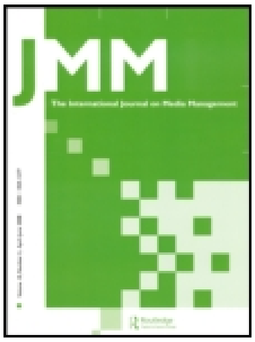

International Journal on Media Management

ISSN: 1424-1277 (Print) 1424-1250 (Online) Journal homepage: http://www.tandfonline.com/loi/hijm20

The Impact of Digital Technology on the Distribution Value Chain Model of Independent Feature Films in the UK

Keith Kehoe & John Mateer

To cite this article: Keith Kehoe & John Mateer (2015) The Impact of Digital Technology on the Distribution Value Chain Model of Independent Feature Films in the UK, International Journal on Media Management, 17:2, 93-108, DOI: 10.1080/14241277.2015.1055533

To link to this article: http://dx.doi.org/10.1080/14241277.2015.1055533

The International Journal on Media Management, 17:93–108, 2015
Published with license by Taylor & Francis
ISSN: 1424-1277 print/1424-1250 online
DOI: 10.1080/14241277.2015.1055533

The Impact of Digital Technology on the Distribution Value Chain Model of Independent Feature Films in the UK

KEITH KEHOE
GSP Studios, United Kingdom

JOHN MATEER
University of York, United Kingdom

This article examines how emerging digital technologies have disrupted independent film distribution practice in the United Kingdom. The article uses the value chain concept as the framework to examine changes in audience consumption habits and to explore emerging business practice, as a result of new technology. The article argues that film distribution is shifting from a supply-led to a demand-led market. In this way, independent distributors can now break away from the rigid singular value chain that dominated the industry, and adopt bespoke release strategies that are tailored to the individual needs of each film. This arguably marks the beginning of a fundamental shift in the relationship between key segments in the film value chain by allowing independent distributors to create a more attractive product by conducting their business in response to consumer demands, as opposed to rigid market-driven conditions.

Address correspondence to John Mateer, Department of Theatre, Film, and Television, University of York, Baird Lane, Heslington, York YO10 5GB, UK. E-mail: john.mateer@york.ac.uk

INTRODUCTION

Until recently, the conventional rules for distributing feature films were largely set around analog technologies with business models based on rigid window systems and exclusivity. However, recent advances in digital technologies are changing the way audiences consume media, putting pressure on traditional models for releasing films. In this article, the value chain concept (Porter, 1985) is used as a structure to explore the impact of new technologies on film distribution and consumption activities. The key argument is that the singular value chain that has dominated traditional film distribution is being replaced by bespoke business strategies that can be tailored to the demand of each individual film release. This represents a potentially significant change for independent film as it shifts from a supply-led to a demand-led market. Previous studies investigating the impact of technology on the film value chain (e.g., Bloore, 2009; Crissey, 2010; Finney, 2010) take a macro-analysis approach, exploring the digitization of all horizontal activities across the value chain: development, financing, production, sales, distribution, and consumption. The focus of the analysis was specifically on the vertical-linkages within the distribution and consumption activities. To facilitate the narrative of this research, the U.K. film industry is used as a situational case study.

The article begins with a contextual discussion of the origins of the value chain concept and its subsequent application within academic film industry research. A situational analysis of U.K. film distribution is provided to give an understanding of market conditions. The authors deconstruct traditional distribution windows with a focus on the staple markets of feature film commerciality: theatrical and home video. Then, the authors proceed to explore the emergence of new technologies and evolving consumer relationships with content. In an exploratory way, the article examines two movements impacting the industry: changes in consumption habits and the emergence of new business models. A summary regarding these key developments and the future of independent film distribution and consumption is discussed. The current analysis involves literature from thought-leaders in value chain research and digitization of the film industry, while referencing leading trade publications (e.g., *Screen International*) and public-funded research (e.g., British Film Institute [BFI]) to factor in current market conditions.

VALUE CHAIN CONCEPT

Porter (1985) arguably coined the term "value chain" in his seminal book, *Competitive Advantage: Creating and Sustaining Superior Performance*. He describes the value chain as a framework for identifying the set

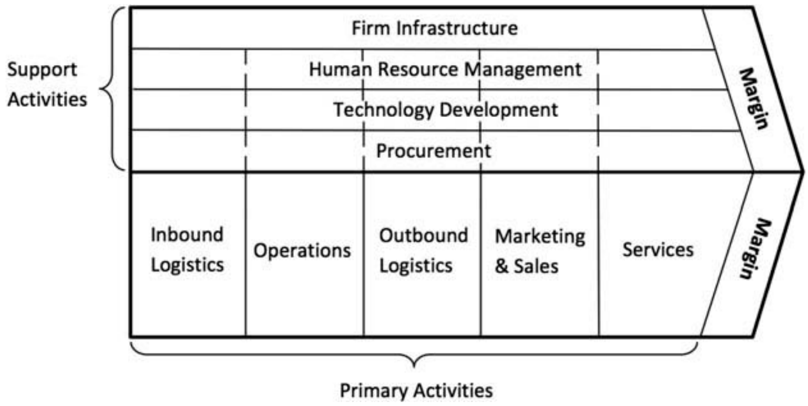

FIGURE 1 Porter value chain.

of interconnected value-creating activities that a company performs in developing, manufacturing, delivering, and supporting its product, and the points of connection with the activities of suppliers, channels, and customers.

