Cultural Daily

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If You Think Hollywood's Changing, You Ain't Seen Nothing Yet

Adam Leipzig · Thursday, November 1st, 2012

From her perch as editor-at-large for The Hollywood Reporter and host of KCRW's The Business, Kim Masters has a unique vantage point on Hollywood. While she didn't begin as a media reporter – she's covered politics for the Washington Post – Masters has always brought a hard-working journalist's sensibility to a subject that's often covered with little depth or analysis.

Adam Leipzig: How soon will Hollywood's problems come to a head?

KM: I've been talking about so long I feel like Cassandra, and now the problems are cleaving the industry in a very dramatic way.

There is a confluence of events. The old models are showing signs of stress. Everyone has known it was coming, ever since there was a digital revolution, but it is starting to make itself felt. That coincides with the natural course of events, as certain media barons are getting to the end of their cycle.

Bob Iger at Disney says he's going to leave in 2015. Barry Meyer at Warner Bros. is out at the end of 2013. Sumner Redstone is 89 years old, and there's constant backing-and-forthing about who gets the keys to that kingdom. Rupert Murdoch is also not a young man, and has had a lot of issues at News Corp, involving the hacking and bribery scandal and succession questions. Comcast bought Universal and NBC, no one knows what's going on there, and we expect a changing of the guards. Sony's widely considered to be for sale, and is under severe financial constraints.

AL: How many studios do you think are for sale right now?

KM: Not quite all, but potentially all are for sale in the next couple of years. There's a feeling that they will change hands, the herd will thin, and it just won't be the same.

In this fall television season, everybody except NBC has been down double-digits in viewership. In the old model, commercials were rated, and people paid money based on who was watching them; now with DVRs they may or may not be watching the commercials. Maybe advertisers will have to settle for something that just blurs past your eyes as long as you may see the logo.

We're at a point where people feel things are not working, but they're not sure what the next idea is.

AL: In the movie business, even with all this turmoil, I feel the studios have started to get a bit more profitable because they're releasing fewer movies. They've contained costs somewhat, even though it has put people out of work.

KM: I don't think it's that simple. Studios are certainly striving for more profitability, but they are big machines with big overheads. They're taking big swings, trying to differentiate themselves

from the pack, saying “Here is my huge spectacle! You’re not going to wait around for DVD or Netflix or on-demand, you’re going to come out to the theatre and watch this thing!” That’s a very risky game.

Every studio has had big problems as a result. Most of the studios have things in their pipelines right now that they haven’t even had to reckon with, and won’t have to, until the movies are released. I’m talking about movies of the magnitude of *John Carter,* which bombed $200 million to Disney’s bottom line.

There are $200 million-plus movies at every studio, movies that are profoundly troubled, and whether these studios will be able to make them work is an open question. Those are the movies that are supposed to *support* the mistakes. They are not supposed to *be* the mistakes.

I know Hollywood’s always been driven by stress, but this time, the executives aren’t kidding: They face bad margins, potentially huge losses, a lot of publicity surrounding their losses.

AL: You’re part of the media scrutiny that barely existed 10 years ago and didn’t exist at all 20 years ago. Why do you like to tell these stories?

KM: I bring an outsider’s standard to covering Hollywood, and I cover it the way I would cover any other beat.

The politics of Hollywood engage me. There are companies with a bunch of people, mostly guys, sometimes not, who are supposed to be driven by the bottom line, by the stock price, by very unemotional business decisions. But they don’t always make unemotional decisions because people are not always rational.

When it becomes a combination of what is in your financial interest, and what is being dictated by ego or other considerations, it becomes more interesting to me.

The example I cite often is when Michael Eisner fired Jeffrey Katzenberg as chairman of Disney Studios. Jeffrey said he was going to sue and at the outset probably would have settled for $70 million. For reasons that were absolutely irrational, Michael didn’t want to settle, and ended up paying a multiple of that. That’s what I find intriguing about Hollywood. It’s just one guy not wanting to pay another guy.

Even now we have a situation at Viacom. Sumner Redstone is 89 years old. The *New York Times* writes a story saying Philippe Dauman is Sumner Redstone’s heir. Then we write a story at *The Hollywood Reporter,* saying that’s not going to sit so well with Les Moonves’s people, because they don’t think Philippe Dauman is as good an executive as Les Moonves, and they don’t see a world where Les Moonves reports to Philippe Dauman. Now, in the *Wall St. Journal,* here comes Sumner Redstone, saying, I never said Philippe Dauman would my heir, and maybe he isn’t my heir. Maybe it’s my daughter.

How rational is that? I don’t know. But it is all theatre.

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