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Film Distribution: A Changing Business

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Film distribution has been increasingly taken up as a subject in academic discourse and industry discussions in recent years. In line with broader changes within the media industries brought about by digitisation, online developments are impacting upon the distribution business and the film business as a whole. The gradual transition from physical discs (DVD and Blu-ray) to Video on Demand (VOD) viewing through the Internet is restructuring the home video market: the physical disc market is declining and the online market is growing, and it is expected that physical discs will be almost entirely replaced by online forms of viewing in the long term (Gubbins, 2012).

Studies of digital disruption (Iordanova & Cunningham, 2012), on-demand culture (Tryon, 2013) and connected viewing (Holt & Sanson, 2014) have brought into focus the rapid development and the enormous potential of the online market, and acknowledging the music business as an example in which online technology has taken the form of a structuring force. A growing number of online VOD services has entered the online marketplace in recent years. Most of them are transactional VOD (TVOD) platforms, on which films are available for rental and purchase via streaming or download. There are also subscription VOD (SVOD) services which enable audiences to access large collections through unlimited streaming (and more recently downloading) for a set membership fee. Such SVOD services are particularly responsible for dramatic growth in the online market, with leading global corporations such as Netflix and Amazon Studios dominating this relatively new field.

The growing popularity of online viewing on the services of those new players and other online corporations has broader implications and extends beyond transitions within the home video market: the film business as a whole is anticipating further growth in the online market and release models of films are increasingly tailored to online audiences.¹ This new focus underpins a shift from traditional release models involving a staggered release across different windows (cinemas, physical discs, television, pay-per-view, etc.) to a simultaneous (day-and-date) or near simultaneous release on two or more windows. For instance, it is increasingly common that films are released simultaneously in cinemas and online rather than exclusively in cinemas. It is worth noting that online releasing has already brought about a shift in terminology in which ‘windows’ are in effect being superseded by the specifically digital concept of ‘platforms’.

The online market is equally impacting upon the various types of gatekeepers through which distribution is organised, including sales agents, distributors, and content aggregators.² Iordanova (2012) and Hirsch and Gruber (2015) employ the concept dis-intermediation to highlight the fact that online developments provide new opportunities for producers and that is undermining the role of gatekeepers. For instance, Iordanova (2012:3) notes that the role of distributors comes under intense scrutiny if producers develop release strategies directly with online platforms. This discussion has been taken further in recent years, and Crisp (2017) argues that new distribution arrangements are better described by the concept re-intermediation, whereby the role of gatekeepers as part of distribution process is changing rather than disappearing. However, she also notes that this concept needs to be developed further in order to set it against dis-intermediation.

The various developments set out above call for further analysis of the new state of affairs in the film distribution business. This chapter starts with a general discussion of technological developments in the home video market, providing a historical context through which to understand the change from VHS to DVD and Blu-ray to online viewing. This historical context will be complemented by a consideration of the involvement of gatekeepers such as sales agents and distributors in the business. It becomes clear that they continue to play important gatekeeping roles and work with content aggregators to enable access to the online market. The chapter continues with a consideration of film release models, involving examples of films released simultaneously (day-and-date) and near simultaneously in the UK and the US markets since 2004. Given the potential of the day-and-date release model, I subsequently turn to case studies of low-budget films *The Survivalist* (2015) and *The Machine* (2013) to analyse the involvement of sales agents, distributors and content aggregators empirically, and conclude with an analytical framework through which their involvement can be understood. I will also conclude with a consideration of the powerful position of Netflix and Amazon Studios in the online market and how they work together with gatekeepers.

