what interests people, tastes are - unfortunately for the business and fortunately for us! - continually changing. Let’s look back at the history of audience composition in the United States with the help of Film Reference’s historical report on Spectatorship and Audiences. Film emerged as a popular medium enjoyed by immigrants and the working class, while the upper class rather went to see plays in theaters. However, the evolution of film from short formats to feature films in the mid-1910 attracted a broader audience, filling the economic gap and increasing admissions considerably. Now that films benefited from a wide audience, newly established studios targeted certain demographic segments based on gender and age to better attract them to theaters.

Moreover, the Great Depression had a tough impact on the film industry and bankrupted many theaters. With the start of World War II, the audience changed completely. Men being mostly at war, Hollywood movies easily targeted women. With the end of the war, the emergence of TV and American middle-class families moving to the suburbs, movie theaters, located in urban centers, had a hard time. Besides, finding the right audience was a challenge for movie studios. Studios recognized the opportunity of targeting a new audience passionate about rock ‘n’ roll by producing film specifically for them, such as Rebel Without a Cause in 1955 with James Dean.

In the 1960s, the classical studio system broke down due to a series of flops and overproduction. A new generation was on the rise with the New Hollywood era, evidenced by Easy Rider in 1969. Hollywood struggled to understand back the changing nature of a generation that rejected old rules. The film audience revealed to be younger, showing interest in movies that were more accurate in depicting reality. The 1970s was an artistically rich era with more independent, European New Wave influenced movies produced. However, it was also a very inconsistent period financially speaking. The successes of Jaws (1976), Star Wars (1977), Raiders of the Lost Ark (1981) revolutionized the industry and had paved the way to the production of franchises and blockbusters. The Grand Era of “Entertainment” was born.

The Production Code that censored violent or sexual contents ended by the end of the 1960s, bringing with it the rating system we know today. The introduction of the PG-13 rating in 1983 forced the motion pictures industry to produce films that would appeal to broader audiences – knowing also that young audiences were considered as the most lucrative segment – to be more profitable.

Increasingly risk-averse, studios implemented pre-production market research to make sure they were targeting the right audience before production. This method was completely different from the classical Hollywood model, in which research on audience targeting was realized after films’ production. Besides, after production, studios usually screened a rough
cut for a test audience to gather quantitative and qualitative assessments. The idea was to get a
very diverse audience to know what demographics liked the movie the most. Test audience
helped modify or remove some unpopular parts in the movie and even organize reshoots if the
results were very disappointing. Many movies were changed after test audiences. A famous
example is *Fatal Attraction* (1987). In the original ending, Alex Forest committed suicide
while listening to Madame Butterfly. But it did not satisfy the viewers. Alex was considered
to be a menacing character that they wanted to see punished for her crimes. Paramount, then,
reshot the ending for $1.7 million accordingly. We don’t know what would have been the
outcome with the original version, but *Fatal Attraction* successfully grossed more than $150
million domestically.

3.1.2 How film marketing looks like now?

Historical marketing strategies and targeting mentioned above have been very
influential to what film marketing is today. A traditional marketing campaign includes:
trailers (in theaters, TV, online, DVD releases, via mobile), teaser trailers (shorter and aiming
to intrigue audience), posters (in magazines, billboards, roadside ads, outside cinemas, social
media), and promotional appearances (TV & radio interviews, red carpet events). These
promotional tools used through media synergy (games, music, TV shows, theme parks),
commercial synergy (via the promotion of other products), website, and social media
presence.35

Prior to launching marketing campaigns, distributors also have to do extensive
research to make sure the audience likes the concept before actually greenlighting the movie.
Major studios spend tens of millions of dollars on consumer-research per year – including
general research, focus-group studies, test screenings. During my conversation with Dylan
Wiley, Head of Marketing at Broad Green Pictures, on April 20th 2016, he indicated that
there are multiple milestones with the audience before the film is launched. Marketers must
verify if a substantial number of people are interested by the project. Once they made sure of
that, they test it once the film is completed and create a consumer profile. Finally, they check
how the consumers who showed interest in the concept are responding to the marketing
material. Therefore, distributors are not “blind” anymore. The goal is to generate word-of-
mouth and to have as many viewers as possible referring the movie to their friends. As Dylan
Wiley said, the goal of moviemaking used to be to make the best movies possible. Now, in
addition to that, it is also about making movies people are interested in. Thanks to new
technologies and the advances of digitization, it is easier to know if people would be part of
the potential audience. However, Eric d’Arbeloff noted that some of Roadside Attractions’
most successful movies have tested below the “norms” – showing that purely data driven
analysis does have its limits. Research is very important, but movies also remain surprising
works of art. Distributors have to understand first and foremost the tastes of the consumers
they are targeting.

The other important choices to make for distributors are related to release patterns.
Marketers have to make sure that the dates do not overlap movies targeting the same
audiences and that the landscape is not too crowded by big hits. Marketers should also know
if they want a simultaneous worldwide release or make each territory open independently as it
will impact marketing campaigns.

35 http://fr.slideshare.net/CreativeMediaSarah/marketing-promoting-a-film
3.1.3 What are the limitations to traditional marketing?

In his article, *How Has Movie Marketing And Distribution Evolved Over Time?*, the film producer Adi Shankar expresses that there is a fundamental flaw in today’s movie marketing. He argues that it is too costly and inefficient at targeting the right audience. He observes that marketing spend has skyrocketed. He takes horror films as an example. *The Purge, Insidious, Sinister* all had production costs under $5 million dollars, and marketing budgets over $20 million. He explains why this is worrying by stating that:

“This mattered less when movies had astronomical budgets, and were ostensibly produced for the mass market. However, the future of the movie business lies in niche markets – not in generalized mass appeal. Audiences are growing tired of the recycled, bloated, arbitrary, homogenized movie franchises to which their cinematic taste buds have become numb. Furthermore, movie budgets for niche and genre films (as opposed to tentpoles like Batman, Transformers, The Avengers, etc.) are rapidly dropping, as producers and executives realize that the film financing ecosystem is unable to support the outrageous budgets that were commonplace just a few years ago. It’s becoming harder and harder to justify the ineffective yet expensive marketing methods that are still commonplace today”.

He predicts that the solution will be the “netflixication of movie marketing,” when distributors will “effectively and efficiently match content with the perfect consumer”. The future of film marketing would then be algorithms.

3.2 The revolution of digital technologies

3.2.1 Social Media

Adi Shankar is right. Marketing expenditures are way too high and digital is not efficiently enough used. Pamela McClintock in her Hollywood Reporter’s article, *$200 Million and Rising: Hollywood Struggles With Soaring Marketing Costs*, explains that the blame is to be put on TV advertising. Even if the medium is not very effective, it is still considered as the way to get the broadest audience – even though DVR time-shifting remains a big concern.

She states that while studios have amplified their use of social media to promote movies to a more targeted audience, their TV ads budget has not declined. Yet, social media have proven to profoundly influence moviegoers. McClintock shares the results of a study by Twitter and Nielsen published in 2014 asserting that “87 percent of Twitter users over 13 said tweets influenced their movie choices. It also showed that 62 percent of moviegoers used the Internet or mobile apps to learn about films”. However, she adds that studios rarely spend more than $10 million on digital marketing. New cost-effective ways to appeal to audiences, especially young ones have to be found. Old rules won’t be able to command anymore.

