

## **FIRST PERSON | Film Department's Mark Gill: "Yes, The Sky Really Is Falling."**

by Mark Gill (June 22, 2008)

On Saturday in Los Angeles, **Mark Gill** declared provocatively, "Yes, The Sky Really Is Falling." Speaking at the **L.A. Film Festival's Financing Conference**, the CEO of **The Film Department** (and former President of **Miramax Films**) detailed a litany of challenges currently facing independent film, yet offered his audience a happy ending. His complete prepared remarks are included below.

Good morning.

Last week, an old friend who is a director called to catch up. It almost seemed as if he was seeking reassurance.

"You good?" he asked.

My answer was simple: "How good can I be? I work in independent film."

He laughed. And then he wondered aloud: "Do you think maybe Chicken Little was right--I mean, about independent film."

Leave it to a director to hope Chicken Little might be a cinephile.

And again, my answer was simple: "Yes, the sky really is falling."

The last thing I heard him say was "I have to go throw up now."

Unfortunately, he's not alone in that feeling these days.

I know I don't have to repeat all the ways that the independent film business is in trouble. But I'm going to do it anyway--because the accumulation of bad news is kind of awe- inspiring:

- 1: **Picturehouse** and **Warner Independent** have been shut down.
- 2: **New Line's** staff was cut by 90 percent, and the survivors were sent to hell...I mean...Burbank.
- 3: **Paramount Vantage** was folded into the mother ship (this one may not be all bad news, by the way, but it still scares the hell out of independent film people).
- 4: **Sidney Kimmel** shrunk his company in half.
- 5: **ThinkFilm** is being sued for not paying its advertising bills, even as the unions repeatedly close down their **David O. Russell** production with the prophetic title "Nailed" for failure to meet weekly payroll.
- 6: Another five companies are in serious financial peril. And those are only the ones I'm sure of.
- 7: The \$18 billion that Wall Street poured into Hollywood over the past four years has slowed to a trickle, and shows no signs of being replaced at even remotely the same levels from any new source.
- 8: There's a glut of films: 5000 movies got made last year. Of those, 603 got released theatrically here. And there's not room in the market--as there used to be--for even 400 of those.

Maybe there's room for 300. So everything else just dies. Most of these pictures are pre- ordained flops from independent distributors who forgot that their odds would have been better if they'd converted their money into quarters and taken the all-night party bus to Vegas.

9: Advertising costs have radically outpaced inflation even as media delivery of audiences falls through the floor. So movie companies now enjoy the privilege of paying way more to be far less effective marketers.

10: Movies now routinely fight with really compelling leisure alternatives that nobody in the last great era of cinema--the 1970s--even imagined: from iPods to Xboxes to Tivos to You Tubes to the radically improved behemoth that is cable television.

11: The international marketplace may be growing dramatically, but all of that growth is eaten up by studio movies, a couple dozen top independent films, and burgeoning local language productions. Everything else we make in this country doesn't sell for less--as it has for the past 20-plus years. Now, most American independent films don't sell at all overseas. I've never seen more depressed people in my life than I did in Cannes last month. The phrase "worst market ever" could be heard from every corner. A lot of film market veterans were musing about never coming back. It's that bad out there.

12: One entertainment industry banker I know believes another 10 independent film financiers will exit the business in the next year. I think he's low.

And finally, just for bad luck:

13: The average cost of an independent film released theatrically in North America shot up dramatically last year (not as much perhaps as the 60% the MPAA reported for its member companies, but a lot nonetheless). And this of course makes it a hell of a lot harder to break even or squeak out a small return and stay in business.

Aside from that, everything's great.

We've heard "the sky is falling" in the movie business before--notably with the introduction of TV, home video and DVD. On all three occasions, the business survived. And DVDs arguably helped grow the worldwide movie-viewing habit considerably-- even as they threw off a ton of cash.

But this time, at least as it relates to independent film, the sky really is falling.

The marginally good news is it won't hit the ground everywhere. The strongest of the strong will survive and in fact prosper. But it will feel like we just survived a medieval plague. The carnage and the stench will be overwhelming.