The Home Video Market

Home video historically developed as part of the home entertainment market. In Europe, early forms of home entertainment such as radio and television first penetrated the home in the 1920s and 1930s (McDonald, 2007:16). The emergence of national broadcasting systems in the post-war era already offered new opportunities for at least some films to be shown through those services within the home entertainment market. This marked a change in film consumption, with the

development of the home video market in the late 1970s opening up more substantial opportunities for films. Although film was still a medium consumed primarily at cinemas, *outside* the home, up to that point, VHS videocassette technology brought about a dramatic growth in the viewing of films in domestic spaces in the 1980s. The concept of the 'home video market' signified this growth, not least in that it was used separately from the umbrella term 'home entertainment market'.

The investment bank Goldman Sachs (1993) provides estimates of worldwide revenues generated from US films which put the value of the home video market in this period in perspective. They demonstrate that 76% of overall revenue in 1980 was generated from cinemas (the theatrical market), but this share dropped rapidly to 39% in 1986 and to 28% in 1992. By contrast, the home video market increased from just 1% of overall revenue from film viewing in 1980 to 40% in 1986 and 48% in 1992. Alongside those developments, it is also worth noting that television became a more attractive revenue market for films and thus contributed to the further popularisation of film-viewing in this period, accounting for 19% of all film revenues by 1992 (Goldman Sachs, 1993). Significantly, the development of the home video market in the 1980s helped to rejuvenate the international film business, which explains why producers and distributors often nostalgically refer to this period as the glory days (Wasser, 2001).

A robust infrastructure was established in the 1980s and 1990s. The home video business rested on a business model that privileged renting over buying, and distribution was organised through hugely popular video rental stores. This infrastructure gradually changed with the introduction of the new digital video format, Digital Video Discs (DVDs), in the late 1990s. Videocassette rentals decreased rapidly and were almost entirely replaced by DVDs by 2006. Because DVDs were

sold at lower prices than videocassettes, the prevailing business model shifted from rental to retail, with an unprecedentedly high number of DVD units being sold in the early 2000s. For instance, DVD sales in the US increased from close to 575 million units in 2002 to more than 1100 million units in 2005 (McDonald, 2007:151). This new wave of rapid growth gave a strong impetus to the home video market and further underscored its value to the film industry.

New initiatives were developed to enable home audiences to watch films at higher definition (HD) with the introduction in 2006 of a new advanced digital format, Blu-ray discs. While the rapidly growing DVD business in the US reached its peak in this period, DVD revenue started to fall in the latter half of the 2000s. However, this loss was balanced by the increase of Blu-ray disc revenue and the simultaneous development of the online VOD market, with overall home video revenue remaining at between \$18 and \$22 billion in the US, as figures provided by the Digital Entertainment Group demonstrate (see Table 1).

Table 1. Estimates of revenue in US home video market, 1999-2010 (in billions of dollars)

<Table 1 ABOUT HERE>

Adapted from the Digital Entertainment Group (2011)

Compared to the radical transition in the early 2000s whereby DVDs replaced VHS cassettes, the development of Blu-ray discs supplemented rather than substituted for DVDs. While those home video formats remain popular amongst home video audiences in today's marketplace, it is clear that the various forms of online VOD

viewing have opened new opportunities for audiences to access films, and this is impacting upon the structure of the home video market.

Cunningham and Silver (2012:36) note that the online VOD market initially developed slowly following the first experiments with VOD platforms in 1999, shortly after the introduction of DVDs. Mainstream locally-oriented platforms were formally launched once Internet technology had sufficiently progressed by the mid-2000s, followed by what would become the leading global VOD players – including iTunes, Google Play, Netflix and Amazon Studios. The Digital Entertainment Group (DEG) notes that the online VOD market in the US grew rapidly in the years that followed, with online VOD sales and rentals increasing from 13% of overall home video revenue in 2010, to 35% in 2013%, to close to 50% in 2015 (DEG, 2016). Consultancy agency PricewaterhouseCoopers (2014) foresees continuing growth in the next few years, with online VOD sales and rentals accounting for 66% of revenue in the US home video market by 2018.

