REVISIONING FEATURE FILM DISTRIBUTION
PUBLIC POLICY FOR AN ERA OF DIGITAL UPHEAVAL

By Tom Perlmutter
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This work was commissioned by CAFDE. The intent here is to bring a fresh eye to the issues of film distribution within a national film policy given the dramatic and ongoing changes wrought by the digital revolution. Today, the industry is still operating within the framework of a policy laid down almost thirty years ago. It has proved remarkably successful in setting the base for a vital and dynamic Canadian film distribution sector. However, that policy was developed within the norms of established and structured media and business practices that are currently under severe strain worldwide. The strains are beginning to show. There have been worrying signs of an erosion of key elements of the policy at exactly the time when distributors need the solid financial base provided by that policy to respond to the challenges and opportunities of the new digital world.

The questions posed in this work are: on what basis can and should government intervene and in what ways? The perspective taken here is from the point of view of a public policy that can be agreed on regardless of political position. Public policy is always about the public good: how does a particular policy benefit the Canadian citizen? Despite the mountains of papers, studies and reports produced over the years this is not the normal approach. The idea of the public good is taken for granted and the focus moves quickly to proposing measures to strengthen the industry equating the one (industry) with the other (public good). This is not necessarily so. As well, the traditional approach favours incumbency and legacy policies and tends to mitigate against innovation. By adopting a rigorous focus on policy this work hopes to suggest new ways of thinking about future directions for policy. These are reflected in the recommendations.

I note that I was given a free hand in undertaking this work, which reflects my research and points of view. They do not necessarily represent the views of CAFDE or Crestview.

I would like to thank Bryan Gliserman first for recommending me for this job and secondly, for convincing me most eloquently of the importance of the task. Hussain Amarshi, Mark Slone, Robin Smith, Patrick Roy, and Avi Federgreen gave generously of their time. Jackie Rubin for her careful read of the document. Supriya Dwivedi at Crestview was immeasurably helpful.

As I delved into the research, I became convinced that not enough was known about the daily workings of distributors, of what was almost at times a Quixotic passion and commitment to film and particularly to the Canadian films. I thus undertook to assemble a number of case studies to give a more granular sense of what distributors do. My colleague, Dylan Young, an accomplished writer, journalist and digital adept, prepared the studies under my general direction. The case studies are not, and were not meant to be, Harvard Business School ones; they add a level of concreteness and vividness to the logical rigour of the report. I am grateful to Dylan for drawing such sharp portraits within the confines of a few pages.

Tom Perlmutter
Brief Summary: Policy Objectives and Recommendations

This paper brings a fresh eye to the issues of government film distribution policy. Today, the industry is still operating within the framework of a policy laid down almost thirty years ago. It has proved remarkably successful in setting the base for a vital and dynamic Canadian film distribution sector. However, that policy was developed within the norms of business practices that are currently under severe strain worldwide as a result of changes wrought by the digital revolution. The film industry remains central to cultural policies in all developed and emerging economies around the world; its economic and cultural benefits are deemed essential for the public good. All these countries are grappling with the issues of modernising policy to create a new framework for the success of the industry well into the future. This paper examines the nature of the challenges and opportunities facing the industry and the rationale and role of public policy in helping the industry to respond to those challenges.

The paper suggests that there are five critical public policy objectives for national film policy. These are:

- maximize the production of Canadian content;
- maximize choice and accessibility;
- maximize the cultural benefit of film;
- maximize the economic benefit of the film industry;
- maximize innovative business and cultural practices.

In examining each of these objectives in detail and the appropriate policy responses for a digital age we demonstrate that the distribution sector has become even more vital than ever for the success of the industry and public policy.

Maximize the production of Canadian content

The principal elements of maximizing content seem to be fairly straightforward: enact a policy that ensures the greatest number of films are produced. This, in fact, has been the thrust of much government policy, both in Canada and elsewhere. As study after study in Britain, Europe and elsewhere has noted, a pure supply-side approach without looking at demand is incoherent as film policy. How do we decide on what is a sufficient number of films for a small market like Canada and the equilibrium point among different kinds of films? It seems that the principle to apply to both questions is that there should be enough content of any particular kind to satisfy a consumer at any point in time.

The market provides strong indicators of audience preferences and is a good first step to answering how much content and what kind of content should be produced. Thus the decision making on the public financing of films should have strong market guidance. The key to this is the distribution sector. It is distributors who are closest to the wants, desires and appetites of consumers. Their economic livelihood depends on their ability to remain in touch with audience tastes. Distributors must have close partnerships with producers and be instrumental in the selection of films.

Recommendations

Public funding agencies and key stakeholders should implement new mechanisms in the funding process to optimize distributors involvement in the decision making including establishing criteria to decide how many productions annually, on an average basis, constitutes a critical mass of film in terms of audience impact.

Public agencies should facilitate innovative ways of ensuring a greater alignment among distributors and producers and fostering new kinds of partnerships between the two sectors.
Maximize Choice and Accessibility
Maximizing choice (presuming that content has been maximized) is a function of accessibility and information. Accessibility means availability on a screen that is convenient at a time that is convenient. At the extreme end of the scale it means the particular film that the viewer wants to watch is always available on a screen that is always handy. This is both the cornucopia and the Pandora’s box opened by digital. Even that is not optimal given the realities of when and where Canadians access films. The choice of theatrical experience, which is fundamental to cinema, is constrained by the limits of screen access and by cost.

As important as availability of Canadian films on theatrical screens is, it is not the only access issue. Canadians watch the majority of their films (over 90%) on television. There have been worrying indications of a shift in programming on conventional and pay broadcasters, away from films. It is illogical to pursue a public policy that invests as heavily as Canadian government does in production and not ensure that Canadians have as wide access as possible to those films. This, even more so, for television which should be the ultimate site for the programming of such films. There needs be a particular obligation for the public broadcaster to be a key supporter of Canadian films.

From a public policy perspective one wants to have the greatest diversity of films available, Canadian, Hollywood and foreign (i.e. neither Canadian nor American). The availability of the full range of world cinematic culture has a particular social importance when we think of the diversity of Canada. It is Canadian distributors who have ensured that Canadians have access its richness. This has been possible because of the Film Policy that ensured Canadian distributors had access to the best of independent films from around the world.

Over the last couple of years streaming has made an important impact as a means of watching films. The streaming of content on a range of platforms promises to grow exponentially. The question of the impact of OTT (over-the-top) and streaming services is a complex one. For the industry the question posed by OTT services like Netflix is: do they have an unfair advantage by not being subject to a regulatory requirements on exhibition requirements and minimum Canadian programming expenditures and thus will have a negative impact on the policy objectives?

Recommendations
Benchmarks be set for expenditures on and the programming of Canadian films on Canadian conventional and pay television.

The public broadcaster, consulting with distributors, producers and other key stakeholders, should develop a Canadian feature film strategy as part of their overall broadcast strategy.

Set up a task force bringing together industry stakeholders, public and private, government, and foreign partners with similar issues to explore innovative solutions that will balance the needs of a strong national system responsive to its citizens with the opportunities presented by new, non-national digital services.

Maximize the Cultural Benefit of Film
There are a range of factors that constitute the cultural benefit of film. These include:

- National identity and cohesion
- Enrichment
- National Pride
- Creative capital
- Projection of a Canadian view of the world and a view of Canada to the world
The desired cultural benefits depend crucially and directly on connecting with audiences. To achieve the public good of maximizing cultural benefit depends primarily on a strong and vital Canadian distribution sector working in partnership with other key players.

However, there is one element that has not received adequate attention in film policy, which is crucial for the future health of Canadian cinema: that is the role of education. Various European studies have made a special note of the importance of the role of education in developing audiences and achieving the cultural benefits desired of film.

The cultural benefit is not limited to ongoing cinematic works. There is an enormous value, both cultural and economic, in the archives of Canadian cinema. In a digital age, with the possibility of making access to the rich treasure trove of Canadian films on a wide variety of platforms, we are nowhere near exploiting the true value of our cinematic heritage in building audiences for Canadian works and in delivering on the cultural and economic goals of film policy.

**Recommendations**

*Bring stakeholders together to pursue a co-ordinated strategy for embedding film education in schools across Canada from primary to post-secondary.*

*Working with distributors, rights holders, broadcasters, public agencies and other stakeholders develop a national strategy to make Canada’s cinematic heritage readily available to all Canadians.*

**Maximize the Economic Benefit of the Film Industry**

In 2013 Canadian box office reached $1.1 billion. Canada is considered one of the leading feature film markets in the world. The value of feature film production in Canada amounted to $351 million in 2012-2013. In the same year the industry generated close to 8,000 full time jobs, directly or indirectly. Canadian film exports generated $104 million in sales each of the years 2011/12 and 2012/2013, an increase of 46% over the previous year (2010/2011). There is a direct correlation between the economic value of the industry and the strength of the distribution sector, which has been built on the basis of the 1988 Film Distribution Policy. It needs updating to respond to challenges and opportunities of digital age.

As new international trade agreements are enacted, as cultural industries continue as a significant part of global trade and as digital becomes dominant within the cultural sphere, it is imperative that Canada develop more cohesive and focussed policies for the export of cultural goods to strengthen its position within traditional markets and develop a strong presence in emerging markets. Within the film sector distributors should be the central agents of export policy. Canadian distributors are well positioned to extend their expertise on the global stage. The consequent benefits will be economic and cultural as well as increasing substantially Canada’s global footprint.

**Recommendations**

*Modernize and strengthen the 1988 Film Distribution Policy for a digital era.*

*Implement a new film export policy aligned with a strengthened film distribution policy.*
Maximize Innovative Business and Cultural Practices

The audio-visual industry is living through a process of ongoing and rapid change. It is change driven by technological, business and social innovation. Overall, Canada as yet provides inadequate support for high-risk innovative experimentation and prototyping. A balance has to be found between a regulatory system and policy approaches whose intent is to ensure stability and continuity with incentives to take risks and explore innovative business practices.

Recommendations

Establish a Distribution Innovation Fund to prototype and experiment with new modes of distribution, marketing and audience engagement.
EXECUTIVE SUMMARY
Introduction

The Canadian government, like nearly all governments in the developed world and many beyond, has been and continues to be committed to the importance and necessity of a distinctive national voice in feature films. Over the years it has put in place various policies and substantial funding to nurture the development of a healthy and vibrant Canadian feature film industry. Much of the focus has been on the supply side of the equation, ensuring a significant and critical volume of films for the domestic and international marketplace. The demand side has been less developed in terms of the policy instruments even while there has been an acknowledgement of the importance of audience. This has been as true and as problematic in other countries grappling with many of the same issues around national film policies.

The most substantial policy directives on film distribution in Canada date back to 1988. The then Conservative government announced a bold and visionary new directions for Canadian film distribution. The policy announcement recognized the vital role distribution must play for the success of any film policy. The centrepiece was to be the Film Importations Bill, introduced into Parliament by the Minister of Communications, Flora MacDonald. The Bill would have anchored very strict protections for Canadian film distributors. The Bill fell by the wayside under intense pressure from the Motion Picture Association of America confirming a long-standing historic pattern of vigorous American opposition to any limitations on the American majors ability to treat Canada as an extension of the American market.

Nevertheless, other elements of the film policy remained intact including provisions in the Investment Canada Act to prevent the foreign takeover of Canadian distribution companies and the establishment of new foreign distribution enterprises in Canada other than for the importation of proprietary films. The upshot was that the intent of the Film Importations Bill to ensure that the Canadian market was not integrated into a single North American rights market became the de facto reality. The provisions of that policy remain central to the financial health of the distribution sector and the ability of the sector to respond to the great challenges of the digital revolution.
In the near thirty years since the policy, despite profound and ongoing change in the industry, no new distribution policy has been put in place even as there have been major reviews of feature film policy, most prominently in 2000, 2003 and 2005. As well, there have been numerous reports that investigated the state of the industry as a whole as well as the distribution sector specifically.

This paper is not a snapshot of the industry; it is an essay at a larger, more strategic way of thinking about the meaning of the data in a time of rapid change with a view to establishing parameters for a refocused film policy with a specific emphasis on distribution. If the overall objective remains, as stated in various policy papers, to ensure the vibrancy of Canadian feature films, provide all Canadians with access to films, make the greatest use of Canadian talent and realize the greatest economic benefit from film policy then we must ask what is the role of distribution within that policy and what policy measures can strengthen and help achieve policy objectives? At the same time, we must be aware that in the converging digital world of media and telecommunications, one in which audiences take centre stage and national boundaries are increasingly porous, film policy cannot isolate itself from a digital policy and an innovation policy. As a country and an industry, our responses have tended to be reactive to ongoing change. The time has come to embrace the possibilities and opportunities of change with innovative and radical new approaches. The interest of this paper is in providing some guideposts about how to think about the future.

We start with basic questions about the objectives of policy from the perspective of the citizen in whose name the policy is enacted rather than the method normally adopted, which is to look at how to strengthen existing institutions and policies. If we accept that a national cinema is a critical public good then it is reasonable to ask what objectives would a rational citizen wish to see for a film policy whose intent is to deliver that public good in the most efficacious manner

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1 I have borrowed conceptually from John Rawls, A Theory of Justice, Rev. ed (Cambridge, Mass: Belknap Press of Harvard University Press, 1999). In particular (and crudely), I have adapted his thought experiment of a citizen in the “original position” making decisions for the public good “behind a veil of ignorance”, i.e. not having any knowledge of his or her particular circumstances so that regardless of what position he or she occupies in society and what his
The paper suggests that there are five such objectives which are interconnected and which have impacts on each other. These are:

i) maximize the production of Canadian content;

ii) maximize choice and accessibility of all available possibilities of content regardless of origin and kind;

iii) maximize the cultural benefit of film;

iv) maximize the economic benefit from the film industry;

v) maximize innovative business and cultural practices.

The paper proceeds by examining each of the five principle objectives to make clear why they stake a claim to being a prime objective. I will make recommendations related to those objectives, but as will be seen there is necessarily cross-over in the analysis and in the recommendations.

To set the context for that analysis the paper looks at the ongoing challenge of the digital revolution with a particular focus on the nature of audience and will assess current distribution practice in the light of the desired end. The focus of this paper is on the role of distribution, but one cannot discuss distribution in vacuo. Inevitably, there will be references and implied assumptions about the nature of film policy as a whole.

Throughout there will be references to reports, policies and reflections undertaken in other jurisdictions grappling with many of the same issues. In particular, we look at studies from the European Union, Britain\(^2\), South Korea and even the United States. As well, we have gone further afield to look at cutting edge academic research that can potentially shed light on new approaches to audiences, specifically in the areas of behavioural economics and consumer research.

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or her particular preferences are the choice would be one that he or she would agree as the best possible one.

\(^2\) While Britain is part of the EU, it takes a very different line in its cultural policies.
THE CONTEXT

The Digital Challenge

Digital disruption is challenging the established business norms of the film industry. This is not a local or regional issue; nor is it one confined to a contained part of the industry. It is disruption that is global in reach, deep in extent and ongoing. We are only in the early stages of massive change. We will not arrive at a new equilibrium point in the near to mid-term.

However, the traditional business models are not disappearing or collapsing. They retain resilience and great economic value. We are in a period of transition in which the marginal rates of change become increasingly significant and may lead to a tipping point as it did in the music industry. It is not possible to predict to what extent that may happen or when.

The situation demands a policy approach that builds and strengthens the economic strength of the industry while establishing processes that allow for experimentation and innovation. In a small market like Canada the private sector cannot fully bear the costs of experimentation and innovation, which necessarily demands exploring avenues that may not yield results. Government has a crucial partnership role to play in developing the means of supporting such experimentation.

The immediate key issues that emerge consistently across all jurisdictions are:

Windowing: the industry has been able to maximize revenue based on the exclusivity of platforms for pre-determined periods in an “orderly marketplace”. A film would have a theatrical life, followed by DVD, VOD, pay TV, and free TV. The system conceived in the early 1980s with the burgeoning of home entertainment with video worked well; however, digital has undermined the model. Windows are collapsing and various players are experimenting with different forms of distribution releases. The issue is how to innovate business models that will sustain the economics of the industry in a transition period of great financial uncertainty. While there has been experimentation in Canada it has been haphazard and uncoordinated. We need
a more rigorous approach to experimentation that go beyond testing different window options.

*The value of digital.* It is a truism that digital cents do not make up for the loss of television dollars. However, the truism must be questioned by different forms of experimentation with digital distribution. DVD sales which have been very lucrative for the industry have been in ongoing decline. Digital rentals are growing rapidly. There is slower adoption of electronic sell-throughs; but that is likely to change as consumers become accustomed to owning “in the cloud”. Already, consumers are habituated to having their music or their personal photos available to them on any of their devices and anywhere by accessing the cloud rather than on a hard drive. The question is how to add premium value to digital transactions.

**iii) Piracy** remains a critical issue. A joint study by Ipsos and Oxford Economics in 2011 estimated that the Canadian industry lost $895 million to piracy in 2010\(^3\). The issue of piracy is complex one. It is not simply that digital has made piracy easier, it is that it has created expectations in consumers for more immediate gratification than windowing approach allows. Many consumers are willing to pay for content, but are frustrated by gatekeeping which prevents their access to content they want. In addition to enforcement, education new methods of relating and engaging with consumers is vital in the battle against piracy.

**iv) The impact of “over-the—top” (OTT) services.** OTT are web-based video streaming services, like Netflix, that bypass the traditional broadcast/cable modes of television distribution. As one EU study noted, “distribution of content is where the re-intermediation process is mainly taking place… [and the new players present] new forms of potential market dominance…the platforms behave like multi-sided markets, gathering developers, producers, advertisers and consumers to create a full ecosystem, in which the owner of the platform keeps control over its main features and evolution.\(^4\)

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\(^3\) Ipsos MediaCT and Oxford Economics, *Economic Consequences of Movie Piracy*, February, 2011

The dilemma faced by the Canadian industry is that new players like Netflix have *de facto* become part of the broadcast system but are not held to the same regulatory obligations. This may have serious knock-on effects for the funding and distribution of Canadian productions.

If the digital realm raises issues, it also presents opportunities in terms of new markets and new ways of engaging with audiences. Any response to the challenge of digital cannot be a response simply from a position of fearfulness and threat. It must also be bold and proactive.

**The Changing Nature of the Audience**

The audience has been at the centre of Canadian policy discourse from 2000 with the publication of *From Script to Screen*. However, the Canadian approach to audience has tended to be paternalistic, of telling Canadians what is good for them, rather than engaging with them. It has been one of the consequences of a closed, regulatory system that has yielded enormous benefits but has resulted in an inadequate relationship with audiences. It has left the industry not fully prepared to deal with the disruptions of new digital technologies.