Of course, it's fashionable to bitch in the independent film world. It's what we do. We brood. We wear black. We drink too much coffee, followed by too much alcohol. And we bemoan a future devoid of real culture, homogenized to death by unfeeling conglomerates, and increasingly determined by ADD-addled 14-year-olds with nothing but internet porn and Grand Theft Auto on the brain.

The Major Studios

Every now and then we get tempted to look over the fence to where the grass is greener. We're human. We can't help it. We see all that cash rolling into the major studio coffers, and we secretly covet it.

But it's not so easy for the big boys anymore either. The average cost of a major studio production is \$70.8million, and the average marketing budget in North America alone is \$35.9 million. In other words, there's an average of more than \$100 million at risk every time they get up to bat. And if they're going to lose \$75 million or more, they know it by 2 p.m. Los Angeles time on opening day.

As the press has chronicled ad nauseum, the major studios have been forced

largely to embrace the world of the tentpole movie--the big budget spectacle that tries to be for everyone. In market research terms, they call it the four-quadrant film, meaning it appeals to all four demographic quadrants of moviegoers: men and women, over and under 25. In economic terms, this means a movie that invariably costs more than \$100 million, and on occasion more than \$300 million.

The amount of effort and cash devoted to these tentpoles--and the enormous rewards that follow when they work--has radically altered the focus of the big studios. And generally speaking, these films don't have to be great to work. They have to be just good enough. It's the last place in the movie business where the old habits still apply, where the phrase "execution dependent" doesn't matter so much.

Hollywood has spent a lot of time and money making films that are at best mediocre and then hoping for marketing to save the day. We can blame a good movie for this very bad habit. "Jaws" ushered in the era of wide-release marketing-driven movies. It lasted for more than 30 years. A lot of bad films got made under the theory that quality didn't matter. But it's not working like it used to.

Here's why: fooling the audience is getting harder for the major studios in the age of blackberries, instant messaging and cell phone texting. Good buzz spreads quickly, bad buzz even faster.

A tentpole movie has to be truly atrocious to be victimized by this. But for any movie smaller than a tentpole, the bar has been raised. Good isn't good enough anymore. It used to be that a film with a nice performance, a cool look and a broken story could get through. Not any more. Unless you're making a tentpole, your movie now has to be very good--in the eye of its intended audience.

I may have liked "**Juno**" and "**The Bourne Identity**." My female colleagues loved "**Sex in the City**." And there was a big, happy audience for the last "Halloween" movie. In each case, the intended audience got what it wanted: a movie that satisfied them.

We're entering an era where the only films with any chance for success will be the \$100 million-plus tentpoles, and reasonably priced films of some perceived quality.

I've had far too many fight-the-power wannabe filmmakers cheer this vision of the future, which they believe will usher out the bloated, soul-less big studio retreats and usher in a new democratic era of access to moviemaking fame and glory for all.

Lots of people are drinking this Kool-Aid. Fifteen years ago, the **Sundance Film Festival** got 500 submissions. This year, they received 5,000. Virtually all of these are privately financed. There's only one problem: most of the films are flat-out awful (trust me, I have had to sit through tons of them over the years). Let me put it another way: the digital revolution is here, and boy does it suck.

It's not enough to have access to the moviemaking process. Talent matters more. Quality of emotional content is what matters, period. In a world with too many choices, companies are finally realizing they can't risk the marketing money on most movies.

Here's how bad the odds are: of the 5000 films submitted to Sundance each year-- generally with budgets under \$10 million--maybe 100 of them got a US theatrical release three years ago. And it used to be that 20 of those would make money. Now maybe five do. That's one-tenth of one percent.

Put another way, if you decide to make a movie budgeted under \$10 million

on your own tomorrow, you have a 99.9% chance of failure.

OK, so now that I've battered you into severe depression, let's move on to the hopeful part of these proceedings.

The famed film editor **Walter Murch** (of "**Apocalypse Now**" and "**English Patient**" renown) likes to say there are only two important elements of any movie: the beginning and the ending. And the beginning isn't really all that important.