Figure 1 illustrates this definition showing how each activity within a single company is linked to the next to create a value chain.

In gaining a broad understanding of its strategically important activities, a company can ensure that it remains competitive by adjusting its strategy to match existing opportunities or changes within the marketplace. However, few products in the current economy can be created and delivered to the end user by a single company. To accommodate this, Porter suggests that a company's value chain is typically embedded within a larger "value system" (Crissey, 2010, p. 5). This includes the individual value chains of all the separate companies or players who are co-operating within an industry to deliver a final product. Therefore, if Porter's terminology were to strictly be applied, a company's own internal activities constitute a value chain and the collection of all the individual value chains from separate companies or players makes up a value system (Crissey, 2010, p. 5).

Over time, there have been changes in the ways business strategists apply and express the value chain in analysis. Finney (2010, p. 2) notes that business consultants and academics have gradually dispensed with the distinction between the value chain and value system. It is now generally accepted that a value chain encompasses all stages of the process, whether within one company or not. Küng (2008, p. 20) supports this, stating that the value chain concept is usually not used in the "pure form," analyzing an individual firms activities, but rather as a short hand means of depicting graphically all the various stages by which products are created and delivered to the end consumer.

FILM VALUE CHAIN

Eliashberg, Elberse, and Leenders (2006), Bloore (2009), Finney (2010), and Crissey (2010) have all explored the expansion of Porter's model to characterize the structure and economic organization of the film industry. Crissey (2010, p. 1) describes this "film value chain" paradigm as arguably the most prominent commercial analytical concept to emerge in the global motion-picture industry over the last 10 years. The film value chain comprises a chain of connected companies and individuals, all working on different elements of the film production and distribution process. The interlinking horizontal elements of the process typically follow the discrete stages of development, financing, production, sales, distribution, and consumption. Each of these elements has a series of vertically linked activities to progress a film project. Finney (2010, p. 6) terms the system a "disintegrated model" because each element in the chain is heavily dependent on a network of varying interacting individuals and companies. Each must be formally engaged and managed to deliver specific commitments and activities in order for a film project to proceed. Furthermore, Bloore (2009, p. 1) notes tha once the film is distributed, the revenue generated through cinema ticket sales, DVD purchases, or online download is subject to various revenue shares or commissions as it passes back through the chain, which then complicates the revenue flow.

U.K. SITUATIONAL ANALYSIS: A DISTRIBUTION PERSPECTIVE

The U.K. film industry is a valuable part of the British economy contributing £4.6B toward the U.K. gross domestic product (GDP) in 2011 (Oxford Economics, 2012). Tax relief schemes have played a major role in driving economic growth by incentivising international investment. This has attracted the six major Hollywood studios (Paramount, Sony, Walt Disney, Twentieth Century Fox, Universal, and Warner Bros) to invest heavily in the United Kingdom.

In 2013, these companies invested over 70% of the total production spend, which amounted to only 12% (19 films) of the total number of films produced in the United Kingdom (BFI, 2014a). While this benefits certain sectors of U.K. film industry, such as production and post-production, they have also dominated the distribution sector where much of the revenues are to be made, receiving 90% of the box office earnings in 2013 (BFI, 2014a). The dominant Hollywood system has found its success by establishing its business approach around an integrated value chain model where it can develop, produce, and globally market and distribute, all in house.

In contrast, the independent film industry rarely produces and delivers a film through a single company. Operating within a disintegrated value chain model, numerous companies must contribute throughout the process to successfully produce and distribute a film. For independent distributors, competition exists not only from Hollywood dominance, but also from an overcrowded market including the recent proliferation of high-end TV drama and alternative content online. The U.K. government has recognized these challenges, constructing film policy in 2012 (DCMS: A Future for British Film: It Begins With The Audience, 2012) that aims to increase demand and market share for independent films.