The technology is not the true revolution; it is the enabler of it by dismantling the traditional gatekeeper relationship to audiences. It has tapped into the aspirations of people to exert control over their lives. It is enormously powerful and liberating to exert some degree of control over an activity on which one spends a great deal of time. The Canadian industry has not fully understood or embraced the nature of this change.

Audience has become a catch-all term, arithmetically reflected in broadcast ratings or theatrical box office, which obscures the fact that “audience” in our traditional sense of the term is a subset of something much more extensive. The dichotomy of makers/distributors and receivers of content no longer obtains.

Audience are no longer receivers; they are role players. Our audience may at any time be co-creator, citizen, activist, teacher, learner, collaborator, fan and so on. The audience as role player changes everything. We may capture some data about the interactive audience by page views and time spent on a particular web site but it is far
from a complete portrait of what is actually happening with the audience. One only has to think of the ways in which that audience use social media to engage with content to begin to see the amplitude of the difference.

Canadian audience research is fragmented with different bodies publishing different reports including CRTC, CMF, Telefilm Canada, SODEC, and CMPA, among others. The research is useful but remains limited and continues to focus on a narrowly defined understanding of audience. It purports to give a portrait of audience behaviour. But the research is neither extensive enough and remains for the most part descriptive.

The consensus that seems to be emerging across the global industry is that there has to be a shift in thinking towards the nature of the consumer experience and the value offered to consumers through different modes of distribution and different distribution packages. The industry has to experiment with different ways of inviting audiences into the film experience in ever more meaningful ways. This will require novel approaches, partnerships and a significant involvement of the public sector.
The film and television world—in fact, generally speaking, the cultural world as a whole—has been a world defined by gatekeeping. The audience had very little say, if any, in when and where they could see a particular program. In a gatekeeping world, distributors were one of a set of gatekeepers. From a policy point of view their role as gatekeeper was valued, but not as much as other players.

Gatekeeping is the efficient management of scarce resources: screens and schedules. Even as theatres expanded or contracted to meet market demand there always remained a clearly defined limit on the number of screens and the scheduled availability of screens. In television, even as the channel universe expanded, the 24-hour day remained immutable.

Gatekeeping was like a valve mechanism that determined under ideal market situations the flow of the right product to the right screens at the right time to meet audience demand.

The on-line world is defined by abundance. The elimination of scarcity also erodes the traditional gatekeeping role. When a consumer is no longer bound by a schedule other than one of his or her own construction, when a cinematic treasure trove lies available with the click of a mouse or the tap of a finger, when the consumer revels in the sheer power of decision making control then we have entered a new world.

With abundance came a different set of problems: how do I choose what to watch? This is a very different question from the ones consumers faced even with the proliferation of channels and genuine new viewing options. The broadcaster and cablecaster remained the gatekeepers of the consumer viewing experience. Now, the question of “what do I watch?” has become a genuine one; it is no longer, “what shall I settle for?”; it is rather “how shall I find that which will suit what I need at this moment in time, even if I don’t know what it is that I need?” That is where we have seen the rise of curation as redefining the relationship to the audience.

This is not to suggest that gatekeeping has already been superseded or displaced. Viewing habits are still predominantly defined by traditional screens whether in movie
theatres or on television channels programmed by the gatekeepers. But it is changing and the rate of change is gathering pace. We are in a period of transition in which change is ongoing and uncertain. We cannot predict what the world will be like in ten years let alone five or three. We don’t have to; what we need to be able to do is to distinguish between the normal fluctuations of any industry and the more significant indicators of real change and we need to be responsive to the latter ready to adapt as and when necessary. Film policy must situate itself in that space to help manage transition because it is in those places of transition that the greatest risks lie and the greatest opportunities.

Often overlooked or understated is the depth of knowledge and passion distributors bring to their work. They have seen thousands of hours of film; read hundreds of scripts; had engaged discussions with filmmakers and producers from around the world. There are few others who have a comparable grasp of film combined with a knowledge of audience. In his best-selling book Outliers Malcolm Gladwell, based on the work of psychologist Anders Ericsson, posits that a critical factor in expertise and success is directly proportional to time invested, his so-called “10,000-hour rule”\(^5\). It is clear that distributors are among those who have amassed that level of time in understanding film and audience. It is not simply a question of viewing; it is not a fan’s viewing whose intents and aims are quite different. The distributor watches with a particular, critical lens, always asking, “Who is the audience for this film?” Programmers at film festivals are among the few who will have equivalent levels of expertise.

However, the lens with which they view is different. It is determined more by a critic’s and cineaste’s sensibility. They ask, “How do I find what is different and unusual to bring to my audience?” The demands of a festival audience, bounded by a start and end date and by the nature of a festal event, are very different from the demands of a daily cinema going public. There are two quite different decision making processes in play and it is in the latter that the distributor more than any other lives or dies.

From a policy perspective distributors are one of the key driving forces in the financing and marketing of Canadian films. Over the last ten years CAFDE members have invested upwards of $400 million in Canadian production\textsuperscript{6}. It has been a distinguishing mark of the success of the feature film distribution policy of 1988.

Distributors have also been key in the export of Canadian films ensuring a strong Canadian presence on the cinematic world stage and increasing the economic value of Canadian films. Canadian distribution policy has focussed exclusively on distribution within Canada but it would be a mistake to neglect the importance of Canadian distributors’ export activities and its contribution to the long-term financial and creative health of the industry.

Distributors are passionate about their work, about the films and about connecting those films with audiences. They are committed in a way that no non-Canadian distributor is to the success of Canadian films. In the age of the engaged audience, that passion acquires a whole other value, a way of speaking and connecting to the audience hungry for that level of engagement. These are latent assets which have not yet been properly exploited; the digital world affords exactly the right opportunity for that. One of the tasks ahead will be to understand how to leverage that capability. Marcel Fenez, Global leader for PwC’s Entertainment and Media sector, reflecting on the ongoing massive changes in the media world noted that, “The bedrock of a strategy fit for the digital age is the digital mindset: getting ever closer to the customer – across the entire organisation, and in everything it does. We now see that mindset embedded in many entertainment and media companies. But the industry needs to get even closer to the consumer and adopt more flexible business models. To do this, companies must exhibit three behaviours: forging trust with consumers; creating the confidence to move with speed and agility; and empowering innovation. This will be an important step in monetising the digital consumer.”\textsuperscript{7} Canadian distributors are ready to respond but policy instruments must catch up to provide the support in a time of major transition and uncertainty.

\textsuperscript{6} Communications MDR, \textit{The Canadian Feature Film Distribution Sector in Review: Trends, Policies and Market Developments} (CAFDE, September 2012)

\textsuperscript{7} “PwC Issues Global Entertainment and Media Outlook 2014-2018.”
At exactly the moment when the distribution sector needs to solidify its economic base to continue their work in investing in Canadian film, to invest in the digital future and to manage the transition to that future there are worrying signs that there is incipient erosion in the pillars of that economic base. Access to independent foreign films is the economic foundation on which Canadian distributors rest. This depends on adherence to the Film Distribution Policy of 1988, which moved to protect the territorial integrity of Canadian rights. Policy should look at ways in which the intent of that policy can be reinforced and strengthened.

Distributors have long had a good relationship with the Canadian broadcast sector, an essential exhibitor of films. That too is changing. Film policy and broadcast policy must be aligned; broadcast support is essential for the continued health of Canadian film.
THE POLICY OBJECTIVES

Maximizing Content

The principle elements of maximizing content seem to be fairly straightforward: enact a policy that ensures the greatest number of films are produced. This would assume that one film is perfectly substitutable for another. Evidently, this is not the case. Tastes and preferences differ among consumers and also within individuals whose choices will be affected by a set of contextual situations such as mood, environment, whether alone or in company, what kind of company and so on. Film is not a fungible product; it has many different possibilities: genre films — horror, action, thriller, comedy; auteur films; children’s films; documentary films. How do we decide on what is a sufficient number of films and the equilibrium point among different kinds of films? It seems that the principle to apply to both questions is that there should be enough content of any particular kind to satisfy a consumer at any point in time.

In ideal conditions the market would provide the equilibrium points. However, there are three things to consider. Firstly, market conditions in Canada are not ideal; the industry experiences a range of market failures. Secondly, the public good which the policy is to satisfy is one that is not defined purely or even exclusively in market terms. What may satisfy the needs of consumption does not necessarily satisfy the needs of citizenship. This has led, for example, to special considerations for feature documentaries and family films. Thirdly, the market responds to what exists; it cannot determine a preference for unknown possibilities. Thus, for example, much of the technological innovation of the last decade has led to a range of new products and services that could not have been pre-determined by market choice. The market discovered those products and services after the fact. The key word here, one which is becoming determinant in a digital era, is discoverability. Nevertheless, despite these qualifications, the market provides strong indicators of audience preferences and is a good first step to answering how much content and what kind of content should be produced. Thus the decision making on the public financing of films should have strong
market guidance. The key to this is the distribution sector. It is distributors who are closest to the wants, desires and appetites of consumers. Their economic livelihood depends on their ability to remain in touch with audience tastes. This suggests that distributors must be instrumental in the selection of films.

This would begin to help answer the content question by trying to approximate the workings of ideal market. But how do we measure the cost of unfulfilled demand in a distorted marketplace? For example, there may be an unfulfilled niche demand for films about small town life which accounts for about 30% of the Canadian population. Economically, it may be difficult to justify such projects. Yet we may feel it is important to do so in the same way that we might wish to provide adequate rail or air transport even when not merited economically. We would do it for the social good it provides. There may be a range of niche demands (although we might consider all of Canadian film as a niche demand and thus we are talking of niches within a niche) such as social issue documentaries, films about art, animation feature films and so on. As mentioned, there is specific funding mechanism to answer some of these niche demands such as feature documentary fund and funding for Aboriginal films. Of particular concern to Canada, with one of the world’s most diverse demographics, is to connect with its diverse citizenry.

From a public policy perspective one wants to have the greatest diversity of films available, Canadian and foreign (i.e. neither Canadian or American). The availability of a full range of world cinematic culture has a particular social importance when we think of the diversity of Canada. It is Canadian distributors who have ensured that Canadians have access to the richness of world cinematic cultures.

Maximizing Choice

The digital revolution has forced the issue of choice into the front lines. We have moved from an era of audio-visual choices constrained by the technological limitations of the televsual system to one of potentially no constraint. Scarcity of channel possibilities has been replaced by abundance. The world is open to us. A consumer can theoretically
access content from anywhere in the world at any time. One would presume that this would lay to bed the question of choice. One could say to the consumer: everything is on the table; all you have to do is choose. But abundance brings its own set of problems that confound the possibilities of genuine choice.

An unlimited number of films in and of itself does not offer choice. If all the films are of a kind that have no interest for a particular viewer that viewer has no choice. Alternatively, if the films are only available at a cost that is prohibitive there is effectively no choice. An accumulation of a great number films may ensure that on average, an average viewer may find a film that more or less is the one he or she wishes to watch. However, from the perspective of the rational citizen it is both arbitrary and does not maximize choice for any individual at a given point in time. It flattens the demand curve to an average, which is how the market will tend to operate on the principle of maximizing revenue at minimum cost. This may exclude a range of possible film choices. In that exclusion, what may also be excluded are the works that answer the rational citizen’s desire for the public good, for example a broad perspective on Canada and the world through the lens of Canadian creators. In that manner, the citizen/viewer will have been deprived of choice.

In a perfect market, the market would determine the optimum range of films, which would include Hollywood, Canadian and foreign films. The perfect market implies a level playing field where products are accessible to their intended audiences when they want and where they want. It also implies that audiences have perfect information about all the products.

However, this is not the case. There are significant market failures in all aspects of the system. Hollywood’s dominant market power distorts both the flow of information

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8 Sheena S. Iyengar and Mark R. Lepper, ‘When Choice Is Demotivating: Can One Desire Too Much of a Good Thing?’, *Journal of Personality and Social Psychology*, 79 (2000), 995–1006. This paper famously showed the difficulties of too much choice. It noted that “a growing body of research also suggests that people can have difficulty managing complex choices... as the attractiveness of alternatives rises, individuals experience conflict and as a result tend to defer decision, search for new alternatives, choose the default option, or simply opt not to choose.” However, the studies were based on unmediated or “uncurated” choice. I would suspect that trusted curation would have the effect of alleviating the anxiety of choice and enhancing the value of choice.
and access to screens. (While we tend to think of this as particularly a problem for Canada and other non-US markets; it is worth while noting that it also poses issues in the United States for independent filmmaking existing outside of Hollywood and purview of the studios.)

Thus maximizing choice (presuming that content has been maximized) is a function of accessibility and information. Accessibility means availability on a screen that is convenient at a time that is convenient. At the extreme end of the scale it means the particular film that the viewer wants to watch always available on a screen that is always handy. This is both the cornucopia and the Pandora’s box opened by digital. Even that is not optimal given the realities of when and where Canadians access films. The choice of theatrical experience, which is fundamental to cinema, is constrained by the limits of screen access and by cost. Cost has increasingly proven to be a barrier for audiences and is cited as one of the main reasons for not attending movies.\(^9\) Then there is the particular problem of servicing rural and regions outside metropolitan centres.

Given that public investment in cinema is to further a public good, then that public good must be a good for all Canadian citizens.

As important as availability of Canadian films on theatrical screens is, it is not the only access issue. Canadians watch the majority of their films (over 90%) on television.\(^10\) From the point of view of public policy wishing to maximize choice, it becomes important to ensure that accessibility to Canadian and independent foreign films occupies an appropriate space on the non-theatrical screens, particularly, at this point in time, on television.

Despite audience interest in films and growth or consistency in accessing films on television there have been worrying indications of a shift in programming on conventional and pay, away from films. It is illogical to pursue a public policy that invests as heavily as Canadian government does in production and not ensure that Canadians have as wide an accessibility as possible to those productions. This, even


\(^{10}\) Canadian Heritage, *Looking Ahead: Viewing Canadian Feature Films On Multiple Platforms*, 2013
more so, for television which should be the prime site for the programming of such films. There needs be a particular obligation for the public broadcaster to be a key supporter of Canadian films. It is ineffective to have a public broadcasting and a film policy that are not aligned.

The regulatory changes following on from the Let’s Talk TV hearings, which are attempting to modernize broadcast regulation, do not impact the underlying argument for a coherence between film and broadcast policy. The elimination of genre protection may have as an unintended consequence an impact on the programming of Canadian films. However, given the continued requirement of expenditure levels and an emphasis on dramatic programming should include regulatory benchmarks for Canadian feature films.

Over the last couple of years streaming is beginning to make an impact as an important means of watching films. Netflix proved to be an immediate success in Canada, within a year reaching close to a million subscribers and it is estimated that it currently has over 4 million subscribers. Streaming on a range of platforms promises to grow increasingly important. The question of the impact of OTT and streaming services is a complex one. For the industry the question posed by OTT services like Netflix is: do they have an unfair advantage by not being subject to a regulatory requirements on exhibition requirements and minimum Canadian programming expenditures? From a policy perspective, the point of view of the rational citizen, the question is somewhat different. “Will services like Netflix increase the range of choice and diversity of programming or will it harm the ability over time to produce and have access, particularly to Canadian programming.”

Right now Netflix is the standard bearer for OTT services. But a host of others are waiting in the wings. Samson Okalow writes in Canadian Business that “what Netflix might not be able to do alone, it might be able to accomplish with the help of ‘friends’: Hulu, Amazon, even Walmart’s Vudu and others. These players all have deep pockets and if they decide to enter the Canadian market, the competition it could engender

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would attract scores of consumers and likely upend the traditional industry model in Canada. It seems inconceivable that this wouldn't lead to more cord shaving—and cutting." And how does one respond to services like YouTube, whose non-professional channels are attracting millions of viewers and which is investing heavily in professional content?

There are no immediate and simple answers. Even gathering basic, necessary information from the OTTs to assess the nature of the situation is proving difficult. The situation is complex and will require fresh and innovative thinking about how to marry the needs of the Canadian citizen with the pressures of a globalized, digital world.

The various film policy statements and studies have underscored the importance of marketing but the thinking has stopped far short of any in-depth analysis. Essentially, they have stated a need to spend more on marketing. Yet that leaves everything open to question: the relative ratio of public funding for production and marketing; how to enhance marketing efforts in an era of social networks and the prevalence of digital communication; the role of education in embedding a greater understanding of different cinematic cultures, how to increase marketing testing, how to initiate actionable social science research on audience behaviour and so on.

We have noted above the distributors have an unexploited asset in the depth of their knowledge of film and in their passion for cinema. In a digital era where personalization is so central to media experiences, distributors must look at ways in which this knowledge can be translated into an effective tool for engagement with audiences.

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Maximizing Cultural Benefit

When we talk about cultural benefits what are we referring to? What is the public good at stake here? There are a number of elements at play:

i) National identity and cohesion — A cohesive society is a public good in which all citizens feel that they belong, that they have a right to participate freely in civic society and take advantage of all the opportunities afforded by that society. Culture is a principal means of bringing society together.

ii) Enrichment — Creative works enlarge our lives bringing joy and firing our imaginations. It gives us different lenses with which to see and comprehend the world.

iii) Pride — Cultural works that succeed on the national and international stage boost national morale. We see it clearly when Canadian films are nominated for Oscars or win standing ovations at a major festival like Cannes.

iv) Possibility — Great achievement in culture inspires achievement in all areas of life. The work of culture enlarges the scope of our ambitions.

v) Creative capital — A successful cultural policy would ensure the opportunity for talent to find its voice in this country. It would mean that Canada would not lose the potential inherent in that talent either through abandonment of the effort to create or through “brain drain” where the brightest and best take their talents elsewhere.

vi) Creative attraction — Talent attracts talent. A successful industry would see Canada become a magnet for leading talent bringing with it the possibilities of new modes of creation and opening the doors to innovation.

vii) Projection of a Canadian view to the world — Soft power has become an increasingly important diplomatic tool. For middle powers, like Canada, public diplomacy is important, because it allows them to punch well above their weight in world affairs.

15 "Soft power" is a term coined by Joseph Nye in his influential 1990 book, Bound to Lead: The Changing Nature of American Power. In it he posited that non-conventional means such as through culture could be very effective in achieving diplomatic ends.
The desired cultural benefits depend crucially and directly on connecting with audiences. To achieve the public good of maximizing cultural benefit depends primarily on a strong and vital Canadian distribution sector working in partnership with other key players.

