

## CASE STUDY

## THE ROAD TO ONLINE

The first major UK film to experiment with a day-and-date release was Michael Winterbottom and Mat Whitecross' *The Road To Guantanamo* in 2006.

Produced by Andrew Eaton, the \$3m (£1.5m) film is based on the true story of the 'Tipton Three', a trio of British Muslims who journeyed to a wedding in Pakistan after September 11 and ended up arrested and detained in Guantanamo Bay on suspicion of terrorism.

The film received a simultaneous theatrical, DVD and internet release through Tiscali in March last year, the day after it aired on Channel 4. This went a step further than 2929 Entertainment's US release of Steven Soderbergh's *Bubble* earlier in 2006, which did not include a simultaneous internet offering.

"With a film like this, we thought it would be better to go with everything else at once," Eaton says.

The project began life just after the three men were released in 2004. Film4 became involved at the development stage but realised that raising traditional film financing might waste valuable time. It was then made as a television project through Channel 4.

The film drew 1.7 million viewers on Channel 4, and Revolution released the film on 34 screens on a combination of film and digital prints, which were screened on the UK Film Council's burgeoning Digital Screen Network. Revolution teamed up with Tony Jones, former head of exhibitor City Screen, to secure theatrical bookings.

All the company will say about the internet downloads, available at \$10 (£4.99) to own or \$6 (£2.99) to rent, is that they are very pleased with the number of hits received.

The project's TV roots did not have a negative impact on interest from overseas theatrical buyers. Sales company The Works sold it as a theatrical film at the Berlin market last year and, boosted by its Silver Bear win at the festival, deals were struck for countries including Spain, Brazil, Australia, Germany, France, Italy and Japan.

The next high-profile UK film to go for simultaneous multi-platform release is likely to be Ken Loach's forthcoming *It's A Free World*. Produced by Rebecca O'Brien, the film is backed by Film4.

"I think [the multi-platform release] will be very interesting because that's the way to reach the widest number of people," O'Brien says. "We can reach so many people through TV, but at the same time it respects our primary role as film-makers."

# CASH ON DEMAND

With the ongoing growth of digital distribution, the UK Film Council has produced a spreadsheet package to support the industry in making the most of the video-on-demand era

The theatrical sector has always been at the centre of the film universe. Over the years, though, its dominance has diminished. First came the threat from television, then video, followed by its digital sibling DVD. Now, there is a new kid on the block, one that is shaping up to be a potent new competitor in the fight for the consumer purse but one that represents a significant opportunity for the film industry: video-on-demand (VoD).

With analysts predicting that a third of all TV-watching households worldwide will use VoD by the end of this decade, it is no surprise that digital distribution has been the big news story of late. Observers are looking at its impact on exhibition as digital challenges the old assumptions about windows and there is ongoing debate on what it will mean for producers.

"Online is the most thrilling development, much more so than DVD or video," says Peter Watson of sales company Dreamachine. "We can reach audiences without having to go through middle men and that means smaller films can be economical again."

Reaching wider audiences is certainly one of the

benefits online distribution offers. So far there have been only a few experiments in challenging day-and-date, including Steven Soderbergh's *Bubble*, Ken Loach's *The Wind That Shakes The Barley* in the US and Michael Winterbottom's *The Road To Guantanamo* (see case study, left).

There are also uncertainties around the whole issue of rights. There is a concern that on-demand rights could become an extension of already existing rights, making it harder for producers to exploit digital rights as a means of financing their films.

Indeed, at Berlin's European Film Market this year, some sellers were refusing to sell rights because of anxieties over VoD, downloads and online distribution, whose value is difficult to quantify. A split emerged between sellers and buyers who often want digital rights bundled in at no or low cost with traditional rights. As Gregor Pryor, associate at global law firm Reed Smith, explains: "Everyone wants to experiment with these new platforms but they want to do it at the expense of the content owner."