With that in mind, I promise, by the end of this talk, you won't want to slit your wrists. There actually are some hopeful signs amid all the carnage.

Those terrible odds for movies under \$10 million? Ironically, they get far better if you spend more money. All the financial data I've looked at--and it's a lot--clearly shows that the sweet spot is between \$15 and \$50 million. But that has a lot to do with being able to pay professionals who know what they're doing to create quality emotional content that has a market. And it has a fair amount to do with the prices that international distributors can afford to pay in the top 12 countries, which is what gives financiers enough comfort to commit capital.

I can hear my nauseous director friend now: "So what are you saying: should we all just quit?"

Not at all.

I'm saying we have to do better. Much better.

The sky may be falling, but in the end, it isn't going to hit the ground. We will be left with a little breathing room. And the question will become: what will succeed in this much narrower space?

I believe that a fair number of people--call them what's left of the theatrical audience if you like--will always need to get out of the house: in part because they enjoy the benefits of a communal experience.

Clearly, only the better films will succeed in the theaters of the future. Certainly the number of releases will drop--by half or more. Probably everyone other than the folks who work on tentpoles will be paid less. The words "theatrical necessity" will take on greater and greater meaning. Probably a lot of theaters will close. But I think the best theaters showing the best films will always have an audience. And the rest of the films will have their premiere in Walmart, or on your cell phone.

Interestingly enough, in this Darwinian new future, there will absolutely be a premium for good films on tv, pay per view, on-demand, internet--or whatever that large pipe that goes to all of our houses will be called.

Why do I know this? Because one of the big research companies conducted a study recently which gave viewers on-demand everything. No more schedules. No more appointment television. Just tune in anything--any movie, any TV show--at any time. And guess what: the best stuff won out. Hands down.

In a nutshell, the audience is sick & tired of the atrocious but all too familiar version of television on a schedule: 500 channels to choose from, and nothing to watch.

Some of this is purely a function of demography. There actually is a growing audience for quality.

\*It's not hard to figure out why: the baby boom is aging. And as they do, their tastes mature. But they don't behave like their parents at the same age. They are smarter, more active, have more disposable income. And because of pay cable, home video and DVD in particular, they've become much more movie literate-- and more sophisticated in their tastes.

\*Traditionally specialized films accounted for 5-6% of tickets sold. In the last few summers, it's been over 10% on average. And that's the season when Hollywood is supposed to dominate and indies are supposed to cower in the corners, waiting for the arrival of fall.

\*And to back that up, for the first time in the roughly 20 years I've been looking at this data, more than 10% of the audience now is telling pollsters they prefer independent films.

We also know there's an opening for quality based on data from the good folks at Netflix. Yes, they rent plenty of tentpole movie dvds, just like everyone else. But they also have the most accurate collaborative filtering technology I've seen. Type in 50 movies you like, and Netflix will tell you--with remarkable accuracy--what other films you will like.

This is how a relatively obscure film from 1974 became the most popular picture among Netflix's six million subscribers: because it's really good. The movie, by the way, is "The Conversation."

I keep telling the Netflix people they should start sampling audiences on Friday nights outside movie theaters, so we'll all know by Saturday if people whose taste we share like a movie. But of course they're probably rightly worried about their biggest suppliers, the major studios, who are terrified that the audience will find out even sooner just how bad "Speed Racer" is. Yeah, like we couldn't tell just from being forced to watch the trailer.

The result of all these changes--especially the catalyzing effect of lower costs and high technology--is very good news for people who care about the quality of cinema, singularity of voice, resonant themes, and all the other things that today can rarely be found outside independent film.

It all comes down to what a former glove merchant named Schmuel Gelbfisz said more than 50 years ago: "Make Fewer Better." This isn't by any means the most famous Goldwyn-ism. In fact it isn't even on most of the lists alongside such classics as: "An oral contract isn't worth the paper it's written on"; "A wide screen just makes a bad film twice as bad"; and "Don't pay any attention to the critics. Don't even ignore them!"

But for my taste, "Make fewer better" is the one Goldwyn-ism that should never go out of style.

