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**INTERVIEW**

# From Screen to Shelf: Perspectives on Independent Distribution

Stuart Henderson

Of the three broadly defined sectors which make up the British film industry, the academy has tended to focus its attention on production and exhibition, giving comparatively short shrift to matters of distribution. Certainly, the current role of the independent distributor in the UK is, to say the least, under-examined. Academic interest in the work of the distributor tends to stop at their marketing campaigns and, as an extension, their attempts to connect with and sell a film to the public. The relationship between the distributor and the exhibitor, and the process of negotiation which takes place between them, have been largely ignored.

Since around 1999, with the burgeoning of the DVD market, UK distributors have gradually expanded their home entertainment divisions, becoming as invested in the retail sector as is the music industry and devoting as much energy (if not as much money) to a film's release on DVD as to its theatrical launch. Again, academic material on the video and DVD industries is scant, with those studies which do exist, such as Paul McDonald's *Video and DVD Industries* (2007), focusing primarily on the US and the major studios.

But to what extent do the theatrical and DVD divisions of the distribution business interact in the UK? And what are the parallels or distinctions between selling a film to Odeon and then later selling it to Tesco? In the hope of beginning to illuminate both convergences and points of difference between these two aspects of contemporary film distribution, I spoke to Nick McKay, head of theatrical sales at Optimum Releasing, and Graham Davidson, MD of Elevation Sales, a joint venture between Optimum and Lionsgate UK, which sells DVD releases from both companies to retailers. Optimum itself was established in 1999 by Will Clarke and Danny Perkins, with investment from Paul Higgins. Although it was acquired in 2006 by French film industry giant StudioCanal, and although it has more recently begun to diverge into production activities, Optimum is still run directly by Clarke and Perkins and remains focused on its original purpose, the distribution of films in the UK and Ireland both in cinemas and on DVD. Recent successes have included *Gomorrah* (2008), *Che* (2008), *The Wrestler* (2008), *Vicky Cristina Barcelona* (2008) and *Coco Before Chanel* (2009).

**SH:** Could you each tell me how you came to be in this line of work?

**NM:** I did my film MA, didn't necessarily want to become an academic at that moment in time, and had harboured ideas of getting involved, probably on the production side. At the same time I wanted a proper job, as opposed to being a runner at a production company, which is something I'd also done. So I got a job in commercial radio, in a sales position, and had a lucky break in the form of a fellow cinema-lover, a woman called Denise Parkinson who dealt with distributors to try and procure advertising money from them. She advised me that Entertainment Film Distributors were looking for a sales assistant – I applied for it and got the job. That marked my progression from working in sales in commercial radio to selling films in theatrical distribution.

**SH:** So you were working on some large-scale films?

**NM:** The biggest thing was *Lord of the Rings*, it was a good time, but they also had *Far From Heaven*, *The Man Who Wasn't There*, *Traffic*. They were getting some of the independent New Line stuff, so it wasn't just fodder. But yes, even though Entertainment's an independent distributor, their focus is on big, mainstream multiplex films. So the little films were problematic in a way. With something like *Hedwig and the Angry Inch* it was like 'What do we do with these films?' Often they'd get passed to me and that's how, by default, I ended up speaking more to independent exhibitors. I was there two years, until 2003, and that's when I started at Optimum.

**SH:** What about you, Graham?

**GD:** It wasn't by design, actually, despite having an interest in film. I studied economics at poly, with a view to getting a job as an accountant – but because of the then recession I couldn't get that for love nor money. By chance, HMV were opening up a new store in Chester, which is where I'm from, so luckily I managed to get a job there as their video buyer. I worked there for about two and a half years. I then started to think about how that product came to be in store. Seeing those sales reps coming in from Warners and so on, I decided I fancied a change of career, that the retail end wasn't really for me. I started looking for a job at a distributor and found one at VCI.[1]

**SH:** Was DVD a factor when you started?

**GD:** No, when I started DVD was only a notion – VHS was the only format. And replication was such that you'd be paying for the amount of tape you used. That's why all these kids programmes and fitness programmes that were made specifically for video are only around an hour, to save money on replication costs. I joined VCI in 1995, the year they released *Riverdance*.[2] Its success showed that Home Entertainment wasn't all about film. Chasing that breakout special interest hit was the name of the game, but we never got to repeat that success, mind.

