

Cultural Daily

Independent Voices, New Perspectives

Green Shoots

Adam Leipzig · Thursday, October 7th, 2010

Andy Warhol, Front and Back Dollar Bills, 1962

The entertainment industry thrives on outside money. Often the money has been “dumb,” coming from starry-eyed investors who lost billions. Occasionally it has been “smart,” as when it has been deployed from well-managed investment funds. But smart or dumb, it has always been third-party finance that kept studios working and indie companies in business.

In 2008, the industry was hit by a double blow. DVD sales began to plummet and the capital markets collapsed. As a result outside money stayed on the sidelines. Profits have been suffering ever since.

But recently I’ve started to see the beginnings of change. The finance sector is coming back to life. Banks and fund management companies are hiring again. In fact, I’ve been tipped that finance companies have asked head-hunting firms to find so many investment executives that the head-hunters are now recruiting even more head-hunters to keep up with the demand.

That’s good news and follows a historical pattern. As I’ve written [elsewhere](#), the movie business has regular 10-year ups and downs, with every new cycle driven by a new market or a new technology – for example, the explosion of the international market in the 1990s or the explosion of DVDs in the 2000s. Profits rise for about six years until they hit a saturation point, then decline until the next cycle begins.

We’re almost due for our next up-turning cycle to begin and I think the capital markets smell the opportunity. They need places to put their money and there are trillions of dollars sitting on the sidelines. Interest rates are at historic lows. Entertainment investments start to seem attractive again.

But let’s temper this good prospective news with a counter-analysis of the entertainment business. Most companies, especially those smaller than studios, are not ready for new investment. They don’t have the formal business plans, strategies or value propositions in place, nor have they sufficiently re-thought the past decade’s business model to argue they’ll be able to succeed if an investor calls.

So to my entertainment entrepreneur friends, my advice is to get your plans together and hone what

you're trying to do. Engineer the future of the business with new technology, social networking and every other tool now at our collective disposal. Because this time, the money will overwhelmingly be "smart." You'll need to be smart too.

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