Thanks to digitization, the film industry now has more tools than ever to analyze its consumer behaviors. For example, instead of overwhelming the country with highly expensive TV ads, A24 partnered with theAudience, a social marketing agency, to reach its target demographic for *Spring Breakers’* release. So, they created Facebook ads that also worked as content. David Ehrlich reveals in his Slate article, *The Distributor as Auteur*, that
“Of the 174 million impressions that the movie made in the weeks leading up to its debut, 49 percent were organic, meaning that you were just as likely to learn about a new Harmony Korine film from your weird aunt’s personal page as you were from a promoted update in your news feed - For context, the Spring Breakers Facebook page has 1.1 million likes, while that for Fox Searchlight’s Best Picture-winning Birdman has only 330,000”. A24 made the audience work for them to create the buzz.

Let’s now look at the crucial social media platforms, Twitter, Facebook, and Snapchat and see what could be the best ways to generate cheap publicity for upcoming films.

3.2.1.1 The “Twitter Effect”

The role of social media has for long been debated. As Tryon explains in *On-Demand Culture* (2013), “the relationship between social media and movie attendance remains unclear” (Tryon, 2013, p.119). During the summer of 2009, some journalists tried to find why movie box office performances were inconsistent. Tryon (2013) uses the example of Sasha Baron Cohen’s mockumentary Brüno. Brüno is a follow-up of his previous film, *Borat: Cultural Learnings of America for Make Benefit Glorious Nation of Kazakhstan* (2006). Serving as a cynical criticism post-9/11 racism, the film was a box office success, grossing more than $260 million worldwide on a $18 million budget. Brüno made a strong opening weekend, but attendance suddenly decreased. Tryon adds that “the film had a 39% decrease in box office from Friday to Saturday during its first weekend in theaters, a decline that corresponded to a high volume of negative postings about the movie on Twitter” (Tryon, 2013, p.119). Brüno’s box-office performance became the most frequently used example of the “Twitter effect”, the perception that the accumulation of positive or negative social media reviews or comments could impact a film’s results.

Twitter has become a mythical social media tool since 2007, coupled with platform mobility. In addition to having a role to play in influencing people’s movie choices, it is now part of consumer content consumption. According to Tryon, “41% of young adult users stated that they post on Twitter about whatever they are watching” (Tryon, 2013, p.121). However, the limit of this approach is that only 56% of monthly active users on Twitter are actually tweeting, and the average number of follower per user is only 208 as of 2014.36

Even if there is no clear causation between the global sentiment about a movie on Twitter and its financial results, a correlation could be established. Therefore, it is important to play with the powerful tool that Twitter represents.

3.2.1.2 Facebook

Facebook has become crucial for marketers as well as one of the most important communication tool where people are sharing everything with their “friends” – their daily lives, their likes, their interests, their anger… Tryon (2013) refers to a talk at the 2011 Cannes Film Festival with Facebook Executive, Jon Fougner, who argued that “social media tools could be used not only to create positive word-of-mouth for a film but also to generate demographic data on the audiences for specific films” (qtd in Tryon, 2013, p.131).

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He suggested that online ticket sellers like Fandango or Flixster should be integrated to Facebook to broadcast a ticket purchase for free and influence one’s network. He defends that moviegoing is social and marketing would be even more efficient if viewers could see which screening their friends were going to attend – it may be a little bit too much in terms of privacy violation. Social media like Facebook and Twitter, nonetheless, are an evidence of peer influence power.

3.2.1.3 Snapchat: a new way of engaging viewers

Snapchat has been increasingly used to engage consumers with brands and could be a great tool to promote upcoming movie releases. Jody Simon, in her Videonink’s article, Snapchat Offers Enticing Native Advertising Model, states that “banner ads and online video pre-rolls may have some interactivity, [but] they are not really all that different from traditional magazine ads and TV commercials”. On the contrary, Snapchat recently offered brands the possibility to deliver sponsored geo-filters to its 100 million daily users.

Here is how it could work. Let’s say that a theater chain partners with a distributor to promote a movie release. Snapchat users at any of the chain’s cinemas can upload a Snap and then choose from a number original emojis or images to tell their followers how they are enjoying their experience. The creative advertising method highly engages users while being very appealing to advertisers since users have themselves chosen to be in an advertising and share it with their friends and followers.

Simon refers to a Share This and Nielsen recently released study stating that “92 percent of consumers believe recommendations from friends and family, 57 percent of all purchase decisions are based on recommendations, and 9.5 percent of consumers are more likely to buy a product with an excellent shared recommendation”. These statistics obviously show that such a user-generated advertising could be helpful.

Warner Bros has recently experienced the social media channel for its Batman vs Superman marketing campaign. Before its release on Friday, March 25, the advertising ran for 24 hours in several countries including the United States. As Todd Spangler, Digital Editor at Variety, illustrates in his article, ‘Batman v Superman’ Swoops Into Snapchat Video Channel, “the movie’s placement in Snapchat Discover comes after the studio ran a four-day campaign of sponsored selfie lenses — two for Batman, one for Superman and one for Wonder Woman — which let users adopt the guise of one of the superheroes”. The Snapchat Channel included video clips with the actors and the director Zack Snyder, discussing the film, as well as DC Comics artworks. Sony and 20th Century Fox already used that marketing trick for Spectre and The Peanuts Movie.

In their report, The age of curation: From abundance to discovery, Bain consultants Laurent Colombani and François Videlaine expressed that “the rapid development of social networks is changing the ways that content is curated and recommended. Every user is now a curator to friends and the larger community beyond”. As a result, distribution platforms are deepening their integration with social media. Hulu enables its users to tie their accounts to their Facebook profiles, which makes it even more social as it is easier to share what content has been watched and liked. However, users do not necessarily like to share whatever they are watching. So it is important to keep a very customizable connection, as this is private information.
3.2.2 Can digitization lower marketing costs?

Since social media can significantly help create viral marketing campaigns and buzz, does that mean that it is necessarily cost-effective? Let’s look at Anita Elberse’s research on the matter. In *Blockbusters* (2013), she discloses that she assessed how movie and video game trailers get shared online. The data for over a hundred trailers demonstrate that people massively share them: “for many trailers in my study, in fact, the number of views generated by users’ videos was several times greater than the number of views for the original videos planted by advertisers” (Elberse, 2013, p.227).

Elberse adds that “89% of 300 million advertising views came from videos placed voluntarily by users” (Elberse, 2013, p.227). Therefore, as her study shows, distributors can easily benefit from fans’ free work and cheaply reach many more potential viewers. However, she adds that it does not mean that relying on social media marketing strategy means sacrificing traditional advertising. She defends that if consumers may actively participate in promoting upcoming movies, it is because they are aware of them through traditional and broader advertising. Dylan Wiley explained to me that digital marketing is often thought to be more efficient at targeting audiences. However, whether this is true actually depends on the type of audience. He indicated that, for instance, *Walk in the Woods* (2015) targeted females over 50 years old. Broad Green Pictures learned that this audience primarily watched TV, so this is where they had to advertise the movie. If a distribution company is targeting kids and mothers, for example, a presence on TV is essential. Furthermore, Eric d’Arbeloff noted that traditional materials – including trailers in theaters, posters and publicity - are still very effective.

Nonetheless, for movies targeting audiences who are social media savvy, it is worth having a cost-effective digital marketing campaign without such a focus on traditional media, as we saw it with *Spring Breakers*’ campaign earlier.

3.2.3 Effective social media strategies: case studies

In this section, I will discuss the great social media strategy Jay-Z and his team used to market his book *Decoded*, to which Anita Elberse refers in *Blockbusters* (2013). *Decoded* is not a movie, but its launch was exceptional, and I would like to arouse it as a source of inspiration. Then, I will evoke Hunger Games’ effective social media strategy. I chose to talk specifically about these two because they were highly ambitious and show how far, creative marketers can go with the digital segment to engage young audiences.