The traditional business model of film distribution was established around a lifecycle of "exploitation windows"—exclusive periods of time within specific market regions (or "territories") to enable repeated commercial exploitation of a film's intellectual property rights in order to maximize revenue (Ulin, 2010, p. 36). The film value chain segment for distribution is connected by a series of vertically linked activities, typically beginning with an exclusive window for theatrical exhibition. "Holdback periods"—periods of time where no other type of distribution of a specific film property is allowed—are set to ensure there is no competition from other distribution activity (Ulin, 2010, p. 36). The length of each holdback period and exploitation window, as well as whether they are exclusive or have a period of overlap with other distribution activities, has become relatively standardized. These have typically been about 17 weeks for the "home video window" (i.e., DVD/Blu-ray), 6 months for Pay-Per-View and video-on-demand (VOD), 12 months for Pay-TV subscription, and 24 months for free-to-air television broadcast (Ulin, 2010, p. 36). This restrictive model represents the framework of the supply-led market that independent film distribution has been built upon.

The theatrical window is often not the most significant revenue stream for an independent film distributed in the United Kingdom. This is due to the high investment cost in prints and advertising (P&A) and challenging recoupment structures shared with exhibitors. While a film may not turn a profit from box office alone, a successful theatrical release can drive awareness and fuel downstream revenues later in the distribution lifecycle. The opening weekend has become of increasing importance in determining the theatrical success a film might have. Until the late 1990s, successful independent films typically enjoyed long theatrical lives that could last months, building an incremental long tail of revenue; hits such as *Trainspotting* released by Polygram (February 1996–July 1996) and *Rogue Trader* released by Pathé (June 1999–August 1999) illustrate this well. Presently such long theatrical runs are rare and pressure has increased on the opening weekend of release where ticket sales now determine how long a film will stay in the cinema. Because the amount of film product available is so high, with an average of 13 releases per week in 2013, against eight releases in 2003 (BFI, 2014a; U.K. Film Council, 2004), exhibitors will no longer exercise patience, even with big budget films, if box office performance is not strong immediately. Advancements in "D-cinema," an emerging data-driven digital projection standard, have accelerated this approach by exhibitors as they allow greater programming flexibility due to the elimination of logistical delays that are associated with the physical distribution of 35 mm film reels.

Cinema is a supply-led market where exhibitors are the gatekeepers for curating entry into the theatrical retail environment. Over the 10-year period between 2003 and 2013, U.K. exhibitors have increased supply by 40%, with 423 films theatrically released in 2003 (U.K. Film Council, 2004) compared with 698 in 2013 (BFI, 2014a, p. 14). Annual admissions have plateaued during this period with cinema attendance in 2003 standing at 167.3M but by 2013 had actually slipped back to 165.5M (Sandwell, 2014; U.K. Film Council, 2004). Revenue generated from admissions favored bigger-budget films with the top 100 released in the United Kingdom over each of the past 5 years having taken an average of 91% of gross revenues (BFI, 2013b). Therefore, a greater number of films are now competing for limited cinema audience, resulting in a squeeze of revenues for independent distributors and an increasingly untenable commercial environment for independent filmmakers to operate within.

The home video window has become increasingly challenging for distributors as well. This market's emergence in the 1980s led to it developing into the most profitable segment of the film value chain. However, the home video market peaked in the United Kingdom in 2004 with video retail worth over £1.4B (BFI, 2014a). Since 2008, revenues have fallen year-on-year and by 2013 the market had shrunk by 33%, valued at £940M, its lowest point since 2001 (BFI, 2014a). A primary force behind this decline is digital piracy, which has been driven by increased consumer demand for readily available product led by advances in new technologies, such as broadband Internet and Web-enabled devices. The trend of declining sales and the impact of piracy are being felt on the high street as exemplified by the closure of Blockbuster, and HMV entering administration. The continued downward trajectory of the home video market suggests that the financial importance of the market for distributors will likely become minimal within a few years.

DIGITAL TECHNOLOGY AND THE IMPACT ON FILM DISTRIBUTION

The history of film industry practice runs in tandem with the history of associated technological development. The introduction of synchronized sound, followed by that of full spectrum color, along with the need to adapt to new audio-visual platforms (first television and then home video), are technological milestones that marked turning points by which the industry was ultimately strengthened (Pardo, 2014, p. 327). Over the last decade, digital technologies have also begun to transform the film industry. Traditional distribution systems are being reconsidered with questions raised concerning the viability of release windows and more fundamentally, the appropriateness of exclusivity and timing upon which these windows are constructed (Ulin, 2010, p. 299). These questions have arisen in response to the rising popularity of new technologies such as broadband Internet and connected devices that play movies (including iPads, internet-connected TVs, and mobile phones). The release of Sony's PS4 and Microsoft's Xbox One is also significant as both consoles have repositioned themselves not just as gaming devices but also as home entertainment centers that can live-stream content. Online habits are evolving as individuals spend more time accessing the Internet and consuming content on-line. In 2013, 36M adults in Great Britain (73%) used the Internet every day, 20M more than in 2006 (Office of National Statistics, 2013).