**SH:** Can you tell me about your respective customers? Who are they and what role do they play in the industry?

**NM:** I deal with film booking departments at exhibitors. They're generally teams of five to six people with one of them heading it up – that applies for Odeon, Vue, City Screen. They carve up their cinemas among those five or six people, who make decisions about what films they play in those sites. Then you've got smaller independents with one or two sites, so then you have individual bookers for individual sites. No less important per screen, but just a smaller operation.

**GD:** I'd put our customers into three broad categories: the high-street specialists and online, represented now almost exclusively by HMV on the high street and online by Play and Amazon; the grocers or supermarkets; and the generalists, which with Woolworths gone is now basically just WHSmith. It's quite a wide range of outlets, but obviously it's shrunk quite suddenly in the past year and a half. We usually have one buyer, one point of contact, per account.

**SH:** And who's your biggest account?

**GD:** The online side is certainly growing, so that's the fastest growing sector for us – about 30 per cent of our business. That's mainly Amazon and Play, although now HMV.com are getting bigger as well. The grocery sector, very much in the last five years, has grown and grown, so that's also around 30 per cent now, accounted for by Tesco, Asda, Sainsbury's and Morrisons.

**SH:** And where do Blockbuster and the rental market factor at this point?

**GD:** Blockbuster have, in their words, 'rationalised their store-base', basically meaning that they've closed down all loss-making stores.

Their experience has obviously been quite strange because the rental market has changed dramatically over the years. It's a market that's plateaued – or troughed! – in the past few years. Online rentals have certainly grown, but only to the point where they're picking up some of the slack from the other rental stores that have closed. So Blockbusters have found themselves the leaders in a much smaller market, but it's also at the moment a fairly stable market, with them representing about 75 per cent of our rental business.

**SH:** It's not really the equivalent of the US, then, where Wal-Mart dominate the retail market so completely?

**GD:** No, that's true. The fear is that we'll follow the route of the US whereby one or two big chains drive everyone else out and become extremely powerful as a result. With the growth of the supermarkets, which has obviously been great for business thus far, there's a fear that they might turn around and demand more unfavourable terms from us. So there are some ominous learnings from the US, you could say.

**SH:** One of the issues with the supermarkets is their near-exclusive focus on new releases. Given that back catalogue titles are so important to Optimum as a business, does that make specialists like HMV more important?

**GD:** Catalogue is a big, big deal for us, and so the catalogue specialists – HMV, Amazon and Play – are crucial. Those three retailers alone account for just shy of 80 per cent of our catalogue business. But I think that's the case for the big studios, too. The problem with the new release market now is that it's increasingly led by price cutting and price competition by the retailers, so there's not much profit margin in there. Certainly in the last five years everyone's twigged on to the fact that their catalogue is an asset, even if you have big new releases you need catalogue revenue.

**SH:** And how does it break down on the theatrical side?

**NM:** It varies. On a film playing on less than 100 prints, the greatest share is going to be with the independents. But then on the larger films it swings to Cineworld and the other big guys. We do very well per print, per screen on the independent ones. But on a bigger release it's all about the volume of screens. Cineworld are somewhere in between, they're the bridging gap. They are the HMV of exhibition in that, because of their monthly membership scheme, they need to have a range of films on offer.

