



Australian Government



American Film Market (AFM) Santa Monica, USA, 6–12 November 2013

Report by:

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AFM is the largest gathering of film industry professionals in North America. From 6–12 November, the Loews Hotel in Santa Monica was bustling with buyers and sellers from around the globe. Attendance was at a six-year high with over 8,000 participants, over 100 new buyers and more attendees from mainland China than in any previous year.

Key observations from this year's AFM:

- Australian films perform well at the market
- More capital is available worldwide for film funding but financing independent films is still challenging
- The maturing of the VOD market; splitting rights and reluctance of distributors to report VOD numbers
- Distribution in the digital age was a constant theme
- The indie film sector is not dying – it's just migrating online.

Australian films at the market

Australian films featured regularly in the daily trades. *The Hollywood Reporter* featured the first look image of Simon Pegg in *Kill Me Three Times*; Jonathan Teplitzky was included in *THR*'s 'Independent Filmmakers' roundtable; *Mystery Road* was highlighted in the screening guide and a positive review appeared for *Wolf Creek 2*. *Screen International* covered the *Wolf Creek 2* US sale, *The Babadook* as an AFM buzz title, Russell Crowe's *The Water Diviner* and news of a sequel to *A Few Best Men*. Sales followed for a number of Australian titles represented at the market.

Funding

The AFM's excellent financing conference was told that there is lot **more capital available** worldwide now including through the proliferation of incentive (tax offset) programs. According to the panel, 'Wall Street' and the lenders are coming back into the market. Two UK funds, two Chinese funds and two US super funds all came into the market during the week of AFM.

Film Finances is setting up a financial intermediary company in Asia to assist producers looking for finance in that market, which can be difficult due to regulation. Film Finances is collaborating with Fintage on this venture.

Independent producers have to look to **multiple sources for investment**. Digital distribution has grown the potential for profitability and audience numbers such that demand for content exceeds supply. Netflix, Hulu and Amazon are all looking for unique product and have the funds to pay for it.

Video on demand (VOD)

The VOD market is rapidly maturing in the US although the rest of the world has still to catch up. There was much discussion on the **splitting of rights** in the US market to allow the producer the opportunity to approach several sources for investment. Some argued strongly against, saying it would dilute the value of MGs being put on the table up front. They also argued that the producer would be best served by leaving the rights with one distributor who has the expertise to manage these.

Others argued that VOD rights are valuable, given the potential for profit to be made in a medium where the costs are so low. However sources reported that currently VOD has only replaced 10 per cent of previous DVD revenues in the US.

There was also some disagreement in relation to **reporting VOD** download numbers. Filmmakers and sales agents want access to the data in order to accurately budget for the film and access further financing based on the potential for revenue. A leading VOD distributor argued that releasing the numbers would lead to confusion over the interpretation of the data and push prices up. They also argued that releasing numbers may have a negative effect on an independent producer's ability to find finance, as a badly performing film would deter investors, driving them to invest in less risky blockbusters.

Distribution in the digital age was a constant theme. The distribution landscape is tough, both in the US and overseas and the message is clear: evolve or disappear in the new digital world. The real challenge, now the DVD market is nearly gone, is how to bridge the gap until VOD revenue replaces the home entertainment income of the past.

One thing is certain; there are no certainties. It's much harder for distributors to confidently project their revenue potential for the titles they acquire. There is good news, as hundreds of new buyers are entering the market looking for content to stock their digital shelves while tech-savvy consumers with new digital screens in their homes are hungry for great content on demand.

Marketing titles in the VOD space continues to be a major challenge. Online film catalogues are seemingly endless, discovery is difficult and currently the user experience with many platforms is awkward and unfriendly. It's ironic that while the online store may have an infinite number of titles, its digital storefront, the homepage, is much smaller than the DVD rental stores of the past.

Most of the **traditional rules still apply in the VOD space**. Dating is crucial. A strong arthouse title can perform well when positioned as counterprogramming to a blockbuster. The awards corridor will always be

very crowded for quality independent titles. When promoting an arthouse release, audiences respond well to positive reviews while blockbuster audiences can be motivated by a blanket of TV spots. As always, it's essential to identify what each audience best responds to. There is a huge amount of competition for consumers' leisure time and money and the film business is competing with great TV and sport.