The rapid growth of the online market in the US and its value to the home video business clearly demonstrates the potential here; there is no doubt that this is the future. To that end, it is somewhat surprising that developments in most European countries have lagged behind American developments and still have a long way to go to develop into massive online revenue markets. The research company Statista (2015) provides figures for European countries, and only the development of the online VOD market in the UK stands out, generating \$809 million and accounting for 38% of home video revenue in 2014. It is expected that online VOD revenues in the UK will grow further to \$2.428 billion by 2020. Other key European markets where the online VOD market is less well developed will equally grow substantially in the next few years, with revenue in France expected to increase from \$281 million in

2014 to close to 1.000 million in 2020, and revenue in Germany from \$269 million to \$900 million (Statista, 2015).

Gatekeepers: distributors, sales agents and content aggregators

Such structural change in the home video market has also impacted upon the various types of gatekeepers working in distribution, such as the distributors, sales agents and content aggregators who regulate the process of enabling and disabling access to the market in the film industry. Distributors develop release strategies to introduce and promote films to audiences in local or national markets (Smits, 2016). While distributors have always maintained relationships with cinema exhibitors to release films in the theatrical market, the development of home video and television markets opened up opportunities for their business, negotiating deals with video retailers and television broadcasters to reach audiences in other consumer markets and generate additional revenue.

Wasser (2001) and McDonald (2007) note that the home video and television markets also created a growing demand for films in international markets, and sales agents began to play an increasingly important role as gatekeepers mediating between nationally-based producers and international distributors in the 1980s. Some of the biggest production companies in the film industry already worked with fully or partly integrated business operations, and exerted control over the distribution of their films in the international marketplace through in-house sales departments. Other production companies would use the distribution networks of the bigger companies to secure international distribution, or they would work with stand-alone sales persons or organisations. Industry veteran Mark Damon notes that stand-alone sales organisations in particular took advantage of the enormous demand for films in the

1980s and 1990s and build up film collections to sell to international distributors (Schreyer & Damon, 2008).

Sales agents also helped with the financing of films by pre-selling distribution rights to international distributors before the start of the production process (Wasser, 2001). For bigger films and frequently even for smaller films, pre-sale deals developed as the principal form of film financing because international distributors were prepared to pay relatively high distribution fees upfront to acquire distribution rights for the theatrical, home video and television markets.

Finney and Triana (2015) note that sales agents and distributors have remained important gatekeepers in the international film industry despite gradual transitions from VHS to DVDs and Blu-ray discs to online viewing. Relationships between sales agents and distributors have intensified in the last three decades at film sales markets organised in Cannes (Marché du Film), Milan (MIFED) and Santa Monica (AFM), and more recently in Berlin (EFM) and Toronto (TIFF). These are important business and networking events where sales agents (the sellers) and distributors (the buyers) come together several times each year to discuss new films and negotiate distribution deals.³ Film projects on offer at those sales markets range from low-budget and/or art-house films to medium-budget crossover films and occasionally even big-budget mainstream films, and film companies of all shapes and sizes participate as sales agents or distributors, even the Hollywood studios (Smits, 2016).

Sales agents and distributors continue to play critical gatekeeping roles in today's international film business but the development of the online market has called for a new type of gatekeeper to enable access to online VOD services for films, and this process is organised through content aggregators. Such aggregators anticipate a growing demand for films online and have in some cases built up large collections

(some of them involve thousands of films) to introduce to online VOD platforms. The biggest production and distribution companies with fully or partly integrated business operations have established in-house (online aggregator) departments in recent years, while smaller stand-alone production and distribution companies outsource online distribution through stand-alone content aggregators.