Digital technologies have unfolded a world of thrilling opportunities with advances in social networks, interactive maps, and photo-sharing applications. As Elberse notes, all these tools enabled Droga5, the advertising agency behind the launch of *Decoded*, to mix online and offline campaigns. Such an interactive campaign would have been impossible traditionally, or more simply put, in the “physical world”. Droga5 did not have much money for *Decoded*’s launch, and since they also had to figure out how they could attract more people to use Bing, Microsoft’s search engine, they decided to resolve both problems in one shot. By asking Microsoft to sponsor Decoded, Microsoft would benefit from the buzz of the campaign’s website that was exclusively on Bing.

As Elberse indicates, the agency “released” the book in the form of 200 placements through various media across the world a month before the launch and organized a huge and
interactive scavenger hunt (cited in Elberse, 2013, p.223-224). Each release of a new page provided people an opportunity to learn about a place that was important to Jay-Z's life and music. The campaign employed traditional outdoor advertising, but also used non-traditional advertising surfaces: “the inner lining of a Gucci jacket featured in the window of Gucci’s flagship Fifth avenue store, the bottom of the pool at Miami Beach’s high-end Delano Hotel, the rooftop of a New Orleans building, and the stage curtain of the Apollo Theater” (Elberse, 2013, p.223). Meanwhile, Jay-Z communicated through his Facebook and Twitter accounts and on the Bing website to release some clues. The players who assembled the whole book competed for the grand prize: two lifetimes passes for any Jay-Z’s concert. It resulted that millions of people played, which created an active community sharing and generating buzz around the book.

Another example of an interesting social media campaign is Lionsgate’s Hunger Games. To promote the release of the movie, Lionsgate also created a scavenger hunt, but this time on Twitter. First, Lionsgate promoted the film as a traditional blockbuster offline to bring in a broad enough audience, and then started targeting. As Brooks Barnes, New York Times’ reporter, noted in Tryon’s book On-Demand Culture (2013), the “centerpiece of its effort to reach younger audiences took place online” (qtd in Tryon, 2013, p.125). The online game provided an immersive experience that engaged fans in proposed narratives. More than 800,000 fans identified themselves as citizens of Panem, Lionsgate’s dystopic and futuristic society. Later they could compete on Twitter to be elected “mayor” of one of the 24 districts. Eventually, the mini-studios launched a puzzle on Twitter where the digital pieces had to be found on several websites. When users posted their pieces concurrently, it revealed a new poster (cited in Tryon, 2013, p.125).

These two examples show how interactive a campaign can become thanks to social media. User engagement becomes very high, and it is key to convince viewers to influence their friends to watch the movie too. Also, we can argue that to implement a first traditional marketing strategy, a lot of money is needed. This is why thinking of a fruitful brand partnership such as in Decoded’s case is a brilliant idea. Partnerships with big corporations help smaller projects overcome their financial limitations and better achieve big-scale marketing campaigns.

3.2.4 Respond to the need for more immersion

Decoded and Hunger Games’ campaign show that users love interactivity and that being immersed in the movie’s universe helps to promote it. So, how would immersive marketing campaigns look like? First, let’s take the example of J.C Chandor’s A Most Violent Year, distributed by A24. The movie takes place in New York in 1981. So, the company created a curated blog with many photographs of the time and articles associated with it. A24’s idea was to immerse the viewer in this environment, in hopes that it would raise potential viewers’ interest. The idea was great, but unfortunately, it did not raise a sufficiently broad interest to help generate good box office results. The other way to immerse an audience could also be to use the new trendy Virtual Reality medium. During the San Diego Comic-Con held in July 2015, Legendary teamed with Google to promote Warcraft and Crimson Peak through a VR trailer. They gave away 50,000 copies37 of Google’s Cardboard headset at their show, that worked with a Legendary app. It made sense for Legendary to notably

37 c/net, Legendary Pictures teams up with Google to bring 'Warcraft' film into Virtual Reality, July 2015
promote Warcraft that way because it is a computer-generated movie that will mainly attract heavy gamers.

It has become more and more important to use every possible medium, each one bringing different extensions from the other, creating transmedia projects to promote a movie. As Richard Greenfield, Media and Technology Analyst at BTIG, claims in his Hollywood Reporter article, Future of Film: Studios Will Have to Take Their Cues From TV Networks, having “a movie, sequels, online video content, interactive games, immersive virtual-reality experiences…” can benefit every medium in creating awareness for the other. Given the current obsession for franchises, he goes further and suggests what he calls “content/franchise subscriptions”. Consumers would pay a brand’s product on every medium instead of paying for different products on a single medium.

3.3 How can Big Data revolutionize film distribution and help distributors better understand who to target?

3.3.1 Some data-driven tools for market research

Digitization has enabled distributors to gather a range of data about their consumers more quickly. Netflix has pioneered a data-driven approach that helps the company to have a targeted recommendation engine and to use data for its original content decisions. I want to present in this section a few data-driven tools that could be useful to marketing campaigns.

First, ListenFirst Media, a data and analytics company, provides insights for brands. It measures fan engagement across digital platforms and evaluate what the trendiest topics across social media platforms are - Google+, Instagram, Tumblr, Twitter, YouTube, and Wikipedia combined. ListenFirst aggregate information like audience growth, page/profile views, page-level and post-level interactions, hashtag volume and Wikipedia page views for all film pages for its metrics

Then, VScore is a useful service to evaluate sentiment regarding actors, to know better how to leverage them. Vscore measures over 25,000 actors currently working in film and TV. Here is their methodology:
How are Scores Calculated?

All actors' familiarity and appeal rating is measured by four elements. Scores are based on a 1 to 100 scale with 100 being the most familiar and appealing.

1. Social Listening.
   Vscore incorporates the volume of mentions of a particular actor's name across social media, including Twitter, Tumblr, YouTube, Facebook, foursquare, Instagram, WordPress, news blogs and other social channels. Vscore also identifies whether social conversation around an actor is positive, neutral or negative.

2. Performance Data.
   Vscore is first powered by accurate and robust performance data across film and television. Box office and ratings have been converted into audience exposure to accurately measure an actor's familiarity across the US market.

3. Awards nominations and wins.
   Actors that have been nominated or won any of the following awards get improved rankings in Vscore.
   - a. Emmy Awards
   - b. Golden Globes
   - c. Academy Awards
   - d. SAG Awards
   - e. Independent Spirit Awards

4. TV and Film Development.
   If an actor is attached to an upcoming film that's currently awaiting release, or an active pilot pickup or series pickup in TV, then Vscore increases that actor's familiarity ranking. This is the only predictive element in Vscore.

VScore Methodology

Another method that involves Big Data and that can be very useful is opening weekend box office prediction, movie marketing's most important performance indicator. In his IBM's report on *Movie Marketing Predictions for Opening Weekend Box Office*, Graeme Noseworthy, Senior Content Marketing Manager at IBM Analytics, noted that until recently marketers found it difficult to correlate box office revenue with audience behavior. As he indicates, given that the movie marketing timeline starts about 12 weeks before the release and is pursued from 2 to 4 weeks after, there is a great potential to reassess marketing strategies and be more accurate. Noseworthy indicates that IBM worked with a studio to create a box office prediction model based on online consumers behaviors. They collected movie data involving movie characteristics and online presence and tried models based on historical results from 200 movies. IBM found that social signals can predict box office results: "Twitter volume and negative sentiment have a strong correlation with actual Opening Weekend Box Office results". They achieved to have a very accurate forecast model that would enable the studio to readapt its marketing campaign if needed*. 
Therefore, all these different tools can help distributors understand more accurately who the audience is and what she wants. It also enables marketing teams to act according to real data instead of assumptions.

