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Indie Films, Part 2: Too Big, They Failed

Adam Leipzig · Tuesday, January 25th, 2011

This is part 2 of a 3-part series on the state of independent film. To make sure you get part 3, ***subscribe*** *to the newsletter (above right).*

In my last post, I told the story of the last cycle of American independent filmmaking starting with the beginning of the Sundance Film festival in 1978. The flurry of big deal-making at Sundance this week masks the scary reality: Only a few of the films will get any significant play on screens nationwide, and most of the films at the festival won't get any distribution at all.

Beginning in the early 1990s, indie movies were distributed by major studios. (Although now I should probably start putting "indie" in quotes, because the nature of the films had changed.) Their budgets were ballooning and the process was becoming more corporatized. In fact, the studios started using the name "specialty" films. Although Disney forced the Weinsteins out of Miramax in 1995, Disney still had an operating indie division. What one studio has, other studios want. Sony had started its Classics division in 1992, and by the mid-1990s Michael Barker and Tom Bernard were running it successfully. Others followed: Fox Searchlight started in 1994; Paramount Classics in 1998; Focus Features (Universal) in 2002; Warner Independent in 2003; Picturehouse (New Line) in 2005.

As the 2000s continued, however, the studios, which now were merely small contributors to their corporate parents' bottom lines, took a hard look at their "specialty" divisions. Some of these divisions were profitable; others weren't. They all involved risk, quick decisions, and a lot of person-power. For a variety of reasons – some bottom-line reasons, some political reasons – the studios decided to eliminate their specialty divisions, and one by one, they shut them down. New Line and Warner Independent were killed in 2008. In 2009, Universal fired David Linde, and since then Focus has been at risk without a corporate champion. (Universal had posted a soft "for sale" for Focus, and several people quoted me the terms they were seeking. Comcast, Universal's new owner, recently took down the sign, but we'll see what develops in the coming year.) Disney officially fired the Miramax staff in January, 2010, after letting the label languish, and finally sold the company this past August. Only Sony Classics and Fox Searchlight remain.

In every case, greed was at the heart of these decisions. The specialty divisions that had operated too large, too much like their studio parents, were the least profitable. The reason to operate large is to covet awards, and eat at great restaurants and walk red carpets and enjoy the glamour; bottom line, it is about greed, about buying status in Hollywood. Companies that tried to buy status ended up committing suicide. Or the greed came from the studio side – some studios wanted even bigger profits than indie divisions can reasonably create. Paramount's case is a textbook example. Paramount Classics posted a profit every year with an overhead budget just under $4 million and a staff of 16. In 2006, new studio management replaced it with a new entity called Paramount Vantage, which grew to nearly 100 people on staff and a $25 million annual overhead. Paramount Vantage never posted a profit and lasted only two years.

Some may say that it's because the audience turned away from independent films in favor of bigger-budget, studio fare, and that is true, but you have to watch the chain of events. First, the studios bought independent distributors or created their own "specialty" divisions. This made the studios seem cool. It appeared to put them on the side of emerging artists. But it was about business, not art. When specialty division dollars were not sufficient in absolute terms (as I said, many of these divisions were overall profitable, but the number of dollars just wasn't that big), the studios started to abandon smaller movies and force their larger product onto the screens that were once available for indie films. Exhibition chains took over independently-owned theatres. Indie movies became less visible and less available.

It's analogous to what happens in your local supermarket, where food manufacturing companies pay for better shelf-space and end-cap displays, effectively muscling out smaller brands. Movies work the same way. When they are hard to find or don't get adequate shelf space (in the case of movies, when they don't get enough theatre screens), the buying public loses interest and finds an alternative. The public develops a taste for what is available.

With no structural path for distribution, indie films do get made. They have to find new formulas each time. They need to cobble together financing in inventive ways, or rely on angel investors who must realize the film may never get released and their money may never recoup.

Today, every indie movie has to start from scratch.

Coming in Part 3: Even though it's worse than you think, there's a billion dollar opportunity.

Image from The Wrestler, Fox Searchlight's 2008 release that was made for $6 million, and grossed over $26 million domestically.