The implications of this brave new world for independent UK production are far-reaching. "Digital distribution will have a huge effect on viewing habits," says producer Marc Samuelson, whose credits include *Stormbreaker*. "In five, 10 or 20 years, all home viewing of



*The Wind That Shakes The Barley*

*The Road To Guantanamo*



## 'The key thing is the trend and what happens to each of these revenue streams over time as delivery methods change'

Chris Spurgeon, independent consultant

filmed entertainment will be watched over the internet. It will further expand arthouse cinema because of the long-tail phenomenon. This will mean expanding audience opportunities for more different types of films because it does cut out certain limiting elements and that has economic implications."

The new delivery platforms may have economic savings but producers want to avoid a re-run of what happened with the arrival of video when they lost out to distributors when it came to rights. "Most producers are finding it hard to create a model that works for financing independent films," says Samuelson. "Traditional ancillaries — DVD and broadcast — have reached a plateau and we don't see download distribution rapidly coming in to fill the breach."

These are the issues that have prompted the UK Film Council (UKFC) to create a spreadsheet, the Future Film Value Toolkit, which will be available to the industry as a free download via the UKFC's website from next month.

Designed by head of production finance Vince Holden and independent consultant Chris Spurgeon, the spreadsheet analyses the likely impact of the changing market conditions brought about by the creation of new forms of delivery. "The question is, what is going to happen to DVD and TV sales, volumes and prices and even theatrical once VoD begins in earnest," says Holden. "In building the model, we looked at the new digital platforms and delivery mechanisms, changing prices, and we've stripped out the effect of the traditional financing model where a distributor gives a minimum guarantee to look at the ultimate value available to the rights holder."

The spreadsheet allows producers to forecast net revenues over a period of 20 years, allowing for a number of different possible outcomes depending on how much one predicts each delivery system to be worth.

"The model shows how, for example, revenue can alter when you change prices or the number of VoD downloads," continues Holden, "and you can make assumptions about the ongoing effect of VoD on DVD volumes, or what happens if particular windows disappear. We've made it flexible because we don't know to what extent VoD is going to change things. We've also factored in copyright theft infringement and changing windows, for example, if VoD ever went day-and-date with theatrical."

Spurgeon, who built the programme, says: "It enables you to make different assumptions around key variables, see what the end result is and then compare scenarios depending on the variables you chose. It allows you to see where the real sensitivities are."

"It's not a predictor of returns to an investor," insists Holden. "It's a tool for looking at the overall effect of the changing exploitation environment on ultimate film values."

The programme is designed for producers and those who may not be as experienced with spreadsheets as finance directors in larger companies, and Holden and Spurgeon have produced something that is user-friendly and that charts results in easy-to-read graphs. The basic version limits the number of user-definable variables to six; more sophisticated users can override the correlation tables and input their own base volume figures and increase the number of variables.

"No-one has made this kind of financial predictor available for free," says Spurgeon. "What's important is not so much the absolute figures as how the different revenue streams relate to each other and the impact each element has on the overall picture. The key thing is the trend and what happens to each of these revenue streams over time as delivery methods change."