**SH:** What's the basic process you go through in order to sell them a film or DVD?

**GD:** Ideally at least, three months prior to the release date is when we start the selling process proper. Of course we might be flagging up certain titles some time before that, before their theatrical release or even at the point of acquisition, but three months prior is when we aim to present to retail our sales ambition for a title. Then we begin the age-old debate as to whether they agree with our numbers or not. The advantage for us over theatrical is that we usually have a box office result we can refer to. It's not foolproof, of course, but it's some indication of popularity, which helps us pitch a lot of the films we release. So using that information among other things, we debate with a buyer what we believe the market figure will be and then, more importantly, what it will do for that particular retailer. Along with that we agree what cooperative marketing we're willing to do, i.e. what ads we're willing to pay for that'll be emblazoned with that retailer's logo, and that affects our negotiations too. And that all happens over a six- to eight-week period.

**NM:** Well obviously the first stage is internally deciding where we're going with a particular title. Then, how we pass over information to the bookers is subject to our own particular plans for the release, the main criteria I suppose being how commercial, or how relatively good it is within the given genre. In a nutshell, then, we show them the film, having let them know what the sell is, what the intended release date is, who the target audience is. Anything surplus to that is a bonus, but we may show them marketing materials if we have them, i.e. trailers, artwork and so on. Then they see the film, but really the relevance of what they think of it is dependent on the film and also how many other films are already scheduled for our proposed release date. If there aren't that many competing films, then it's less of an issue, but if it's a congested time then they really do have to see it and break down what they think of the film because we might have to argue with them about whether they want it or not.

**SH:** Do you have to work as far in advance as Graham?

**NM:** Well the good independents have long-lead brochures and programmes and other materials that have to go to print, so they need to know as far in advance as possible. So it's usually a three-month cycle as well, for them at least. The studio system means that most things are given a date well in advance, maybe a year for a big tentpole, more like three to six months for other releases. Now that we're working with Dark Castle[3] we have to be more aware of the States, too. And then with pick-ups there are often contractual hold-backs dependent on territory. It's getting more convoluted in a way. I don't remember it previously being as much of an issue, but that's partly to do with the growing scale of the company and the larger films we're dealing with.

**SH:** What's the key figure you're bartering over with retailers or exhibitors?

**GD:** For us, it's very much about the week one figure. It's very important for the supermarkets, in particular, who are basically set up to deal with fast-moving consumer goods and who might only have space to stock thirty new releases at any one time. So they're only interested in what a title's going to turn round for them in that first week. Even if you've got a valid case for something, if you forecast that it might sell eight thousand copies across the trade in its first week, a supermarket might calculate that, based on their share of that figure, they'll only be making £6,000 from it that week – so at that level it might not work for them. It's that classic situation where you don't want to pitch an outlandish number, but if you don't pitch it at a certain level then you won't get the supermarkets interested. And of course if they don't take it then it'll be harder for you to reach your target because you won't have the same level of in-store exposure.

**SH:** What figure are you arguing over with the exhibitors?

**NM:** It's becoming increasingly front-loaded. With companies like Cineworld being owned by Blacks and Odeon being owned by Terra Firma, Vue are owned by private equity as well – so for them the emphasis is on ensuring that they have the maximum share of the biggest films on a weekly basis. So to outdo each other they run combinations of multiple prints, big screens and so on. Often they're gunning for the top two films. Then it all comes down to the second week. If a film is going to survive beyond that it has to fight the new openers on its second week – and if it keeps its head above water then they're forced to acknowledge there's something else afoot here, and there's hope for it beyond the usual two weeks. When I first started it was always two weeks and a holdover, now it's one week and a holdover.

**SH:** What is a holdover? An option to extend?

**NM:** It's an extension of the initial seven day rental from the second Friday to the following Thursday. It's conditional, and the permutations of shows and screen sizes come up, so you have to start negotiating all over again after the first three days. Nothing's written in stone after the first weekend.