*In the Appendix, I attached a summary of the studies modeling theatrical revenue forecasting, included in Jehoshua Eliashberg, Charles Weinberg, and Sam Hui’s paper, Decision Models for the Movie Industry (2008).*

3.3.2 Know everything about its consumers

Tryon in *On-Demand Culture* (2013) establishes that “audiences are being organized into recognizable demographic and taste groups that can be reached more effectively through targeted advertising campaigns” (Tryon, 2013, p.126). But can we really have a clear idea of who the consumer is?

In his IBM report, *Analytics-driven targeting, personalization, and engagement in the insight economy*, James Kobielus, Big Data Evangelist at IBM, reveals that audience personality profiling is now possible with cognitive computing and streaming analytics. To achieve that, IBM introduced three algorithms:

- “Life-event detection: This algorithm analyzes unstructured social media data to detect important events in customers’ lives … and then make correlations to a range of financial decisions.
- Behavioral pricing: By combining behavioral models on consumer response to pricing with historical transaction data, this algorithm helps retailers design personalized pricing strategies that help consumers make purchasing decisions and improve their experience.
- Psycholinguistic analytics: By combining the psychology of language with social media data, this algorithm helps in understanding inherent personality traits of individuals and identifying their preferences. This technology goes beyond generalizations and recognizes the individuals to identify how they prefer to receive and consume information and offers”.

Thanks to increasingly sophisticated tools – and to talented data scientists – distributors are now able to deeply personalize their marketing messages according to their audience and identify clusters of people with similar tastes.

3.3.3 How can such amount of information concretely impact marketing strategies?

Given the vast amount of information that can be found, distributors can use it to create consumers’ profiles and make sure there is an interest toward their projects as we saw it previously. Moreover, data can also be utilized on a real-time basis to fine-tune marketing campaigns. It could imply, for instance, targeting specific demographic segments or tailoring more trailers so they can appeal to different kinds of people. As a matter of fact, Netflix made 10 different trailers for *House of Cards*, targeting very different customers with great success. Some editing changes broadened the film’s scope. It could also imply identifying where a movie is generating more user engagement and buzz. It would help creating communities and implement incentives to attract even more people for the movie releases in a specific geographic area, through unique events.
An illustrious example of data collecting that led to a concrete action was Universal’s *Pitch Perfect* release. Universal hired Fizziology, a consultative social media research company, to help clarify the targeting strategy. Universal found it quite challenging to market *Pitch Perfect*. The film deals with a collegiate a cappella group of girls who ends up competing at a national competition. In his FastCompany article, "*Pitch Perfect* And How Analytics Are Transforming Movie Marketing," Neal Undergleiner reveals that Fizziology’s COO Jen Handley found it difficult to compare it to other films: “Was it more comedic? Did it resemble *Rock of Ages* more? Was it like *Sparkle*? *Footloose*? Or just a teen comedy?” Therefore, Fizziology started working on sentiment analysis, to investigate what people were saying about the movie on social media.

Surprisingly, Fizziology found that “*much of the social media conversation was coming from men*” whereas Universal bet on a core *Glee* fans female audience because of the movie’s actresses. It appeared that *Glee* was not that much mentioned in association with *Pitch Perfect* and that a lot of positive tweets came from men who had attended screenings with women in the identified core audience. So Undergleiner found that Universal changed its whole pre-release strategy for the film, as it was not released yet. To capture the large potential of a possible male audience, Universal worked with Fandango and Movietickets.com to offer free tickets for “+1s”. So, *Pitch Perfect* ended up receiving what Universal affirms to be “the most extensive screening campaign in the studio's history”. The film turned into a box office success. On a budget of $17 million, the film grossed $115 million worldwide and became a “franchise” with the release of *Pitch Perfect 2* in 2015 and *Pitch Perfect 3* in 2017. Therefore, the advantage of online advertising is that performance can be monitored accurately, so marketers can adapt their strategy if needed like with *Pitch Perfect*.

### 3.3.4 Legendary Entertainment & Analytics: a love story

While Netflix and Amazon pioneered a data-analytics approach, most of the studios are lagging behind regarding data analytics capabilities. On the contrary, Legendary, the American production company behind one of the most successful blockbusters – *Jurassic World*, *Dark Knight* series, *Interstellar* – spent 4 years building an Applied Analytics team that was launched in 2013. Legendary started the Analytics group by acquired StratBridge, a software company founded by Matt Marolda. The primary goal of this team is to tweak marketing strategies and related budget allocations according to potential consumers’ sentiment.

Given the type of movies Legendary produces, the company usually spends between $60 million and $100 million promoting a new movie as reveals Ellis Booker, consultant, speaker, and writer, in his DataInformed article, *Big Data Takes a Star Turn at Legendary Entertainment*. It is a process that they repeat 8 to 10 times a year. Therefore, cost-efficiencies enable them to improve their return on investment. During the presentation, “Changing Hollywood Paradigms with Analytics,” he delivered at the Predictive Analytics Innovation Summit, Matt Marolda, Chief Analytics Officer, expressed that their “goal is to reduce [their] media spend by 15 to 20 percent”. Using analytics to bring insightful data on the table enables Legendary to save “ten millions of dollars” since the Strategy/Marketing team, continually monitors the data inflow to tweak marketing budgets.
Marolda explains that studios have, in a very simplistic way, spent the last years segmenting movie audiences into four quadrants of 80 million people - male & female, over & under 25. They spend millions of dollars identifying one segment and trying to reach everyone in that segment. On the contrary, Legendary microsegments movie audience into millions of groups. Let’s look at *Warcraft*, an upcoming 2016 movie based on the famous video game. Legendary knows that fans will go and watch it, so they do not essentially focus on them for their marketing campaign. Their most important focus is “the persuadable set”, which means people who are not fans or who do not even know the game, but who could watch it. Another big amount of work for Legendary lies in the analysis of trailers’ consumption. With their microsegmentation they decide how tailored trailers should be made – a bit like Netflix did with House of Cards that we mentioned earlier. Marolda also unveiled that for *Godzilla*, released in 2014, Legendary was able to save $30 million domestically to achieve similar levels of box office revenue compared to traditional Hollywood comparables.

3.4 Propositions to create consumers’ profiles and better target an audience

In addition to analyzing consumer behaviors on social media for theatrical releases, why not analyzing consumers’ consumption habits across all distribution channels? The idea would be to create a platform that aggregates viewers’ data from every fragmented medium to build more precise consumer profiles online. A consumer is not only characterized by what he tweets, or what he likes. We can also draw insightful conclusions through what choices he makes – in terms of content purchased, through which medium or platform. This idea, pretty difficult to implement, should be at first applied by studios that can more readily gather information as they have their own Home Entertainment Department and their parent companies often own TV networks. The collection of data could be done as following:

1. **Theatrical data:**
   Film distribution companies should partner with movie theaters and movie ticketing platforms to incentivize viewers to buy their tickets on their smartphone, online or directly at the theaters through devices that would require from them to sign up from one of their social media accounts. The process should be made easier and quicker than paying in cash. The access to customer information would help distribution companies and theaters know who leaves their couch to go to the movies and pay expensive tickets. Comcast’s acquisition of Fandango and Warner Bros’ of Flixster were terrific ideas to gather information about customers. For instance, in addition to its social media platform that allowed Facebook users to rate films and share the ratings with their friends or followers, Flixster also owns Rotten Tomatoes, which condenses general sentiment about movies. In *On-Demand Culture* (2013), Tryon refers to Sharon Waxman, author, journalist and blogger, who said that “with its recent purchase of Flixster and its 30-million strong consumer base, the studio has bought direct access to people who watch movies, rate them, read about them, and want to share that information with their friends” (qtd in Tryon, 2013, p.132). Of course, this process should be extended nationwide, so the information can be the most accurate possible.