The cultural benefit is not limited to ongoing cinematic works. There is an enormous value, both cultural and economic, in the archives of Canadian cinema. In a digital age, with the possibility of making access to the rich treasure trove of Canadian films on a wide variety of platforms, we are nowhere near exploiting the true value of our cinematic heritage in building audiences for Canadian works and in delivering on the cultural and economic goals of film policy.
Maximizing Economic Benefit

In 2013 Canadian box office reached $1.1 billion. Canada is considered one of the leading feature film markets in the world. The value of feature film production in Canada amounted to $351 million in 2012-2013. In the same year the industry generated close to 8,000 full time jobs, directly or indirectly. Canadian film exports generated $104 million in sales each of the years 2011/12 and 2012/2013, an increase of 46% over the previous year (2010/2011). A 2013 study indicated that TIFF contributed $189 million dollars to Toronto’s economy in fiscal year 2012-2013 and created or maintained close to 2,300 jobs. The same year Hot Docs commissioned an economic impact study which revealed a contribution of almost $30 million to Ontario’s GDP.

Because of the more stringent regulatory regime Canadian television sector is operating closer to its full economic potential (although as with everything the terrain is shifting because of digital disruption). The same is not true of the film sector. Although, box office and other indicators seem to show a certain plateauing this is not inherent in the value of the sector. It has to do with market distortions that have not been fully addressed. Strengthening the film value chain will not only deliver the cultural and social public goods envisioned by film policy, it will also significantly enhance the economic benefit. To strengthen the film value chain is to put distribution more proactively at the heart of film policy alongside production.

As new international trade agreements are enacted, as cultural industries continue as a significant part of global trade and as digital becomes dominant within the cultural sphere, it is imperative that Canada develop more cohesive and focussed policies for the export of cultural goods to strengthen its position within traditional markets and

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14 CMPA, Profile 2015: Economic Report on the Screen-Based Media Production Industry in Canada (prepared by Nordicity for CMPA, AQPM, March 2013)
develop a strong presence in emerging markets. Within the film sector distributors should be the central agents of export policy. Canadian distributors are well positioned to extend their expertise on the global stage. The consequent benefits will be economic and cultural as well as increasing substantially Canada’s global footprint.

**Maximizing Innovation**

One of the themes of this paper is change; that the audio-visual industry is living through a process of ongoing and rapid change and that we are only at the beginning of that process. It is change driven by technological, business and social innovation. Canada has consistently lagged behind in its responsiveness to the forces of change.

Yet, curiously innovation as a specific theme has not been a focus of policy documents. The irony is that in an industry built on creativity, the remarkable élan of its productions has not been matched by innovation in business practices. This is a structural issue exacerbated by a lack of policy focus on innovation. There has been a consistent pattern of underestimating the impact of technological shifts.

The problem is that innovation is costly, high risk and, often, the economic returns are not immediately apparent. The consistent response of the audio-visual industry to the demands of the digital domain has been that it is difficult to finance and hard to monetize. The way that industry research is conducted and interpreted reinforces a conservative take on change. For example, report after report state that, despite all the talk of digital disruption and a shift towards audience control of media on streaming platforms available anytime, anywhere, television remains the principal means by which audiences consume film and television content. This may be so, but it misses the point. The so-called “evidence-based” approach is always looking through the rear-view mirror at what has happened. The past is not a reliable predictor of the future in times of rapid change.17

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17 Labeling an approach "evidence-based" can be misleading and attach an aura of scientific legitimacy when none such is warranted. Much of what is called evidence is statistical data that depends for its meaning on interpretation. Interpretation can be fractious and the same set of data can yield contrary results. There are other issues besides interpretation. To start with, are we always seeking the right kinds of data to begin with? Secondly, is the data being used to formulate testable hypotheses?
Innovation depends for its lifeblood on great research and development. One of the issues that bedevil the industry is research that is inadequate, fragmented, limited in imaginative scope and not actionable.

Despite the myriad of reports and statistical data that seem to be compiled and released they tend to replicate a standardized model of providing a snapshot of an industry in a moment in time. First of all, there is no centralized research function within the industry. Reports are prepared by the Statistics Canada, CRTC, Telefilm, the CMPA as well as various other public sector agencies and industry organizations. The research is all about data gathering. It does not set out to test actionable hypotheses. Some of the findings are contradictory; others questionable. Nor does the industry utilize to any great extent existing academic research or partner with universities and research institutes to develop inventive research programs to aid innovation. For example, there is a vast body of economic literature on the nature of consumer choice. Very little of it is referenced in trying to decode the world of abundance of consumer choice in film content. Nor do the reports tap into the rich academic work on the nature of consumer behaviour.

Overall, Canada as yet provides inadequate support for high-risk innovative experimentation and prototyping. A balance has to be found between a regulatory system and policy approaches whose intent is to ensure stability and continuity with incentives to take risks and explore innovative business practices.

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18 For example, Telefilm reports that 75% of movie viewing is done on television; a Canadian Heritage report says that it is upwards of 90%.

19 The field is extensive and rich. Daniel Kahneman, for example, is a Nobel laureate in economics but who is a psychologist. He won for his work on how we make decisions which questioned traditional economic thinking of the “rational consumer”. His book, *Thinking, Fast and Slow*, 1st ed (New York: Farrar, Straus and Giroux, 2011) became an award-winning best seller. The real issue is, to put it crudely, can we take some of this thinking and hypothesize how it would lead to different ways of presenting movie choices to audiences?
Conclusion

Setting out a course for new policy directions is like working a jigsaw puzzle in which the model picture is continually morphing even as you try to fit the pieces together. The only constant is the ongoing nature of the market failure; the enactors of it may shift from the media giants of yesteryear to the Googles, Facebooks and Netflixes of today but the dynamics of that market failure are consistent. This requires a different approach to policy making; one which eschews the definitive for a policy that is about process that levels the playing field for different players, whether incumbents or new arrivals. It must allow the different players the means to be responsive to the ongoing changes and to manage the particularities and dangers of transition periods.

From a public policy perspective it should matter little whether the public good is achieved through legacy businesses or through so-called upstarts. What this paper has attempted to show is that from that perspective, the point of view of the rational citizen, distribution, even as it must adapt and change, remains central. A two-fold process must take place. Certainly, we must institute the means to be adaptive and responsive to the ongoing changes; to build for a different kind of media future. But, first, to get there, to deal with the heightened uncertainties of transition periods when nothing is firmly anchored in place and as new economic models are tested for viability, one must ensure the financial viability of the sector. One must give them the tools so that they can do their job effectively. This means revisiting and strengthening the Film Distribution Policy of 1988. It is only on a firm financial footing that the sector will be able to experiment and innovate with new methods of connecting with audiences. We need them to do that for the success of the industry as a whole. Thereafter, we must follow up with a set of policies that encourages and supports innovation and audience development.
REVISIONING FEATURE FILM DISTRIBUTION
PUBLIC POLICY FOR AN ERA OF DIGITAL UPHEAVAL
INTRODUCTION

The Canadian government, like nearly all governments in the developed world and many beyond, has been and continues to be committed to the importance and necessity of a distinctive national voice in feature films. Over the years it has put in place various policies and substantial funding to nurture the development of a healthy and vibrant Canadian feature film industry. In many respects the efforts have succeeded. In the decade between 2003 and 2013, 932 Canadian feature films were produced, an average of 93 a year with a total production value of over $3 billion or an annual average of $312 million. The films, roughly split two-thirds English, one-third French, covered a range of genres, styles and subject matter. The films have been critically acclaimed, selected for competition in major festivals, including Cannes, Toronto, Berlin and Sundance, and sold around the world. Recently, for three-years running a Canadian feature has taken one of the five coveted nomination spots for the Oscar for best foreign language film. All are significant achievements.

The Evolution of Film Distribution Policy

Over the years, much of the focus of the industry and government has been on the supply side of the equation, ensuring a significant and critical volume of films for the domestic and international marketplace. The demand side has been less developed in terms of the policy instruments even while there has been an acknowledgement of the importance of audience. In the year 2000 the federal government established new policy directions for Canadian feature films with the specific objective of shifting the focus from “building an industry to building audiences”. However, the road to building audiences was seen predominantly through a production lens with a strong emphasis on increasing the talent base. The importance of distribution was noted, but it merited only one paragraph in the new policy approach and that as an adjunct to production. It noted that, “Film distributors play a key role in building audiences

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20 CMPA, Profile: 2013, pp69-70
21 Canadian Heritage, From Script to Screen: New Policy Directions for Canadian Film, 200, p.3
through partnering with producers. This is an important partnership that must be maintained and reinforced.²²

Even as audience became the policy mantra the understanding of audience remained limited to a box office figure. From Script To Screen set a target of attaining 5% of the Canadian box for Canadian films as the sole measure of audience success. Five years later, the review of the feature film policy by the House of Commons Standing Committee on Canadian Heritage, Scripts, Screens and Audiences: A New Feature Film Policy for the 21st Century, again noted that the focus should be on audiences and again the understanding of audiences was limited to a question of numbers. The report asserted “that a revised film policy [must] recognize the importance of measuring audiences for the viewing of Canadian films in the many non-theatrical contexts where films may be watched.”²³

Of its thirty recommendations only one specifically referred to distribution. Recommendation 22 asked that “the Department of Canadian Heritage develop and manage an initiative to provide ongoing support to film production companies, distributors, and exhibitors of Canadian films. This initiative should include a component that provides support for the transition to digital and e-cinema. It should also include a marketing component for a national film promotion strategy.”²⁴

The report itself cited from the submission of CAFDE as well as other industry professionals about the problems of distributing, marketing and promoting Canadian film. However, there was no industry consensus on a concerted policy approach. Overall, the report noted that there was a confusing welter of agencies, tax regimes and policies dealing with film, partly as a result of federal-provincial jurisdictional issues; partly as a result of different agencies dealing with different aspects of film policy.

Many of the same issues had been raised two years earlier in a report by François Macerola on Canadian Content in the 21st Century.²⁵ On one crucial issue the industry

²² Ibid, p. 10
²³ Canada, Standing Committee on Canadian Heritage, Scripts, Screens and Audiences: A New Feature Film Policy for the 21st Century (Ottawa, November 2005)
²⁴ Ibid, p. 167
²⁵ François N. Macerola, Canadian Content in the 21st Century in Film and Television Productions: A
and both the Macerola and the Standing Committee reports agreed—the importance of greater Canadian broadcaster involvement in feature films.

The most significant policy considerations for feature film distribution occurred twenty years previously in the mid-1980s. In 1983 a Task Force Report on *The Distribution, Exhibition and Marketing of Canadian Films* proposed a regulatory regime for the development of a strong Canadian distribution sector.26 Four years later the Raymond-Roth Task Force report, *Canadian Cinema: A Solid Base*, pinpointed both the rationale for strong indigenous distribution and the means to get there.27 The report made the strong case that without a vital distribution sector there could not be a strong Canadian film industry. Canadian distributors were crucial for the financing of Canadian films, there was no evidence or history of support from American majors for Canadian films, and for bringing those films to market. However, relying solely on Canadian features did not provide an adequate economic base for a distribution sector that could grow, thrive and nurture and support the further growth of the Canadian film industry as a whole. Canadian distributors could only succeed if they had access to a range of product which it could bring to the Canadian marketplace. The result was a new distribution policy established by the Conservative government in 1988, which remains in effect to this day.

**1988 Distribution Policy: A Robust Framework**

In its strongest formulation the 1988 policy would have strictly regulated the Canadian feature film rights market with the Film Importations Bill. The essence of the Bill would have ensured that all non-proprietary films would be distributed by Canadian companies. The communiqué from Communications Minister Flora Macdonald declared that “the new legislation will assist Canadians in breaking the stranglehold that foreign distributors currently hold on screen time in Canada. With the ability to bid for rights to films in the Canadian market, Canadian distributors will

*Matter of Cultural Identity* ([Hull, Quebec: Canadian Heritage, 2003)


have a better chance to acquire important independent films that can then be combined with Canadian films to create commercially marketable packages.”

The Bill proposed to add teeth to the proposed law by giving the government the right to impose fines of up to $200,000 a day for any infractions. That Bill, like earlier similar legislation in Quebec, did not survive intense lobbying pressure from the American majors. However, other elements of the Film Policy did survive including a distribution fund and measures under the Investment Canada Act to prevent the foreign takeover of Canadian distribution companies and the establishment of new foreign distribution enterprises in Canada other than for the importation of proprietary films.

The upshot was that the intent of the Film Importations Bill to ensure that the Canadian market was not integrated into a single North American rights market became the de facto reality. As a Nordicity study of Canadian distribution prepared for the department of Canadian Heritage noted, “the majors which were established before the 1988 Film Distribution Policy continued to operate as distributors in Canada without restriction even for titles they had not produced. However, they began the practice of expanding into various territories through their newly established 'classics divisions'. These divisions could not open shop in Canada without a foreign investment review, and so they signed output deals with Canadian distributors…[who] also benefited from developing relationships with the independent mini—majors in the US – Orion, Vestron, Miramax and New Line. From these sources, Canadian distributors could acquire the domestic rights to commercially viable, non-studio film projects, which has been especially important in the English-language market in Canada.”

The results were almost immediate and positive.

In his 2003 report on Canadian content, Macerola noted that “In the three-year period before the introduction of the Distribution Policy (i.e., 1986-87 to 1988-89),

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29 Acheson and Maule, “The Proprietary Rights Initiatives in Canadian Film Distribution Policy.” pp. 3-8
30 Nordicity, Study of the Audiovisual Distribution Sector in Canada ([Gatineau, Québec]: Canadian Heritage, 2011)
Canadian-owned distributors earned an average of 14% of all theatrical revenue. [Ten years later] between 1997-98 and 1999-00, their share of total revenue rose to 22.5%\(^3\). However, more than a decade later a report on trends in Canadian film distribution noted that in 2011 the Canadian distribution sector had a 23.1% share of the market. In other words, the growth in theatrical revenues had plateaued early. Their total share of the distribution market, including all non-theatrical windows, fluctuated between 25% and 30% of the market. The bulk of revenue for distributors’ came from the non-theatrical windows: sales to Pay-Tv, conventional TV and significantly from home video\(^3\).

The success of the Film Distribution Policy in fostering a solid Canadian distribution industry also saw payback in significant levels of investment in Canadian films. CAFDE estimates that in the period from 2000 to 2010 Canadian distributors invested over $400 million in Canadian productions in minimum guarantees and marketing expenditures\(^3\). The 1988 Film Distribution Policy set in place a fundamental condition of success for Canadian distribution and thus for Canadian feature film as a whole. Subsequent policy statements while focusing on audience did little to build on the 1988 policy.

**Policy Responses to the Digital Revolution**

One thing becomes very quickly clear in looking at the evolution of feature film policy over the past two decades: although there is an understanding in principle of the importance of film distribution and marketing and of audience, it hasn’t translated into a truly granular grasp of the nature of the business and how crucial it has been for the success of Canadian films. Nor is there a complete grasp of the nature of the ongoing changes besetting the industry. The technological innovation that has shifted the locus of control towards audiences/consumers has been driving the remarkable changes we

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\(^3\) Macerola, *Canadian Content in the 21st Century in Film and Television Productions*. P. 91

\(^3\) CMPA, *Profile: 2013*, p.86

\(^3\) CAFDE, “Maintaining a Strong Canadian Owned and Controlled Market,” *Digital Canada 150*, July 2010
are living through. Our policies have not yet responded adequately to those fundamental shifts.

While audience has become a reference point in many of the policy statements, it remains an “old-media” understanding of audience: audience as numbers to be captured whether in terms of box-office or TV ratings. This is true even as the policy statements pointed to the impact of digital. The various studies repeat what has become the truism of the digital age — “audiences want to have instant access to watch anytime, anyplace on the platform of their choice” — but there has been little analysis or understanding of what that means and consequently how new approaches and new policies can open new ways of creating and delivering content and engaging with audiences.

As well, there has been very little focus on innovation whether in media forms or in business models. In the policy statement from 2000, From Script to Screen, the word “innovation” makes a brief and vague appearance with reference to creation. It says that the aim of the policy “is to foster excellence and innovation in Canadian creators by giving them the time, money and tools to develop their stories for exhibition on the big screen.” In the substantial report (265 pages) of the House of Commons Standing Committee on Canadian Heritage, Scripts, Screens and Audiences, innovation does not appear at all. Nor does it appear in the working document the CRTC prepared for interveners in the Let’s Talk TV hearings.

We are in a time of rapid, ongoing and disruptive change in the audio-visual industries driven by profound technological, demographic and socio-cultural shifts. No aspect of the industry is left untouched by the digital tsunami. No aspect of our audio-visual culture is left untouched by the forces of change. It is part of a much larger movement that leaves no sector of our economy, health care, security, educational and social systems untouched. It is having a profound impact on the ways in which we engage with, consume and influence and are influenced by the audio-visual world.

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34 Canada, Canadian Heritage, From Script to Screen: New Policy Directions for Canadian Film, p. 9
35 CRTC, Working Document For Discussion, Broadcasting Notice of Consultation CRTC 2014-190-3 (Gatineau, 2014),
And we are only at the very beginning of these changes; the pace of technological innovation that has social consequences is unabated. The Pew Research Centre, a non-partisan think-tank based in Washington, DC, canvassed close to 2,000 experts on digital life in 2025. Most of the experts agreed that we are moving to a “a global, immersive and ambient computing environment.” The implications for the future are enormous. It is clear that the ways in which we conceive, create, engage, and use media will take on forms that we can hardly imagine.

Even Hollywood is desperately struggling with how to respond and get ahead of the massive shifts wrought by the digital revolution. As the editors of a recently published book of interviews with major Hollywood players noted “These conversations [with the studio heads] ultimately draw our attention to the increasing number of moving targets that studio executives have to maintain command of in order to distribute their content successfully in the digital era; they must simultaneously adjust to a landscape of new technologies and platforms along with evolving consumer habits; respond to new marketing and branding imperatives while adjusting to rapidly changing business and development strategies; juggle ever-present piracy concerns with pressures from the international market for more content; and face growing competition from a host of aggressive new players in the content distribution business, some of whom they already rely on to distribute their own products. Uncertainty and innovation are two common dynamics discussed by these executives. … If there is a common sentiment in this group of executives, it is that they ultimately see digital distribution as a very complex puzzle full of tremendous choice, one with increased responsibility to engage with consumer demand.”

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Why Privilege Film?

One may ask why does film merit such intense and specific consideration. The broadcast world, for example, has been subject to greater scrutiny and agonizing most recently the Let’s Talk TV hearings of the CRTC. It is argued that television plays a much larger role in the lives of Canadians than feature films. Nevertheless, films continue to occupy a privileged position. Is this simply nostalgia or a holdover from a past that is already past? It may be worthwhile to analyze why feature films merit such consideration.

