

Mystery Cyber Theater

The Still-Unsolved Riddles of Digital Distribution

by Scott Kirsner

Digital distribution, circa 2007, resembles a high-concept science fiction script: conceptually intriguing, potentially feasible, but not quite part of the fabric of reality.

Many of the elements required for a direct connection between filmmaker and audience are already in place. The average internet user in the United States now watches more than 100 minutes of video per month, typically over a high-speed connection. According to Apple, iTunes customers have so far purchased more than 1.3 million movies and 50 million television episodes. Several websites, including GreenCine, CustomFlix, and Dovetail, provide free hosting for full-length features, and cut the creator in on the revenues each time a movie is viewed.

A few filmmakers have experimented with making their work available through these new channels. Despite these forays, digital distribution still hasn't arrived as a viable, financially sound option for independent filmmakers. This may be a transitional year, however, as more consumers rent and purchase mainstream studio movies in digital form, and install the technology necessary to view them on a TV screen. Wider consumption of digitally delivered indies may quickly follow.

The upside

The benefits of a boundless internet movie library are attractive. Any title, no matter how small a niche it appeals to, has the opportunity to find its audience—author Chris Anderson's "Long Tail" argument in action (for more info check out his book *The Long Tail: Why the Future of Business is Selling Less of More*). Theoretically, movies can stay in circulation forever, for the cost of storing them on a server some-

where; gone are film print, DVD, and shipping expenses. One friend can email another about the great documentary she watched last night, and include a direct link to it. People can embed trailers and clips into their blogs or websites, enticing viewers to watch the whole movie. New services like Lycos Cinema even let users pick films, create their own online "screening rooms," and invite friends to watch and chat as the content unspools.

But perhaps the most enticing possibility, from a filmmaker's perspective, is that of direct payment—a monthly deposit to your PayPal or bank account based on how much business you've done, not your ability to shake down middlemen for what they owe you.

Who's cashing in now?

Already, websites like Metacafe, Revver, and Blip.tv have direct payment systems in place. Most of the content creators with nickels and dimes adding up in their accounts have made short "viral videos;" Metacafe's top earners include magicians and martial arts performers doing routines in front of low-end camcorders. (Metacafe's blockbuster hit, Joe Eigo's *Matrix—For Real* video, has raked in more than \$25,000.) Fritz Grobe and Stephen Voltz, two stage performers who live in Buckfield, Maine, have earned about \$35,000 from a video called *The Extreme Diet Coke & Mentos Experiments*.

These videos produce revenue through advertising—placed on the surrounding page, or at the beginning or end of the clip—and very few of them are more than five minutes long. To earn thousands of dollars, they must be viewed millions of times; the *Diet Coke & Mentos* video has been seen more than eight million times, helped by fortuitous TV and

radio appearances by the performers on *The Late Show with David Letterman*, *Good Morning America*, and National Public Radio.

A few independent filmmakers are making money online, usually with the assistance of sponsors or underwriters. But they work in a different format than the typical 90-minute narrative, spinning out skeins of short, minutes-long "webisodes."

Nerve.com bankrolled a series called *Young American Bodies* by director Joe Swanberg last year, which features lots of funny banter by 20-somethings and even more nudity. (Viewers can rate each episode based on how sexy, funny, and smart they think it is.) A second "season" of the show began appearing on the site earlier this year. While Swanberg likes having his production costs covered, he says the series hasn't produced a windfall. It can, however, help promote his features, which include *Hannah Takes the Stairs* and *LOL*.

When documentary filmmakers Alfred Spellman and Billy Corben embarked on a project about the South Beach nightclub industry in Miami, they didn't know what form the eventual product would take. "We thought it might turn into a reality series for TV," says Spellman, previously a producer of Sundance entry *Raw Deal: A Question of Consent* (2001). "We thought distributing it on the internet would be tough, since we were thinking about a nine-month-long project, and we weren't sure how that could cover our costs." But Spellman found a vodka company willing to sponsor the *Clubland* project in exchange for some branding and subtle product placement in the series. "We've ended up with 50 five-minute webisodes," Spellman says. "And we will also sell half-hour versions of the show to foreign TV."

Still, Spellman isn't sure the web is a ripe medium for independent features. He and Corben are working on a sequel to a 2006 documentary called *Cocaine Cowboys*, about the drug trade in Florida, but they expect they'll earn the majority of their revenues from sales of DVDs, rather than digital downloads or rentals. "I still think we're a year or two away from being able to monetize content in the

digital world in the same way you can monetize it through physical means like a DVD," says Spellman.

Swanberg agrees. He mostly sees the internet as a promotional tool for live screenings or DVD sales. "The web is no good for making money right now," he says.

Early experiments with digital

Some filmmakers have learned that lesson through hard experience. Ben Rekhi, an independent filmmaker based in Los Angeles, gave a friend who worked for Google his terrorism thriller *Waterborne* to show at the company's monthly screening series. "Afterward, a few people from the video department approached me, and mentioned that they might be interested in the film for their

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new video store," Rekhi recalls. At the time, he also had in hand a \$125,000 offer from a distributor for the film's theatrical and DVD rights. "The distributor said, 'If you release it online, our offer is off the table,'" Rekhi says. "We had a week to make up our minds—do we go the safe route, or try something totally new, and risk it all?"

