Searching for the “Indie” in Independent Film

By David Gray

16-20 minutes

Traditionally, an “independent” film has been defined as financed primarily from sources outside the six major U.S. studios. But in an era of entertainment conglomerates, as scholar John Berra writes in his 2008 book *Declarations of Independence*, “Serious debate arises about what constitutes an independent feature film, as the economic background of a motion picture and its cultural content and commercial aspirations can be wildly divergent.” The distinctions become even stickier when we consider MGM, one of film history’s great majors, acquisition by independent entertainment company Spyglass in October 2010. And yet even before this historic acquisition, how independent is a film production that emerges from the specialty arm of a major studio anyway? Despite questions of definition, the term “independent” remains in frequent use in the Hollywood industry to reference both economics and content; i.e., features and programs with lower budgets and unconventional treatments compared to typical studio-sponsored ones. Indeed, the major studios continue to look to the independent productions for innovative ideas and bankable new trends, paying close attention to which strategies and risks they take ultimately pay off.

Here are five things you need to know about independent film:

1. Independents have historically relied on major studio distribution to help them secure financing; therefore, the continued loss of major studio specialty wings has negatively impacted indie financing efforts.

2. While several long-standing indie companies have recently folded, the indie film survives through new types of ventures.

3. Indies have pioneered alternate distribution models, such as Video on Demand (VOD).

4. Indies are experimenting with cost-effective and innovative digital marketing plans.

5. In light of setbacks for large-scale independent productions, there is a great deal of promise for films with budgets under a million dollars.

1. Independents have historically relied on major studio distribution to help them secure financing; therefore, the continued loss of major studio specialty wings has negatively impacted indie financing efforts.

The closure of many of the major studios' specialty arms has significantly hampered the distribution of independent studio films. Dave McNary, writing for *Variety*, reported in May 2010, "In these tough times for independent film, producers have to use every tool in their box to get films made, rounding up investors from Georgia to Poland, shooting quickly and efficiently." A relative paucity of major studio productions would suggest an opening in the market for indies, yet "independent filmmakers are not able to help fill the void due to a catch-22 of the indie business: Without domestic distribution, they can't get the film financing." Independent features will continue to be made, but the hunt for financing will also continue to be a lengthy, uncertain process. Independent producers with connections to studios will have the easiest time securing funds. For example, in May 2010, Village Roadshow Pictures, which has a longstanding relationship with Warner Bros., secured $1 billion in film production financing from an investment group, a windfall that would have been next to impossible without their studio partnership.

Indie GoGo Logo

On a far smaller scale, efforts to finance independent productions through social media tactics have enjoyed some measure of success, most notably through "crowdfunding" websites like Kickstarter and IndieGoGo. These sites help would-be producers raise money, typically in extremely small increments (often $500 or less), while simultaneously building word-of-mouth and a future audience. Crowdfunding sites solicit tiered contribution amounts and offer rewards to the donor, such as a DVD of the finished film or, for the more generous, an executive producer credit. In a 2010 article for *Filmmaker*, Arin Crumley, indie filmmaker and cofounder of the web-based tool Open Indie that allows audiences to request local screenings of independent films, testifies to several Kickstarter fundraising successes, particularly films with budgets under $30,000. While currently only a viable investment generator for projects with a budget of under $100,000 the growing prevalence of ventures like these indicates that micro-budget films will continue to occupy turf in the independent production landscape.

2. While several long-standing indie companies have recently folded, the indie film survives through new types of ventures.

In part due to the collapsing U.S. economy, 2008 signaled the demise of some of Hollywood's most famous indie players. In May 2008, Warner Bros. closed down its two specialty production houses, Warner Independent Pictures and Picturehouse, citing a need for greater cost efficiency. Two years later, the Weinstein Company, whose executives initially rose to prominence with Miramax Pictures before selling it to Disney in 1993, saved itself from extinction by turning over ownership of over 200 titles in its library to Goldman Sachs Group and the insurance company Assured Guaranty Ltd. in exchange for the erasure of $450 million of debt. Meanwhile, Disney, as eager as Warner Bros. to get out of the indie business, in 2010 sold its indie arm Miramax to a new investment group called Filmyard Holdings.