There is clearly an economic argument to be made for the importance of film. In 2013 Canadian box office reached $1.1 billion. It is considered one of the leading feature film markets in the world. The value of feature film production in Canada amounted to $351 million in 2012-2013. In the same year the industry generated close to 8,000 full time jobs, directly or indirectly. This does not include the economic value generated by the hundred plus film festivals across the country. The Toronto Film Festival alone, alongside Cannes the most important festival in the world, generates millions of dollars in positive economic impact. In addition to economic impact the passionate engagement of audiences with their local film festivals speaks to a power in film that is not matched by any other art form. It is clear that feature films remain buoyant but the buoyancy of box office and of festivals is a symptom of something deeper, something that speaks to the longevity of the film form and the reason it retains such a hold in the hearts of audiences and filmmakers.

Film is mythic in the way that television is not. Even when most film may be consumed on a range of screens and platforms other than its initial theatrical release, its form and mythic status is determined by the theatrical exposure which lingers in the heart of the world of film. The very history of cinema points to the mystery of its survival. The advent of TV was to have been the death of cinema and yet despite shifting audiences film did more than survive; it retained a magical hold on our...
imaginative world. It acquires its power from the specificity of the theatrical experience for there is no one who has not had an experience of the theatre and that experience is carried into every subsequent act of watching on whatever platform, not to mention the evident power that theatrical marketing has on the subsequent life of the film\textsuperscript{40}. Hidden in that reflection is not only a point about “why film?”; it may yet point to unexplored possibilities for refashioning the relationship of audiences to filmic experience in an unfolding digital future. The algorithmic world of the Netflixes is not the end point of the evolving relationship of audiences with audio-visual content; it is but an early way station.

One has only to conduct a modest thought experiment to begin to get a sense of the centrality of film. Imagine that from one day to the next one had no national cinema. Regardless of the extent to which one sees Canadian films there would be a great sense of loss. We would as a society feel, even if we couldn’t name it, a profound sense of absence. We would feel that something was missing. We might even feel, in some indefinable way, that we had been cheated. The lack would be a very real one: it would be the absence of the possibility of mythic resonance.

**Film Policy in Other Jurisdictions**

The power of film has consistently been inherently understood by governments aware that its importance and influence transcended the media that seemed to have surpassed film in reach. Most governments have put in place film policies to nurture and promote indigenous film industries; a vibrant film industry is seen as essential component of national culture and as central to the projection of its image into the world.

In the United Kingdom the conservative government of David Cameron convened a distinguished panel to review film policy. The Panel was asked to identify barriers to growth in the British film industry. The panel reported in 2012 and two years later reported back with a review of work accomplished to date. The British review wrestled

with many of the same issues as the Canadian industry and came up with some innovative recommendations.

The European Union has been actively exploring new policy options for European film. In May 2014 the European Commission issued a Communication to the European Parliament on *European Film in the Digital Era: Bridging Cultural Diversity and Competitiveness*. It noted, “Europe’s film industry is diverse and creative. Its film heritage draws worldwide praise and has inspired several generations of filmmakers and their works. However, while Europe is good at producing a high number of diverse feature films, most European films do not reach all their potential audience in Europe and even less so in the global market. For the most part, films stay on national markets but, even there, some never reach the cinema screen or fail to secure any other distribution channels. This is a missed opportunity for spreading the diversity of European cultures worldwide, for improving competitiveness and for addressing the existing trade deficit with third countries, in particular with the United States.”

France has long had one of the most committed and rigorous regulatory policies for the nurturing of its cinematic culture. France is the third biggest film market in the world both in terms of admissions (after the United States and India) and revenues (after the United States and Japan). It is the most successful film industry in Europe in terms of number of films produced per annum, with a record-breaking 261 films produced in 2010. France is also one of the few countries where non-American productions compete head on with Hollywood; over the last few years French films took between 45% and 52% of the box office. This is largely due to the commercial strength of domestic productions, which accounted for 40% of admissions in 2011 (35.7% in 2010). Total cinema admissions in France reached a 45-year high in 2011. The top three box office hits of 2014 were French.

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42 CNC, *Results 2013* (CNC, May 14, 2014)
Nevertheless, the French industry is not immune to the roilings affecting the cinematic world. At the beginning of 2014 René Bonnell released an extensive report on The Financing of Cinematographic Production and Distribution in the Digital Era where he noted that “the economic situation of the industry is very unstable because, behind the somewhat artificial success and prosperity, are looming dark clouds.” He points to, among other factors, the disruption wrought by digital distribution and the increasing high-risks for the distribution sector. Within a few months of Bonnell’s report the announcement of Netflix’s proposed expansion into France (among six European territories), launched in September 2014, unleashed a torrent of anxious press coverage and government declarations about the sanctity of the French cultural exception. The consequences of Netflix’s arrival are still being played out.

Korea, too, has over the past twenty years instituted strong support for its film industry, within an overall focus on support of Korean cultural industries, that has seen its films displace what had been the dominant presence of Hollywood on its home screens and become a major cultural export as part of Hallyu, the Korean wave.

The examples abound. What is common to all is a strong focus on grappling with the challenge of digital disruption and an increased emphasis on engaging with audiences and the importance and larger role for distribution in crafting a forward looking film policy.

A Basis For Rethinking Film Policy

In a time of rapid change it is necessary to revisit and rethink film policy. This paper is a contribution to that reflection with a specific focus on the role of distribution. If the overall objective remains as stated in various policy papers to ensure the vibrancy of Canadian feature films, provide all Canadians with access to films, ensure the greatest use of Canadian talent and realize the greatest economic benefit from film policy then we must ask what is the role of distribution within that policy and what policy measures

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43 René Bonnell, *Le Financement de La Production et de La Distribution Cinématographiques À L’heure Du Numérique* (CNC, January 2014)
can strengthen and help achieve policy objectives? At the same time, we must be aware that in the converging digital world of media and telecommunications, one in which audiences take centre stage and national boundaries are increasingly porous, film policy cannot isolate itself from a digital policy and an innovation policy. The interest of this paper is in providing some guideposts about how to think about the future.

The approach of this paper is to start with basic questions about the objectives of policy from the perspective of the citizen in whose name the policy is enacted rather than the method normally adopted, which is to look at how to strengthen existing institutions and policies. If we accept that a national cinema is a critical public good then it is reasonable to ask what objectives would a rational citizen wish to see for a film policy whose intent is to deliver that public good in the most efficacious manner. I suggest that there are five such objectives which are interconnected and which have impacts on each other.

The five policy objectives are:

- maximize the production of Canadian content;
- maximize choice and accessibility of all available possibilities of content regardless of origin and kind;
- maximize the cultural benefit of film;
- maximize the economic benefit from the film industry;
- maximize innovation in business and cultural practices.

Evidently, the objectives are linked but they are not perfectly coherent. Necessary tensions exist among the objectives; optimizing one may have a detrimental effect on

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45 I have borrowed conceptually from John Rawls, *A Theory of Justice*, Rev. ed (Cambridge, Mass: Belknap Press of Harvard University Press, 1999). In particular (and crudely), I have adapted his thought experiment of a citizen in the “original position” making decisions for the public good “behind a veil of ignorance”, i.e. not having any knowledge of his or her particular circumstances so that regardless of what position he or she occupies in society and what his or her particular preferences are the choice would be one that he or she would agree as the best possible one.
another. Thus it may be argued that allowing the market free play will maximize consumer choice but it will self-evidently have a negative impact on a number of the other objectives (although we will also see that a “free market” in conditions of market dominance by a few players does not deliver the optimal result for choice). A rational citizen in considering the five objectives would be looking for that perfect balance among all the objectives, which will deliver maximum utility of the public good. This is not to assert that perfect balance will ensure a static film policy; quite the contrary—it must be a policy that is dynamic and responsive to the dramatic and ongoing changes in the industry. The ideas proposed must be tested against changing circumstances and how they contribute to future possibilities. The approach will countervail any tendency to favour established positions, legacy policies or entrenched entitlements at the expense of innovative solutions. Everything is on the table and is to be assessed in the light of maximum benefit for the rational citizen. This paper will proceed by examining the five principle objectives to make clear why they stake a claim to being a prime objective. It will make recommendations related to those objectives, but as will be seen there is necessarily cross-over in the analysis and in the recommendations.

To set the context for that analysis we begin by looking at the ongoing challenge of the digital revolution with a particular focus on the nature of audience. We will assess current distribution practice in the light of the desired end.

The focus of this paper is on the role of distribution, but one cannot discuss distribution in vacuo. Inevitably, there will be references and implied assumptions about the nature of film policy as a whole. Although anchored in larger questions of film policy this is not a paper that explores in any depth all aspects of film policy. Nor is this paper a snapshot, as it were, of the state of distribution at this point in time. There are recent reports that cover that terrain.\footnote{Nordicity, \textit{Study of the Audiovisual Distribution Sector in Canada}. Communications MDR, \textit{The Canadian Feature Film Distribution Sector in Review} (CAFDE, 2012): Trends, Policies and Market Developments; Peter S. Grant and Michel Houle, \textit{Broadcaster Support for Canadian Feature Film: Expanding the Audience with Television Platforms} (Telefilm Canada, February 2009); Peter H. Miller and Rudniski, \textit{Market Impact and Indicators of Over the Top Television in Canada: 2012} (CRTC, 30 March 2012); Peter H. Miller, \textit{The State of the Canadian Program Rights Market: 2014}}
What we don’t have is a larger, more strategic way of thinking about the meaning of
the data. Our responses have tended to be reactive to ongoing change. The time has
come to embrace the possibilities and opportunities of change. This is an attempt to do
so and to provide recommendations that will help us down the road of innovation to
place Canada ahead of the market and a global leader in its policies and modes of
practice in this the most dynamic of industries.
PART ONE: CONTEXT
THE DIGITAL CHALLENGE

Digital disruption is challenging the established business norms of the film industry. This is not a local or regional issue; nor is it one confined to a contained part of the industry. It is disruption that is global in reach, deep in extent and ongoing. We are only in the early stages of massive change. We will not arrive at a new equilibrium point in the near to mid-term.

However, the traditional business models are not disappearing or collapsing. They retain resilience and great economic value. We are in a period of transition in which the marginal rates of change become increasingly significant and may lead to a tipping point as it did in the music industry. It is not possible to predict to what extent that may happen or when.

The situation demands a policy approach that builds and strengthens the economic strength of the industry while establishing processes that allow for experimentation and innovation. In a small market like Canada the private sector cannot fully bear the costs of experimentation and innovation, which necessarily demands exploring avenues that may not yield results. Government has a crucial partnership role to play in developing the means of supporting such experimentation.

The Response in Other Jurisdictions

Other jurisdictions have successfully or are about to embark on exactly such partnerships. The UK’s Film Policy Review Panel recognizes that “the whole of the film sector from production to archive is grappling with the opportunities and challenges presented by the digital age…As is the case with the wider arts and cultural sector, there is a pressing need for a structured exploration of how film businesses can use digital technologies to deepen audience engagement and create new revenue models. The uncertainty surrounding issues such as audiences’ preferences, their
willingness to pay, and intellectual property rights are inhibiting the development of new business models across the British film industry.\textsuperscript{47}

In 2009 the Think Tank on European Film and Film Policy had already underscored the dramatic changes being wrought by digital. It noted that “given that costs-of-entry in the VOD market are comparatively low, the quality of marketing and branding is decisive. One of the main weaknesses of European films is marketing - almost to the point that the label ‘European Film’ has negative connotations to the general public. Better marketing, direct exposure and easier access should begin to remedy this.”\textsuperscript{48}

A year later the Scandinavian Think Tank on European Film and Film Policy ratcheted up the urgency of dealing with the digital disruption. Their key issues ring familiarly to Canadian industry observers:

- a disconnection between industry and audience which is holding back the potential of digital change;
- the need to find mechanisms to create a two-way interaction with today’s active audiences and turning customers into engaged communities;
- strategies for broadening the reach of Scandinavian film beyond national borders and to younger audiences;
- the lack of transparent data about consumer behaviour;
- the need for a public support strategy that allow establishing professional careers and building of sustainable and self-sufficient businesses;
- the need for an innovation culture.\textsuperscript{49}

An EU study, \textit{Public and Commercial Models of Access in the Digital Era}, published in 2013, highlighted the nature and impact of the digital world. “New digital media have some specific features differing from traditional media. Apart from the

\textsuperscript{47} Film Policy Review Panel, \textit{A Future For British Film: It Begins With The Audience} (London: Department for Culture, Media and Sport, January 2012, p.8

\textsuperscript{48} European ThinkTank on Film and Film Policy, \textit{Public Policies for Film: Challenges in a Changing Context} (Krakow: Council of Europe, September 2008)

reduction in costs of production and distribution and possibilities for interaction and personalisation of the media experience, new media enjoy reduced costs for service at a distance, thereby creating incentives for de-territorialisation and making traditional regulation more difficult. The capacity for personalisation of digital media also allows for – at least theoretically – better implementation of consumers’ preferences for the long-tail preferences of consumers and the catalogue of providers. The lowering of entry barriers to non-professional content and information has created new forms of user-driven innovation where consumers can express themselves more easily than ever, challenging both the legacy industries and existing regulation. Social network innovations have also been used by new players to enter into the distribution sector of this domain. This same absence of barriers has eased abuse of professional content, and regulation and policy making has so far failed to deploy efficient solutions to the problem, proving a lack of understanding of consumer perspective.50

One result is dramatic impact on distribution with the EU study pointing to new agents entering the media and content domain (e.g. Apple, Netflix). “Their approaches to markets are radically different from legacy media and they are deeply modifying the consumer experience – time shifting in TV, over-the-top services, social media, or mobile apps as main examples. Public content is experiencing difficulty becoming part of the new ecosystem without being cannibalized.”51

The situation in Korea is instructive. Beginning in the 1990s, the “Korean wave (Hallyu)” took Asia by storm and then went global. It is a movement that began with TV drama and film with significant government support. In 1993 the market share of domestic films in Korea had dropped to 15.9%. Two years later a new government instituted a series of reforms targeting technological infrastructure and cultural industries as vital to the future of the country. Within a decade the country had among

51 Ibid.
the most sophisticated and most widespread broadband services in the world while the market share of domestic films had grown to almost 50%.52

Because of government policies Korean culture experienced even further growth and expansion beyond its Asian neighbours with the advent of digital. Korean movies, television and music have become “the driving engines of the Korean wave. The growth of social media has uniquely influenced Korean creative industries because YouTube and social network sites have become significant parts of the new Korean wave (Hallyu 2.0).”53

Despite the dominance of Hollywood in the global box office, it is not immune from the profound shifts of the digital revolution. A major American study of the current tumult in the media landscape suggests that “distribution networks and technologies are where the seeds of transformation have been sown. Indeed, screen media distribution has undergone a veritable revolution in the twenty-first century, overthrowing institutional relationships, cultural hierarchies, and conventional business models…[with the result] that major film and television companies must radically realign their business models around fresh modes of delivery or risk losing their audiences to a host of new rivals in the digital space.”54

At Sony, Richard Berger, Senior Vice President, Global Digital Strategy, noted that “new technologies constantly disrupt traditional distribution models. Rather than fight it, I think we are embracing it. We are actively trying to figure out ways to innovate with new distribution models and monetize them.”55

Kelly Summers, former Vice-President, Global Business Development and New Media Strategy at the Walt Disney Company, was less sanguine about the ability of the majors to innovate. She noted, “there just wasn’t the same kind of energy around digital on the inside, because the traditional revenue streams are significant. On the outside, you spend a lot more time with people who are really trying to change things

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53 Dal Yong Jin, ‘The New Korean Wave in the Creative Industry: Hallyu 2.0’ (University of Michigan, 2012)
54 Curtin, Holt and Sanson, Loc 127–141
55 Ibid, Loc 944
by creating better consumer experiences, monetize content in new ways, and try to evolve the industry.”

How Digital Disrupts Distribution

The digital revolution is having a major disruptive impact on traditional film distribution practices. The issues that emerge consistently across all jurisdictions are:

i. **Windowing**: the industry has been able to maximize revenue based on the exclusivity of platforms for pre-determined periods in an “orderly marketplace”. A film would have a theatrical life, followed by DVD, Video-On-Demand (VOD), pay TV, and free TV. The system conceived in the early 1980s with the burgeoning of home entertainment with video worked well; however, digital has undermined the model. Windows are collapsing and various players are experimenting with different forms of distribution releases. The issue is how to innovate business models that will sustain the economics of the industry in a transition period of great financial uncertainty. While there has been experimentation in Canada it has been haphazard and uncoordinated. We need a more rigorous approach to experimentation that go beyond testing different window options.

ii. **The value of digital.** It is a truism that digital cents do not make up for the loss of television dollars. However, the truism must be questioned by different forms of experimentation with digital distribution. DVD sales which have been very lucrative for the industry have been in ongoing decline. Digital rentals are growing rapidly. There is slower adoption of electronic sell-throughs; but that is likely to change as consumers become accustomed to owning “in the cloud”. Already, consumers are habituated to having their music or their personal photos available to them on any of their devices and anywhere by accessing the cloud rather than on a hard drive. The question is how to add premium value to digital transactions. As Kelly Summers remarked, “You have to find ways to increase the overall value proposition for consumers by creating a product with so much utility that you can

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56 Ibid, Loc 1002
garner a premium price and actually shift consumers from low-margin products to the premium-bundled product… The smartest teams are thinking about the product in a whole new way as well. How can you create this value that doesn’t exist today and really morph the definition of product and of distribution?”

iii. *Piracy* remains a critical issue. A joint study by Ipsos and Oxford Economics in 2011 estimated that the Canadian industry lost $895 million to piracy in 2010. The issue of piracy is complex one. It is not simply that digital has made piracy easier, it is that it has created expectations in consumers for more immediate gratification than windowing approach allows. Many consumers are willing to pay for content, but are frustrated by gatekeeping which prevents their access to content they want. In addition to enforcement, education, and new methods of relating and engaging with consumers is vital in the battle against piracy.

iv. The impact of “over-the—top” (OTT) services. OTT are web-based video streaming services, like Netflix, that bypass the traditional broadcast/cable modes of television distribution. The EU study quoted above notes that “distribution of content is where the re- intermediation process is mainly taking place… [and the new players present] “new forms of potential market dominance…the platforms behave like multi-sided markets, gathering developers, producers, advertisers and consumers to create a full ecosystem, in which the owner of the platform keeps control over its main features and evolution.”