VOD[1] is a key part of this evolving expansion of entertainment delivery. The U.K. online VOD market is considered the most mature in Europe with numerous platforms competing for consumers including Netflix, Amazon Instant Video, and iTunes. There is evidence of this translating into market growth when analyzing revenues. This market was estimated to be worth £193M in 2013, up from an estimated £55M in 2011 (BFI, 2014a). While £193M is a small return when considered against more profitable windows such as theatrical (£1.1B) and home video (£940M), the doubling of revenue in such a short period suggests there is significant market traction occurring (BFI, 2014a). The television-based VOD "catch-up" market—where scheduled content can be subsequently watched again for a limited period as offered by Sky, Virgin Media and British Telecom services—has risen steadily increasing by 16% from an estimated £112M in 2012 to £130M in 2013 (BFI, 2014a).

As a result of these emerging digital technologies the independent film distribution value chain is being affected by two inter-related movements: First, a changing relationship with a new type of consumer (known as "active audiences"); and second, the opportunity to explore new business models that these technologies facilitate.

ACTIVE AUDIENCE: CONSUMPTION

The term 'Active Audience' (Gubbins, 2012, p. 37) refers to the emergence of a new group of technology-savvy consumers who primarily consume media product via the Internet. This demographic demand personalized online entertainment content—music, movies, TV shows, videogames—that entails greater freedom of choice, flexibility, and portability in their media consumption (Pardo, 2014, p. 330).

Bloore's (2009) study challenges long-held perceptions of customer identity and sets them within the context of the present Internet environment where film bloggers, social networking, and other movie opinion sites can either make or break a film. He identifies active audience consumers as fulfilling two key value-related functions: The first is purchasing the product and allowing financial value to return down the chain (customer consumption); the second, is that the long-term "library" value and reputation of the film is highly influenced by the response of both the general audience in driving word-of-mouth through social networks and as critical voices (Bloore, 2009, p. 11).

However, what Bloore does not address is the evolving consumer expectations of active audiences. The concept of the "Experience Economy," laid out in 1998 by U.S. economists Pine and Gilmore (cited in Gubbins, 2014, p. 50), is useful in this respect. They suggest that modern economies have been progressing from the sale of goods, to the sale of services, and now to the sale of experiences. For film, the cinema experience has been, and largely remains, central to both the film "experience" and to film business models, but it is being challenged to evolve in response to active audience expectations. Gubbins (2014, p. 51) states that in an age of ubiquitous media and an interactive, "always-on" mobile culture, the value of unique experiences increases. Many in the media and entertainment fields have been embracing "experience economics," finding that consumers will pay a premium for authentic personal experiences, such as live concerts and sporting events. In cinema, there has been a rise in the popularity of live theater programming as shown by the Royal Shakespeare Company's 2013 production of *Richard II*, which earned \$1.6M during its launch night, bettering films such as Disney's British Academy of Film and Television Arts (BAFTA)-nominated *Saving Mr. Banks* and Sony's horror remake of *Carrie* (Mitchell, 2013). Vickery and Hawkins (2008, p. 25) have pointed out that film has unique economic features as an "experience good" though market performance depends on complex interactions between psychological, social, and cultural factors.

Hollywood studios have begun to adjust their strategy to put more emphasis on the experience of spectacle to reinforce their business model (Gubbins, 2014, p. 53). The rise of the blockbuster film "tent-pole," utilizing technologies such as 3D, high frame rates, IMAX systems, and Dolby Atmos sound, represents a clear goal of creating event experiences to increase audience numbers (Gubbins, 2014, p. 53). While this approach appears to be effective, the introduction of these technologies to the production process is expensive.

Independent distributors have looked to exploit the power of "film as event," but in different ways to the major studios. British distributor Curzon World has used special screenings with Q&A sessions as a way of providing additional value to the theatrical experience but at minimal additional cost.

A prime example of this is the "one night stand" event screening of Lars von Trier's *Nymphomaniac* (BFI, 2014b). This occurred a week before its national "day-and-date" release, where the film was released online and in theaters simultaneously. The "one-night stand" event screened volumes one and two of the film on the same night at 73 venues across the United Kingdom (BFI, 2014b). This was followed by an onstage interview with the films' actors broadcast via satellite to all the venues. In attempts to increase engagement and connect the offline and online experience, audiences around the United Kingdom were invited to take part in the interview by sending questions through Facebook and Twitter. Audience members' personal images from the event were also published online and widely shared on social media platforms, creating organic publicity awareness but at a comparatively low cost. The £143K box office for *Nymphomaniac*'s "one night stand" event set a record opening night gross for a von Trier film in the United Kingdom (BFI, 2014b, p. 11). It compares strongly against von Triers similarly controversial 18-certificate *Antichrist* in 2009 that had an opening weekend gross of £99K (IMDB, 2009). Though the stronger performance was partly as a result of higher ticket prices for the event that were justified by the novel approach. It demonstrated that in a demand-led market audiences are willing to pay premium prices for unique event experiences.