2. **TV data:**
   In his article “Thanks to Google, TV Ads are about to start watching you”, Klint Finley analyzes Google’s move to TV ads. Thanks to companies like Google or TVision Insight that we mentioned earlier, advertisers and programmers will eventually have a precise knowledge

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38 HBS Open Knowledge, A Legendary Approach to Data Analytics, November 2015
of their TV consumers’ tastes and habits, just like on the Internet.

3. Video data:
As we saw it earlier, physical video sales – DVD and Blu-Ray – are in decline, but some people keep buying them online on Amazon for example. Amazon perfectly knows who buys these items and when. Amazon could sell this information to distribution companies. For physical rentals, it is hard to gather data because of the First Sale Doctrine. It is impossible to track down to whom the platform sold the right to rent the movie – except if it is Netflix. On the contrary, online video sales or rentals are easily traceable.

4. Online streaming data:
When distribution companies sell SVOD rights to digital platforms such as Netflix, iTunes, Google or Amazon, the platforms have the possibility to give a feedback on the audience results as well. However, the amount of information shared is very poor. Netflix is known to be very elusive regarding its suppliers’ movie performance. However, they obviously have very precise information on their customer base. Studios should leverage their power as suppliers of premium content to ask for information on consumers to digital platforms. Even Netflix, Amazon or Hulu produce their own content now, they definitely need to be in good terms with studios and more generally distribution companies to have interesting movies and TV series and satisfy their users.

To conclude, this is a very ambitious plan, that is – I admit – difficult to implement. However, it could help a lot with increasingly focused marketing efforts and a better understanding of consumers. Adopting a holistic approach would enable deeper data and analytics capabilities.

Besides, another proposition would be to implement an internal platform gathering information on marketing budgeting for each distribution platform. The idea would be to have enough historic data to simulate different marketing plans prior to movie releases. Marketers and executives will be able to have a global perspective on a whole marketing campaign and assess what to implement according to what worked or not on a selection of similar movies. The goal would be to have a better idea on what viewers better respond to and be as cost-effective as possible.

3.5 Conclusion and recommendations

Given the evidence we found, distribution companies should obviously embrace the changes paved by the emergence of big data and analytics. Digitization enables to gather an infinite amount of information, so why not use it to personalize marketing campaigns in order to engage viewers as much as possible? If potential consumers receive messages that are consistent with their tastes, interests and personalities, they would definitely be intrigued. Film distributors are starting to understand this need and to find the right partners. A data analytics firm like Networked Insights has been working closely with the entertainment industry and as shown in the Variety article, Studios Sign on for New Movie Tracking Platform Kairos-MovieSense, the release of a new online platform that intends to help distributors better target film audiences has announced. “That totally changes studios’ ability to find actionable insights and see opportunities to adjust their marketing to gain more efficiencies and, in the end, see greater returns opening weekend,” says Dan Neely, one of Networked Insights’ founders. Seth Byers, executive VP of creative strategy and research at Universal Studios, who works with Neely’s platform, added that “right after [their] first trailer
drops, [they] can see how [their] ad materials and media buys are resonating, with whom, why and how it impacts movie-going interest.”

However, there is a clear lack of data about consumers’ behaviors and performance of movies across different platforms. It is pretty easy to gather theatrical information with websites such as BoxOfficeMojo or The Numbers – Rentrak also works when you have an account. However for the other distribution channels, distributors only releases results when they are good enough. With the emergence of digital platforms and the deep changes in the home entertainment ecosystem, film distribution has become highly fragmented and would benefit from more transparency of a common measurement to better evaluate performances and improvements. As Screen Australia’s study on *Issues in Feature Film Distribution* affirms, “it is an important first step towards industry-wide cooperation on breaking down the information barriers”.
4. Are the new ways of distributing movies changing how content is imagined and produced?

4.1 Are creatives endangered or empowered by the new distribution landscape?

4.1.1 “The tyranny of demand”

The digital distribution of movies and its consequences can more than ever impact the creatives. Professionals of the film industry – mainly the most risk-averse – have always been fascinated by a potential “secret sauce”. Is big data on the way to bring it to them? Could big data tell writers what will sell? Can it tell directors what kind of directing will convince the audience? It implies understanding what makes the movie work so well, and it goes beyond the choice of the director, the cast and the plot.

According to Richard Maraschi, global leader of advanced analytics at IBM, it involves assessing what in the film triggers what kind of emotion to the audience. This is what Netflix is attempting to do with the 79,000 categories in its film catalog. While Netflix would never share its data, the Video Genome Project, for instance, could help competitors get a granular assortment of movie genre. In addition to having a direct impact on curation, it could change the “creative” side as well. As written in the Atlantic’s article, Big Data and Hollywood: A Love Story, “it is the hope of many in Hollywood that by combining deep understandings of both content and audience, studios will be able to choose and tailor their movies from the very start, and perhaps even identify some kind of magic formula to screenwriting”.

These advances in new digital technologies could be fatal for the film industry and the creative industries in general. If algorithms are used to recommend movies, it can be a good way to discover new talents and projects – to some extent, because at the same time it reduces the scope of consumers’ interest to what they liked; however human beings can also like what we never saw before. Furthermore, applying algorithms to influence the fabrication of a movie would be a terrible mistake. The algorithms would base themselves on what the mass, as a whole, is supposed to like to maximize the potential number of people who would be keen on watching such movies. However, it would kill the creativity of this industry, because people will be watching movies that are everything but surprising. Where would be the beauty of discovery and imagination? People are still watching movies to see something they could never have imagined. The Atlantic article about Big Data actually evokes Jay Douglas, a film professor at Loyola Marymount University, who refers to the genius of Steve Jobs when teaching his students about screenwriting. Jobs transformed Apple products into a global and recognized brand not by giving people what they expected and what they knew they needed. He gave them something they would not even imagine or worse, something they did not know they wanted. “Listening too closely to the market and past behavior is a recipe for mediocrity and stasis”, as Jay Douglas explains. A company like Legendary Entertainment that has pioneered the use of big data and analytics, actually understood that analyzing social data can have a direct impact on marketing but should only inform the creative process. According to Matt Marolda, “The creative process is completely sacrosanct”.

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39 Variety, How Hollywood is using social data to better reach audiences – or not, January 2015
More genuinely, without going that far, the current economic landscape of film distribution tends to constraint filmmakers artistically as sequels, prequels or adaptations are produced in masses. The success of a film or a storyline in other formats – games, books, comics – pushes producers and distributors to obviously reiterate the experience. However, like for a recommendation engine, the idea of creating “franchises” tends to highly limit creativity. People are receiving what they already know. To put it in the words of Bain’s study by Laurent Colombani and François Videlaine, *The age of curation: From abundance to discovery*, “the dangers of such a ‘tyranny of demand’ are real, illustrated by the increasing number of proven franchises among highest-grossing movies as production and marketing budgets swell”. This situation does not leave filmmakers a lot of leeway artistically speaking. While “original” movies amounted to 4 or 5 movies out of the top 10 box office successes in 1985, 1995 and 2005, there was only one “original” movie out of the top 10 in 2015, showing a clear shift towards a blockbuster economy over the years. Working in an environment where distributing independent films becomes more and more difficult - the marketplace is crowded and huge blockbusters concentrate highest revenues. Therefore, filmmakers are more and more dependent on distributors as they can provide them with resources helping them to release their films.