Another European study, *The Challenges of Connected TV*, published in 2013 pointed out that “some pure OTT services reach the consumer through broadband Internet from legal establishment outside EU national legislatures. Consequently, they may not be subject to national law…leading other stakeholders competing for the connected TV screen to point out that the playing field is not quite level. This issue is a potential challenge for EU institutions to consider in their drive to identify a legitimate

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57 Ibid., Loc 1176
58 Ipsos MediaCT and Oxford Economics, *Economic Consequences of Movie Piracy* (Canadian Motion Pictures Distributors Association, February 2011)
59 Feijoo and others, p. 17
locus for regulatory review, as they consider the need to maintain a framework of obligations fit for purpose in the convergence ecosystems and one that ensures, in particular, that inward investment continues to flow into high quality European content.”

This is exactly the dilemma faced by the Canadian industry where new players like Netflix have *de facto* become part of the broadcast system but are not held to the same regulatory obligations. This may have serious knock-on effects for the funding and distribution of Canadian films.

If the digital realm raises issues, it also presents opportunities in terms of new markets and new ways of engaging with audiences. Any response to the challenge of digital cannot be a response simply from a position of fearfulness and threat. It must also be bold and proactive. As the European Commission wrote in its *Communication to the European Parliament on European Film in the Digital Era*, “the digital revolution offers more possibilities and flexibility for distribution and is having a fundamental impact on audience behaviour. It is essential therefore to adapt to the digital era and use its potential to keep existing audiences and reach new ones, and to build bridges between cultural diversity and competitiveness.”

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61 European Commission, p.2
THE CHANGING AUDIENCE

The audience has been at the centre of Canadian policy discourse from 2000 with the publication of *From Script to Screen*. However, the understanding of audience in that statement was limited, defined principally by a box office figure. Subsequent policy documents all made due reference to audience as central but did little more to push thinking about what that meant. In 2005 the report of the Parliamentary Standing Committee on Canadian Heritage released an extensive analysis of film policy. Its title, *Scripts, Screens and Audiences*, privileged the audience but of its 30 recommendations only one referred to audiences and that to recommend measuring audiences “for Canadian films in the many non-theatrical contexts where films may be watched.”

The Canadian approach to audience has tended to be paternalistic: telling Canadians what is good for them, rather than engaging with them. It has been one of the consequences of a closed, regulatory system that has yielded enormous benefits but has resulted in an inadequate relationship with audiences. It has left the industry not fully prepared to deal with the disruptions of new digital technologies.

The technology is not the true revolution; it is the enabler of it by dismantling the traditional gatekeeper relationship to audiences. It has tapped into the aspirations of people to exert control over their lives.

Underlying the current mantra that audiences want to pick what they want to see at a time of their choosing, on platform of their choice, is a very potent force: control over one’s decisions. This may seem trivial in relation to questions of what movie or TV show should I watch, but it is not when such actions are intimately and directly part of our lives every single day. It is enormously powerful and liberating to exert some degree of control over an activity on which a consumer spends an enormous amount of time. The Canadian industry has not fully understood or embraced the nature of this radical change.
A New York Times profile of Susan Wojcicki, the chief executive of YouTube, published in December 2014, opened with a question posed to her at Vanity Fair’s inaugural technology conference where she was discussing the future of media with Richard Plepler, the chief executive of HBO. The question was, “would cable television still be around in 10 years?” No one batted an eyelid; but only a few years before such a question would have been beyond the pale of comprehension. Wojcicki’s answer was, “Maybe”.

Jonathan Mahler, the New York Times journalist, wrote that “if cable TV is gone in a decade, Ms Wojcicki and the global digital video empire over which she presides will be one of the main causes. YouTube, founded in 2005 as a do-it-yourself platform for video hobbyists—its original motto was ‘Broadcast Yourself’—now produces more hit programming than any Hollywood studio.”

In a poll conducted by Variety in August, 2014 the five most influential celebrities among Americans aged 13-18 were all YouTube stars.

Journalist Nicholas Hune-Brown in a feature article on tween culture wrote that “the highest-ranking movie star, Jennifer Lawrence, lagged well behind someone named PewDiePie, a Swedish 25-year-old who films himself cracking jokes while playing video games. His videos have been seen more than 6.5 billion times, making his the most viewed channel of all time—bigger than Beyoncé, bigger than Bieber.”

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63 Nicholas Hune-Brown, ‘For Kids, By Kids—But Not For Long’, Hazlitt, December 8, 2014
The New Audience

The nature of audiences is changing. Audience has become a catch-all term, arithmetically reflected in broadcast ratings or theatrical box office, which obscures the fact that “audience” in our traditional sense of the term is a subset of something much more extensive. The dichotomy of makers/distributors and receivers of content no longer obtains. Audience are no longer receivers; they are role players. Our audience may at any time be co-creator, citizen, activist, teacher, learner, collaborator, fan and so on. The audience as role player changes everything. We may capture some data about the interactive audience by page views and time spent on a particular web site but it is far from a complete portrait of what is actually happening with the audience. One only has to think of the ways in which that audience use social media to engage with content to begin to see the amplitude of the difference.

In June 2014 Edelman released its eighth annual study on how and why people consume and share entertainment. The study’s findings highlighted “consumers’ expectations for unprecedented control over their entertainment experience.” Gail Becker, Edelman’s President, Strategic Partnerships and Global Integrations, said that “consumers want their entertainment ‘selfie-style’, content centered on them, immediately gratifying, engaging and shareable across their social networks.”

The study underscored a marked shift in consumer behaviour noting that while multi-screen behaviours were not new, consumers were proving to be far more willing to engage with an app or some form of entertaining content regardless of who created it. The study reported that “discussions, analysis, content creation and other forms of sharing used to be relegated to super-fans. Today, it’s ubiquitous.” It underscored how the phenomenon of binge viewing has increased significantly in the United States. “Interestingly, the desire to satisfy people’s internal needs are the primary drivers for binge-watching.”

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66 Edelman, ‘Edelman Study Finds Consumers Want Entertainment “Selfie---Style”’
A New Approach to Audience Research

Canadian audience research is fragmented with different bodies publishing different reports including CRTC, CMF, Telefilm Canada, Sodec, and CMPA, among others. The research is useful but remains limited and continues to focus on a narrowly defined understanding of audience. It purports to give a portrait of audience behaviour. But the research is neither extensive enough and remains for the most part descriptive. Where it attempts to go beyond the descriptive it relies on mainly on focus groups and surveys. Useful as they may be they need to be expanded with new investigation modalities and bolstered by rigorous testable social science research. For example, there is no experimental work being done on ways to attract consumers to different kinds of movies through testable hypotheses. Yet, the Journal of Consumer Research, to take one example, publishes peer evaluated academic research on topics like that in a range of industries; the papers are rich with a range of methodologies and practices that may be adaptable to research focussed on the audio-visual industry.

Recent research, based on a focus group study commissioned by Telefilm, the CMF and Sodec, published in September 2014, suggests that “most movies are watched at home mainly to relax at the end of the day – hence a relatively low level of involvement.” It is unclear what is meant by “low-level of involvement” but without further exploration it may mislead on the nature of audience engagement. For example, a host of other studies point to increased levels of audience engagement—“the selfie-style” that Edelman posits.

The UK Film Policy Review pointed to “a strong public appetite to engage with film, not just as consumers, but as producers, curators and critics. The development of social media has been a powerful tool in this. Technological advances will allow faster access to audiences and more direct relationships between filmmakers and audiences.”

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68 Film Policy Review Panel, p. 20
A European Commission study on film audiences, *A Profile of Current and Future Audio-visual Audience*, published in 2014, was the first study to take the European film audience as a whole and attempt to understand it and to make proposals for new ways of investigating that audience. The authors stated that “the Study tells us clearly that people make careful choices and take care to ensure that the film they are about to watch is going to provide the pleasures they are looking for… Segmentation tells us that the European audience is not a homogeneous mass. Different audiences want different pleasures and watch movies for different reasons. Indeed, the same people want different pleasures at different times.”

One American commentator noted that “television has completely reinvented itself. … Television, once stuck in a giant unmovable box, is now an actionable thing. You don’t just sit there anymore, staring at it. You watch, react, tweet, repeat. In that order. Contrast that with theater-going. Going to the movies was traditionally a social event—bring a date, friends, maybe family, and sit in the dark among other people; everyone watches the same thing—but now that seems so lonely. So one dimensional. You’re just sitting there in the dark, passively, not doing anything. You can’t talk. So the problem with going to the movies is that, comparatively, it’s not nearly as dynamic as watching television.” In this case, television also includes the movies watched on television. This points to one of the defining characteristics of the new audience: it is in search of experience.

There is currently a range of research examining the relationship of consumers to experience. One study, for example, suggests that “many consumers are attracted to unusual and novel consumption experiences and choose vacations, leisure activities, and celebrations that are predicted to be less pleasurable and enjoyable.”

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70 Paul Cantor, ‘Hollywood Has a Major Problem’, *Medium*, 2014 [https://medium.com/@PaulCantor/hollywood-has-a-major-problem-b3491b6919e9](https://medium.com/@PaulCantor/hollywood-has-a-major-problem-b3491b6919e9)

It posits that “consumers are attracted to these activities and products because they view them as opportunities to collect new experiences and build their ‘experiential CV’ … a desire to accomplish more in less time is so powerful that it not only affects consumers’ performances in vocational (or “production”) settings but can influence their leisure preferences and consumption choices as well.” While not directly transferable to consumer choices for movie going it does open up possibilities to research new modes of creating experiences.

Studio executives in Hollywood are focussing on the nature of the consumer experience. Thomas Gewecke, Chief Digital Officer, Warner Brothers says, “we’re in a marketplace where technology is really fundamentally transforming how consumers experience and find and discover and choose to purchase or consume our content. It’s changing that experience at a very rapid and accelerating pace. We have to be continuously asking the question, ‘What do consumers want to do with our content?’ even if it is not what we have continuously sold to them and continuously adapting our business to be aligned with the disruption and innovation that is happening in the marketplace.”

Kelly Summers, former Vice-President, Global Business Development and New Media Strategy at the Walt Disney company, developed a digital presence strategy that focussed on the consumer experience. She asked what can “we as Disney do for the consumer within the digital channel, since the consumer experience is different depending on which platform you buy from. … Who is determining the consumer experience in those cases?”

Exhibition owners are doing this in an ad hoc way through installing new systems into their theatres such as Ultra AVX (audio video experience) and D-Box motion seats, wired to move and vibrate along with the action on the screen. What they understand and are experimenting with is creating new experiences for cinema goers.

72 Ibid.
73 Curtin, Holt and Sanson, Loc 1266
74 Curtin, Holt and Sanson, Loc 1124
Experience is not limited to physical sensation. It is also and more predominantly about social interaction, about the construction of experience with one's peer group in and around an object of interest. We have hardly begun to explore the possibilities of that for cinema.

Cinema going is event driven. One only has to look at the buzz around film festivals. There are over 100 film festivals in Canada from small rural communities to the world dominant festivals of TIFF, Hot Docs, Festival du Nouveau Cinema, Montreal World Film Festival and so on. They cover a range of general and niche programming interests. The cinematic audience is there and massively supportive of these festivals. One study estimated the audience at the top forty Canadian film festivals in 2011 was 1.9 million. This illustrates how powerful a draw movies can be, and in most cases at festivals it is for movies that are not the Hollywood mainstream.

Evidently, the festival ambience is different from the quotidian cinematic experience. The experience of watching on-line or on television is different from going to the movie theatre. In a country like Canada, similar to the observations in the European audience study, the audience is not homogenous. The experience and relationship of Quebec cinema goers to Quebec films is quite different from that in English Canada.

Neither is English Canada homogenous. Canada is one of the most multi-cultural countries in the world and the major urban centres, key loci for film going, much more so with the largest cities approaching or passing a 50% non-white population. As a diverse country we have hardly begun to tap into the meaning and potential of the range of audiences.

The consensus that seems to be emerging across the global industry is that there has to be a shift in thinking towards the nature of the consumer experience and the value offered to consumers through different modes of distribution and different distribution packages. The industry has to experiment with different ways of inviting audiences into the film experience in ever more meaningful ways. This will require novel approaches, partnerships and a significant involvement of the public sector.

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75 Nordicity, *The Economic Contribution of the Film and Television Sector in Canada* (Motion Picture Association of Canada, Canadian Media Production Association, July 2013, pp31-36)
THE DISTRIBUTION BUSINESS

As a producer, I can make the most thrilling or challenging movie imaginable, with the best crew and most talented cast, but unless I have a well thought-out arrangement with an effective distribution resource, one which understands how to market a film in different countries and when necessary to different audiences, I am, to a great extent, wasting my time.

Lord David Puttnam, The Undeclared War\textsuperscript{76}

If content is king, then distribution is King Kong. The power and profitability in screen industries have always resided in distribution.

Stuart Cunningham, Jon Silver, Screen Distribution and the New King Kongs of the Online World\textsuperscript{77}

Distribution for all that it has been highlighted as important to the success of the film industry, has never been fully understood. A traditional definition notes that, "The film distributor is not merely a middle-man between the production company and the exhibitor, limited only to buying and selling the product. Essentially, film distribution is the marketing activity for films. In addition to formulating and implementing promotional and advertising strategies, the distributor will liaise with the media, produce all necessary promotional materials (publicity shots, stills, artwork, press kits), provide advice on all aspects of production (enhancing the marketability of the film, casting, etc.), and provide financing for productions through advances and buying of rights.\textsuperscript{78}" Although factually correct it misses out on some crucial and under appreciated changes that distribution is undergoing in response to the changes within

\textsuperscript{76} Quoted in Film Distributors’ Association, ‘Submission to the UK Film Policy Review’, 2011, p.4
\textsuperscript{77} Stuart Cunningham, Screen Distribution and the New King Kongs of the Online World, Palgrave Pivot (Houndmills, Basingstoke, Hampshire: Palgrave Macmillan, 2013). Kindle. Loc 125
\textsuperscript{78} Anthony Leong, Lara Kalins, Oren Levy, Marion De Marcillac, and Annekatrin Scholze, The Film Distribution Industry in Canada, 1996, quoted in Communications MDR, p. 25
the industry as a whole. The definition dates from 1996 when the audience for the distributor was essentially the exhibitor and broadcaster; the direct marketing activities were adequately dealt with by traditional consumer marketing and promotion. While most of that definition remains a valid description of the work of the distributor the digital revolution is reshaping the very nature of distribution in ways that will give it new roles and even greater importance. It has to do with the growing importance of the audience as an active player in the film value chain. The digital domain has shifted greater power to the consumer to change the parameters of choice.

The film and television world—in fact, generally speaking, the cultural world as a whole—has been a world defined by gatekeeping. The audience had very little say, if any, in when and where they could see a particular program. (Even more, audience has actively become involved in the financing of projects.) In a gatekeeping world, distributors were one of a set of gatekeepers. From a policy point of view their role as gatekeeper was valued, but not as much as other players.

Gatekeeping is the efficient management of scarce resources: screens and schedules. Even as theatres expanded or contracted to meet market demand there always remained a clearly defined limit on the number of screens and the scheduled availability of screens. In television, even as the channel universe expanded, the 24-hour day remained immutable.

Gatekeeping was like a valve mechanism that determined under ideal market situations the flow of the right product to the right screens at the right time to meet audience demand. Over the course of time it became extremely sophisticated through all the changes the film world underwent in the post-1945 world with the advent of television. In Canada, the adjustments, particularly from the late sixties onwards with the establishment of the Canadian Film Development Corporation (later Telefilm Canada), focussed on dealing with market failures in ways that also became increasingly sophisticated, but always in line with a traditional view of film operations and with a strong bias towards the supply-side of the equation.
The on-line world is defined by abundance. The elimination of scarcity also erodes the traditional gatekeeping role. When a consumer is no longer bound by a schedule other than one of his or her own construction, when a cinematic treasure trove lies available with the click of a mouse or the tap of a finger, when the consumer revels in the sheer power of decision making control then we have entered a new world. Take as a small example the battles royal that would often play out in living rooms over who would control the remote control or zapper. It has become such a cultural commonplace that it became fodder for comic strips, stand-up riffs, sit-coms, newspaper columns, and so on. This was a predicator of pent-up audience desire to control their own programming. The digital world gave them that.

With abundance came a different set of problems: how do I choose what to watch? This is a very different what consumers faced even with the proliferation of channels and the new viewing options offered by the cable networks; they still remained in the thrall of gatekeeping. Now, the question of “what do I watch?” has become a genuine one; it is no longer, “what shall I settle for?”; it is rather “how shall I find that which will suit what I need at this moment in time, even if I don’t know what it is that I need?” That is where we have seen the rise of curation as redefining the relationship to the audience. The curator is like that special teacher who opens doors into unimagined worlds; there not to decide for us but to initiate us.\(^\text{79}\) One solution to the puzzle of curation has been to set-up self-curation through ever more precise algorithms. The relevant service becomes something like an Artificial Intelligence (AI) machine learning all the time how to read the consumer with the end goal in some sense to become the consumer. Already some streaming services are offering a “lean-back” functionality which will offer a continuous stream of programming based on a viewer’s preferences, constantly updated by an algorithm adjusting to new choices. We are in early days here yet; and it is not possible to predict with any precision the directions and forms curation will take. However, one can begin to see modes of operation and possibilities that can be tested. This form of testing will be important to keep ahead of the game.

\(^\text{79}\) David Balzer, *Curationism: How Curating Took Over the Art World and Everything Else*, 2014
This is not to suggest that gatekeeping has already been superseded or displaced. Viewing habits are still predominantly defined by traditional screens whether in movie theatres or on television channels programmed by the gatekeepers. But it is changing and the rate of change is gathering pace. We are in a period of transition in which change is ongoing and uncertain. We cannot predict what the world will be like in ten years let alone five or three. We don’t have to; what we need to be able to do is to distinguish between the normal fluctuations of any industry and the more significant indicators of real change and we need to be responsive to the latter ready to adapt as and when necessary. Film policy must situate itself in that space to help manage transition because it is in those places of transition that the greatest risks lie and the greatest opportunities.

Within that context it is worthwhile to reconsider what it is that distributors’ actually do. We will see that already within their modes of operation are the incipient qualities that will make them more adaptable and more necessary in an audio-visual world increasingly defined by curation.

A recent academic study commented critically on the unseen role of the distributor. “Thus, distributors mould public thirst for aesthetic trends, inform audiences’ textual encounters with films and prescribe which audiences see which films. Distribution does not just respond to demand: it feeds, structures and limits demand. … Distribution is therefore a means of hidden selection and discrimination, of curation and censorship.”80 Turn this on its head and we can see here an incipient and great strength of the distributor. They are, de facto, the front-line curators of our cinematic experience. And they put their money on the line to do it.