If we give the audience fewer and better movies, we might even create a virtuous cycle. People might start saying: "Hey, the movies are good again." They'll start going more often, tell their friends...you get the idea.

So how do we get to "Fewer and Better"?

The studios have already done it. Disney once released 47 movies in a year. This year: the number will be 12. Warner went from 35 to 20 in less than 10 years. The rest of the majors have also slimmed down.

Now of course anybody can reduce budgets and the number of films they make. That part is easy. The hard part is quality of content--or, well, taste. How the hell do you improve that?

The cynic's view--encapsulated in the famous dictum of Oscar-winning screenwriter **William Goldman**--is: "Nobody knows anything."

Meaning: Nobody knows what will work. It's hopeless to try to inflict taste on the movies. Give up immediately. If that were entirely true, we should just shut down the business right now.

But of course this isn't entirely the case. There are changes we can undertake that will make a difference. Odds are that most of show business won't make these changes until they're in serious danger of going under--which is ...any

day now. Anyone who changes sooner will have an enormous advantage.

The single biggest change should be to only make movies that we absolutely love. Not ones we like. Not ones we need to do as a favor. Not the ones we do because they seem like a good "piece of business." Not ones we do because we think, hope or wish that "the kids" will like them. Not the knock-offs of the ones that worked at the box office last year. In a word, we should only pick the films we're passionate about--and that have an audience.

Another way of articulating this is: we need to thread the needle twice: once for quality, and then for audience demand.

Let's talk about quality first.

As simple as it sounds, it all comes down to a good story, well told. And that's a lot harder to do than it is to say. But not as hard as Hollywood would have you believe now--in an era where until very recently aiming high was considered an effete eccentricity. Or where, as the New York Times recently put it, "quality is considered a genre."

It's a show business cliché that "it all starts with the script." This is usually uttered by some semi-literate, mouth-breathing, prada-wearing, 24-year-old hipster poseur who wouldn't know a good story if it hit him in the head.

We could spend an hour or two just on the topic of what makes a good script. But not today.

In the most reductionist fashion: there's the holy trinity of structure, character and dialogue, of course; the crucial if more ephemeral notions of authenticity, voice, theme, and tone; and the imperative for originality of utterance and perception.

In the end, all of this has to add up (seamlessly if possible) to something that moves us-- to the quality of the emotional content. It doesn't matter if we're talking about thrills, laughs, tears, or an adrenaline rush. What matters is that we are engaged and, ideally, emotionally transformed and satisfied.

In a world increasingly dominated by numbers--financial, technological and most importantly the finite number of hours in a day, our very human desire for contact, meaning and emotional transformation isn't going away. It's growing. Those who remember that will survive and most probably win.

By the way, notwithstanding my 10-year-old son Jack's question: "Dad, why do movies suck so much?" our quality control isn't as bad as it could be, and this has enormous implications for our not following the music business down the toilet.

Here's why: when the music business went from tape to digital, they nearly doubled the wholesale price of an album, and proceeded to pump out albums that have very few good songs. Like one or none.

When the movie business went from tape to digital, we dropped the wholesale price per unit from \$65 to \$10. And everyone said: "Oh my god, they're killing the business. Our profit margins are ruined." Well, the margin was smaller, but sales exploded. The studios made tens of billions of dollars on the difference. And consumers mostly like what they're getting. So much so that movies are the second-highest rated consumer value for the money. Behind only chicken. Not so for albums, which are so far down the list you can't find them.

The next big change will be when we start shooting movies to mobile devices in a big way. The wholesale price will drop again--probably to \$3 per unit. But we'll sell so many more of them that revenue will explode all over again. This has very favorable implications for getting past piracy problems that helped kill the music business: the charge for downloading a film will land on your phone bill. And the moviemakers can hold the phone companies accountable

(whereas now internet providers duck and hide when we try to pursue them for what amounts to transfer of stolen goods).

So now you're probably wondering: if all this money is going to flood into Hollywood in a few years, why can't we get some of it for independent film and just keep on doing what we do? The answer, in a word, is marketing. Or, how do you get noticed in a world of endless possibilities?

And that brings us to the second crucial threading of the needle: for audience demand.