This market for aggregators has emerged rapidly since 2010. Hollywood studios such as Sony Pictures, 20th Century Fox, Walt Disney, Paramount Pictures, Universal Pictures, Lionsgate and Warner Bros have aggregated their own online collections, including a large number of films released in recent years, and an even larger number of films released in the past. Non-Hollywood studios such as eOne, Eros International, TrustNordisk and StudioCanal have also put together their own online collections involving predominantly films released in recent years. Hollywood and non-Hollywood studios such as these usually own global rights to in-house productions and therefore benefit from widespread online distribution in multiple countries and territories. Some stand-alone producers and distributors in local national markets have also established in-house departments to make large collections of films available online; these include the distributors Soda Pictures and Koch Media in the UK market, who negotiate deals with VOD platforms in the UK because they own distribution rights specifically for the local national market. Other stand-alone producers and distributors work with separate content aggregators to secure online distribution. Content aggregators tend to operate from specific countries or territories, developing strong relationships with local producers and distributors and enabling access for their films on national and international online platforms. For instance, the aggregator Film Buff is based in the US, Content Film in the UK and the US, Premiere Digital in India and the US, The Movie Partnership in the UK, and Kontor

New Media in Germany. With online distribution organised in this way through in-house and stand-alone content aggregators, online VOD services are able to secure large numbers of films (thousands) with a select group of trusted partners rather than through a plethora of producers.

Film release models

Online developments are also stimulating new release strategies for films. Traditionally, the international film business has privileged a media chronology model for films in which the theatrical release (i.e. in cinemas) serves as the primary window while the home video and television releases serve as secondary windows. There is a growing sense amongst producers and distributors that this model is only supportive to theatrical cinema exhibitors and needs change to keep up with industry circumstances and audience expectations. The largest cinema chains in key markets such as the US and the UK have formed a pact to ensure that films open exclusively in cinemas for a period of respectively 12 and 17 weeks. In early 2017, Macnab et al. noted that this exclusivity window was under pressure because most films were by then shown in cinemas for between 2 and 8 weeks, but audiences were still unable to access films in other formats as soon as they were pulled out of cinemas. Macnab et al. also note that the president of the Film Distributors' Association (FDA) in the UK, David Puttnam, employs the pejorative term "rights freeze" to describe the period in which films are inaccessible to audiences, and producers and distributors are unable to generate revenue. Rights freeze periods are also associated with higher levels of piracy, whereby audiences access films online illegally. Puttnam therefore underscores the urgency for shorter exclusivity windows and calls for more synergy between primary and secondary windows to secure better access and availability.

A 12-week or 17-week holdback particularly affects small-scale low-budget films because they are often given a limited release in cinemas and a theatrical run that is generally much shorter than mainstream films, creating huge challenges in terms of building up sufficient attention. For some of those films, alternative strategies have been developed to circumvent windowing restrictions: rather than working with the largest cinema chains, they book films in stand-alone independent cinemas where windowing restrictions do not apply.⁴

The ‘day-and-date’ simultaneous theatrical and online release model is becoming increasingly common for such films. This model is set against traditional windowing because films are introduced on two or more windows at the same time, foregrounding the immediacy of availability and accessibility, which also benefits the challenging process of generating attention and sustaining buzz for small-scale low-budget films. To date, particularly small stand-alone producers and distributors have developed day-and-date release strategies, but it is important to note that Netflix begins to play an increasingly important role in promoting this model. Although most of their in-house productions are small-scale low-budget films which are shown exclusively online on their VOD platforms, they occasionally experiment with films made on higher budgets for which a simultaneous release in cinemas and online is developed. For instance, Netflix implemented the day-and-date release strategy in China and the US for the \$20 million budget Netflix in-house production *Crouching Tiger, Hidden Dragon: Sword of Destiny* (2016).

Given the pace of online transformations, industry observers and participants predict that day-and-date releasing will be the prevailing model for films of all sizes in the long term. While the theatrical market is built on an assumed scarcity of content, the online market is built on abundance of content, and this is shifting focus

from supply to demand: audiences become increasingly accustomed to an on-demand culture through extensive online libraries of VOD services and demand that content should be accessible anytime, anywhere and on any device (Gubbins, 2016). It is thus expected that release strategies will be increasingly tailored to online audiences, and this development is pushing the day-and-date release strategy to the fore.