Often overlooked or understated is the depth of knowledge and passion distributors bring to their work. They have seen thousands of hours of film; read hundreds of scripts; had engaged discussions with filmmakers and producers from around the world. There are few others who have a comparable grasp of film combined with a knowledge of audience. In his best-selling book Outliers Malcolm Gladwell, based on

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80 Harris, p. 14
the work of psychologist Anders Ericsson, posits that a critical factor in expertise and success is directly proportional to time invested, his so-called “10,000-hour rule”\textsuperscript{81}. It is clear that distributors are among those who have amassed that level of time in understanding film and audience. It is not simply a question of viewing; it is not a fan’s viewing whose intents and aims are quite different. The distributor watches with a particular, critical lens, always asking, “Who is the audience for this film?” Programmers at film festivals are among the few who will have equivalent levels of expertise.

However, the lens with which they view is different. It is determined more by a critic’s and cineaste’s sensibility. They ask, “How do I find what is different and unusual to bring to my audience?” The demands of a festival audience, bounded by a start and end date and by the nature of a festal event, are very different from the demands of a daily cinema going public. There are two quite different decision making processes in play and it is in the latter that the distributor more than any other lives or dies.

**Distributors and the Financing and Export of Canadian Films**

From a policy perspective distributors are one of the key driving forces in the financing and marketing of Canadian films. Over the last ten years CAFDE members have invested upwards of $400 million in Canadian production.\textsuperscript{82} It has been a distinguishing mark of the success of the feature film distribution policy of 1988. In his 2003 report on Canadian Content François Macerola noted that, “In this regard, it should be recalled that, prior to the mid-1980s, foreign-controlled distributors were free to acquire the Canadian distribution rights to Canadian feature films. Yet they did so only on rare occasions. No French-language Canadian feature was acquired, and English-language acquisitions were limited to a few titles with obvious international commercial potential…even when foreign distributors had unrestricted, unlimited freedom to acquire and exploit the distribution rights to Canadian feature films in

\textsuperscript{82} CAFDE, 2010
Canada, their contribution to Canadian feature film financing was insignificant, compared with that of Canadian-controlled distributors.83"

What it means concretely is actually a great deal more than dollars invested. As one distributor commented, “We get an idea that is inherently marketable but the package that comes to you is soft. An example of that might be somebody who comes with an unpublished Canadian novel by a Canadian novelist. Great idea for marketing but not ready to make into a movie yet. Our job is to bring our expertise, our knowledge or market awareness to the table and help that producer change this rough unfocused concept into something that can raise money in international sales and be appropriate for the marketplace. That’s a big value added for producers.84"

Canadian distributors have a strong commitment to supporting and nurturing emerging Canadian talent. Entertainment One (eOne), for example, has as a strategic objective the development of Canadian talent. Mark Slone, Executive Vice President, Canadian Theatrical Distribution at eOne, says, “We have a stream which I would call ‘talent development’. This is where we put small films with emerging film makers at modest budgets in the hope that we’ll have break-outs and in the expectation that we will build film-making talent.”85

Hussain Amarshi, President of Mongrel Media made the same point. He noted that when Michael McGown came to him with a script for his second feature, One Week, he committed to the film at script stage. Mongrel tailored a campaign to suit the needs of that film. “We set a release date for late March and started campaigning in October the year before. We decided that this was a ‘word-of-mouth’ film, that this was not going to be driven by reviewers or the critics, and we didn’t get the extra help that you can get with a U.S. release. So we started with 30 screenings of the film and then adding more screenings and more screenings. Then we embraced the internet on this. We had a fantastic web campaign. We had a website. We had all kinds of contesting. We had never done something like that before at that point. We had basically generated

83 François N. Macerola, p. 96.
84 Interview, October, 2014
85 Ibid
interest through music on the film. Music on the film was fantastic. We had billboards, we had transit shelters and we came up with the whole idea about road movie in Canada with a guy on a bike. And then the audiences embraced it and it did well.” Hussain underscored a crucial point. “We loved the film. We believed in the film and we decided the selling point of the film was Canadiana, it was Canadian, this was a Canadian film. This was about Canada. This was a love song to Canada.”

There are two things to note here. One is the passion. Distributors do the work they do because they are passionate about the films and connecting those films with audiences. Hussain noted that “we see films that we love and we take a chance.” Mark Slone said, “I have to say all our successes come from some individual who gets passionate about a filmmaker and a project and champions it. This is what it comes down to.” It was a refrain repeated by Robin Smith at KinoSmith who has championed feature documentaries.

The second is the passionate attachment to Canadian works. They are committed in a way that no non-Canadian distributor would be to the success of those films. Mark Slone: “Our goal is to make Canadian content culture viable as a real business. We want to deliver Canadian stories to Canadians and make money doing it, that's our goal.”

There is obviously a value to the passion in the level of commitment to Canadian films and filmmakers. But in the age of the consumer as “selfie”, the passion acquires a whole other value, a way of speaking and connecting to the audience hungry for that level of engagement. These are latent assets which have not yet been properly exploited; the digital world affords exactly the right opportunity for that. One of the tasks ahead will be to understand how to leverage that capability. Marcel Fenez, Global leader for PwC's Entertainment and Media sector, reflecting on the ongoing massive changes in the media world noted that, “The bedrock of a strategy fit for the digital age is the digital mindset: getting ever closer to the customer – across the entire organisation, and in everything it does. We now see that mindset embedded in many entertainment

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86 Interview, October, 2014
and media companies. But the industry needs to get even closer to the consumer and adopt more flexible business models. To do this, companies must exhibit three behaviours: forging trust with consumers; creating the confidence to move with speed and agility; and empowering innovation. This will be an important step in monetising the digital consumer.\(^8\) Canadian distributors are ready to respond but policy instruments must catch up to provide the support in a time of major transition and uncertainty.

Distributors have also been key in the export of Canadian films ensuring a strong Canadian presence on the cinematic world stage and increasing the economic value of Canadian films. Canadian distribution policy has focussed exclusively on distribution within Canada but it would be a mistake to neglect the importance of Canadian distributors’ export activities and its contribution to the long-term financial and creative health of the industry.

**Moving from Supply-Side Policy to a More Integrated Approach**

Distribution has been one of the great unheralded success stories of Canadian film policy. The challenge going forward is how to navigate through a period of ongoing, turbulent and disruptive change. It will require more risk-taking, more innovation, more experimentation and more funding. At the same time, the industry needs to manage transition, even if change is ongoing and rapid, it remains choppy and uneven.

Traditional habits of cinema going do not change overnight; modes of consumption are shifting but there is no new norm. Canadian distributors have proven themselves adept at responding to challenges given certain conditions. The film policy of 1988 recognized that market dominance by a few Hollywood players created enormous inequities in the Canadian feature film market place. Ensuring that distributors had access to product ensured profitability and the ability to enhance the whole value chain

of Canadian cinema. The appendix of case studies will illustrate the range and quality of work of Canadian distributors.

However, policy has not kept pace with the dramatic changes in the industry. As already noted despite the references to distribution and audiences the focus of policy has been predominantly on the supply side. This has been highlighted as a problem in other jurisdictions. In Britain, Lord David Puttnam made the point that “films reach their audiences by professional design, not purely by accident or lucky chance… but because all intellectual property markets are ‘content-led’, any forward-looking film policy in the digital age must adopt demand-side, as well as supply- side, strategies.”

The European Commission made the same point. “The focus of film policies on support to production is not matched with efforts related to delivery to the audience. The current state aid system is predominantly supporting film production without sufficient emphasis on distribution.”

At exactly the moment when the distribution sector needs to solidify its economic base to continue their work in investing in Canadian film, to invest in the digital future and to manage the transition to that future there are worrying signs that there is incipient erosion in the pillars of that economic base. Access to independent foreign films is the economic foundation on which Canadian distributors rest. This depends on adherence to the Film Distribution Policy of 1988, which moved to protect the territorial integrity of Canadian rights. Policy should look at ways in which the intent of that policy can be reinforced and strengthened.

Distributors have long had a good relationship with the Canadian broadcast sector, an essential exhibitor of films. It is essential, even as the broadcast industry is changing, that broadcast remain a partner in the financing and broadcast of Canadian films.

Although, we are living through highly changeable and disruptive times one thing is clear: that whatever shape the future takes, a strong, vital Canadian film industry will depend on a vigorous, healthy Canadian distribution sector.

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88 ‘Lord (David) Puttnam Shows Film Distribution Is At The Heart Of UK Film Culture And Consumption In The Digital Age’, moviecitynews.com, March 24, 2011
89 European Commission
PART TWO

POLICY OBJECTIVES AND RECOMMENDATIONS
The principle elements of maximizing content seem to be fairly straightforward: enact a policy that ensures the greatest number of films are produced. This, in fact, has been the thrust of much government policy, both in Canada and elsewhere. The issue of production financing has tended to dominate the debate. The British Film Distributors’ Association put it succinctly in their submission to the Film Policy Review Panel: “Overwhelmingly, Government-backed measures to date have boosted the supply side of the industry, without necessarily making any connection with audiences. Whilst it is vital to nurture supply-side creativity, this imbalance is arguably both incoherent as a long-term industrial policy and not in the broader interest of audiences with hundreds of millions of pounds of public money at stake.”

In fact, one can say that in terms of brute numbers the policy has been successful. In the decade between 2003-2013 an average of over 90 Canadians films have been produced annually with an average annual investment in production of $350 million over that same period. That means that currently there is a library of well over 900 films from just the last decade or so. At an average of 90 minutes per film it would take a viewer watching six hours a day every day almost eight months to screen that library of films. On average Canadians watch about 80 films a year. At that rate, if they were only to watch Canadian films, it would take over eleven years to screen the library of Canadian content as it exists today without taking into account the yearly addition of films to that library. This would assume that one film is perfectly substitutable for another. Evidently, this is not the case. Tastes and preferences differ among consumers and also within individuals whose choices will be affected by a set of contextual situations such as mood, environment, whether alone or in company, what kind of company and so on.

Film is not a fungible product; it has many different possibilities: genre films—horror, action, thriller, comedy; auteur films; children’s films; documentary films.

90 Film Distributors’ Association
91 CMPA, p. 86
How do we decide what is a sufficient number of films and the equilibrium point among different kinds of films? It seems that the principle to apply to both questions is that there should be enough content of any particular kind to satisfy a consumer at any point in time.

In ideal conditions the market would provide the equilibrium points. In the United States, India or Nigeria the market mechanism seems to be effective in providing both the quantity and range of films to satisfy audience demands. However, there are three things to consider.

Firstly, market conditions in Canada are not ideal; the industry experiences a range of market failures. Secondly, the public good which the policy is to satisfy is one that is not defined purely or even exclusively in market terms. What may satisfy the needs of consumption does not necessarily satisfy the needs of citizenship. This has led, for example, to special considerations for feature documentaries and family films. Even in the United States there are a range of films, such as certain niche films that have a strong public remit, which find their support through public (e.g., NSA funding for science films) or quasi-public mechanisms (e.g., philanthropic foundations). Thirdly, the market responds to what exists; it cannot determine a preference for unknown possibilities. Thus, for example, much of the technological innovation of the last decade has led to a range of new products and services that could not have been pre-determined by market choice. The market discovered those products and services after the fact. The key word here, one which is becoming determinant in a digital era, is discoverability. Nevertheless, despite these qualifications, the market provides strong indicators of audience preferences and is a good first step to answering how much content and what kind of content should be produced. Thus the decision making on the public financing of films should have strong market guidance. The key to this is the distribution sector. It is distributors who are closest to the wants, desires and appetites of consumers. Their economic livelihood depends on their ability to remain in touch with audience tastes. This suggests that distributors must be instrumental in the selection of films.
In Canada, the vast majority of feature films are produced with public support with Telefilm as the principle agency. It has moved increasingly to decision making weighted by market considerations. In its annual report for 2013 it noted “the program now ensures that, as part of their evaluation criteria, films financed with a budget of $2.5 million or more demonstrate market interest—meaning investments from private-sector partners such as distributors, sales agents and broadcasters.”\(^92\) This is a welcome development. It needs to be looked at further to see if the involvement of distributors is optimal.

**Recommendation 1:** Public funding agencies and key stakeholders should implement new mechanisms in the funding process to optimize distributors involvement in the decision making.

**Recommendation 2:** Undertake and maintain ongoing comparative analysis, within Canada and other jurisdictions, of how films perform relative to level of a distributor’s involvement in funding and production.

However, even if distributors are or become even more involved in the decision making process they are only deciding on the productions submitted for funding. We are still left with the problem, from the perspective of the rational citizen seeking the best film policy, of deciding the optimum number of films to produce through public subsidy and finding the right balance among all the possible categories of films. At one end of the scale one can produce an infinite number of films for an infinite public investment. The other end of the scale we can eliminate public investment and the number of films produced would depend entirely on the market. The historical evidence suggests that in the latter case very few Canadian films would be produced and the public good desired of a film policy would not be achieved.

Canadians watch on average about 85 films a year (with significant variation between Quebec and the rest of Canada both in average number of films viewed and on which platform). The overall market share of views of Canadian feature films in theatres, on DVD (rentals and sales) on television (conventional, specialty and pay) has remained relatively stable, averaging 5.7% from 2007 to 2011. In 2011, this amounted to approximately 93 million views of more than 750 Canadian feature film titles. Over 95% of those films were theatrically released between 1980 and 2011. The rest had been released before 1980.\(^{93}\) What the figures don’t indicate is the relative popularity among the 750 titles. A few titles may dominate the total viewing figures. Nor do the figures provide us with the criteria to assess whether the current levels of investment are adequate or inadequate from the perspective of the rational citizen wishing to optimize the public good.

**Recommendation 3:** Establish criteria to decide how many productions annually, on an average basis, constitutes a critical mass of film in terms of audience impact. The work should answer the question whether public funding is leveraged in the best possible way, particularly in balancing funding for supply side and demand side of the industry. It should also look at what is an appropriate ratio of failure to success.

It also leaves unanswered the question of balance among different kinds of films. The latter has been an issue that surfaces repeatedly in a debate about whether public investment should be made in “auteur” films or “commercial” films: the former defined purely by aesthetic and critical criteria; the latter by box office success.

In 2010 François Macerola, then head of Sodec, raised a storm of protest when he suggested a diversity of films to be financed by Sodec.\(^{94}\) A petition signed by 80 filmmakers protested what they deemed to be an unacceptable move.

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away from “auteur” cinema to a more commercial cinema. In effect, what the filmmakers were saying is that the market should not be the decisive factor in deciding what films are made.

Subsequently, Macerola clarified that he was not steering the boat away from auteur but towards greater diversity. The lack of audience for certain kinds of auteur films may in fact be a question of market failure which would demand support of policy to ensure that such films are made for the importance they have for other reasons.

That particular storm erupted even as Quebec cinema was being fêted for its extraordinary success in Quebec with indigenous films reaching historic market share in Quebec. (From a policy perspective, it remains a partial success as those same films did not replicate their success in the rest of Canada. If one of the policy aims is to suggest that film acts as a force of national cohesion then there is a problem when different parts of the country are not engaged with each other’s artistic enterprises.) That success provoked the production of even more “auteur” driven films. The result, according to one distributor, has been a decline in Quebec audiences for Quebec films. According to the distributor the pendulum had swung too far in the direction of films that had a more limited appeal. Normally, a market mechanism would provide a corrective. But the market mechanism is only imperfectly reflected in funding decision making. This, of course, reinforces the necessity of the distributor input. But that is only a partial answer. It would also be helpful if the distributors’ knowledge of audience and markets were deployed much earlier in the production process.

In the UK the Film Review Panel highlighted this as a major issue and as a tension point between production and distribution. It noted that “in recent years this area of film policy has been framed in terms of whether the UK industry should be distribution-led or production-led, suggesting the two are mutually exclusive. This has been an unhelpful polarisation.

95 À Tout Prendre, ‘Pour en finir avec le mythe de la rentabilité’, 2010
96 Private conversation
We have heard evidence that many problems of independent UK film stem from the misalignment of interests between production and distribution, especially because the sectors are not integrated. Producers and distributors have often treated their interactions as a zero-sum game, where one party’s gains correspond to the other one’s losses. This misalignment is an obstacle to a more successful integrated industry and prevents audiences from having access to a broader range of films.\textsuperscript{97} The Review summarized the particular difficulties of independent distribution faced with the might of the American Majors and the structural issues facing independent producers with inadequate capitalization and inability to retain a meaningful financial stake in their films thus restricting “their ability to deliver a wider range of films to their audiences”.

The UK Panel suggested “a step-change in the way public policy operates...This approach to public policy should be underpinned by four themes: joined-up interests, partnership, industry-led collaboration and rewarding success.”\textsuperscript{98}

The issues will strike a chord with their counterparts in Canada. There has often been unnecessary friction between production and distribution sectors. In his report on Canadian content, François Macerola did a careful analysis of the arguments of the production sector against the film distribution policy. He came to the conclusion that those arguments were unsubstantiated and based on misconceptions about distribution. He recommended strongly that the distribution policy be maintained.\textsuperscript{99}

In a digital age it is essential that the policy be revisited and strengthened and with particular attention to bolstering innovative partnerships between distribution and production.

**Recommendation 4:** Public agencies should facilitate innovative ways of ensuring a greater alignment among distributors and producers and fostering new kinds of partnerships between the two sectors.

\textsuperscript{97} Film Policy Review Panel, p. 43
\textsuperscript{98} Ibid
\textsuperscript{99} Macerola, *Canadian Content in the 21st Century*, pp 89-92
The Bonnell Report highlighted somewhat similar concerns for French cinema including a concern about the range and mix of films being produced and supported. He recommended a greater involvement of distribution in the decision-making and financing of films.\textsuperscript{100}

This would begin to help answer the content question by trying to approximate the workings of ideal market. But how do we measure the cost of unfulfilled demand in a distorted marketplace? For example, there may be an unfulfilled niche demand for films about small town life which accounts for about 30\% of the Canadian population.

Economically, it may be difficult to justify such projects. Yet we may feel it is important to do so in the same way that we might wish to provide adequate rail or air transport even when not merited economically. We would do it for the social good it provides. There may be a range of niche demands (although we might consider all of Canadian film as a niche demand and thus we are talking of niches within a niche) such as social issue documentaries, films about art, animation feature films and so on. As mentioned, there is specific funding mechanism to answer some of these niche demands such as feature documentary fund and funding for Aboriginal films. Of particular concern to Canada, with one of the world’s most diverse demographics, is to connect with its diverse citizenry.

From a public policy perspective one wants to have the greatest diversity of films available, Canadian and foreign (i.e. neither Canadian or American). The availability of a full range of world cinematic culture has a particular social importance when we think of the diversity of Canada.