IFC and Magnolia report great **day and date success**, where theatrical noise is used as a promotional entree to the VOD main course. This works well for vertically integrated companies that not only release films but also control cinemas. There is still resistance from the major exhibition chains, as there is in Australia, but there are enough US independent cinemas prepared to support a day and date release.

IFC's Sean Berny emphasised the importance of good access to talent to help drive awareness both in theatres and across online platforms. It was interesting to see the way filmmakers and cast are being encouraged to build awareness via social media channels and digital marketing, effectively building their own online brand.

Social media can be an extremely cost effective campaign tool. There are many successful examples of crowdsourcing by filmmakers who have started the conversation with their audience at script stage and continue to grow the fan base as the film moves through production into release. Adding a large database of fans to the package can be a very effective way to improve a distribution deal.

Reshaping consumer habits was another issue. It will take time for older audiences to navigate the plethora of emerging new online platforms and a younger heavily connected demographic is reluctant to pay for content.

The US has a strong penetration of connected devices due to its developed and highly competitive cable services. VOD access has increased from 39 per cent to 60 per cent of homes in the last five years. Internet-connected TV ownership is solid with 13 million apple TV devices and 30 million Netflix subscribers. It is expected that internet-connected devices will grow to 750 million worldwide by 2018.

However, the **day of the distributor is not over**. A major pitfall for a producer going it alone with a DIY release is their lack of infrastructure, money and time. Many platforms work only with aggregators as it's too time consuming to engage with each producer selling individual titles. Aggregators also manage QC and can navigate all format issues, of which there are many. iTunes sets the highest bar and has strict QC requirements.

There are many competing views about **breaking windows**. The TV/digital platforms support the contraction of traditional windows. This can be an advantage for US indie producers who have flexibility to mix up the release patterns. Others warned to keep rights together, working with one distributor to avoid window problems down the line. Some channels offer great promotional support in exchange for exclusivity.

VOD trends include the growing female market online; rom-coms and children's content are working; star power as always is essential; positive reviews help; and films about sex do well (*Adore* aka *Adoration* was singled out as a VOD success in the US). The key to online success is the ability to match a film to the unique audience on each platform.

There is a growing trend away from 'download to own', although IndieReign CEO David White commented that shorts can perform well. At \$7.99 download/\$3.99 stream, 80 per cent of purchases were 'download to own'. White said there are fewer barriers for entry for shorts and growing consumer acceptance of AVOD.

New marketing opportunities

The reoccurring message to filmmakers was *get involved in the marketing, start early, allocate a budget, be experimental and be flexible.*

Tugg co-founder Nicolas Gonda gave a keynote on '**crowdsourcing** your audience'. Tugg is a web platform that enables audiences to bring movies from the Tugg library to their local theatre. Crowdsourcing can be a powerful alternative to traditional advertising, converting the audiences into an engaged army of fans who become champions for the film. Digital assets can be shared from one person to another, each with a personal endorsement and the outcome can be powerful and cost-effective.

Strategic film messaging must stretch **beyond the theatrical window** and incorporate many ancillary opportunities. Filmmakers should anticipate the opportunities for each platform and craft unique messages to help drive engagement. To support the day and date release of *Arbitrage*, Richard Gere promoted the film's availability in theatres and on VOD.

Customised key art selection in the digital world is critical – think thumbnail! Online artwork must be very economical. It's essential to make star-power, genre, and marketing hooks clearly identifiable with limited space.

Previously distributors have driven consumers to their website to get information about titles. These days the distributor brand is less important than the film brand and the focus should be on helping the audience find the right path to the film.

A session on social media and digital marketing provided a list of great digital marketing tips for filmmakers. These are listed on page 8.

Film festival noise can help a film create strong interest with potential buyers and is often a great way to get a premium sale. A festival can aid the early buzz for a local release or replace a theatrical release in un-sold territories to build awareness for ancillaries. Festival choice and fit is vital and an ill-conceived strategy can backfire with bad reviews negatively impacting future sales and interest. The first festival must be carefully chosen as it will set the tone for future sales and an amazing audience reaction can play a big role, dramatically increasing the interest and value in a film.

The high quality of short films produced in Australia was mentioned. The importance of the world premiere was also covered. Issues around Australian films premiering in Australia were singled out as problematic for films aiming for larger international festivals.