**SH:** And is it the screen average that you're arguing over?

**NM:** Well, it's generally on a per-site basis, based on where you are in that cinema or group of cinemas. Screen average is a funny thing. The Film Council say it doesn't mean anything. They have these digital screens, so they want everyone, everywhere to have the chance to see it. But we don't necessarily want to give a print of something like *Coco* to a smaller site where it won't work as well, because it'll drag down our screen average. In that sense it's important, and useful as a marker for a distributor to tell if you've got the combination right between quantity and quality of sites, £3,000 per screen being good for an arthouse release, £4,000–5,000 is excellent and anything above that is phenomenal. The Almodóvar-*In the Loop-This is England* league is £4,000–5,000. A few years ago £3,000 would be about average for a decent independent. But now £3,000 is good and the not-quite-there is £2,000 and, depending on the market, you could be in trouble. Anything less than that and you're gone.

**SH:** And does that blockbuster logic, that opening weekend logic, apply in the independent sector as well?

**NM:** Well, the independent exhibitors certainly apply it to any blockbuster product they play. Of the big circuits, Cineworld are the only ones who consistently acknowledge that there's a Monday to Thursday business that can't be determined by the first three days, so they take a longer view. And the independents are aware that the independent films they show might well have a life beyond those first three days. But other than the independents and Cineworld, it is pretty much a front-loaded weekend business.

**SH:** And so in terms of specific sites, it's the 'nut' figure you're arguing over?

**NM:** 'Nut' figure refers to 'Nothing Under This', which means 'Nothing under this number qualifies for greater terms.' It's generally calculated on a per-seat basis. They work out how much it costs to run a cinema – your bills, your staff and all of that – and divide by the number of seats. So you have the break figure, after which you can get a higher percentage of the box office. And something we've learned from our European counterparts is that they have much better terms than we do here. For us it's an average of 25 per cent up to the break point, whereas in France and Germany they might get 40 per cent of the gross.

**SH:** On the DVD side, it does seem as if retailers are increasingly obsessed with box office figures and box office conversion rates. How important is the box office result to you?

**GD:** Ignoring DTV[4] for a moment, box office is very important for mid-size to larger titles. It helps shape the potential size of a release in the eyes of retailers, i.e. they take from BO whether a film is a success or failure. They are a more educated breed in that they understand the difference between small, platform, wide and saturation theatrical releases, and they also get the KPI of screen average figures. It's not the be-all or end-all in general, but for certain genres, rom-coms for example, it's very important.

**SH:** I want to talk about the issue of windows and holdbacks, because it seems to be something that you've both had to deal with in different ways. How does it affect your dealings with exhibitors, Nick?

**NM:** They're very aware of all the windows, TV windows as well. Generally they hope that terrestrial broadcast is at least eighteen months from the theatrical, and if it's sooner they might well notice and they might well complain to us. One of the last big fracas about DVD windows came when Fox decided to release *Night at the Museum* on DVD in time for Easter, earlier than the four-month window, and that resulted in the circuits pulling their bookings immediately – because Fox would not change their DVD date. The window, I think, was six months but it's come down to sixteen weeks and two days in the last few years. It was never such a big factor when I started, because the DVD market was only just hitting its stride. I think it will come down, but it'll have to be led by the studios. It's all become a bit more tense since the DVD market started to decline.

**SH:** Do you think it's something that will restabilise?

**NM:** I think it'll come down to maybe twelve weeks in the next couple of years.

**SH:** What's your take on the length of the theatrical window, Graham?

**GD:** I think for theatrical successes or titles that have a meaningful theatrical release it absolutely adds up. And when there's a gap of four months, as long as a film's made a name for itself at theatrical then the profile and the buzz of the theatrical release can just about carry through to the DVD release. On smaller releases, though, I think it's different. There'll always have to be a rule of thumb, to ensure that both theatrical and home entertainment entities are happy and can function side by side – but I think a shorter window on smaller titles wouldn't really hurt anyone and could be a benefit.

**SH:** Another aspect of this, on the DVD side, is the speed with which a new release becomes a 'back catalogue' item. How quickly does that happen now?

