



## Poll Results from Heenan Blaikie's Film Industry Financing Panel at TIFF

September 23, 2010 by Bob Tarantino



*(L-R: Clark Hallen, Rob Friedman, Joe Drake, Laurie May, Daniel Steinman and John Nendick)*

As Paul mentioned in an earlier post, Heenan Blaikie LLP, in conjunction with Ernst & Young LLP hosted their 4th annual film industry town hall panel discussion on Monday September 13, 2010 at the Park Hyatt Hotel in Toronto. The panel of industry leaders held an interactive discussion that discussed the current state of film financing and how it has been affected by the home entertainment market, online sales and the economic climate.

The panelists included Clark Hallen, Managing Partner at Clear Scope Partners; Laurie May, Co-President and Co-Founder of Maple Pictures Corporation; Joe Drake, President of the Motion Picture Group at Lionsgate, Rob Friedman, Co-Chairman and CEO at Summit Entertainment LLC; and Daniel Steinman, Film Finance Agent at the Creative Artists Agency.

In addition to the panel discussion, the audience of over 170 were asked to provide their input to the discussion through real-time polling. Here are the questions and the results:

**1. In the current environment, what do you feel is affecting the home entertainment market the most?**

A. Market maturity **2%**

B. Economic conditions **12%**



- C. Rapid growth of entertainment options **68%**
- D. Piracy **17%**
- E. Shift to rental **1%**

Among the most telling results was that 68% of the audience feel that the rapid growth of entertainment options negatively affected the home entertainment market. Rob Friedman noted that too many options on the market confuses the consumer. Observing the diversity of content within the short films premiering at the Festival, Joe Drake also indicated that the industry has to also factor in what potential viewers want to see along with how they want to see it.

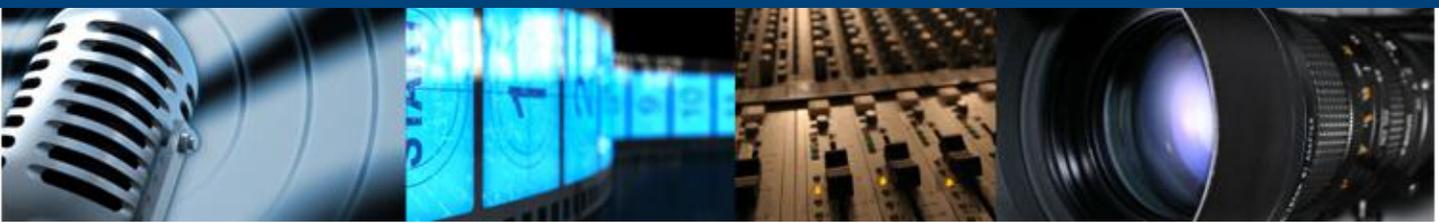
## 2. What will get the home entertainment market growing again?

- A. Changes to pricing **19%**
- B. Adding extra features **11%**
- C. “Windowing” – delaying new releases to DVD rental outfits **9%**
- D. New delivery methods **54%**
- E. It will not grow again **7%**

Obviously over the past decade, DVD sales have proven lucrative for people who are not willing to pay \$13.50 for a movie that might not live up to their expectations, but will shell out \$6.99 to watch the same movie in the confines of their living room. But how can the film industry recoup revenue that is lost through empty theatre seats if DVD sales are dwindling? Because of the amount of new technologies being offered in home entertainment, panelists believed that consumers are a bit leery of determining the best value for their dollar – you might shell out a few hundred bucks only to find out a year later that your nifty gadget doesn’t compare to what is currently on the market.

It was announced this week (and briefly discussed at the panel) that Netflix has launched an online video-streaming service in Canada for movies and television shows. What does this mean? Well, it was announced on Thursday that Blockbuster has filed for Chapter 11 bankruptcy protection in the US, after being slammed by online DVD rental sites.

The panelists thought that while film companies changed their business strategies earlier in the decade, moving from focusing on renting DVD’s to focusing on DVD sales, what has happened more recently is that companies realized that they needed to direct equal focus to creating new or managing the platforms where these services were being offered. Companies were a bit slow on the uptake in evaluating how online sales and social media techniques could benefit not only their bottom line, but also growing consumer demands. For instance, using Netflix, consumers can use their Xbox



360, PS3 and Wii to view movies on their television sets and can download a free app from Apple to watch on their iPad and iPhones, accessing as many movies and television shows they can view for as little as \$7.99 a month.

**3. In the next five years, the contribution of revenues outside the US and Canada will:**

- A. Not change meaningfully **11%**
- B. Change slightly **7%**
- C. Change moderately **30%**
- D. Change significantly **10%+**

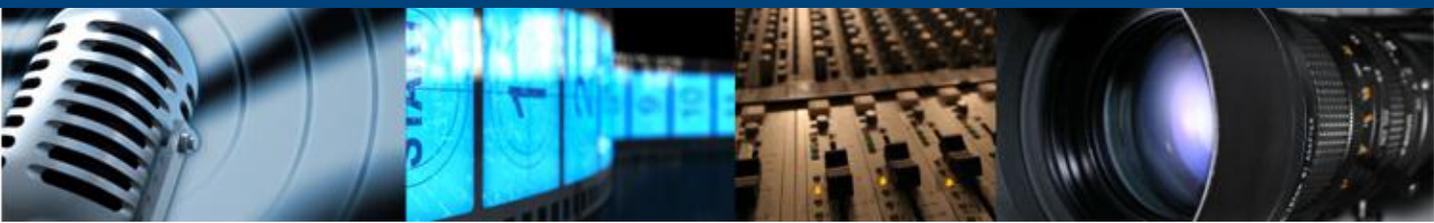
**4. In the next few years, who will be the next players in film financing?**

- A. Private equity **24%**
- B. Banks **6%**
- C. Co-productions ( two or more production companies working together) **42%**
- D. Other (future trading, artist investment/concessions, tax credits, government assistance) **28%**

The fragile economy and the affect it has had on home entertainment also means that film companies have to re-evaluate their business models. 42% of the audience felt that the collaboration between production companies would be a good way to assist with film financing, and 28% felt that other means of financing, such as government assistance, futures trading and artist investments would be the best way to bolster financing in the next few years.

Laurie May added that film companies need to be more creative, not only in their business models but also in their marketing initiatives and also added that her company, Maple Pictures is utilizing social media applications to the fullest extent and has found that online marketing campaigns, which increase the exposure of their films to a viral audience, have been successful.

In terms of the future of film financing, the panelists also discussed the importance of not only collaborating with national and international production companies to assist with financing but also how these collaborations can expand their viewership. Using examples of well-known films they had produced, they discussed how population demographics, and in some cases, the “star status” of the actors involved in a film dictated what and how films would be financed, distributed and marketed.



Overall, many in the room were quite optimistic about the future of film financing, but acknowledged that film companies and industry workers need not only to tighten their belts, they also need to remember that ultimately it is the consumer that dictates the market and the industry's success.

---

The articles and comments contained in this publication provide general information only. They should not be regarded or relied upon as legal advice or opinions. © Heenan Blaikie LLP.