As the old guard of major studio indie houses fades, relative newcomers have scored huge hits they hope to parlay into long-term success. Summit Entertainment, which produces the hugely profitable *Twilight* series, has been expanding its reach in hopes of producing another hit so the company can carry on past the *Twilight* series' end. Walden Media, meanwhile, tied its fate to *The Chronicles of Narnia* series. The first film, *The Lion, the Witch, and the Wardrobe*, was a big hit, thanks largely to the Disney-led marketing campaign targeting family and Christian audiences. But the second film, *Prince Caspian*, while bringing in $420 million, still underperformed enough to convince Disney to end its connection with the series. For the third film, *The Voyage of the Dawn Treader*, released in 2010, 20th Century Fox stepped in to handle the marketing and distribution, giving Walden a new chance for survival. Summit and Walden represent success stories, but their reliance on single franchises casts doubt on their potential as models for many other independent outfits.

The success of Ryan Kavanaugh's Relativity Media represents another model. As described by Chris Jones in a 2009 *Esquire* profile, before films are produced at Relativity, information about them is "fed into an elaborate Monte Carlo simulation, a risk-assessment algorithm normally used to evaluate financial instruments based on the past performance of similar products." This algorithm is alleged to predict a film's future success, a seductive tool indeed for film investors. Relativity also struck a deal with Netflix in July 2010 to run its content on its streaming service, and acquired Overture Films, giving Relativity an in-house distribution arm.

Prior to this acquisition, Relativity, like Spyglass Entertainment, had been distributing films through partnerships with other studios. Relativity had typically partnered with Universal and Sony, while Spyglass had worked with Paramount, Universal, and Disney, among others. Spyglass's acquisition of MGM has led to speculation that it will close down MGM's marketing and distribution divisions, essentially relying on its current relationships for distribution, while Relativity may itself be entering into the distribution business. It remains to be seen which of these "independent" strategies will prove more lucrative.

3. Indies have pioneered alternate distribution models, such as Video on Demand (VOD).

Declines in box office and DVD revenue have led some independent companies to experiment with alternate distribution platforms, particularly Video on Demand (VOD). IFC Films was one of the first companies to experiment with simultaneous ("day-and-date") VOD and theatrical releases. The company has since developed three separate distribution categories and release strategies for its digital channels: IFC in Theaters, which premieres films VOD the same day they appear in theaters; Sundance Selects, which offers recently premiered films from documentary and world cinema; and IFC Midnight, which allows customers to view films that premiered in the top festival circuit. *Variety* reports that these three channels have given IFC an edge in the film acquisition market — not only is IFC able to tailor their distribution to each product, but they have three clearly defined brands, and a clear brand identity is key to building an audience base. While some major studios have begun to promote VOD releases and are experimenting with day-and-date DVD and VOD releases as well, they remain primarily committed to the theatrical window (i.e., movie theater screenings) as the primary release strategy for the immediate future.

IFC Logo

Companies like IFC that have a cable outlet or another connection to a VOD platform, have been more successful than the major studios at exploiting these newer types of distribution opportunities. Magnolia Pictures capitalizes on its connection with HDNet Movies, a cable channel owned by American billionaire entrepreneur Mark Cuban, to release films theatrically and on VOD. In 2010, viewers eager to watch Magnolia's *The Extra Man* were able to see it in a VOD "sneak preview" prior to the film's theatrical release. Meanwhile, production and distribution house Oscilloscope made the move over to same-day VOD and theatrical releases. These ventures, along with Tribeca Enterprise's decision to begin releasing titles from the Tribeca Film Festival on VOD, speak to longtime questions about cable providers' willingness to adequately promote independent features: As Mike Fleming stated on the eve of Tribeca's VOD distribution launch, the "cable giants often treat VOD as an after-thought, and don't provide the promotional care and feeding that traditional distributors feel is vital to specialty film releases." (In part to address these promotion and distribution concerns regarding cable operations, the Independent Film and Television Alliance (IFTA) signed an agreement with Comcast and NBC Universal in anticipation of their merger in order "to provide enhanced independent programming opportunities on NBCU's broadcast and cable networks, as well as Comcast Cable's VOD and online platforms."**)** While VOD revenue has helped to fill some of the dips in theatrical revenue, IFC estimates that “the top [VOD] revenue that can currently be expected from most pics is usually in the low seven figures.” Distributors are therefore wary of allowing a VOD release to cut into theatrical profits as the return is relatively minimal. Consequently, for the time being, VOD releases are not like to be advertised in markets where the film is still screening theatrically.

4. Indies are experimenting with cost-effective and innovative digital marketing plans.

Decreasing revenues have led to more innovative, cost-effective marketing strategies for indie features. One recent notable marketing success story involved the 2010 documentary *Exit Through the Gift Shop* by graffiti artist Banksy. In April 2010, the film secured an opening weekend haul of $166,000 on only eight screens, and by mid-June had become the top-grossing limited-release documentary so far that year with $2.4 million in box office, all of which was secured without a traditional marketing campaign. Rather, the marketing was conducted almost exclusively through social networking sites like Facebook to very inexpensively build buzz.