**GD:** Three months is now the barometer we use. When something reaches the fourth month of its life we classify it as catalogue, and that's when we generally start discounting it, although it can be earlier now. The standard used to be six months, but that window's been squeezed over the past couple of years so that three months is standard. One thing we've noticed, and something that the TNS research has shown, is that people are now wise to the fact that if they hang on for a few months they can buy a DVD much more cheaply, maybe as little as £5, than if they buy it when it's released. As a result what's happening is that new releases just aren't selling as much, because you've got people waiting for them to be discounted. Or at least they're not selling what you've forecast them to sell, but that means – in order to get the most revenue out of them – you have to discount them even sooner. So the whole industry is now stuck in this cycle. The one thing I'd say is that the kind of titles we work on, things like *The Wrestler*, if they have good word-of-mouth or they have this must-see status, then they tend to still work in their first week.

**SH:** Given this general acceleration in a film's life cycle, do you think there'll be a point at which adopting a day-and-date system makes sense?

**NM:** The exhibitors just view it, understandably, as money being taken away from them. In the States, I believe, there's a more flexible system, where there's leeway with the exhibitors and there are relationships where they say 'OK, for a couple of films you can break the window.' We don't have that here as yet, but I think if it comes then it'll have been imported from the States by the studios. For a distributor, obviously, it all balances out, because some people will see it at the cinema and some will buy it on DVD but it's the same revenue, just a different breakdown – although the margin's better on a DVD, even if it's cheaper to buy a DVD than go to the Curzon Mayfair these days. But I think standard online or DVD releases on date are still a long way away.

**SH:** Digital technology is affecting your two areas in different ways. For example, Nick, how has the conversion to digital projection helped or changed things?

**NM:** It's been very, very fast – so fast that it's overtaken the market in a way. The next hurdle for the industry is how to pay for digital projectors, and who's going to pay. Is it going to be distributors? Governing bodies? Are people going to club together and pay it back? The UK had the digital screen network set up a few years ago by the Film Council to promote diversity and that was fine, whereas in the States they were quite scathing. Now you have Katzenberg[5] on an offensive, pushing 3D, and all the tentpole films are suddenly in 3D but that means digital projection and so again it's a question of how to pay for it. At the moment it makes sense for studios to pay out a 'virtual print fee' to an exhibitor. You pay £450 to play on a digital screen. That makes sense to them, because it means you get to play the film on date, for two or maybe three weeks, but it doesn't make sense for an independent distributor to pay that money to play for a week of evening shows in week four. The £450 helps the exhibitor pay off the cost of the projectors. The problem of who was going to pay was presented but it's gotten very quiet lately, perhaps because of the lack of credit flowing about at the moment.

**SH:** In the meantime, how are you dealing with it?

**NM:** In terms of the independent sites, it hasn't reduced our options as yet because they're not allowed to charge for those screens on the Digital Screen Network.[6] But when it comes to playing on the circuits it means, for now, that 35 mm is still cheaper for us. So if they say you can use a print or pay us £450 for a digital screen, it's more cost effective for us to pay for a print, because even if it costs slightly more, we then have a physical thing we can move around. So the digital model doesn't work for most independents now, whereas it works for studios with big releases because there's a volume involved, an economy of scale that makes it more attractive for them. We've discussed it internally but we're not going to pay virtual print fees, so for now we're just sticking to our old model, keeping our ears to the ground and waiting to see what happens.

**SH:** What about in the realm of home entertainment? First off, do you think Blu-Ray is going to pick up the slack where DVD is falling away?

**GD:** I think Blu-Ray will be here to stay, I think it will survive, but I don't think it's going to have the kind of explosive growth DVD had. I'd pitch it not so much as a replacement for DVD but as something that does appeal more to collectors. I also think it's only when the broadcasters switch over to digital that most consumers will really clock the difference between standard definition and HD.