One thing was clear at the 34th American Film Market – as the industry is scratching its head, trying to make sense of the new digital world, audiences still love to escape to the movies – and whether it's in theatres or in lounge rooms or even on mobile phones, there will always be a demand for great stories.

Meetings at AFM

EVRA Media Solutions – Mark Hirshberg
Paramount Pictures – Jo-Ellen Boom and Sonya Loi
Glaser Weil – Patty Glasser, Jonathan Shteinman, Mark Hirshberg
Protocol/Fintage – Peter Kostense, Marta Roszpop
Pelagius Films – Natalie Khoury
Peacock Films – Producer Bella
Film Track – Stephen Kassin, Thomas Coleman, Jane Elliot
Universal Pictures – Cathy Hsia
Embankment – Tim Haslam
Goalpost – Tristan Whalley
Pinnacle Films – Martin Gallery
Producer – Beverley Nero
Bankside – Stephen Kelliher
Lightening Entertainment – Richard Guardian
TWC – Negeen Yazdi
Protagonist Pictures – Mike Goodridge
Celluloid – Hengameh Panahi
Filmnation – Milan Popelka and Alison Cohen
IFC – Sean Berney
Lotus Entertainment – Bill Johnson and DJ Gugenheim
Producers – Lisa Hoppe and Trevor Howell
Director – Martha Goddard
Altitude Films – Mike Runagall
Arclight – Gary Hamilton
eOne – Charlotte Mickie
The Works – Clare Crean
Myriad – Kevin Forrester, Audrey Delaney and Mark Padilla
Chris Hanada – Retrofit Films
Producer – John Tedesco
Producer/Director – Daniel Okoduwa
Screenlaunch – Ross Howden,
Filmbox – Zsofia Bodnar
Freeway – Martijn Meerstadt
Creatives Loop – Simon Preston
Producer – Larry Malkin
Transmission Films – Richard Payten and Andrew Mackie
Essential – Simonne Overend

Seminars attended:**Finance conference**

- **Current Issues in Film Finance – panel**
[P. John Burke](#), Partner, *Akin Gump Strauss Hauer & Feld, LLP*
[Mark Canton](#), Chairman & CEO, *Atmosphere Entertainment MM, LLC*
[Ryan Kavanaugh](#), CEO, *Relativity Media*
[Steve Ransohoff](#), Co-President, *Film Finances, Inc.*
- **Building Your Global Film Finance Strategy – panel**
[Joseph Chianese](#), EVP of EP Financial Solutions, *Entertainment Partners*
[Anthony Beaudoin](#), SVP, Entertainment Finance, *Union Bank*
[Anne Marie Gillen](#), CEO, *Gillen Group, LLC*
[David Hutkin](#), EVP, Strategic Initiatives, *The Weinstein Company*
[Andrew Matthews](#), Chief Financial Officer, *Relativity Media*
[Marsha Metz](#), Senior EVP, Business & Legal Affairs, *Constantin Film*
[Adam V. Parr](#), Corporate Adviser, *Global Film Finance*
[Lawrence J. Ulman](#), Manager, *Coyote Media Advisors, LL*

Production conference

- **Keynote Address:** [Adam Carolla](#), Writer, Producer, Actor, *Carolla Digital*
- **High Concept, Low Budget – panel**
[Paul Hertzberg](#), President & CEO, *CineTel Films, Inc.*
[Paul Bales](#), Partner and COO, *The Asylum*
[Eric Brenner](#), Partner, *Informant Media*
[Lisa M. Hansen](#), President, *CineTel Pictures, Inc.*
[Lynette Howell](#), Founding Producer, *Electric City Entertainment*
[Braxton Pope](#), Producer, *Sodium Fox*
- **Crowd Funding – panel**
[David Straus](#), Co-Founder and Former CEO, *Withoutabox*
[Sean Keegan](#), Producer, *"Angry Video Game Nerd: The Movie"* (Indiegogo)
[Stacey Sher](#), Producer, *"Wish I Was Here"* (Zach Braff's Kickstarter film)
[Marina Zenovich](#), Producer & Director, *"Roman Polanski: Odd Man Out"* (Slated)
[Marc Zicree](#), Writer, Producer, Director, *Magic Time Company*, *"Space Command"* (Kickstarter)