For example, the Asian Television Network has crafted a successful business by supplying among a range of offerings, a strong supply of Bollywood films. In 2011 the Bollywood “Oscars” came to Toronto, the first time the event was held in North America. As the Globe and Mail reported, “that broadening has been fuelled by a South Asian community now approaching 700,000 in and around Toronto. They not only consume Bollywood movies and music, but have spawned a satellite film industry
of their own, complete with acting classes and costume shops in the suburbs west of the city.”101 Canadian distributors and producers can benefit from a greater understanding of these niche markets. Canadian distributors are also the ones who currently bring the widest variety of foreign films to Canadians.

**Recommendation 5:** The distribution sector should work to create stronger and more effective links between the industry and Canada’s diverse communities. There should be a two-way information flow from the industry to the communities and from the communities to the industry providing market intelligence on the needs and tastes of different audiences for the production and distribution sectors. This should form part of a wider Audience Development Program.

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MAXIMIZING CHOICE

In his opening comments to the Let’s Talk TV Hearings CRTC chair, Jean-Pierre Blais announced: “We wanted to shift our focus from rules to outcomes. From constraint to choice. From scheduled to on-demand. From channels to programs. From meeting quotas to embracing new opportunities. From domestic to global. The new framework for television will be based on a principled approach…[with a] focus on…maximizing choice and flexibility for Canadians.”

Consumer choice has become a central motif of all discussions in the audio-visual sphere; it is seen as inherently a public good. It carries with it an essential notion of freedom of a fully self-determined individual so that while the ability to choose between consumer items may seem trivial, it is in fact profoundly anchored in our sense of values.

Although this is not the place to go into it in, we may note the particular Canadian nature of the dilemma. The debate around choice has shifted over the past number of years. As Canadians we have always been ready to balance individual values against community ones. We have always made a strong distinction between a more individualistic American society—identified with a pure market mechanism as maximizing the choice of individuals—and a more communitarian one because geography, demography and economics would have made the country impossible from a completely individualistic perspective. One of the issues for Canadians, and one that is immediately pertinent to this paper, is how to ensure that the impetus that drove communitarian response, the desire to see fair-handedness and justice to all communities is not dissolved within a crude individualism that does not distinguish between genuine and ersatz choice.

The digital revolution has forced the issue of choice into the front lines. We have moved from an era of audio-visual choices constrained by the technological limitations of the televisual system to one of potentially no constraint. Scarcity of channel possibilities

has been replaced by abundance. The world is open to us. A consumer can theoretically access content from anywhere in the world at any time. One would presume that this would lay to bed the question of choice. One could say to the consumer: everything is on the table; all you have to do is choose. But abundance brings its own set of problems that confound the possibilities of genuine choice.\footnote{Sheena S. Iyengar and Mark R. Lepper, ‘When Choice Is Demotivating: Can One Desire Too Much of a Good Thing?’, \textit{Journal of Personality and Social Psychology}, 79 (2000), 995–1006. This paper famously showed the difficulties of too much choice. It noted that “a growing body of research also suggests that people can have difficulty managing complex choices... as the attractiveness of alternatives rises, individuals experience conflict and as a result tend to defer decision, search for new alternatives, choose the default option, or simply opt not to choose.” However, the studies were based on unmediated or “uncurated” choice. I would suspect that trusted curation would have the effect of alleviating the anxiety of choice and enhancing the value of choice.}

An unlimited number of films in and of itself does not offer choice. If all the films are of a kind that have no interest for a particular viewer that viewer has no choice. Alternatively, if the films are only available at a cost that is prohibitive there is effectively no choice. An accumulation of a great number films may ensure that on average, an average viewer may find a film that more or less is the one he or she wishes to watch. However, from the perspective of the rational citizen it is both arbitrary and does not maximize choice for any individual at a given point in time. It flattens the demand curve to an average, which is how the market will tend to operate on the principle of maximizing revenue at minimum cost. This may exclude a range of possible film choices. In that exclusion, what may also be excluded are the works that answer the rational citizen’s desire for the public good, for example a broad perspective on Canada and the world through the lens of Canadian creators. In that manner, the citizen/viewer will have been deprived of choice.

In a perfect market, the market would determine the optimum range of films, which would include Hollywood, Canadian and foreign films. The perfect market implies a level playing field where products are accessible to their intended audiences when they want and where they want. It also implies that audiences have perfect information about all the products.
However, this is not the case. There are significant market failures in all aspects of the system. Hollywood’s dominant market power distorts both the flow of information and access to screens. (While we tend to think of this as particularly a problem for Canada and other non-US markets; it is worth while noting that it also poses issues in the United States for independent filmmaking existing outside of Hollywood and the purview of the studios.)

The UK Film Review Panel highlighted the nature of this problem even though, in many respects, Britain has a stronger indigenous film base than Canada and does not face the Canadian problem of territorial contiguity with the States. “Audiences have ‘imperfect information’ about the full range of films available at the cinema because the high costs of effective marketing and promotion puts smaller companies at a disadvantage… As a consequence, audience choice in a variety of media is more limited than it would otherwise be, there is a negative effect on innovation, and the growth of the market for film in the UK is hindered.

These challenges have a particularly significant impact on audience access to British films, since most independently produced British films, both new and old, are handled by independent distributors. In addition, the theatrical marketplace, in particular, is increasingly crowded and it is much harder to secure and retain audience attention both for new films and rereleases, simply as a result of the volume of material entering the marketplace.”

In France, which has a much stronger national presence on their screens than either Canada or U.K., the issue of accessibility and information remains problematic. The Bonnell report reported that “a durable and constant exhibition of French films across all of France is a necessary condition for the survival of our national cinema, stabilization of the structure of attendance and reduction on the dependence on American movies.”

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104 Film Policy Review Panel, p. 13
105 Bonnell, p. 171
The European Commission in a strategy paper on *European Film In The Digital Era*, released in May 2014, suggests that public funding should focus more on expanding the audience for European films and increasing support for development, promotion and international distribution. “At present nearly 70% of national public funding is devoted to producing films rather than maximising audience potential. More flexibility and experimentation regarding how and when films are screened is also recommended, given the increasing popularity of video-on-demand and downloading.”

Thus maximizing choice (presuming that content has been maximized) is a function of accessibility and information. Accessibility means availability on a screen that is convenient at a time that is convenient. At the extreme end of the scale it means the particular film that the viewer wants to watch always available on a screen that is always handy. This is both the cornucopia and the Pandora’s box opened by digital. Even that is not optimal given the realities of when and where Canadians access films. The choice of theatrical experience, which is fundamental to cinema, is constrained by the limits of screen access and by cost.

In Canada most theatrical screens are multiplexes dominated by one chain — Cineplex. However good a corporate citizen Cineplex is, and it has been, the dominance of American cinema makes it difficult to have a level access playing field for Canadian and other foreign films. Cost has increasingly proven to be a barrier for audiences and is cited as one of the main reasons for not attending movies. Then there is the particular problem of servicing rural and regions outside metropolitan centres. Given that public investment in cinema is to further a public good, then that public good must be a good for all Canadian citizens.

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106 European Commission, p. 7

107 Telefilm Canada, *How Canadians Select Audiovisual Content: Focus Groups in Montreal, Sherbrooke, Toronto and Vancouver, Prepared by Ad Hoc Recherche*
The UK Film Panel also pinpointed the public policy issue at stake remarking that they had “received overwhelming testament to the valuable role played by film in our communities in a number of key ways: as a means of drawing communities together through their mutual enjoyment of cultural experiences; as a means of enriching a sense of local identity through locally produced content or content featuring local subjects or interests; and as a catalyst for social action across other agendas locally and regionally. Film has a key role to play in social action – engaging people of all ages and backgrounds in their communities and enabling them to address the issues they face.”

The question of screen access was a critical one. “To ensure cinema access throughout the UK continued investment is necessary in digitisation, maintenance and development of small-scale cinemas.”

In Canada, a host of organizations look to bring Canadian and foreign cinema to less well serviced communities. Film Circuit, run by the Toronto International Film Festival, is a very successful film outreach programme, “bringing the best of Canadian and international films and artists to communities across the country. Through an alternate model of grassroots distribution, marketing and exhibition, Film Circuit encompasses over 180 groups in over 160 communities across Canada.” The First Weekend Club works to build audiences for Canadian films through grassroots marketing initiatives.

There are many film festivals that serve local communities by providing access to films that would not normally be available to them. From a public policy perspective it is vital to ensure that Canadian and other independent films are available to all Canadians. It is also an indispensable part of any audience development program.

108 Film Policy Review Panel, p. 16
109 Ibid, p. 14
110 TIFF, ‘About Film Circuit’, TIFF.net
111 First Weekend Club, ‘First Weekend Club’, firstweekendclub.ca
Canadian distributors play a predominant and crucial part in ensuring that these organizations and festivals obtain access to the films. Any weakening of the distribution sector would have a knock-on effect on the ability to deliver a broad range of programming to all Canadians.

**Recommendation 6:** Public film agencies should work with distributors, producers and exhibitors to explore new and innovative ways of making more screen time available for Canadian films.

**Recommendation 7:** Public film agencies should strengthen the grassroots work of local organizations and co-ordinate more effectively with distributors and producers to expand the audience for Canadian films, including Quebec films in English Canada and vice versa. These initiatives should be integrated within an overall Audience Development Program.

**The Role of the Broadcaster**

As important as availability of Canadian films on theatrical screens is, it is not the only access issue. Canadians watch the majority of their films (over 90%) on television. Over the last few years streaming is beginning to make an impact as an important means of watching television. Netflix proved to be an immediate success in Canada, within a year reaching close to a million subscribers and it is estimated that it currently has over 4 million subscribers. Streaming on a range of platforms promises to grow increasingly important. From the point of view of public policy wishing to maximize choice, it becomes important to ensure that accessibility to Canadian and independent foreign films occupies an appropriate space on the non-theatrical screens, particularly, at this point in time, on television.

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113 Miller, 2014, p. 18
The UK Film Policy Review Panel was particularly adamant about this issue. “It is our conclusion that evidence shows television broadcasters are a critical element of the success of local film industries in other countries, and that the variation in levels of contribution and engagement by UK broadcasters is a clear obstacle to creating a more successful and fully integrated British industry, one of the Review’s key objectives. Given that the majority of people still watch most of the films they see on television, an increased commitment to screening British films would also have an important impact on the vitality of cultural life in the UK. Similarly, the broadcasters could be a powerful force for making available information and knowledge about the breadth of film available – through increased programming about film, online content and mobile ‘apps’.”

In other jurisdictions such as France, Spain, Germany broadcasters have legal obligations to finance and air their national cinema. Market share for Canadian feature films on conventional TV in English in Canada has shown progressive growth in the period 2007-2012 from 3.9% to 8.1%. Pay-television has shown some fluctuation but remained within the range of 7% market share in the same period. In French Canada, where the theatrical share has always been stronger, the market share on conventional TV has hovered more consistently about 8% in the period 2007 to 2012, while on pay-television it has been around 11%.115

The health of the Canadian film industry depends on the commitment of Canadian broadcasters. As one distributor explained, “Right now the way it works is that when we pick a film, whether at script stage or finished, we generally factor in the fact that if it’s a Canadian film, it’ll carry a certain amount of value on television. TV is the only reliable money that we can bank on. Everything else, the box office, the video, the DVD, whatever it is, is all speculative in the sense that we don’t know.”

“Ninety percent of the films that open in cinemas be they Canadian or not Canadian don’t perform to their expectations or in relation to the spend that we commit or the

114 Film Policy Review Panel, p. 55
115 Nordicity, Study of the Audiovisual Distribution Sector in Canada
amount of money it cost to make. That’s the reality everywhere. Historically, the only reliable source of money for most films is television.”

Despite audience interest in films and growth or consistency in accessing films on television there have been worrying indications of a shift in programming on conventional and pay, away from films. It is illogical to pursue a public policy that invests as heavily as Canadian government does in production and not ensure that Canadians have as wide an accessibility as possible to those productions. This, even more so, for television which is highly regulated and which should be the prime site for the programming of such films.

There needs be a particular obligation for the public broadcaster to be a key supporter of Canadian films. It is ineffective to have a public broadcasting and a film policy that are not aligned. The BBC is required under its charter to have a film strategy. The Bonnell Report worries about the role of the public broadcasters. It states that “public television has an irreplaceable role in the question of cinematic diversity and renewal of talent and support for the great directors, most of which is not considered by the private conventional broadcaster.”

The regulatory changes following on from the Let’s Talk TV hearings, which are attempting to modernize broadcast regulation, do not impact the underlying argument for a coherence between film and broadcast policy. The elimination of genre protection may have as an unintended consequence an impact on the programming of Canadian films. However, given the continued provision for expenditure levels and an emphasis on dramatic programming regulatory benchmarks should be set for Canadian feature films.

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116 Private interview
117 Bonnell, p. 97
Recommendation 8: Benchmarks be set for expenditures on and the programming of Canadian films on Canadian conventional and pay television.

Recommendation 9: The public broadcaster, consulting with distributors, producers and other key stakeholders, should develop a Canadian feature film strategy as part of their overall broadcast strategy.

Over-The-Top Services

The question of the impact of OTT and streaming services is a more complex one. For the industry the question posed by OTT services like Netflix is: do they have an unfair advantage by not being subject to a regulatory requirements on exhibition requirements and minimum Canadian programming expenditures? From a policy perspective, the point of view of the rational citizen, the question is somewhat different.

“Will services like Netflix increase the range of choice and diversity of programming or will it harm the ability over time to produce and have access, particularly to Canadian programming.” The answer is unclear. In 2012 Peter Miller and Randal Rudniski prepared a report for the CRTC on the Market Impact and Indicators of Over the Top Television in Canada: 2012. Writing only 18 months after Netflix’s entry into the Canadian marketplace Miller was cautious about drawing any definitive conclusions about negative impact on the Canadian broadcast system. He concluded that “the good news, then, is that it is implausible to see OTT as a threat to the existence or viability of the Canadian broadcasting system in the foreseeable future. The argument made by some that new IP based, on demand technologies and platforms, require a slow managed phase out of our current regulatory system are, at best, woefully premature. What is true, however, is that Canadian broadcasting is now once again competing in an ‘open system’ with potential direct and material bypass from foreign services. OTT competition … means that the health and ability of certain players in the system to contribute and remain competitive in the face of OTT becomes a vital issue. For both the players
concerned and the system itself, the outcome will spell the difference between a vibrant ecosystem that continues to contribute in meaningful ways to the economic, social and cultural capital of Canada and an old medium whose contributions and relevancy are in ongoing decline.”\textsuperscript{118}

Two years later Miller revisited the question in a study commissioned by the CMF, CMPDA and the Friends of Canadian Broadcasting. He remained cautiously optimistic about the soundness of the Canadian system even in the face of unregulated foreign OTT competition. He wrote, “the basic conclusion from this is that, although pressures continue to mount, the Canadian rights market remains sound, and, barring material disruption, should remain so through the medium term at least.” He did, however, warn that there were “certain scenarios that could have a material effect on such an outlook.” In particular, he referenced any loosening of the regulatory requirements. He added a final note to say that in the medium to long-term there could be a number of tipping points, which would have a disruptive effect on the Canadian system.\textsuperscript{119}

The BDUs have been lobbying to reduce their regulatory burden of financing Canadian film and TV because of the unfair advantage it gives to unregulated OTT services. From a policy perspective any further erosion of broadcaster commitments to film would be deleterious. It would inevitably lead to a curtailment of choice as broadcasters compete for a narrower range of popular American programming.

Miller did estimate that at the time of his first report that Netflix was spending about 5\% of its programming expenditures on Canadian programmes and that about 9\% of its library consisted of Canadian titles, well below the regulatory requirements of Canadian broadcasters. In his second report he estimated that the level of Canadian spending had probably declined to 2 or 3\%.\textsuperscript{120} Within months of Miller’s second report, towards the end of 2014, both Rogers and Shaw reported significant loss of

\textsuperscript{118} Miller and Rudniski
\textsuperscript{119} Miller, 2014, p. 52
\textsuperscript{120} Miller, 2014, p. 18
cable subscribers, between 4% and 5% of their subscriber base. The cord cutting was attributed to the impact of Netflix.\textsuperscript{121}

A feature article in Canadian Business, \textit{Why Netflix Won’t Conquer Canada}, by Samson Okalow published in the beginning of 2013, points to some significant advantages for the incumbent BDUs but warns that time to establish competitive barriers may be running out. He quotes an RBC Capital Market Report (\textit{Pricing in a Potential OTT Inflection Point}) “which predicts a tipping point in favour of OTT will arrive somewhere between 2017 and 2019. By this time four trends will have intersected: OTT services will have reached about 20% penetration of TV households; they’ll command purchasing power at least equal to that of Canadian broadcasters; Internet-enabled TVs will be common in households; and a majority of users will have access to very high Internet speeds. Once this period arrives RBC predicts OTT will become a “viable substitute for cable and satellite television” and directly impact incumbent margins.”\textsuperscript{122} The tipping point may come sooner than predicted.

It is worth considering the experience of other jurisdictions. The announcement that Netflix would launch in France in September, 2014 provoked an intense national debate. The question revolved around how Netflix would accommodate itself to France’s rigorous cinematic regulatory system or would the French system change. Would the three- year hold on a theatrical feature before it could appear on a subscription VOD service hold? Would Netflix be subject to the rules governing pay TV players like Canal+ to invest in French productions? Marc Le Roy, a specialist in copyright law, wrote in an article for INA in June 2014 that “if Netflix dug in its heels faced with French opposition to change, the solution would be for it to operate from a foreign country in order to bypass French law. Could operating from abroad be a solution for Netflix? In that case, nothing would limit Netflix (or other SVOD players) from creating an offer that doesn’t respect the media timescale…it could

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\textsuperscript{121} Daniel Tencer, ‘Cord--Cutting, Netflix Take Their Toll as Hundreds of Thousands of Canadians Ditch Cable’, \textit{The Huffington Post}, October 27, 2014
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consequently deeply transform the media practices of the French. ”\textsuperscript{125} Should the pressure on the CRTC to impose some form of regulatory obligation on Netflix lead Netflix to reconsider how it operates in Canada? As Europe struggles with similar questions, they may look to a European wide solution, in the same way that they are considering measures to deal with the tax avoidance practices of major American corporations operating in Europe out of Luxembourg. It may be that Canada should be considering partnerships and agreements with Europe and other countries to ensure that the cultural playing field deals equitably with national cultures.