**SH:** And what about 'Electronic Sell-through', 'Download to Own' and so on?

**GD:** On the online side, I remember six years ago I was talking to someone who wasn't in the industry but knew of it and seemed to think that by now, by 2009, downloading to own would have taken off in a way that it really hasn't yet. It's beginning to build now, but I think based on what we've seen so far that it's going to happen far more gradually than a lot of people thought it would. Obviously as a content owner, there are big advantages. On the other hand, as a consumer, I've moved into this 'Sky Plus is fine for me' mode, where I'm not buying films either on DVD or digitally. I've downloaded one film – *The Dark Knight* – and I've still not watched it because I don't really want to see it on my laptop, I want to watch it on my HD TV. When that converges again, so when technology like Apple TV becomes more pervasive and you can more easily download something and immediately watch it on your TV, then I think things will start to shift.

**SH:** Do you think in general terms it's got tougher to be an independent distributor?

**GD:** I think it's not gotten any easier for larger indie distributors – Optimum, Momentum, EV, etc. – but I think it has gotten much harder for the likes of Soda and Artificial Eye. Delanic's experience shows that it's very difficult to start a new film distribution company from scratch. The larger indies have more clout than before, and the exhibitors and retailers are happy to deal with them/us, but the smaller ones less so. Tesco, for example, are no longer accepted new Home Entertainment suppliers, so if the Weinstein Company, for example, wanted to get into Tesco they'd need to go through a third party – like ourselves.

**NM:** I think the whole industry's got tougher. The front-loaded aspect of it and the volumes of prints and product means that exhibitors are hedging their bets. I look back a few years – at the period of *Spirited Away*, *Goodbye Lenin*, *Swimming Pool*, *Whale Rider* – all these films seemed to flow one after the other without bumping into each other. That doesn't happen anymore, and that's just the independent sector. I wouldn't say that the quality of independent product has dipped, it's just that the consumer now has almost too many choices. On a weekly basis when he's being bombarded, being told everything's great in the *Guardian Guide* or what have you, and everyone's hustling for the same market, I think people can switch off after a while. This coupled with the circuits being owned by venture capitalists. They'll suck it and see on the more mainstream releases, but they won't do that anymore on independent films. So now Odeon will offer Covent Garden, Swiss Cottage, Camden and maybe one big site out of London, like Manchester. Before you could tempt them to commit to a bit more, but now they stick to their stock answer, which tends to be just the London West End sites. When I look back even at 2005 it almost looks like a golden era in comparison. I think in a way the venture capitalists moved in because it was working well, but ironically they're so driven by weekly performance that they're not taking chances on things that might increase their overall customer base. Cineworld do – they need to offer the choice – but the others don't feel the need to offer choice to consumers. They'll offer them two choices a week, based on them being the biggest films with the biggest marketing spends – and that's it.

**Notes**

1. Video Collection International Ltd was a video company founded in the mid-1980s which established itself as a leader in the then infant 'sell-through' video market. Its primary focus was on 'special interest' genres such as fitness, stand-up comedy, sports and children's programming, often published on behalf of broadcasters such as Granada and Channel 4, although it also released films through its low-budget division 'Cinema Club' and via a deal with Film Four Distribution. In 2006 its then owner, Woolworths Group, merged it with BBC Worldwide's video arm to create a new entity, 2entertain.
2. Released by VCI in the summer of 1995, *Riverdance – The Show* went on to sell more than two million units in the U.K. alone. Those figures, according to data sourced from the Official Charts Company, put it ahead of titles such as *Independence Day* and *Four Weddings and a Funeral* in terms of VHS sales.
3. Owned by Joel Silver, Dark Castle entered into a multi-picture UK distribution deal with Optimum Releasing in 2008. The first release came with *Whiteout* in September 2009.
4. Direct-to-video releases, also known as 'DVD Premieres'.
5. Jeffrey Katzenberg, CEO of DreamWorks Animation, whose zeal for 3D is now well-documented.
6. The Digital Screen Network consists of around 240 screens across the country, primarily at independent cinemas, converted through funding by the UK Film Council.

**Reference**
McDonald, P. (2007) *Video and DVD Industries*, London: British Film Institute.

**Stuart Henderson** worked in Optimum Releasing's Home Entertainment division until 2008. He is currently studying for a PhD at the University of Warwick for which his dissertation concerns the history of the sequel in Hollywood cinema.

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