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**Top 10 Box Office hits in 1985, 1995, 2005 and 2015**

- **1985**
  - Back to the Future
  - Toy Story
  - Star Wars: Episode III
  - Jurassic World
  - The Chronicles of Narnia

- **1995**
  - Rocky IV
  - Apollo 13
  - Harry Potter and the Goblet of Fire
  - The Hobbit: An Unexpected Journey
  - The Da Vinci Code

- **2005**
  - Cocoon
  - Pocahontas
  - War of the Worlds
  - Inside Out
  - King Kong

- **2015**
  - The Color Purple
  - Out of Africa
  - The Devil Wears Prada
  - Minions
  - The Martian

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40 Box Office Mojo
4.1.2 The liberation of digital

That being said, the advent of digital distribution has also freed filmmakers who are now able to market and release their own movies. In *On-Demand Culture* (2013), Tryon explains that the emergence of a participatory approach “has contributed to a virtual reinvention of indie culture, in which filmmakers and others can use the skills and resources of the multitude in processes known as crowdsourcing and crowdfunding” (Tryon, 2013, p.175). He refers to the actor and director Matthew Lillard who hopes it will turn the current industry into a “golden age of filmmaking” (qtd in Tryon, 2013, p.175). Crowdsourcing and crowdfunding are a great way to engage audiences in the filmmaking process and give them a voice on what they would like to see. It could also be considered as a form of early promotion when used by more famous and “mainstream” directors. The ability to have direct access to consumers and the decrease in transaction and search costs, have liberated filmmakers. Now that the barriers of entry into the industry are lower, they can disintermediate producers and distributors. However, I would note that self-producing and self-distributing mostly work for established artists who already have a loyal fanbase. Filmmakers, even if immensely talented, still need the expertise and network of producers and distributors to be discovered, recognized and to find an audience. As Elberse explains in *Blockbusters* (2013), some functions are very hard to perform by artists – especially newcomers. Promoting a movie without having a strong network and knowing what is the most effective way to target viewers is extremely complicated. Therefore, as Elberse asserts, despite the new opportunity of “doing-it-yourself”, most artists will still choose to be represented by producers and distributors who will more effectively release their movies (cited in Elberse 2013, p.193). Their role and know-how cannot be more valued than now, in such an aggressive economical landscape. To conclude, in such an increasingly competitive environment where more filmmakers and artists compete for attention, the renewal of talents is more difficult. However, the ability to go direct-to-consumer should push artists to build a true audience online.

4.2 Changes in storytelling

4.2.1 Towards more spectacular and immersive cinematic experiences?

4.2.1.1 The first step of 3D

As we mentioned earlier, film digital delivery changed the film as a spectacular “product”. Cameron’s visionary technological and aesthetic intent has revolutionized the film industry and more precisely the way stories are told and movies are imagined. In *On-Demand Culture* (2013), Tryon mentions Rebecca Keegan, writer at the LA Times, who explains that “more than anything else, Cameron has muscled movies into the digital age, freeing filmmakers to tell stories that had once been possible only in their imaginations” (qtd in Tryon, 2013, p.82).

But does it mean that the experience of a 3D movie is above the traditional 2D movie? It is what Cameron seemed to imply when he released worldwide a 3D version of Titanic on April 6, 2012. According to Tryon (2013), Cameron claimed that viewers would eventually have a chance to see Titanic “as it was meant to be seen, on the big screen” (qtd in Tryon, 2013, p.92), suggesting that “viewing conditions for movies evolve as new technologies are introduced” to put it in the words of Tryon (Tryon, 2013, p.92). What does that imply for the creation process and its reception? Does that mean that viewers value more movies that are big cinematic experiences with impressive special effects? The results of 2015’s box office
speak for themselves...However, 3D is now banalized and people tend to attend less 3D films because of the very high ticket price. What’s next?

4.2.1.2 The future of film industry lies in viewers’ immersion

Regarding this section, I wanted to rely directly on the predictions of experts. The Hollywood Reporter article, *Future of Film: 4 Experts Predict How Moviegoing Will Change in 10 Years*, written by Dan Steinberg, American columnist and blogger for The Washington Post, gave great insights. Faith Popcorn, futurist, author, and CEO of marketing consulting firm BrainReserve, said:

“In the future, there will be seismic changes. Bored with Hollywood dictating cinematic culture (the same millionaire directors, the same overexposed actors, the same predictable storylines), like-minded fans will connect and create their own vision, either a completely original work or a riff on, say, rom-coms or Star Wars. The accessibility of tech makes it all possible for us to produce — and own. The intellectual property of our own tales will be ours to use and repurpose in new innovative ways. We’ll see them screened and voted upon (like The Voice), with the winners getting widespread release. It will be an entirely new business model. You’ve heard about Fan Fiction? Get ready for Fan Film, in which self becomes film studio.

Movie theaters are dying. As consumers hide out in their at-home binge-cocoon, devouring entire seasons of HBO and Netflix programming, theater owners will partner with hotels to create binge retreats. These will be fab private dens you can rent for a few hours or days to binge-watch whatever you like. It'll be all about decadence: Food will be catered and gourmet. Mixologists, masseuses and manicurists will be on-call. People will be unplugging from home and work, and plugging in to entertainment, fantasy and luxury.

In the future, fantasy adventure (our craving for exotic experiences) and technology will demolish the old-school movie screen. We’ll have completely immersive experiences. In a decade, Imax and even Oculus Rift experiences will seem as outdated as a Walkman. Films won’t be events you go see in the theater for two hours, they’ll be gamified and will unfold in real-time all around you. You pay for a time-slot, tune in your technology, and literally become one with the action. Endings and events will be changed as you go, smells, tastes, sensations will all be experienced live. Casts will be comprised of your own avatars — you will be the star. It’ll be a totally user-centric landscape that encompasses our EGOnomics trend: a personalized way for users to offset the effects of our digital, depersonalized society.”

Faith Popcorn’s predictions emphasize the importance of active versus passive viewing. The “future of film” will empower viewers who will be part of the story, as new creatives and actors. Furthermore, new technologies will highly immerse consumers into cinematic and impressive visual universes. What will be the role of the content creator then? Well, his vision may not be the dominant one anymore. In traditional storytelling – as we know it today - the movie in itself is a finished product; viewers can only have a role to play in marketing and promoting the movie. There is no interactivity or participation possible when consuming the movie. How is that starting to change?
Fox has paved the way to technological and storytelling disruption by announcing the release of 100 movies, including *Birdman*, *Alien* and *Die Hard*, for Oculus Video users as Daniel Terdiman reveals in the FastCompany article, *20th Century Fox First Major Hollywood Studio To Release Full-Length Films On Oculus*. Fox is the first major studio to partner with the new VR platform via its Fox Innovation Lab. Distributors are taking more and more seriously the question of immersion. Lionsgate is also about to release some of its movies in VR, while Disney was the lead investor in a $65 million funding round for Jaunt VR, a provider of cinematic VR experience. Mike Dunn, president of 20th Century Fox Home Entertainment stated that "VR cinema is a new way of presenting our movies, and has the opportunity to bring in mass market consumers to virtual reality. With Oculus Video, we are leveraging the scale and flexibility of mobile, while continuing to deliver a powerful, emotional experience for consumers. We are just scratching the surface of how Hollywood and VR will revolutionize entertainment by exploring innovative ways to develop immersive experiences as a new storytelling medium."

4.2.2 New production models

4.2.2.1 A need for more integration with distributors

The changing distribution ecosystem has more than ever impacted producers as well as filmmakers and their relationships – or what their relationships should be - with distributors and marketers. Producers must understand from the beginning who they are targeting and need to be creative in the way they connect with their identified audience. They must be more attentive to the new challenges and opportunities of film distribution. Given the crucial role that marketing has today in the motion pictures industry, producers and filmmakers must be more engaged in their relationships with distributors, earlier in the distribution process.

