

BUSINESS

FESTIVALS + FINANCE + FUTURES



Felicity Huffman and William H. Macy on the Palm Springs red carpet.

THE FILM FESTIVAL BUSINESS:

THE LITTLE ENGINE THAT COULD

When Sonny Bono introduced the idea of an international film festival to Palm Springs in 1990, his hope was the event would boost tourism.

By Jon Fitzgerald

Going to the movies has always been a communal experience, an opportunity to escape with our heroes, identify with characters and experience new ideas. Festivals present the ultimate in art film celebration; however, most struggle to survive as a business. Yet, miraculously, their number continues to grow.

When we started Slamdance in 1995, there were fewer than 500 film festivals throughout the world. In 2006, there are closer to 3,000. It seems that every town with a movie theater has a film festival or is drawing up plans for one. This makes for an interesting paradox: Festivals generally show art-house fare. Yet, historically, independents and foreign films represent the smallest market share in terms of theatrical distribution. Even in the '70s, the heyday of art-house cinema, these pictures accounted for less than 10 percent of the box office pie. We're well below five percent in 2006.

A film festival needs to be run like a business, so how does any festival, particularly the smaller regional festivals anchored by independent films, overcome these odds? To start with, most are driven by passionate, optimistic festival directors who welcome the challenge, whose mere enthusiasm and chutzpah draws in supporters and audiences sufficiently to keep them going. Like "The Little Engine That Could," their mantra is: *I think I can. I think I can. I think I can...*

Three of the top fests are linked to film markets, where buyers and sellers come together to get their piece of this billion-dollar-industry pie. A few of the leading International fests are largely subsidized by local and national government organizations. Others are fortunate to be part of larger umbrella supporting organizations that drive their efforts, such as AFI Fest and the Los Angeles Film Festival, with the American Film Institute and Film Independent (formerly IFF/Los Angeles) respectively.

But what about the regional fests that find their way without the bigger engine behind them? With sketchy economic models that involve a healthy dose of unpredictability, most community festivals struggle just to break even. Many lose money but



PSIFF: Charlize Theron receives the Desert Palm Achievement Award from Keanu Reeves with Mary Hart in attendance.

somehow manage to chug along, finding a way to hang on. *I think I can. I think I can. I think I can.*

The key is this: At the end of the day, whether the budget is \$200,000 or more than \$2 million, a festival must still be run as a business. While a unique angle can help, the formula for a lasting event requires them to succeed in three main areas.

PLANNING

Like any business, a festival must set short- and long-term goals. Some start as three- or four-day events, with ambitions to grow into ten days or more. Will their audiences support this growth? What about hotel rooms and theater venues? What film sections most interest their community? For example, will a conservative audience without an art-house cinema embrace a new festival showcasing diverse sections of international films? Edgy American indies? It can take time to educate and develop an audience.

From a business perspective, the local community should drive the mission, not the other way around. A festival is presenting movies ("the product") to the community ("the consumers"), and its

success will largely depend on audience support. To survive, it takes more than just a local theater and a festival team's love of film. After talking to a number of festival directors, it's clear that their goals include some combination of the following:

- ✿ Give community audiences an opportunity to see films that most likely will not be released in their local multiplex.
- ✿ Grow tourism, boosting the local economy in the off season.
- ✿ Help grow an audience for art-house cinema.
- ✿ Bring filmmakers and members of the industry to their region, to show off their location in order to be considered for future film productions.
- ✿ Provide an avenue of discovery for members of the entertainment industry seeking new talent.

When Sonny Bono introduced the idea of an international film festival to Palm Springs in 1990, his hope was the event would boost tourism. Mission accomplished: "Over 60 percent of our January festival's audience comes from outside the Palm Springs region," says Festival Director Darryl MacDonald. "Loyal visitors to the desert, with an interest in film, can plan around the Festival dates."

This past year, the festival presented 46 of the 49 foreign entries for Academy consideration—including the final five nominees and winner. This, too, helps to set them apart.

Once the vision or mission for the festival has been established, a strong management team must keep the event on track. Proper financial planning is essential. Three of the top International fests (Cannes, Berlin and Toronto) are all heavily subsidized by their local and state governments. In the U.S., governmental support for the arts is miniscule. Yet top domestic fests have developed the winning combination of sponsorships, ticket sales and board member support. The bottom line: Expenses must be in sync with realistic revenue projections.

Note the use of the word *projections*. In budgeting, it is important to set realistic expectations for sponsorships and ticket sales. It can take time for sponsors to recognize opportunities with regional fests. These events have to prove themselves to pick up steam. They will have to produce quality materials, grow their audiences and develop comprehensive benefit packages over time. Sponsors often need to be able to quantify their

contributions based on expected number of impressions. And the competition for national brands is overwhelming. With smaller regional fests lacking substantial media exposure, sponsors won't reach millions of eyeballs. These events have to rely on local business support and ad sales, more than national sponsorship. Their budgets and, therefore, event programming should reflect these more conservative numbers.