The first experiments with day-and-date releasing were carried out in the mid-2000s, particularly in the US and the UK. Stephen Soderbergh's low-budget film *Bubble* (2005) broke new ground in the US, with it being simultaneously released in 32 cinemas and on (subscription) television, and only four days later on DVD. Around the same time, the £40,000 micro-budget film *EMR* (2004) was released simultaneously in UK cinemas, on the Internet through downloads at the online service Tiscali Film, and on DVD. Over the next few years, a small number of other films in the UK also employed day-and-date strategies, including *The Road to Guantanamo* (2006), *Mum & Dad* (2008), *A Field in England* (2013), *45 Years* (2015) and *Tale of Tales* (2016).

There are also release models which are closely associated with day-and-date strategies, such as near-simultaneous releasing and ultra-VOD releasing. Films are released near-simultaneously if they open in two or more consumer markets shortly after each other, usually initially in cinemas and then online. By contrast, the ultra-VOD release model involves releasing films exclusively on online VOD platforms for a limited period of (usually) a few weeks, and then open up to a theatrical release and other consumer markets. The ultra-VOD release of the \$3 million low-budget film *Bachelorette* (2012) and the \$12 million film *Arbitrage* (2012) in the US market demonstrate that this model offers new ways of building momentum for films. Because both films performed well in the iTunes VOD charts, the online release

became the driving force that supported the subsequent theatrical run. With such practices, the status of the theatrical release window is changing; as Macnab (2016:224) puts it: “This was turning conventional wisdom on its head – ancillary was now driving theatrical rather than vice versa.”

Day-and-date releasing: *The Survivalist* (2015) and *The Machine* (2013)

Day-and-date release strategies and other innovative ways of releasing films are also impacting upon the involvement of gatekeepers such as sales agents, distributors and content aggregators with films. In particular, small stand-alone producers at the specialist or indie end of the market are carefully considering whether traditional arrangements with gatekeepers remain effective for films released day-and-date, and industry professionals and observers have introduced the terms ‘direct distribution’ and ‘self distribution’ to highlight that there are other ways of organising distribution. Direct distribution allows producers to exercise control over distribution rights: distributors are cut out of the process and substituted by distribution consultants with the expertise and networks to enable producers to introduce and promote films to audiences in local national markets. Finney and Triana (2015:56) underline the trend that distribution consultants exercise an increasingly important role as strategic advisors for film producers. While the gatekeeping process and the expertise of distribution consultants remains critical to direct distribution in enabling access to theatrical cinema exhibitors and VOD platforms, producers do not always work with such distribution consultants. It is therefore important to acknowledge that self distribution is another model that is being set against traditional distribution arrangements: producers organise distribution by themselves and cut out the gatekeeping process. In principle, self distribution is predominantly applied by up and coming filmmakers to disseminate films directly on video sharing platforms such as

YouTube and Vimeo. Such sharing platforms provide easy access to international audiences for a huge number of micro budget films and short films which are often accessible for free rather than a paid fee. Self distribution is thus an effective model to make films available on sharing platforms, while direct distribution is more commonly employed as an alternative model to traditional distribution arrangements for films released in cinemas and online, and those films are often given a day-and-date release.

In this section, in order to underline some of the issues regarding films released simultaneously in cinemas and online, I provide case studies of *The Survivalist* (2015) and *The Machine* (2013). While both films are low-budget UK productions, one is an example of traditional distribution and the other adopts direct distribution. This will enable to acquire a better understanding of distribution arrangements and the difficulties producers and distributors are currently experiencing.