The first and most important thing to remember is that two-thirds of the tickets are sold outside the U.S. now. So if you're making a film that only appeals to Americans, start cutting your budget now. Or better yet, make one that the whole world can embrace.

This is mostly about subject matter. The rest of the world doesn't care about westerns or American sports movies. I've gone out of my way to tell people we won't make them. And yet, no matter how many times I say this, it still doesn't seem to stop some people with a passion to get their story told. Not too long ago, a producer called me up to tell me the true story, circa 1890, of cowboys and Indians in the Arizona territory who put down their weapons to play a friendly game of baseball. I offered to scalp him.

After you get past subject matter, the next most important factor is "who's it for." Women of all ages. Men under 25? The dating audience 18-34. Please don't tell me "everyone" unless you have a \$100 million budget.

And then I like to think about the rest of the audience demand question in the way that we analyze titles. A good title should have many of the attributes that a movie needs to embody now:

\*Succinct & Descriptive: the film has to lend itself to brief encapsulation. A high concept is no longer the thing that studio movies do and independent films shun. In this age of info overload, it's crucial for every picture to have this. Without it, your odds shoot through the floor.

\*Distinctive: not the same story we've heard five times before; something that at least takes the cliché and twists it; not something we get too much of somewhere else in our lives (Exhibit A: Iraq movies; who wants to see more of that mess? We already get too much of it every day in the news media).

\*Provocative: something that cuts through the clutter, stands out, gets attention; not "So then Phoebe sat by her mother's bedside, suffering in silence for eight weeks." Give us incident, conflict, excitement, ideally something that hits a cultural nerve.

\*Memorable: this is essentially an accumulation of the other traits, or sometimes altogether separate. It's the avoidance of cotton candy. The possibility of resonance. Something sticky.

\*Not too dark: these are very dark times, for audiences the world over. Audience enthusiasm for dark films is as low as I've ever seen it. There are a lot of reasons for this, of course. But the one I hear almost nobody articulating and everyone feeling is this: in the western industrialized world, wages haven't even remotely kept up with productivity demands, and that stresses us out.

Will some films get made that defy all of these conventions? Yes. Will a couple of them go on to achieve enormous success and acclaim? Probably. The romantic in all of us hopes for David to triumph over Goliath, for the visionary individual to beat the system.

Scratch a successful person in Hollywood, and they'll tell you about their movie that did this. I happen to have quite a few stories like this. The best is probably this: In its April 2005 issue, *Premiere* magazine famously intoned:

probably this. In its April 2005 issue, Premiere magazine famously intoned, "What was Mark Gill thinking when he paid \$1 million for a French documentary about a bunch of penguins?" What I was thinking was very simple: "we can fix it, and it will be emotional." So we did. Yes, I did save that article. And yes, I am happy that the magazine subsequently went out of business.

Here's the problem with that brand of romanticism: the odds of it happening to any of us with any reliable frequency are extremely low--and getting much worse.

As some famous wag once said: "You can die of encouragement in Hollywood." I frankly don't want to be responsible for your death.

Instead, let's just tell the truth...

If you want to survive in this brutal climate, you're going to have to work a lot harder, be a lot smarter, know a lot more, move a lot faster, sell a lot better, pay attention to the data, be a little nicer (ok, a lot nicer), trust your gut, read everything and never, ever give up.

If you're looking for a cool lifestyle, you're in the wrong business. If you want work-life balance, go get a government job.

But if you really want to make movies--even after all the unvarnished bad news I've dumped on you today--then by all means do it.

For starters, by whatever legal and moral means necessary, come up with a great script. How will you know if you have one? That's easy. It's the day you stop chasing talent. Because everybody--from the directors to the actors to the editors and costume designers--starts chasing you, and will show up and make the film for a little--or a lot-- less.

And if we do it for less, we can afford to make something that's not a moronic, homogenized piece of lowest-common-denominator drivel.

If we get all of that right, the sky might fall further than we like, but it won't hit the ground.

And the independent film business--leaner, harder-working, but still wearing black and drinking too much caffeine--will indeed survive.

Thank you very much.