The same rule applies to ticket sales and special events. Take the number of screening slots and multiply by conservative audience capture rates to get box office projections. Many successful community festivals take in more than \$30,000 in admissions. Top regional fests boast considerably more than \$100,000 in admissions. Special events can also boost the revenue column, thanks to higher ticket prices. Opening and Closing Night galas are commonplace, and some award shows really make a difference. The Awards Gala at the Palm Springs International Film Festival exceeded \$500,000 in sales this past January.

With the right mission, a management team in place and proper financial planning, the train is ready to leave the station. Next stop: programming.

PROGRAMMING

All successful events are anchored by strong film programming, with regional fests presenting anywhere from 100 to more than 300 films. Again, this is driven by what audiences will support. Box office is a primary source of income for regional fests. What works in San Diego may not work in Denver. Some fests want a high-profile studio film, often with a celebrity quotient, to open their event. Others, such as Cinequest, pride themselves on kicking off their fest with an indie film selection. All the studios have classics divisions, and most are festival friendly, using these events as promotional vehicles. If the timing works, top regional fests can often land these higher profile indies, which can include presence of celebrity talent (which is always a plus), leading to additional PR opportunities for the fest. Even still, competition for titles is tough.

Similar to sponsorship participation, it can take time to build credibility in the film community; and with so many festivals now competing for top movies, it can be difficult to land the cream of the crop. A number of these indie filmmakers cannot afford to strike multiple prints. For the most part, fests do now have video projection



Cummings, Scott and Heston at the first AFI FEST; and Johnny Depp receives 2005's Tribute.

capabilities, but many filmmakers want their movies shown in 35mm format; and directors can attend only so many fests in busier seasons. The fall fest circuit, for example, includes hundreds of events. For filmmakers, it has become increasingly difficult to formulate the right festival strategy. With regional events, industry-driven fests and destination fests all competing for films, who will stand out from the pack? Festivals must market their event to filmmakers, and provide outstanding support and hospitality for visiting talent. Word gets out. One way to maintain awareness in the community, and to generate revenues year 'round, is to established Cinema Society programs such as those in Santa Barbara, Chicago, Seattle and Denver.

Marketing the film program is key, and, sadly, this is one of the line items often reduced when the sponsorship contributions fall short of expectations. There is nothing more disappointing for filmmakers and festival directors than screening their movies to empty theaters. "If you build it, they will come" does not apply. Studios spend millions trying to put cheeks in the seats, and studies show they fail most of the time. Audiences are tired of formulaic studio fare, and there are more choices at home with DVD, VOD and the explosion in cable TV to track and appeal to audiences. Creative sponsorship and marketing programs, grass-roots campaigns and ticket give-aways must all be applied, particularly for events trying to build their community audiences.



Robin Tunney braves the 2005 Sundance snow; Main Street, Park City UT.

HOSPITALITY

This component has many moving parts. At its core, a festival's care for the filmmakers, special guests and attendees will help to contribute to its success. Visitors do appreciate strong hospitality, just as consumers recognize good customer service.

Budget permitting, visitors are provided with air fare and hotel accommodations. They are given goody bags and festival passes, as well as a roster filled with special events, parties and happy hours. The sad truth is that once you get past the programming and organization, a festival is often judged by its party factor. These events (a) provide festivals with an opportunity to extend the celebration beyond a general film screening, (b) give local audiences an opportunity to mingle with the filmmakers, (c) give sponsors a direct path to consumers, and (d) help festivals generate revenues with higher ticket prices.

Top fests also have terrific hospitality

suites, often used as a place for filmmakers to congregate, with coffee in the a.m. and happy hours in the early evening. Sponsors find exposure here as well, with banners, exhibits and logo parades on the monitors scattered throughout the lounge.

To add more pressure to this difficult business of festivals, some have accepted the challenge to boost audiences for independent cinema. "As a collective force in the national and international film exhibition, film festivals have, here, an unprecedented opportunity and responsibility," says AFI Festivals Director Christian Gaines.

With all the distractions and formulaic studio fare, general ticket sales in the U.S. are down. Yet, for many festivals, attendance continues to grow. Slowly but surely, this is - fortunately - having an impact on the audience perception for independent and international cinema.

I thought I could. I thought I could. I thought I could. -MPM



Elliot V. Kotek with *Beyond the Call* filmmaker Adrian Belic at Tribeca

The Bside Community



With the number of festivals on the rise, new technologies are keeping pace. Besides the talked-of digital theatrical exhibition and online content delivery, there is a new tool having a profound effect on the film festival business: The Bside Community.

With Bside support, the film festivals establish stronger connections with their audiences. It enables festivals to utilize a seamless integration of their websites and film programs, and audience members then create personalized schedules, rate and review films, establish blogs and generate buzz for their projects. The Bside Community enhances audience participation.

In addition to supporting independent cinema by helping fests grow their audiences, Bside offers its partners a suite of tools to streamline communications between users. Whether the technology enhances internal communications between staff members or helps to gauge demographics, festivals realize the benefits of this service. "Bside helped increase our festival ticket sales by 20 percent by tightening the link between our audiences and film program," says Garrin Hirschhorn, marketing director for the Atlanta Film Festival.

Check it out at www.bside.com. -JF