The debut feature drama of director Stephen Fingleton, *The Survivalist*, was made on a small budget of around £1 million, with initial financial support from the UK producer The Fyzz Facility, the BFI Film Fund, the UK Tax Credit scheme and Northern Ireland Screen. It moved into production without a commitment from a sales agent or a UK distributor in place, which allowed the producer to think carefully about the distribution strategy (Rogers, 2016). The first distribution deal was closed with the German sales agent K5 International in the post-production stage, and they introduced the first promotional materials to international distributors at the American Film Market in Los Angeles in November 2014 and the European Film Market in Berlin in February 2015. The film formally premiered at the Tribeca Film Festival in April and the sales agent closed a US distribution deal with the distributor Alchemy at

the Cannes film sales market in May. The film gathered critical acclaim on the international festival circuit, and the UK distributor Bulldog Film Distribution became attached when Stephen Fingleton won the award for best debut director at the London Film Festival in October.

In acquiring all distribution rights for the UK and Ireland territory, the distributor Bulldog was able to control and coordinate the marketing campaign and the release of the film in cinemas, online, and in other consumer markets. In addition to their financial investment in the marketing campaign, they were awarded £60,000 by the BFI 'New Models' Distribution Fund to promote the film across the UK and Ireland. This strand of the BFI Distribution Fund is specifically designed to support innovative release models, such as day-and-date (BFI, 2014).

In terms of the day-and-date release strategy developed by the distributor Bulldog, the film was scheduled to coincide with the BAFTA ceremony in February 2016, for which Stephen Fingleton was nominated, to benefit from the additional publicity this would generate. The day-and-date strategy involved an exclusive release in cinemas and on online VOD services for a period of 8 weeks (see Figure 1). It opened in 27 cinemas across the UK and Ireland in the first week, but that number cut back to only 4 cinemas in the second week and 3 cinemas in the third week because the film was unable to attract sufficient attention (BFI, 2016). The distributor Bulldog worked with the UK content aggregator The Movie Partnership to enable online access to 12 Transactional VOD (TVOD) platforms, including leading global services Amazon Studios, iTunes and Google Play and locally-oriented services BFI Player and Curzon Home Cinema. Online rental prices at those platforms were kept on a par with cinema tickets, ranging between £5.99 and £10.00. The release opened up after 8 weeks, with the film becoming available for purchase in the physical disc market on

DVD and Blu-ray and in the online market on electronic sell-through (EST). The disappointing theatrical run and the fact that the online and physical disc market accounted for the majority of overall revenues calls into question the need of organising the distribution process through a distributor. In order to underline this issue, I will provide a case study of the science-fiction film *The Machine* and consider the benefits and downsides of direct distribution.

<FIGURE 1 ABOUT HERE>

Figure 1: Traditional distribution and day-and-date release strategy of *The Survivalist* in the UK home market.

The production context of science-fiction film *The Machine* was similar in the sense that it was made on a budget just under £1 million and received financing from private investors and Welsh funding bodies. The Cardiff-based producer Red and Black Films secured a distribution deal with the UK/US sales agent and content aggregator Content Film on the basis of a short promo of the film at an early stage of production.

In terms of the release strategy, industry analyst Peter Buckingham (2015:15) notes that the film was expected to appeal to online audiences but less to cinema audiences: “Its release strategy was based on a belief that core revenues would come from on-demand platforms, particularly iTunes.” Red and Black Films planned a day-and-date release strategy in the UK market given this focus on online audiences.

However, rather than selling off distribution rights to a UK distributor, they retained control over distribution rights and hired the expertise of distribution consultants to organise distribution and negotiate deals with exhibitors, retailers and online platforms. This process whereby distribution consultants substitute distributors is described by the concept direct distribution. The entrepreneurial logic behind this model is that producers acquire a high degree of autonomy over distribution and a bigger share of revenue flows back to producers if distributors are cut out of the distribution process. On the other hand, there are constraining factors because organising this process requires substantial financial investment in the marketing campaign and substantial effort in coordinating the release across different consumer markets.⁵ For instance, approaching cinemas across the UK and organising a limited theatrical run was a time-consuming process for Red and Black Films, even if *The Machine* played in only 6 cinemas in the first release week and in 2 cinemas in the second week. Similarly, Red and Black Films was closely involved with the online distribution process because they worked directly with the content aggregator Content Film to enable access to online VOD services (see Figure 2). Buckingham quotes Giwa-Amu of Red and Black Films reflecting on the implementation of the direct distribution approach: "...There was far more work than anticipated in trying to run a Direct Distribution strategy, and it soon became clear that the theory that the hard work could be left to experts was fanciful" (Buckingham, 2015:20). He highlights that the work of distribution consultants involves sharing knowledge, and creating openings through their networks and developing strategies, but producers remain responsible for the execution of those strategies. Producers often argue that such effort in organising distribution draws attention away from production activities at the core of their business.