Similarly, hybrid events such as those held by "secret cinema," which combine audience participation and theme-based activities before the screening of films, have become highly popular and a new means for audiences to enjoy films, but again with a comparatively low premium cost to distribution and exhibition. In 2014, the organization held a month-long preview of Wes Anderson's *The Grand Budapest Hotel* before its national release. The event featured a night of story-focused interactive theater prior to the screening of the movie. Despite tickets costing upwards of eight times a standard ticket rate (£53.50 per person), the event sold out 29 initial screenings, prompting an additional 12-day run (Bathe, 2014). Gubbins (2014, p. 54) notes that its success shows that watching film in a social space still has considerable potential for attracting new audiences.

The strategies used for *Nymphomaniac* and *The Grand Budapest Hotel* demonstrate that new approaches to marketing and packaging film product can be successful when they are aligned with consumer demands, even if they extend significantly beyond traditional exhibition. In both cases, the campaigns recognized that cinema release not only is at the center of the film "experience" but also acts as a driver for attention and revenue to alternative platforms for their subsequent national release (Sampomedia, 2014). Both sought to expand the offline event by encouraging audience participation online to share their experiences and fuel organic publicity buzz. It is important, however, to note that the reputations of von Trier and Anderson as "auteurs" likely influenced the success of these strategies. In essence, these approaches successfully traded on the "brands" of the directors and pre-established audience knowledge of their work.

BUSINESS MODELS: DISTRIBUTION

The impact of new technologies has prompted some distribution companies to re-examine the traditional windowing system within the film value chain, determining whether more commercially appropriate business models exist by breaking holdback periods and introducing VOD earlier into the release strategy. Multiplatform approaches including "ultra VOD" and "day-and-date" releasing have emerged, which are becoming particularly attractive to independent film distributors. The former refers to releasing a picture online via transactional video on demand (TVOD) a number of weeks before its scheduled theatrical release. Distributors charge a premium price to allow the audience an opportunity to view the film before its availability in the cinema, creating a sense of exclusivity and helping to promote good "buzz" around the film. "Day-and-date"[2] involves a simultaneous release on multiple distribution platforms. Typically this involves a picture being released in cinemas, online VOD and on home video (DVD and Blu-Ray) on the same day. These multiplatform distribution models represent a new way of monetizing film that breaks away from the singular value chain of traditional film release. It places convenience and accessibility for consumers at the heart of the transaction.

In the United Kingdom, the BFI has emerged as a major proponent of multiplatform release models, establishing a £4M "new models" funding strand to support distributors in experimenting with new ways of connecting films with audience. Ben Wheatley's low budget production, *A Field in England*, was one of the first films to be supported by this scheme. On July 5 2013, it utilized a day-and-date release in cinema, on DVD, on VOD, and via free terrestrial broadcast (Rosser, 2013). The film gained substantial publicity from the novelty of this release approach, with the campaign being featured in a key national newspaper (*The Independent*) as well as generating a high-level of interest online. This generated a level of buzz typically associated with films with much higher budgets. The opening weekend of *A Field in England* achieved a box office of nearly £22K from 17 sites, ultimately culminating in a theatrical return of just over £51K (Rosser, 2013). From October 2013, VOD sales accumulated to 6,212 transactions for £15K and DVD and Blu-ray amounted to 7,172 unit sales (Wiseman, 2013). The film averaged 367,000 viewers during the Film4 free screening, which represented a 3.13% share of the total television audience—up 8% for that slot in the schedule in terms of audience (BFI, 2013a, p. 9). Given the film's production budget of £300K (Burrell, 2013), these figures are impressive.

It is important to note, however, that the media interest in new release experiments can distort revenue results. This was commented upon in the

BFI report for *A Field in England*, which suggested that the publicity surrounding the innovative release played a big role in generating sales (BFI, 2013a, p. 14), although the scale of this has been difficult to quantify. Despite this, the approach the film utilized does suggest that there is potential for alternative release strategies to be effective if they are carefully considered. It is interesting that 77% of the film's cinema audience knew that *A Field in England* was available to view on broadcast television (Film4) for free, yet paid to see it anyway (BFI, 2013a, p. 14). This suggests that the assumption that the theatrical market will be completely undermined by multiplatform release is flawed. It also suggests that two audiences can exist for consuming film product: Those who enjoy the cinematic experience and those who prefer to control when, where, and how they watch films.

Such multiplatform release approaches are considered more relevant for independent films because their box office visibility is generally lower and their theatrical runs shorter. In this regard they can ease the pressure on the opening weekend box office. Instead of aiming for immediate "breakout" success, distributors can maximize their investment in distribution and marketing costs, and benefit from economies of scale by spreading it across multiple platforms. Philip Knatchbull, CEO of Curzon World, suggests that release windows in the traditional film value chain have become an irrelevant barrier between content and audience, commenting that, "Certain films deserve a smaller window. The key is finding a way to maintain flexibility and to keep control. We have to give the customers what they want, when they want" (Heidsiek, 2014, para. 2).