We can easily see that young and newly powerful distributors such as A24, Bleecker Street, Drafthouse Films or Broad Green Pictures have understood the importance that creatives play in the game. When launching Broad Green, the co-founders, Gabriel and Daniel Hammond, expressively stated: “We are constructing a new era movie studio, where we provide artists with a safe space to create and the resources, modern infrastructure and inspired marketing to execute their vision from script to screen”41. Besides, as we explained earlier, Harmony Korine’s vision for *Spring Breakers* as a radical film marketed in the most commercial way possible was crucial for A24 to position the film in the marketplace. Overwhelmed consumers need well-curated content. Having creatives at distributors’ side for marketing purposes would help transmit the passion behind a movie.

4.2.2.2 New narratives

In addition to changing relationships with distributors, new narratives are truly impacting traditional production models, in the fabrication and storytelling processes. Among those new narratives, good examples are participatory films, interactive films, and transmedia projects.

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41 Broad Green Pictures website: http://broadgreen.com/
4.2.2.2.1 Participatory films

Participatory films involve the audience from the beginning, at the creation stage. It implies crowdsourcing a part of the content. This is what Ridley Scott and Kevin Macdonald did for *Life in a Day* (2011). They asked Youtube users to produce short clips that could be included into a documentary if chosen by the director. This new form of storytelling leads to a large collective production while traditional movies usually correspond to personal projects. In participatory films, the director has to express his perspective through the vision of other people, bringing nuance and richness to a storyline.

4.2.2.2 Interactive films

Interactive films involve the audience at the viewing stage. The idea behind interactivity is that no viewer experiences a film the same way. The viewing is personalized according to each person’s interest and understanding of the story. Everyone can experience a movie in his/her own way, breaking the usual linear narration associated with content consumption. Interactivity has been pretty prolific in documentaries lately. A project like *Alma: A Tale of Violence* (2012)42 enables viewers to hear about the gang violence in Guatemala through Alma’s eyes, while the audience can move between her story and additional photographs shot by director Miquel Dewever-Plana and illustrations by artist Hugues Micol. This movement widens the documentary’s scope from Alma’s tale to the violence in Guatemala in overall, without breaking the storytelling.

Mosaic, the future project directed by Steven Soderbergh for HBO, will also be pioneering this new form of storytelling. According to Nellie Andreva, in the Hollywood Reporter article, *Steven Soderbergh Film ‘Mosaic’ Starring Sharon Stone Greenlighted By HBO, Promises To Push Storytelling Boundaries*, Mosaic is described as an experimental film linked to an app that would ask the audience to decide the ending. This new way of experiencing a story, empowering the viewer, is changing the role of creatives, who now have to think differently regarding financing, production, and even distribution.

Moreover, the advent of virtual and augmented reality will also be crucial in bringing more interactivity to the film industry. Virtual Reality was the new trendy novelty at the 2016 Sundance Film Festival. In VR, the viewer controls the camera; the focus moves from a linear and passive experience to a new kind of screen, in which the viewer can move, leading to different stories for each person. This storytelling is supposed to be more immersive than ever, so the audience can see and feel, more than it ever did through traditional content viewing.

4.2.2.2.3 Transmedia projects

Transmedia storytelling is when several mediums are used together to expand a narrative into multiple forms. Each contribution magnifies the experience instead of being in conflict or competition. Henry Jenkins defined the concept in his book *Convergence Culture* (2006): “a transmedia story unfolds across multiple media platforms with each new text making a distinctive and valuable contribution to the whole” (Jenkins, 2006, p.95-96). Content, on every medium, is interconnected to the other. Long, in *Transmedia storytelling: business, aesthetics and production at the Jim Henson Company* (2007), goes further by saying that: “Transmedia stories build narrative references into each component to direct

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audiences through the closed system of the franchise - which, when taken in toto, makes up the transmedia story” (Long, 2007, p.10). Transmedia storytelling extends the brand and gives consumers the desire to discover multiple facets of the story in many different ways. Marvel is one of the rare companies that implemented very well in this strategy. Marvel universes exist via comics, movies, TV series, games on different platforms (consoles, social media, mobile), theme parks, toys...Marvel’s universe has been increasingly expanding, and each medium gives the world a different and original perspective. However, the most important and challenging thing Marvel manages to have is continuity. We could think that the Marvel’s universe is fragmented; it is nonetheless very consistent and every form makes sense when put against the other. Real fans would enjoy accessing the universe on different platforms and experiencing more stories. Transmedia storytelling is an excellent way to engage more those who are already fans, but also to bring more visibility to the brand and thus attract more potential consumers.

Transmedia extends storytelling in a way that can boost performance and films’ economic viability. More and more filmmakers use the new opportunities that digital has offered them to enrich their stories. But transmedia is not only cross-media, the different types of content do not compete with one another as they are different on every platform. To quote Tryon in *Jump Cut: A Review of Contemporary Media*, “in both cases, transmedia is identified not only with storytelling across multiple platforms but also with the using transmedia models to imagine new modes of engagement, to get audiences actively involved in co-producing the film”.

### 4.3 The impact of foreign film distribution on content

Lately, China has become key in the film distribution ecosystem. It represents now a crucial territory in terms of “money” and “audience”. In 1980, international territories represented less than a quarter of studios’ box office revenues. By 2018, the Chinese market alone should surpass the North American one. As Bret Lang notes, “that's sort of changed the dynamic and it's also changed what kinds of movies do well. Movies that do well in places like Russia and China tend to not be particularly adult dramas or dialogue-driven films. They're big action spectacles that don't get lost in translation”. Therefore, major distributors know that if they rely on entertaining blockbusters with great production value and visual effects, they will be more successful in reaching overseas audiences.

Moreover, China’s importance in the film industry is not only due to the increasing middle-class who can now afford going to the movies or watching them online, it is also because Chinese conglomerates have been showing their interest in investing in studios and big independent distribution or production companies. Here are some of the latest deals:

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43 The New Yorker, The mogul of the middle, January 2016
44 CBS Money Watch, Can the US movie industry survive?, November 2015
Perfect World Pictures will unveil a five-year, $500 million movie slate funding deal with Universal Pictures in the coming days

China’s Wanda Acquires Legendary Entertainment for $3.5 bn

Lionsgate sealed a co-financing and co-producing pact with Hunan TV, China’s leading broadcaster with major ambitions in feature film

China Media Capital and Warner Bros made a pact to produce a slate of tentpole Chinese-language movies

Overview of the recent deals between Hollywood and Chinese media conglomerates

The investment in US film production gives Chinese conglomerates more than a role in US movie distribution. They now have a say on movies’ content and storytelling.

Furthermore, Tryon adds in On-Demand Culture (2013) that the quota system in China changed in 2012 to increase the number of foreign movies from 20 to 34 - the extra 14 have to be in 3D or IMAX. Tryon reveals that studios would also get 25% of the box office results, instead of the previous 13%. This quota increase stresses the current prominence of blockbuster franchises. Tryon (2013) refers to David Rosen, writer, producer and director, who notes that the number of theatrical screens in China doubled between 2006 and 2011 to 10,700 – the majority being digital screens. This situation led many experts to consider that China would highly shape the US film industry. Producers and distributors are more and more making creative choices that would please Chinese audiences. This was already the case a few years ago with Red Dawn (2012) that turned the villains into North Korean instead of Chinese or scenes from Men in Black 3 (2012) in Chinatown that were cut in fear to offend Chinese people (cited in Tryon, 2013, p.50-51).

As the Chinese market becomes bigger, and the US market more sluggish, the impact on US films production and distribution will be certain. This trend will accentuate the current emphasize on “universal” tentpoles movies. It will be harder for drama movies to exist at home and outside.