<FIGURE 2 ABOUT HERE>

Figure 2: Direct distribution and day-and-date release strategy of *The Machine* in the UK home market.

Buckingham notes that a strong social media campaign was critical for generating buzz before and after *The Machine* was released day-and-date and in attracting online audiences. The film performed well on iTunes, reaching number 2 in the weekly charts in the UK and number 5 in the US. Buckingham also notes that it attracted much attention from illegal viewers and became the most popular film on the piracy website Torrent Freak shortly after its success on iTunes: in fact, high levels of piracy helped to attract global audiences and sustain all-important buzz surrounding the release, which indirectly supported its profile on legal platforms in international territories.⁶ Buckingham notes that Black and Red Films worked directly with digital marketing agency Incite to organise the social media campaign while aggregator Content Film negotiated deals with VOD platforms. It is this specific focus on the online market as part of day-and-date releasing that challenges the need of organising distribution through (traditional) distributors. The promise that the online market will grow further in the next years provides producers with an opportunity to take more advantage of direct distribution and achieve higher returns.

Analysing distribution

The differences between traditional distribution, direct distribution and self distribution are much debated in industry discussions. A recurrent theme in such discussions is that the terms direct distribution and self distribution have produced confusion amongst industry participants and observers. The term self distribution is particularly poorly defined and easily set against traditional distribution. The

pioneering producer Ted Hope notes that direct distribution is often ignored in this comparison and has called for more nuance and precision to make sense of new distribution arrangements (Hope, 2011). Hope, formerly one of the leading voices for independent filmmakers and now head of Amazon Studios productions, has repeatedly argued in more recent years that direct distribution is the prevailing model employed by filmmakers as an alternative to traditional distribution, while self distribution is less common.

Such different approaches to distribution align with broader academic discussions about processes of intermediation, re-intermediation, and dis-intermediation in the film industry and across the media industries more generally (Jordanova, 2012; Hirsch & Gruber, 2015; Crisp, 2017). That is to say, the analytical concept dis-intermediation is posited as an alternative to intermediation and as an all-embracing term to counteract traditional distribution processes. However, the usefulness of the concept dis-intermediation is increasingly set against the concept re-intermediation. Crisp (2017), for instance, notes that online developments are certainly affecting the role of intermediaries, but they are not necessarily cut out of the distribution process. Crisp employs the term re-intermediation to highlight that relationships are re-arranged within existing distribution structures and intermediaries remain an important part of that process. It is therefore possible to draw parallels between industry terms and analytical concepts which describe change in distribution: between direct distribution and re-intermediation; and between self distribution and dis-intermediation. Such a framework provides a perspective through which new distribution arrangements can be understood analytically.

While this chapter has focused on the involvement of gatekeepers with online distribution, it is equally important to analyse the position of leading corporations

Netflix and Amazon Studios in the online market. Their operations are comparable with the Hollywood studios. Thus, they have established a strong presence in the international film business; they fund and produce films in-house (original productions) through integrated production and distribution structures; and they acquire and distribute films in the global marketplace. While they are certainly challenging the traditional Hollywood studio oligopoly, their operations are also different because they focus more specifically on monetising content through their own online VOD services in the online market. To that extent, they can be understood as digital disruptors. The potential of Netflix and Amazon Studios is also enormous. For instance, Kay (2017a) notes that Netflix was available to more than 93 million online subscribers worldwide in 2016, while Loughrey (2016) notes that the prospect of continuing growth has encouraged Netflix to invest further in in-house productions and acquisitions, with that investment growing to \$6 billion in 2017. Netflix and Amazon Studios are also able to gather unrivalled market intelligence through hugely complex algorithms developed to anticipate the changing demands of online audiences.