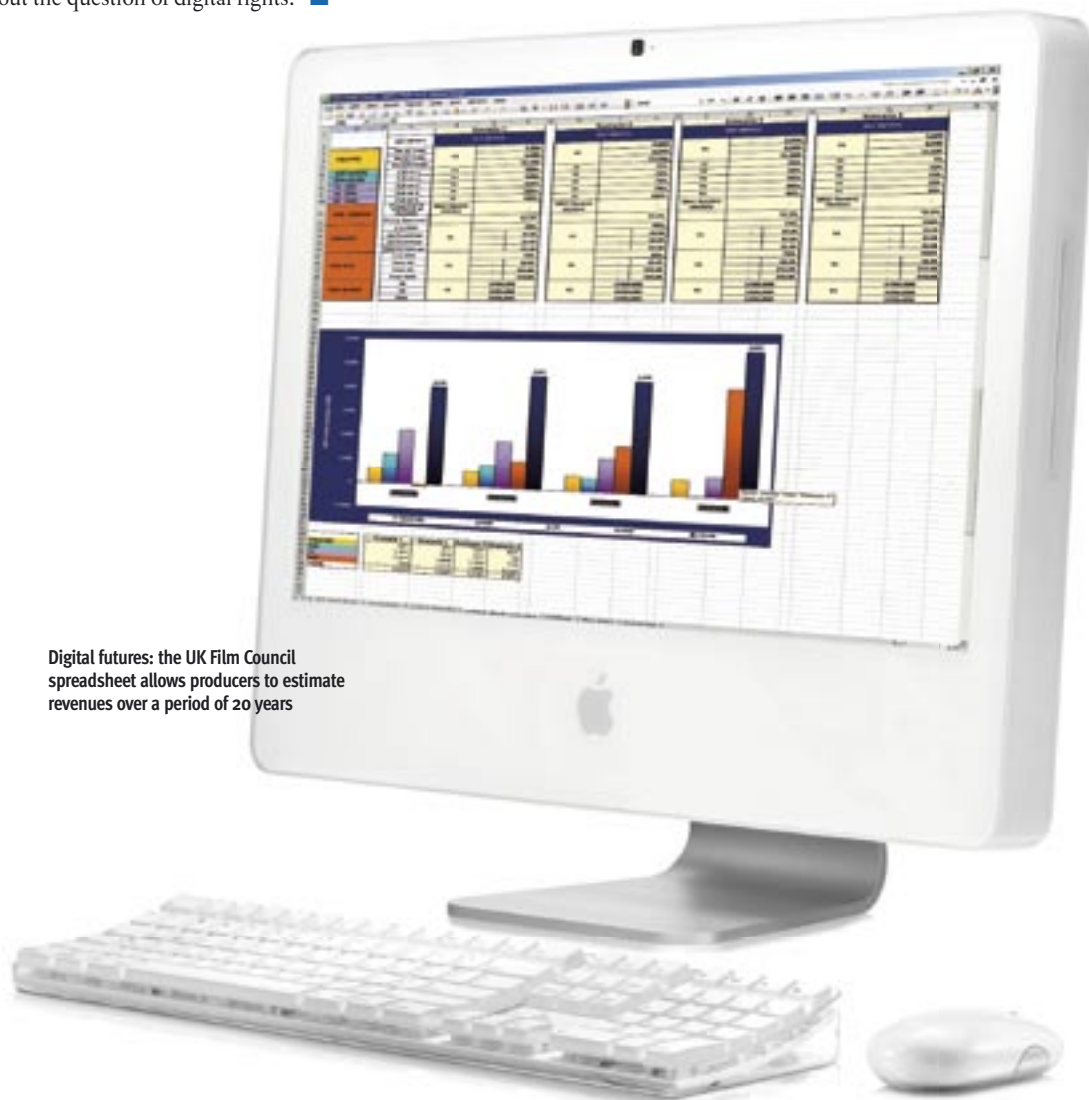
Spurgeon points out that the programme is not only a practical tool but will also focus the mind. "It will get people thinking," he says. "It makes very clear how the changing market will affect income and highlights very starkly how certain revenue streams are disappearing, and how if you don't get something in there to replace them, as a producer you're going to be in trouble."

Marc Samuelson agrees: "This issue is real and we have to debate the most sensible way to approach it. We didn't have a body like the UK Film Council to work on our behalf when video and DVD arrived, and even though we saw they were rapidly changing how rights worked soon it was too late to change them. The UKFC has done something very smart in creating a tool to allow the industry to work out the question of digital rights." ■



## 'It's a tool for looking at the overall effect of the changing exploitation environment on ultimate film values'

Vince Holden, head of production finance, UK Film Council



Digital futures: the UK Film Council spreadsheet allows producers to estimate revenues over a period of 20 years