THE VALUE CHAIN: A WIDER VIEW

A key element of using value chain analysis is to enable a company to remain competitive by gaining an understanding of its strategically important activities and adjusting them in accordance with market changes. In the case studies explored above, the approaches adopted by Curzon World and Film4 Productions illustrate a proactive response to a market that is being impacted by digitally driven changes. What is emerging is that no one model for multiplatform distribution will replace the rigid value chain of the old distribution models. Rather, a number of different options, formats, and platforms can be utilized together according to the individual needs of each specific film. In doing so, companies can align their business to consumer demand and subsequently increase revenue by creating a more attractive experience or product.

The influential Hollywood film-makers Steven Spielberg and George Lucas have predicted that film exhibition is on the verge of a fundamental change. They have suggested that the American motion picture industry is facing an "implosion" that will occur following a simultaneous failure of a number of mega-budget films (Child, 2013, para.1). They argue that there will be fewer theatrical venues and the chains that remain will focus on event experiences in the form of high-budget blockbusters. Films will become exclusive offerings where they stay in theaters for extended periods and command premium ticket prices (Cohen, 2013). However, they arguably underestimate the economics of the Studio system where the losses of a number of pictures are outweighed by the significant profit from others. For example, in 2013 Universal Pictures lost a reported $130M on *47 Ronin* (Mendelson, 2014) and $80M on *R.I.P.D.* (Pomerantz, 2013) yet earned profits of over $800M from *Despicable Me 2* alone (Mendelson, 2014). The globalized slate approach employed means the U.S. studios are able to mitigate the impact of failures by replacing unsuccessful pictures with others quickly, benefitting from a cumulative international box office. This means that, on balance, risk and return in the current model continues to be highly attractive. The results of this approach are telling as the six major U.S. studios enjoyed 82% of the U.K. box office market share in 2013 (Sandwell, 2014).

Therefore, it is arguable that as a result of the technological impact on the industry, the market will develop in two directions: one for the Hollywood studio conglomerates that continue to use film value chain models based on traditional mechanisms and the other for independent distributors based around flexible multiplatform releases that are tailored for individual films. For independent distributors this marks a significant shift from a supply-led market approach (as operated by the Hollywood studios) to a demand-led approach (Finney, 2015) that puts the needs of the consumer to the fore. Finney (2015, p. 223) pinpoints the changes within the industry are being driven in large part, not by old-style broadcasters and filmmakers, but by a range of new companies meeting consumer demands in ways the old systems did not. Among the most aggressive of these has been Netflix, which is presently dominating the subscription VOD (SVOD) market with over 62 million subscribers globally (Richwine, 2015). Netflix are restructuring the film value chain under their own terms, not only by tightening windows with day-and-date releases, but also by engaging in production of its own original content and, therefore, eliminating a number of established players from the value chain process. Netflix CEO, Ted Sarandos, has been vocal in his opinions of the traditional systems, describing windows as “creating artificial distance between the product and the consumer” (Sychowski, 2014, para. 45). He argues that competing for consumers’ attention and dollars over the “preciousness” of access is a thing of the past (Sychowski, 2014).

However, there is significant resistance to these strategies in some sectors. Major exhibition chains in the United States such as Regal, AMC Theatres, and Cinemark have indicated that they will not program Netflix-produced features. Similarly in the United Kingdom, multiplex chains—which account for 75% of screens in the United Kingdom (BFI, 2013b)—are presently refusing to participate in multiplatform releases that shorten the theatrical window. However, with continued pressure from technology companies such as Netflix, along with the financial support from the BFI, and companies such as Curzon showing a willingness to explore multiplatform releasing, it is likely that new release models will become increasingly common and accepted.

CONCLUSION

This article has illustrated that the traditional business environment for independent film product has become increasingly challenging due to the changing economics of theatrical releasing and the decline of home video. The vertical linkages of the traditional distribution value chain, built upon rigid window system constructs, are being questioned. This is forcing the industry to begin to reconsider whether such rigid periods are still relevant and the most effective means of generating maximum income. The impact of digital technology on distribution and consumption value chain activities is transitioning the independent market from supply-led to demand-led. But it is not just the technology that is challenging the value chain since few technologies are intrinsically disruptive. Rather, it is the business models that these technologies enable that create the disruptive impact (Ferrer-Roca, 2014, p. 19). As new business strategies are adopted, the market may develop in two directions: one for independent distributors based around multiplatform releases, the other for Hollywood studios that continue to use models centered on traditional mechanisms.