Poster for Ready, Set, Bag!

Another groundbreaking approach was taken for the independent documentary *Ready, Set, Bag!*, about competitive grocery bagging and produced by Oren Jacob, Chief Technical Officer at Pixar. In addition to an active social networking effort, marketers experimented with overtly linking their marketing strategies to the film’s subject matter. For example, the film’s theatrical exhibitions supported local food banks, which generally received a donation of $1 for every ticket sold. In return, the food banks gave the film a marketing boost by promoting it through their own extensive networks.

Exit Through the Gift Shop and *Ready, Set, Bag!* follow in the path of the success Paramount had in 2007 with an inexpensive marketing campaign utilizing social networking to push *Paranormal Activity*, a $15,000 production, over the $100 million mark. Despite this achievement, Oren Pelli, the film's director, stated the financial reality behind it: "[N]o one can have the resources to do that on their own without the infrastructure and the funds of a studio," he told *Variety*.

Film festivals and markets are also reacting to the trend in marketing via social media. Film Independent's 2009 Filmmaker Forum offered a class entitled "Cultivating Your Audience in the Digital Age," while the programming at Sundance 2010 included a panel entitled "Spotlight on Social Media: Successful Strategies for Storytellers" (as stated in the description: "Today's social-media sites have the potential to bring content creators closer to audiences than ever before — creating new marketing opportunities for independents.") Nonetheless, a reliable formula with these new tools has yet to be found. Jeff Lipsky, a veteran of now-defunct distribution company October Films, states:

I do believe in online advertising. I do believe in viral marketing. I do believe that we live in a dazzlingly impressive digital world. But I also believe that these tools are still in their infancy and that everyone is jumping on a teetering and expensive bandwagon that just may topple over at any moment. I believe that originality, especially when it comes to low-cost marketing, will always rule the day.

Although there are limits to their application, creative and grassroots campaigns that exploit social media are likely to become increasingly prevalent in the future.

5. In light of setbacks for large-scale independent productions, there is a great deal of promise for films with budgets under a million dollars.

While the mention of independent film still leads many to think of wildly successful non-major studio titles like *Sex, Lies and Videotape* (1989), *Pulp Fiction* (1993), or *Memento* (2000), operational business models still exist, perhaps now more than ever, on a far smaller scale. Often filmed for under $1 million, low-budget genre pictures produced for straight-to-video markets constitute a notable sphere of independent production today. While almost guaranteed not to bring in as much money as higher profile independent productions, these "B" films can and often do provide a steady stream of profit to their producers. The presence of Lloyd Kaufman (Troma Entertainment) and Roger Corman (New Horizons Picture Corp.) in prevalent positions on the board of the IFTA speaks to the centrality of this level of production within independent film.

A radical example of straight-to-DVD production involves the Asylum, a company that specializes in "mockbusters"— films made for only hundreds of thousands of dollars and intended to capitalize on the success of their higher-profile counterparts. Mockbusters typically arrive on DVD several days before the theatrical premiere of the higher-budget film; examples include *Snakes on a Train* (timed with *Snakes on a Plane*); *Transmorphers* (*Transformers*); and *Paranormal Entity* (*Paranormal Activity*). It remains unclear whether these "fake" films merely appeal to viewers who are already fans of the bigger-budget original, or whether Asylum's titles deceive viewers into renting the wrong film. In December 2008, 20th Century Fox issued a cease-and-desist letter to the company prior to their release of *The Day the Earth Stopped*, which shortly preceded Fox's release of *The Day the Earth Stood Still*. Nevertheless, Asylum carried on undeterred, and continues to produce and release films via its original model. In 2009, Dana Harris and Erin Maxwell reported for *Variety*, "Asylum execs say their company sees annual revenues of about $5 million and that no title has failed to turn a profit."

The past success of micro-budget films like *The Blair Witch Project* (1999) and, more recently, *Paranormal Activity,* have inspired hopes throughout the media industry of reaping bounties on low-budget features. In March 2010, Viacom's Paramount Pictures Corporations announced the launch of Insurge Pictures, a division of the studio that would allot $1 million to the production of 10 films with $100,000 budgets. This was a surprising decision given the trend of studios moving away from specialty divisions, and yet also because of the relatively tiny amount of money being offered. Are studios renewing their interest in the independent market? The success of Insurge's first release, *Justin Bieber: Never Say Never*, which grossed over $30 million its opening weekend, may very well tempt other majors to jump back into the indie pool.