

## **The Independent Entrepreneur Producers**

A true independent producer is, by my definition, an entrepreneur who is not reliant on a studio and/or network for the financing of a picture. Independent producers are innovative go-getters who explore every possible avenue for the development and financing of independent motion pictures. Those avenues include both foreign and domestic sales and pre-sales, subsidies and/or tax rebates, private equity, limited partnerships, co-productions, venture capital, deferments, and most often, a combination of the above. Occasionally, as I have often done, an independent producer will take a personal financial risk and invest personal funds for the financing or co-financing of a film. The independent entrepreneur producer must have knowledge of the current foreign and domestic marketplace, as well as available subsidies and how to get them. The independent entrepreneur producer is a tenacious street fighter who continually bucks the system and exists in spite of the odds against him or her. Independent entrepreneur producers are most often the *employer*, not the *employee*, as well as the final decision maker, and quite often (sometimes with partners) the owner of the completed film, the copyright, and the film's distribution rights. Decide who you are and which you are content being. The independent entrepreneur producer is the victor, not the victim, over the whim and decisions of others. He or she is the master of his or her own fate and the creator of his or her destiny, fortune, and livelihood.

## **The Global Marketplace**

Many people who aren't familiar with the entertainment business don't realize that the majority of films made each year do not have a theatrical release (i.e., they are not released in movie theaters). An aspiring film producer might wonder what happens to these movies. They are released in what is known as *ancillary* markets, which include DVD, Video on Demand (VOD), new and emerging streaming and wireless

venues, airlines, ships, hotels, satellite, and cable. This is where most independent films are distributed, either because they are specifically made for these markets or they fail to attract a mainstream buyer who would afford them a theatrical release.

The general rule of thumb is that 65 percent of the revenue generated by most independent films comes from territories *outside* of North America. By “territory,” I mean a particular geographic region, such as a country or group of countries, that has a homogenous or nearly homogenous language base. Buyers may be theatrical distributors in their “territory”; they may be solely home entertainment (DVD/VOD) distributors; free, pay, cable, or satellite television buyers; buyers of ancillary rights, such as airline, ship, and hotel companies; or middlemen who buy film product and resell it in their territory for profit. In most cases, approximately two-thirds of a film’s potential revenue will come from Latin America, Germany, France, the United Kingdom, Spain, Eastern Europe, Italy, Benelux (both Dutch- and French-speaking Belgium, the Netherlands, and Luxembourg), Scandinavia, Australia/New Zealand, South Africa, Southeast Asia, Japan, Greece, Turkey, and the Middle East.

This means that only approximately 35 percent of the revenues for most independent films comes from North America, which is defined as United States, Canada, and their respective territories and possessions. Sometimes the United States and Canada may be sold separately, and sometimes North America may be sold all together. However, pay attention to the foreign market and the trends that are saleable in the major foreign territories! That’s where the lion’s share of the revenues for your film will come from.

There is no “Kelley Blue Book” to predetermine the value of a film the way you can effectively predetermine the value of a car. Even with a Kelley Blue Book appraisal, there is a private party evaluation, a wholesale evaluation, and a dealer retail evaluation. The price of the car depends on the wear and tear, mileage, extras, options.

Continuing that analogy, films largely depend on the current state of the marketplace, which stars are in the film, and what the genre is, as well as where the film takes place. Like the value of any product in any business, the value of a movie

seeks its own level. Each movie has a particular market value based on its cast, genre, budget, release, and marketing commitment in the United States, and the criteria of the respective worldwide territorial markets. With rare exception, that's where the bottom line will end up. Being aware of these preliminary things—doing proper due diligence, doing a proper analysis of the tastes and trends of the global marketplace—can effectively give a producer or filmmaker the knowledge to “design” a film that will effectively tap into the current marketplace.

### **Film as a Business and a Career – Listen to the Market**

My purpose in writing it was to demystify the entertainment business and how things really work in the real world, behind the scenes. I have attempted to dispel the myths about filmmaking and to empower the aspiring filmmaker with the knowledge of how to make the right film for the current marketplace for the right price and how not to make a mistake.

Anytime someone asks me what I do and I say that I produce films, almost invariably the person's response is, “I bet that's weird and you have to deal with a lot of wacky people.” Then they scoff at what fool's gold they perceive the business to be. But when I explain how the business really works, creating a product on a margin, whether they are in real estate, the gas and oil business, or any sort of manufacturing business, people almost uniformly say, “That's exactly what I do! You just use different terminology.” They recognize the same due diligence and deal structures that are universal. Film is a product, and American films are exported all over the world. Film can be art, it can be entertaining, it can be socially enlightening or emotionally affecting, but regardless, it is commerce.

In my experience, it seems that it has been equally difficult to try to explain how the business really works to people who are actually in some facet of the business, and have them truly understand it, as it is to try to explain people who are not in the business at all. The bottom line is that even if you, your friends, your family, or colleagues think that something is a great idea, it will be a completely wasted effort if no one else wants to buy it, exhibit it, or see it. Likewise, if you euphemistically “overpay for the neighborhood” and overspend on a film that has a lesser market value, you will lose money.

Listen to the experts. Listen to the market. Listen to the buyers. Listen to the

exhibitors. Just as you would listen to the experts regarding the current state of the market in any other business, do so in filmmaking. It is no different.

The entertainment business needs a constant influx of new, fresh talent and ideas, particularly in the independent film world. Be malleable and creative in how to collaborate and fashion the germ of an idea into something that is at least commercially viable enough to recoup your financiers' investment. Filmmaking is a privilege, and if you are lucky enough to be able to make it a profession, protect your downside so that you may continue doing it.