Rekhi chose to carve out a new course. Google Video posted his movie as a free video stream for ten days, and then charged \$3.99 per download, giving Rekhi 70 percent of the revenues. But Rekhi says there were disadvantages to being Google's first guinea pig. "You couldn't download my movie to a Mac. You had to download a special player. And it didn't work with certain browsers." Google also goofed on reporting purchase numbers to Rekhi, initially telling him that 3,000 people had purchased *Waterborne*. "Making \$12,000 seemed pretty exciting," Rekhi says. "Then, overnight, the numbers on the reports dropped to 300 downloads. Google explained they'd made a mistake." (The ability to audit a distributor's sales numbers will likely remain important in the digital era.)

Rekhi estimates he made \$1,000 at most from the film's six months on Google Video, and says that the movie did better when it was released on DVD: distributor MTI Video shipped more than 20,000 units.

Less information is available about other experiments with digital distribution of full-length indie films. Prior to the movie's DVD release, producer Adam Shapiro negotiated

an exclusive deal with AOL to release Anya Camilleri's horror flick *Incubus* last Halloween as a digital rental or purchase. But the website never reported how many users ponied up during its month-long run of the \$7 million movie starring Tara Reid.

ClickStar also declined to divulge any data about Brad Silberling's *10 Items or Less*, a low-budget feature starring Morgan Freeman and Paz Vega released online last December. Many theater chains refused to show the movie when they learned it would be available on the internet just two weeks after the start of its theatrical run. Mark Cuban's Landmark Theatres chain was the notable exception. (Box Office Mojo reports that the movie's widest release was 15 theaters, and that its domestic gross didn't quite reach \$90,000.)

Roadblocks and challenges ahead

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No one has yet produced the first digital break-out hit—the online version of *The Blair Witch Project* or *Napoleon Dynamite* that everyone wants to see and tells their friends about, making obvious the power of digital distribution. One big barrier has been the iTunes Store, the leading seller of digital music, TV shows, and movies. So far, Apple hasn't been interested in putting independent films on its virtual shelves, focusing instead on studio deals with Disney and Paramount. However, one scrap of independent content, a snowboarding documentary, showed up on iTunes earlier this year, and some indie filmmakers report that Apple has expressed interest in carrying their feature-length titles. It's also possible that organizations like the Independent Online Distribution Alliance could begin acting as conduits to iTunes for indie filmmakers, as they have been for independent musicians.

One service more welcoming of indie filmmakers is CustomFlix, which is owned by Amazon. CustomFlix will make any movie available through Amazon's Unbox digital download service, where it can be sent directly to a TiVo digital video recorder, for easy viewing on a TV set.

This brings us to another digital distribution barrier—the difficulty of transferring

movies from a computer to a TV set or portable media player. In the past, that sort of transfer has required special software, cables, and an advanced engineering degree. This year, however, consumers will begin buying easy-to-use devices like Apple TV, SlingMedia's SlingCatcher, and Netgear's Digital Entertainer, priced from \$200 to \$400. These technologies could encourage broader consumption of digital movies from independent producers.

But much more experimentation will be necessary to figure out whether digital distribution can stand alone, or whether it is merely a new-fangled replacement for the traditional home video release. Can a filmmaker produce a full-length feature on a low-enough budget that it will turn a profit solely with an internet release? Can a movie's internet release viably run concurrent with a its theatrical debut, so that viewers who live far from an art-house cinema can enjoy it immediately after reading rave reviews in the paper? Or will theater owners continue to squelch that possibility? It'll likely be a few more years before those answers emerge.

The challenge that will follow filmmakers from the world of celluloid and DVDs into the world of bits and bandwidth is marketing. In an environment with almost infinite choices, "the biggest challenge is getting found," says writer-director Lance Weiler. "Promotion, marketing, and audience-building will become the most important aspects for independent producers." Weiler retained the internet rights of his most recent movie, *Head Trauma*, but hasn't yet made it available online. But Weiler sees digital distribution as an increasingly important way to respond to piracy, flattening DVD sales, and decreasing retail shelf space for independent DVDs. (See page 38 for more on Lance Weiler and *Head Trauma*.) Digital distribution may address those problems, making even the most obscure, low-budget movie accessible to a would-be viewer in Bulgaria. But the riddle of how to be heard amidst the rising noise will remain—though the most creative filmmakers, who have often doubled as promoters and entrepreneurs, will no doubt puzzle out an answer.

Parts of this article are adapted from Scott Kirsner's book The Future of Web Video: New Opportunities for Producers, Entrepreneurs, Media Companies, and Advertisers, available at lulu.com. See scottkirsner.com/webvid/gettingpaid.htm for a comparison of several digital distribution options.