It is too early to confirm whether this is a true paradigm shift and, if so, define it concretely. The industry is still in a comparatively early stage in terms of adapting to and adopting new technologies. Lessons will continue to be learned as distributors gain experience and relevant data on the efficacy of new approaches to successfully adopt new business models. A key question left unanswered remains the economic viability of new distribution models. Do they present a stronger financial return to distributors or are the traditional models, despite the declines, economically more successful? Can new business models work for larger independent films or are they best suited for niche markets? Further research is needed in these areas and requires empirical evidence to support findings although access to this information is challenging. To date, the ability to test new models on a large scale has been hindered by the refusal of exhibitors—particularly the multiplex chains—to participate in multiplatform releases. Testing has been limited to niche films that would have likely received a restricted conventional release. Likewise, access to performance data from VOD platforms has also been limited; the reluctance of VOD providers to share this information makes analysis—of what is working successfully or what is not—extremely difficult.

The search for optimal business models in this new digitally driven market will undoubtedly continue for some time as the market evolves. The film value chain provides an effective framework for firms to re-examine their tactical and strategic operations in a dynamic business environment. In this case, it has acted as a stimulus to identify the impact of emerging digital technologies on distribution and consumption processes, arguably revealing the beginning of a fundamental shift toward a demand-led independent market. Consequently, film distributors can now develop alternative release models best suited to satisfying consumer demand, breaking away from the constraints of traditional distribution systems and transforming the relationship between key segments in the film value chain in the process.

ORCID

John Mateer http://orcid.org/0000-0001-5088-0868

NOTES

1. VOD Business models are categorized by a series of rights that determine the nature of their service: TVOD, where consumers make an individual purchase to buy or rent a title; SVOD, where consumers are charged a monthly fee in return for access to a digital library of content; and ad-supported VOD (AVOD), where viewers can access content for free; however, advertisements are integrated into the delivery at various points throughout the film.
2. Day-and-date can also refer to a simultaneous theatrical release in a domestic and international market of a blockbuster, but within the context of this article it should be understood in reference to multiplatform.

REFERENCES

Bathe, S. (2014, April 15). The London List Review: Secret Cinema 21 is their best and most immersive production yet. *The London List*. Retrieved from http://thelondonli.st/london-list/the-london-list-review-secret-cinema-21/

Bloore, P. (2009). Re-defining the independent film value chain. *UK Film Council*. Retrieved from http://www.bfi.org.uk/sites/bfi.org.uk/files/downloads/redefining-the-independent-film-value-chain.pdf

British Film Institute (BFI). (2013a). *A field in England insight report*. Retrieved http://www.bfi.org.uk/sites/bfi.org.uk/files/downloads/bfi-insight-report-a-field-in-england-2013_1.pdf

British Film Institute (BFI). (2013b). *BFI statistical yearbook 2013*. Retrieved from http://www.bfi.org.uk/sites/bfi.org.uk/files/downloads/bfi-statistical-yearbook-2013.pdf

British Film Institute (BFI). (2014a). *BFI statistical yearbook 2014*. Retrieved from http://www.bfi.org.uk/sites/bfi.org.uk/files/downloads/bfi-statistical-yearbook-2014.pdf

British Film Institute (BFI). (2014b). *Nymphomaniac insight report*. Retrieved from http://www.bfi.org.uk/sites/bfi.org.uk/files/downloads/BFI-insight-report-nymphomaniac-2014-09.pdf

Burrell, I. (2013, June 28). Ben Wheatley and Film4 go where no British film has gone. *The Independent*. Retrieved from http://www.independent.co.uk/arts-entertainment/tv/news/ben-wheatley-and-film4-go-where-no-british-film-has-gone-a-field-in-england-to-be-shown-on-tvon-the-same-day-as-its-cinema-release-8678827.html

Child, B. (2013, June 13). Steven Spielberg and George Lucas predict film industry 'implosion'. *Guardian*. Retrieved from http://www.theguardian.com/film/2013/jun/13/steven-spielberg-george-lucas-film-industry

Cohen, D. (2013, June 12). George Lucas & Steven Spielberg: Studios will implode; VOD is the future. *Variety*. Retrieved from http://variety.com/2013/digital/news/lucas-spielberg-on-future-of-entertainment-1200496241/

Crissey, J. (2010). *Any value in the chain? A criticism on the suitability of using the value chain model for the motion-picture industry: A UK low-budget independent film perspective*. Retrieved from http://www.academia.edu/637947/Any_value_in_the_chain

Department for Culture, Media & Sport (DCMS). (2012). *A future for British film: It begins with the audience*. Retrieved from https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/78460/DCMS_film_policy_review_report-2012_update.pdf

Eliashberg, J., Elberse, A., & Leenders, M. (2006). The motion-picture industry: Critical issues in practice, current research, and new research. *Marketing Science*, *25*(6), 638–661.

Ferrer-Roca, N. (2014). Business innovation in the film industry: A New Zealand case study. In R. DeFillippi & P. Wikström (Eds.), *International perspectives on business innovation and disruption in the creative industries: Film, video, and photography* (pp. 18–36). Cheltenham, UK: Edward Elgar Publishing.