How, then, do their operations in the marketplace affect the distribution business more generally? The perspective of the traditional Hollywood studio oligopoly remains useful when considering their impact in the future. It is particularly important to investigate how in-house productions compare with acquisitions: the logic is that integrated studios retain control over the production and distribution of in-house productions, while acquiring films necessitates working with external content producers and gatekeepers. In terms of Netflix and Amazon Studios, a considerable part of their film collections involve acquisitions rather than in-house productions, and they compete with international distributors in the marketplace for

the distribution rights to those films. The trade press has thus observed that the international marketplace for films has become increasingly competitive in recent years (Kay, 2017b). It is also generally argued that they are aggressive buyers because they acquire rights for several territories or even worldwide distribution.

Their reliance on acquisitions is about to change in the future. Recent developments suggest a growing emphasis on in-house productions: for instance, Netflix has announced that in-house productions will account for 50% of their film and television content in the next years (Spangler, 2016). This focus on in-house productions bears resemblance with the operations of Hollywood studios in the sense that they have traditionally balanced in-house productions with acquisitions. It remains to be seen how this focus will impact upon gatekeepers in the distribution business. The Hollywood studios, for instance, have always remained part of fragmented distribution networks involving external gatekeepers, even if their focus has been predominantly on in-house productions.⁷ If an increasing focus of Netflix and Amazon Studios towards in-house productions is understood as a threat to gatekeepers, it also provides opportunities for gatekeepers. The online market remains a key priority for Netflix and Amazon Studios, but they increasingly acknowledge the value of the theatrical market. In terms of Netflix, in-house productions are increasingly released day-and-date in cinemas and online (Coyle, 2016). Amazon Studios, on the other hand, revealed at the 2016 Cannes Film Festival that they continue to prioritise a traditional roll-out in cinemas for their films before they are introduced exclusively on their VOD service (Coyle, 2016). At the same time, they acknowledged that there is a need to be flexible with release strategies because the theatrical protection window often works for bigger films but not for smaller films. This focus of Netflix and Amazon Studios on the theatrical market, albeit as part of

different release strategies, opens up opportunities for distributors to organise the distribution of such films in cinemas.

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¹ Release models or strategies for films have an immediate impact on the process of value creation across different distribution windows or platforms and are critical to the comparative positioning of films in local national markets.

² The term 'gatekeeper' is commonly employed in culture studies to describe organisations with the capacity and authority to decide which products are let through the gates as they move from the early stage of development, to production, to distribution, and ultimately to consumption; how those products pass through those gates; and what is barred. Their ability to control cultural flow separates gatekeepers from other types of cultural intermediaries in conceptual terms. I specifically refer to gatekeepers involved with distribution in this chapter.

³ The terms ‘buyers’ and ‘sellers’ are loosely defined and may involve industry practitioners such as producers, sales agents, distributors, video distributors, content aggregators, VOD platforms, television broadcasters, festival programmers and so on.

⁴ There are 788 cinemas in the UK in 2016 and industry observers estimate that about 100 cinemas belong to the category stand-alone cinemas (UK Cinema Association, 2016).

⁵ In addition to their own investment in the marketing campaign, they were fortunate to be awarded £50,000 by the FFCW, which, like many funding bodies is prepared to invest in innovative release models (Buckingham, 2015).

⁶ More details about the commercial performance of *The Machine* on TVOD platforms are included in Buckingham’s report (2015).

⁷ The focus of Hollywood studios has shifted to the production of a small number of massive-budget ‘tentpole’ films since the late 2000s.