4.4 Conclusions and recommendations

Given our analysis, it is clear that the creatives in the film industry are increasingly constrained by “the tyranny of demand”. As we saw it, studios are more and more risk-averse and mainly invest in projects that already have an audience, which does not leave enough room for creativity. Fortunately, digital distribution has enabled filmmakers to break these rules, as they can now create content they really believe in. The recent emergence of filmmaker-driven distribution companies like Bleecker Street, A24 or Broad Green Pictures is also a haven for creatives who are supported and understood. I also want to add that content
creation based on big data and consumers’ taste cannot be a “creative alternative”. Only bringing to consumers content they know they will like does not make sense as it destroys creativity and discovery, which are at the heart of movie consumption.

Moreover, digital distribution has also allowed the emergence of new narratives, bringing a fresh diversity to the film industry, as well as new ways of creating and consuming content. Finally, new technologies like Virtual and Augmented Reality – if associated with film – will bring more immersion and should give another perspective to film.
Conclusion

Writing this thesis has been both challenging and exciting. The pace of change in the film industry makes it difficult to entirely anticipate what will happen next. As the film industry is constantly evolving, distributors should not wait for it to change, they should use the immense collection of information they have on consumers in order to suggest the best viewing option for each targeted group. Distributors must listen to what the audience wants on how to access and consume content. Shaping modern and adapted models is the only way to keep up with changes.

Consumers – especially young generations – now want to consume their content anytime, anywhere. They do not want to be bothered by constraints. For this reason, it would make sense for film distributors to be more flexible in terms of distribution models and to customize each film’s release with how the audience would be willing to consume it. The advent of big data will immensely help understanding potential viewers and how to reach out to them. That being said, the development of an on-demand culture does not mean that consumers are craving for individual experience only. Moviestores keep attending theatrical premieres and the social role of movies is more important than ever thanks to social media. There is still something extraordinary about collectively watching a movie, breathing the same air and sharing emotion together. The marketplace is about to be healthier with more niche alternatives, as audiences are getting more selective and discerning. Consumers willing to have access to “event” or “casual” viewings will both be more and more satisfied. When I asked him about his hopes and fears for the future of film distribution, Dylan Wiley told me that he truly hoped one day consumers would be able to watch movies as they want to. Even if he loves going to theaters, his obligations as a parent make it more difficult for him to attend movie screenings outside of home. He is convinced that many people are willing to pay a premium to have the “choice”. What would happen if major players of the industry allow dynamic pricing catered to the context of movie consumption?

In such a crowded and overwhelmed marketplace, the future of film distribution will depend on distributors’ ability to find the most creative and bold ways to catch people’s attention. Marketing is becoming the most important piece in movie distribution. The ability to create an “event” around a movie, gathering a significant audience – or better, a fanbase – will be key to maximize revenue. It is not necessarily about having huge marketing budgets, it is most notably about being audacious and taking advantage of the cheap option that social media, peer influence, and big data offer. Moreover, consumers will ask for more interactivity and immersion. Distributors and creators have to be ready to provide it through their marketing campaigns or through content itself.

Peter Bart, EVP and Editorial Director at Variety, in the article Tentpole Torpor Stalls Hollywood’s Dream Machine, wrote that conglomerates chiefs seem to have lost their passion for the film industry. He refers to an article of The Economist, “Split Screen”, quoting several CEOs stating that “Revenues are flat, costs are rising, the ‘business model’ is broken. In short, the movie business has lost its luster — at least to the major corporations entrusted to own them”. However, according to Peter Bart and also given our analysis: “All this ignores a few assorted facts, such as: Box office last year was at record levels, overseas audiences are expanding, theater multiplexes are springing up, the downturn in homevideo is stabilizing, the VOD market is growing and Netflix, Amazon and other entities are injecting new revenue streams into the mix”. He adds that the principal fear of studios executives comes from their dependency to blockbusters, a genre that may be running out of inspiration. Trying to defy the
risk of the industry is vain. When screenwriter William Goldman once said, "nobody knows anything", it showed how difficult it is to understand the shifting tastes of consumers. A movie is, first, a piece of art; the message of a filmmaker to the world. Listening to the creatives’ voices is crucial, as it will bring a vision to any marketing campaign and release. "Content is King" as Bill Gate said in 1996 and it will remain the case. The quality of storytelling is the cornerstone that must be respected. There is no business model to find an amazing story, because it changes all the time and it is different in every culture. It all rests on the talent and creativity of writers, directors, actors and their teams. As stated by Alan Horn, Walt Disney Studios Chairman, "The life blood of any company is fresh IP. And I believe that we have to have the courage to take chances, or we will never come up with anything really fresh." The recent huge success of Fox's Deadpool shows that audiences are also receptive and open to IPs that are more transgressive and less “mainstream”. So, when distributors acquire content, they have to remember “the power of intuition and soft skills” as noted in the MIT Sloan article, Four Business Lessons From the MIT Sloan Sports Analytics Conference. Nonetheless, the uncertainty being at the heart of the film industry, it should not mean sticking to old and traditional models because they already worked. Distributors have to innovate, by any way, to reach out to consumers and new unpredictable generations.

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## APPENDIX

Summary of the studies modeling theatrical revenue forecasting: 1991-2007  

<table>
<thead>
<tr>
<th>Research Issue</th>
<th>Dependent Variable</th>
<th>Predictors</th>
<th>Data</th>
<th>Approach</th>
</tr>
</thead>
<tbody>
<tr>
<td>Jones and Ritz (1991)</td>
<td>Forecasting box office receipts using interdependence between tickets and screens</td>
<td>Weekly box office revenue</td>
<td>Weekly number of screens</td>
<td>94 movies released between 1983 and 1984</td>
</tr>
<tr>
<td>Sawhney and Eliashberg (1996)</td>
<td>Forecasting box office receipts</td>
<td>Weekly box office revenue</td>
<td>None (can also be used with covariates)</td>
<td>111 movies released between 1990 and 1991</td>
</tr>
<tr>
<td>Litman and Ahn (1998)</td>
<td>Forecasting box office receipts</td>
<td>Cumulative box office</td>
<td>Budget, reviews, screens, star, award, competition, distributor, seasonality, MPAA rating</td>
<td>Top 100 box office gross movies released between 1993 and 1995</td>
</tr>
<tr>
<td>Ravid (1999)</td>
<td>Forecasting box office receipts/ROI</td>
<td>Cumulative box office</td>
<td>Budget, reviews, stars, award, seasonality, MPAA rating, sequel</td>
<td>200 movies released between late 1991 and early 1993</td>
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<thead>
<tr>
<th>Research Issue</th>
<th>Dependent Variable</th>
<th>Predictors</th>
<th>Data</th>
<th>Approach</th>
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<tr>
<td>Eliashberg et al. (2000)</td>
<td>Forecasting box office receipts</td>
<td>Cumulative box office revenue</td>
<td>Word-of-mouth impact, advertising exposure, theme acceptability</td>
<td>Experimental data collected from “consumer clinic”</td>
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<tr>
<td>Elberse and Eliashberg (2003)</td>
<td>Forecasting box office receipts</td>
<td>Weekly box office revenue and number of screens</td>
<td>Budget, reviews, star, distributor, seasonality, competition, director, advertising</td>
<td>164 movies released between 1999 to 2000</td>
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<tr>
<td>Hennig-Thurau et al. (2006)</td>
<td>Modeling movie’s commercial success based on marketing actions</td>
<td>Cumulative box office revenue</td>
<td>Reviews, seasonality, quality, advertising, sequel, seasonality</td>
<td>331 movies released between 1999 to 2001</td>
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