Finney, A. (2010). *Value chain restructuring in the global film industry*. Paper presented at The 4th Annual Conference on "Cultural Production in a Global Context: The Worldwide Film Industries" Grenoble Ecole de Management, Grenoble, France.

Finney, A. (2015). *The international film business: A market guide beyond Hollywood* (2nd ed.). New York, NY: Routledge.

Gubbins, M. (2012). Digital revolution: The active audience. *Cine-Regio*. Retrieved from http://film-junction.co.uk/wp-content/uploads/DigitalRevolution2012_Final.pdf

Gubbins, M. (2014) Audience in the mind. *Cine-Regio*. Retrieved from http://www.cine-regio.org/dyn/files/pdf_download_items/16-file/CineRegio_AudienceInTheMind_Executive%20Summary.pdf

Heidsiek, B. (2014, May 18). Divisive discussion on day-and-date releases. *Cineuropa*. Retrieved from http://cineuropa.org/nw.aspx?t=newsdetail&l=en&did=257577

IMDB. (2009). Antichrist box office. *Internet Movie Database*. Retrieved from http://www.imdb.com/title/tt0870984/business?ref_=tt_dt_bus

Küng, L. (2008). *Strategic management in the media: Theory and practice*. London, UK: SAGE Publications.

Mendelson, S. (2014, January 1). 5 lessons of the 2013 box office. *Forbes*. Retrieved from http://www.forbes.com/sites/scottmendelson/2014/01/01/2013-box-office-in-review-5-lessons-to-be-learned/

Mitchell, W. (2013, December 6). In any event. *Screen International*. Retrieved from http://www.screendaily.com/comment/in-any-event/5064339.article

Office of National Statistics. (2013). *Internet access—Households and individuals*. Retrieved from http://www.ons.gov.uk/ons/rel/rdit2/internet-access—households-and-individuals/2013/stb-ia-2013.html

Oxford Economics. (2012). *The economic impact of the UK film industry*. Retrieved from http://www.bfi.org.uk/sites/bfi.org.uk/files/downloads/bfi-economic-impact-of-the-uk-film-industry-2012-09-17.pdf

Pardo, A. (2014). Digital Hollywood: How internet and social media are changing the movie business. In M. Friedrichsen & W. Mülh-Benninghaus (Eds.), *Handbook of social media management: Value chain and business models in changing media markets* (pp. 329–348). New York, NY: Springer.

Pomerantz, D. (2013, August 7). From "The Purge" to "R.I.P.D.:" The summer in hits and misses. *Forbes*. Retrieved from http://www.forbes.com/sites/dorothypomerantz/2013/08/07/from-the-purge-to-r-i-p-d-the-summer-in-hits-and-misses/

Porter, M. (1985). *Competitive advantage: Creating and sustaining superior performance*. New York, NY: The Free Press.

Richwine, L. (2015, April 16). Netflix beats forecasts with 62 million subscribers. *Reuters*. Retrieved from http://uk.reuters.com/article/2015/04/16/uk-netflix-results-idUKKBN0N62H820150416

Rosser, M. (2013, July 8). A field in England figures revealed. *Screen International*. Retrieved from http://www.screendaily.com/news/a-field-in-england-figures-revealed/5058103.article

Sampomedia. (2014). *Arthouse film—The new event cinema?* Retrieved from http://sampomedia.com/2014/03/07/arthouse-film-the-new-event-cinema/

Sandwell, I. (2014, January 3). UK box office down 1% in 2013. *Screen International*. Retrieved from http://www.screendaily.com/box-office/uk-box-office-down-1-in-2013/5065015.article?blocktitle=LATEST-FILM-NEWS&contentID=40562

Sychowski, P. (2014, June 3). Premium VOD just killed the cinema release window. *Celluloid Junkie*. Retrieved from http://celluloidjunkie.com/wp-content/cache/wp-cache-949a1b4b15d24c4cc9340cd818d2aa57.html

U.K. Film Council. (2004). *UK film council statistical yearbook: Annual review 2003/4*. Retrieved from http://www.bfi.org.uk/sites/bfi.org.uk/files/downloads/uk-film-council-statistical-yearbook-annual-review-2003-2004.pdf

Ulin, J. (2010). *The business of media distribution: Monetizing film, TV, and video content in an online world*. Burlington, MA: Focal Press.

Vickery, G., & Hawkins, R. (2008). *Remaking the movies: Digital content and the evolution of the film and video industries*. Paris, France: The Organisation For Economic Co-operation and Development Publishing.

Wiseman, A. (2013, October 7). UK distribution: A date with VOD. *Screen International*. Retrieved from http://www.screendaily.com/features/uk-distribution-a-date-with-vod/5062241.article