Marketing conference

- **Keynote address:** [Nicolas Gonda](#), CEO & Co-Founder, *Tugg, Inc.*; Producer, *"Knight of Cups"* and Co-Producer, *"The Tree of Life"*
- **Sourcing Your Audience – panel**
[Richard Botto](#), Founder & CEO, *Stage 32*

[Rikk Galvan](#), Principal, *RGM / BIG Games*
[Susan Johnston](#), Founder & Director, *New Media Film Festival*
[Christian McGuigan](#), Producer, *REZ (Participant Media)*
[Jonathan Reiss](#), Founder, *Hybrid Cinema*

- **Film Festivals: Demystified – panel**

[Dana Harris](#), Editor-in-Chief & General Manager, *IndieWire*
[Robert Ogden Barnum](#), Producer, *e2b Capital*
[Mike Goodridge](#), CEO, *Protagonist Pictures*
[Kevin Iwashina](#), Managing Partner, *Preferred Content*
[Ryan Kampe](#), President, *Visit Films*
[Charlotte Mickie](#), EVP, International Sales, *Entertainment One*

Distribution conference

- **Video on Demand 2014 – panel**

[Amy Friedlander Hoffman](#), Founder, *Priority Digital Media*
[Andy Bohn](#), Co-Founder & Partner, *The Film Arcade*
[Kyle Kaczmarek](#), Co-Founder, *Kaczmarek Digital Media Group*
[Lise Romanoff](#), Managing Director & CEO Worldwide Distribution, *Vision Films*
[David White](#), Founder & CEO, *IndieReign*
[Richard Wellerstein](#), VP, Content Acquisition, Programming & Planning, *AT&T*

- **Limited & Specialty Releases – panel**

[Andrew Stewart](#), Entertainment Journalist, *Variety*
[Matt Brodli](#), Head of US Distribution & Acquisitions, *Exclusive Media*
[Jon Gerrans](#), Co-Founder & Co-President, *Strand Releasing*
[Susan Jackson](#), Co-Founder & Co-President, *Freestyle Releasing, LLC*
[Tristen Tuckfield](#), VP of Acquisitions, *Millennium Entertainment*

Digital and social media marketing tips for filmmakers

- When crafting social media messages, understand and speak the language of the community. This may change depending on each group
- SMS can be powerful tool to build your community and collect data for future campaigns
- Identify why an audience may be interested in your film and analyse the psychographics of that audience – where will they want to watch it, how might they find it?
- Avoid 'broadcast style' one-way messages. Look to build camaraderie around a common goal or interest within the group. Ask a question, share a Q+A, share victories
- Identify the passions of each group and craft unique messages for that group – talk directly to them
- Use HootSuite to help rollout of your social media conversation diary
- Plan the 'and then what' into the communication strategy. It's not enough to simply post a message or upload a clip, you must add an action, "TXT to save 1000 gallons of water in the Colorado River" – always look for ways to keep the conversation going
- Experiment –AB test artwork and assets to see what is gets traction, be flexible, eg test one sheets
- Engage the community and empower them to be involved creatively, eg when Ed Burns writes a script he will asks his fans if they like certain lines of dialogue
- Some digital platforms have 'trending now' windows – encourage your SM community to get the film trending
- Keep the community going by providing value – ebooks, prizes, tickets, access to talent
- Identify secondary communities that share interested themes – they might not be obvious at first. For example, to support the release of *Dolphin Tale*, home schoolers were approached as they have a huge online community. How do these communities connect, converse, respond, retweet?
- Buy endorsement with influencers who have large number of followers
- Be respectful of the group and your place in the group
- Keep money aside for distribution/marketing
- If you don't have the skills find someone who does
- Don't spend big on the website, create shareable content
- Pre-release the one sheet to your fan base
- Create alternative and customised marketing materials and digital assets
- Meta tags are everything
- Be strategic – it can be hard to remove assets from online
- Good examples – photos with text or lines from film
- Identify the unique selling factor
- Know your goals, know your voice

TRAVEL REPORT

- Always have a call to action and personalise it, 'Tugg' this, post to win, come to the theatre to meet the cast
- Direct email should be from a real person not an organisation
- Develop conversations with the audience – if they tweet a question, post the answer via YouTube and tweet back