Netflix has strongly opposed the imposition of any regulatory regime. They have argued that “Canadian content is thriving on the internet. Regulating new media would impose unnecessary costs and inhibit innovation, diversity and consumer choice… For consumers, the continued evolution of streaming means more choice, accessibility, diversity, and pricing options for audio-visual content. For content producers, it means growing demand for content, both old and new.”\textsuperscript{124}

Right now Netflix is the standard bearer for OTT services. But a host of others are waiting in the wings. Okalow writes that “what Netflix might not be able to do alone, it might be able to accomplish with the help of ‘friends’: Hulu, Amazon, even Walmart’s Vudu and others. These players all have deep pockets and if they decide to enter the Canadian market, the competition it could engender would attract scores of consumers and likely upend the traditional industry model in Canada. It seems inconceivable that this wouldn’t lead to more cord shaving—and cutting.”\textsuperscript{125} And how does one respond to services like YouTube, whose non-professional channels are attracting millions of viewers and which is investing heavily in professional content?

There are no immediate and simple answers. Even gathering basic, necessary information from the OTTs to assess the nature of the situation is proving difficult.

\textsuperscript{124} Netflix, Submission, Broadcasting Notice of Consultation CRTC 2014--190, Let’s Talk TV: A Conversation with Canadians Phase 3. The Netflix submission was initially available on the CRTC site but was subsequently removed when Netflix refused to comply with a CRTC demand for information
\textsuperscript{125} Okalow, 2013
The situation is complex and will require fresh and innovative thinking about how to marry the needs of the Canadian citizen with the pressures of a globalized, digital world. Within that world distributors have the potential to play a significant national role, as emphasized again and again in the multitude of British and European studies, one absolutely crucial to ensure that Canadians continue to have access in the broadest possible ways to Canadian content. But they need to innovate in their approaches to distribution and they need the proper tools and policy instruments to do so. Without ensuring their strong economic base the threat is not simply to distribution, it is to the whole edifice of Canadian film.

**Recommendation 10:** Set up a task force bringing together industry stakeholders, public and private, government, and foreign partners with similar issues to explore innovative solutions that will balance the needs of a strong national system responsive to its citizens with the opportunities presented by new, non-national digital services.

**Access: Levelling the Information Playing Field**

We have noted that choice is a function of accessibility and information. We have also noted that there are significant imperfections in the provision of information. The information Canadians have about cinematic choices is overwhelmingly American. As one distributor said, “the fact is that when you are releasing a film in Canada you are working within the vacuum of any US media. The reality is that 80 to 90 percent of entertainment news that we consume in this country comes from US sources. When you don’t have any talk shows, you don’t have any fan magazines, you don’t have any key websites that are the drivers for audience and if none of those [that exist] are even aware of the film that you are releasing you have to overcompensate by overspending.”\(^{126}\) In that context it is hard to say that meaningful choice is possible. It is not only that awareness is heavily biased towards American cinema; it distorts

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\(^{126}\) Private interview
awareness of what other kinds of cinemas can offer and thus can lead to detrimental comparisons. A focus group study of how Canadians make their movie choices reported that “Canada’s English-language industry is poorly known and burdened by prejudices (conservative, rural, not innovative).” From a policy perspective of maximizing choice that is a problem.

The various film policy statements and studies have underscored the importance of marketing but the thinking has stopped far short of any in-depth analysis. Essentially, they have stated a need to spend more on marketing. Yet that leaves everything open to question: the relative ratio of public funding for production and marketing; how to enhance marketing efforts in an era of social networks and the prevalence of digital communication; the role of education in embedding a greater understanding of different cinematic cultures, how to increase marketing testing, how to initiate actionable social science research on audience behaviour and so on.

Distributors have an unexploited asset in the depth of their knowledge of film and in their passion for cinema. In a digital era where personalization is so central to media experiences, distributors must look at ways in which this knowledge can be translated into an effective tool for engagement with audiences.

Recommendation 11: Public film agencies should undertake a major review of the marketing of Canadian films with a broad mandate to look at issues of audience engagement, funding, effectiveness, digital readiness, partnerships, research and education with the intent to establish a Distribution Innovation Fund.

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127 Telefilm Canada, *How Canadians Select Audiovisual Content: Focus Groups in Montreal, Sherbrooke, Toronto and Vancouver*, 2014. Anecdotally, the observation seems right but we must be careful not to give it any greater validity than that. Focus groups are useful but their results can not be generalized across the whole population. Nor do the results drill into the nature of that kind of response and how it might be segmented with different kinds of audiences.
MAXIMIZING CULTURAL BENEFIT

Film policy has consistently underscored the importance of film. In 2000 From Script to Screen noted that “Film matters because it provides a window on history and a mirror of society, allowing us to reflect on the past and assess the present. Through film, we can step into the future to experience what life might be like in forty, one hundred or one thousand years from now. Film entertains. It can also educate and enlighten.

Filmmakers challenge our preconceived notions and draw us into the unbounded realm of imagination.”128

Five years later, the Standing Committee of Canadian Heritage reported, “We are living through a period of technological change at a rate unlike anything previously witnessed; the Committee is convinced, however, that film, whether seen in a cinema, watched at home, or viewed through a handheld portable device will always remain a powerful form of cultural expression. Indeed, the mechanisms we use to watch film may change, but we will continue to watch films for as long as we continue to have stories to tell. In some part of our mind the lights will go down, the flickering image will begin to take hold and we will be moved into an almost magical, even mythical world where people are stronger or weaker, more knowledgeable or less informed, less troubled or more distressed than ourselves. At that moment we enter the world of story, and participate in one of the oldest of human activities: the telling of and listening to stories. And that is why we support film.”129

European countries have consistently paid attention to the importance of film to their cultural life. In 2009 the Council of Europe issued a notice to its 47-member states reminding them of the “UNESCO Convention on the Protection and Promotion of the Diversity of Cultural Expressions (Paris, 20 October 2005), which recognises cultural diversity as a defining characteristic of humanity and strives to strengthen the creation,

128 Canadian Heritage, p. 5
129 Canada, Standing Committee on Canadian Heritage, p. 20
production, dissemination, distribution and enjoyment of cultural expressions” and “that film is an important means of cultural and artistic expression with an essential role in upholding the freedom of expression, diversity and creativity, as well as democratic citizenship”. It further made the point “that globalisation and market developments, technological developments and changing audience behaviour require constant adaptation of film policies in order to ensure that they continue to fulfil their goals.”

In France, the Bonnell Report remarked on the crucial nature of the “cultural exception” in trade agreements. “All French governments, actively supported by the industry, have for thirty years defended the axiom of cultural exception that states that the production and distribution of content cannot be subject to normal free-trade laws. Many governments have been inspired by the French example to support their own cinematographic industries...a cause increasingly taken up in Europe and other continents. In May, 2013 the European Parliament voted on a French motion to uphold the principle that cultural goods and services be excluded from the free-trade negotiation mandates between Europe and the United States.”

When we talk about cultural benefits what are we referring to? What is the public good at stake here? There are a number of elements at play here:

i) National identity and cohesion—A cohesive society is a public good in which all citizens feel that they belong, that they have a right to participate freely in civic society and take advantage of all the opportunities afforded by that society. Culture is a principal means of bringing society together. This is not a limiting or homogenizing notion of identity. On the contrary, they are the means of reimagining ourselves in a dynamic process of creation and recreation. Cultural activities and exchanges provide the essential conversation for negotiating the ways in which we can exist as a democratic society. It does so by creating social meaning through ongoing works of the imagination.

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130 Council of Europe, ‘Recommendation of the Committee of Ministers to Member States on National Film Policies and the Diversity of Cultural Expressions’, 2009
131 Bonnell, p. 15
ii) Enrichment—Creative works enlarge our lives bringing joy and firing our imaginations. It gives us different lenses with which to see and comprehend the world.

iii) Pride—Cultural works that succeed on the national and international stage boost national morale. We see it clearly when Canadian films are nominated for Oscars or win standing ovations at a major festival like Cannes. As with an individual a boost to the morale opens up the sense of possibility.

iv) Possibility—Great achievement in culture inspires achievement in all areas of life. It was not that long ago, for example, that Canadian literature was considered something of the way the Focus Group thought of Canadian film: rural, conservative and not innovative. Today Canadian writers are among the luminaries of world literature: Margaret Atwood, Michael Ondaatje, Yann Martel, Miriam Toews, Rohinton Mistry among many others and, not to forget, Canada’s first Nobel laureate for literature, Alice Munro. The work of culture enlarges the scope of our ambitions.

v) Creative capital—A successful cultural policy would ensure the opportunity for talent to find its voice in this country. It would mean that Canada would not lose the potential inherent in that talent either through abandonment of the effort to create or through “brain drain” where the brightest and best take their talents elsewhere.

vi) Creative attraction—Talent attracts talent. A successful industry would see Canada become a magnet for leading talent bringing with it the possibilities of new modes of creation and opening the doors to innovation.

vii) Projection of a Canadian view to the world—Soft power has become an increasingly important diplomatic tool. For middle powers, like Canada, public diplomacy is important, because it allows them to punch well above their weight in world affairs.

The desired cultural benefits depend crucially and directly on connecting with audiences. As the Council of Europe notice of 2009 pointed out “it is notably through its ability to reach distinct audiences that film fulfils its cultural goals, in particular in

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132 “Soft power” is a term coined by Joseph Nye in his influential 1990 book, *Bound to Lead: The Changing Nature of American Power*. In it he posited that non-conventional means such as through culture could be very effective in achieving diplomatic ends.
relation to cultural diversity, and that film policies should seek to facilitate film’s access to audiences.”

Connecting film to audiences is centrally the preoccupation of distributors. To achieve the public good of maximizing cultural benefit depends primarily on a strong and vital Canadian distribution sector working in partnership with other key players. Some of these have been referred to above; others will be noted below. However, there is one element that has not received adequate attention in film policy and is crucial for the future health of Canadian cinema: that is the role of education.

The UK Film Policy Review Panel made a special note of the importance of the role of education in developing audiences and achieving the cultural benefits desired of film. “Education and learning have a key role to play, not only in developing the next generation of audiences and filmmakers, but in making film central to the cultural life of the UK. Unlike other art forms – literature, theatre or music for example—film has yet to find its rightful place in education and in lifelong learning programmes. It was felt that every child and young person in the UK must have the opportunity to see a wide range of films, and have opportunities to learn about and to make their own films. This feeds audience development but also has wider cultural, educational and social benefits.”

In France in 2014, the president of the CNC tasked the deputy director of Unifrance, Xavier Lardoux, with preparing a proposal for a European Film Education Policy. The initiative was instigated by Aurélie Filippetti, the French Minister of Culture and Communications. Lardoux delivered his report in June, 2014. He stressed that “given the proliferation and omnipresence of video screens of every kind, and their domination by the major American film studios (especially in the viewing of young people and now even of children) the political and economic necessity of a European film education policy. The report emphasizes the need to provide such education to all school students (from 3 to 18 years of age), if one is to develop, on an ongoing basis, the

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133 Council of Europe, 2009
134 Film Policy Review Panel, p. 15
European audience of tomorrow and thus to consolidate the European film industry and strengthen the cultural exception. “

In Canada, education is under provincial jurisdiction; curricula vary from province to province and there may be differences in practice at provincial, school board and even individual school level. The Canadian government’s copyright bill has also complicated the issue by changing the economics of educational distribution. Various organizations service in different ways the educational system including but not limited to the National Film Board, Hot Docs, TIFF and individual distribution companies. There is no cohesive industry wide strategy for embedding film curriculum across the country in the way that Canadian literature is.

**Recommendation 12: Bring stakeholders together to pursue a co-ordinated strategy for embedding film education in schools across Canada from primary to post-secondary.**

The cultural benefit is not limited to ongoing cinematic works. There is an enormous value, both cultural and economic, in the archives of Canadian cinema. When the National Film Board launched its on-line screening room in January, 2009 with a substantial number of films from the archives there was an immediate and tremendous response to the work. Part of it was nostalgia, but a greater part was discovery of a rich Canadian heritage by younger audiences. In Quebec, Quebecor has undertaken a major cinematic preservation and accessibility project: **Éléphant: Mémoire du cinéma québécois.** The intent is to digitize and make available on-line the whole history of Quebec cinema.  

In a digital age, with the possibility of making the rich treasure trove of Canadian films available on a wide variety of platforms, we are nowhere near exploiting the true value of our cinematic heritage in building audiences for Canadian works and in delivering on the cultural and economic goals of film policy.

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136 ‘Éléphant --- La Mémoire Du Cinéma Québécois’, elephant.canoe.ca
Recommendation 13: Working with distributors, rights holders, broadcasters, public agencies and other stakeholders develop a national strategy to make Canada’s cinematic heritage readily available to all Canadians.
MAXIMIZING ECONOMIC BENEFIT

In 2013 a Nordicity Report, *The Economic Contribution of the Film and Television Sector in Canada*, commissioned by the Motion Picture Association—Canada in association with the Canadian Media Production Association summarized the economic impact of the sector for the year 2011 as follows:

- supported 262,700 full time equivalent jobs (FTEs) in Canada across the entire value chain, including 132,500 FTEs supported by film and television production;
- generated $12.8 B in labour income for Canadians;
- generated $20.4 B in gross domestic production (GDP) across the Canadian economy
- recorded an export value of $2.4 B;
- returned $5.5 B in tax revenue: $2.8 B in federal taxes and $2.7 B in provincial and local taxes;
- produced $279.7 M worth of computer animation;
- produced $435.0 M worth of visual effects;
- attracted 1.9 million in total attendance to Canada’s major film festivals.\(^{137}\)

In addition, the film sector generated ancillary economic benefits in construction, tourism and industrial development. As noted earlier, strong cultural activities have a positive impact in attracting high value industries from other sectors.

While television generates the larger part of the economic impact, film plays a crucial role as well.

In 2013 Canadian box office reached $1.1 billion. Canada is considered one of the leading feature film markets in the world. The value of feature film production in Canada amounted to $351 million in 2012-2013. In the same year the industry generated

\(^{137}\) Nordicity, *The Economic Contribution of the Film and Television Sector in Canada*
close to 8,000 full time jobs, directly or indirectly. Canadian film exports generated $104 million in sales each of the years 2011/12 and 2012/2013, an increase of 46% over the previous year (2010/2011). A 2013 study indicated that TIFF contributed $189 million dollars to Toronto’s economy in fiscal year 201-2013 and created or maintained close to 2,300 jobs. The same year Hot Docs commissioned an economic impact study which revealed a contribution of almost $30 million to Ontario’s GDP.

There is no doubt that many of the festivals have a very positive economic impact on their communities. The Whistler Film Festival, for example, has become a kind of Sundance of the North attracting industry professionals from around the world. In Halifax, the Atlantic Film Festival’s Strategic Partners initiative brings together close to 200 of the world’s top film financiers, broadcasters, distributors and sales agents.

Charles Lapointe, the president of Tourisme Montreal, underlined the importance of the Festival du Nouveau Cinema for Montreal’s reputation and tourism industry. He said that “the long list of celebrity guests and the excellent quality of work presented throughout the festival not only contribute to Montréal’s outstanding reputation as a major North American cultural destination, but also attracts an ever-increasing number of visitors looking to experience the unique character and ambiance of a European city on North American soil. In fact, the FNC has a significant economic impact on Montréal’s tourist industry as a whole as it generates important revenues.”

A study for the Department of Canadian Heritage in 2010 on The Effects of Foreign Location Shooting on the Canadian Film and Television Industry showed it had an economic impact of $1.3 billion. The study concluded that “The economic contribution of foreign location shooting is positive from the perspectives that were analyzed, that is, the impact that spending has on the economy and federal government

138 CMPA, Profile 2013
139 “TIFF”s Economic Impact Continues to Grow”
140 ‘Hot Docs Economic Impact Reported At 29.9 Million’, hotdocs.ca, September 23, 2014
141 Tourisme Montréal, ‘Festival Du Nouveau Cinéma’ (Tourisme Montréal, 2010)
142 E & B Data, Effects of Foreign Location Shooting on the Canadian Film and Television Industry (Ottawa: Canadian Heritage, 2010) p.8
finances and the externalities that are generated on the Canadian film and television industry."¹⁴³ The attractions of shooting in Canada are economic but also the availability of highly skilled workforce. That that workforce exists is in significant part due to a vigorous Canadian film and television production industry. Key to the vitality of the Canadian film is the distribution sector. In 2012 Canadian distributors provided 20% of the financing for Canadian productions. Between 2002/03 and 2010/11 Canadian distributors have invested $188 million in Canadian feature films supported by the Canada Feature Film Fund. Canadian distributors earn almost 24% of the Canadian box office (while releasing over 75% of all films available in theatres).¹⁴⁴ Without Canadian distributors the economic picture would not look as rosy. There would be a significant decline in the number of films made; a decline in box office dollars retained in Canada and a decline in employment.

Because of the more stringent regulatory regime Canadian television sector is operating closer to its full economic potential (although as with everything the terrain is shifting because of digital disruption). The same is not true of the film sector. Although, box office and other indicators seem to show a certain plateauing this is not inherent in the value of the sector. It has to do with market distortions that have not been fully addressed. Strengthening the film value chain will not only deliver the cultural and social public goods envisioned by film policy, it will also significantly enhance the economic benefit. To strengthen the film value chain is to put distribution more proactively at the heart of film policy alongside production.

Recommendation 14: Modernize and strengthen the 1988 Film Distribution Policy for a digital era.

¹⁴³ Ibid, p10
¹⁴⁴ CMPA, Profile 2013
Exports

In 2016 the global value of entertainment and media is expected to top two trillion U.S. dollars, with major growth in non-Western countries. China, Brazil, Russia, India, Mexico, South Africa, Turkey, Argentina and Indonesia collectively are forecast to account for 21.7% of global entertainment and media revenue in 2018, up from just 12.4% in 2009. PwC forecasts that China will overtake Japan as the world’s second-largest entertainment and media market, behind only the US by 2018.\(^{145}\)

As new international trade agreements are enacted, as cultural industries continue as a significant part of global trade and as digital becomes dominant within the cultural sphere, it is imperative that Canada develop more cohesive and focussed policies for the export of cultural goods to strengthen its position within traditional markets and develop a strong presence in emerging markets. Within the film sector distributors should be the central agents of export policy. Canadian distributors are well positioned to extend their expertise on the global stage. The consequent benefits will be economic and cultural as well as increasing substantially Canada’s global footprint.

**Recommendation 15:** Implement a new film export policy aligned with a strengthened film distribution policy.

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\(^{145}\) “PwC Issues Global Entertainment and Media Outlook 2014-2018”
Canada has an innovation problem. In 2011 the federally mandated Panel, chaired by Tom Jenkins, to review innovation policies reported that “business innovation in Canada lags behind other highly developed countries. This gap is of vital concern because innovation is the ultimate source of the long-term competitiveness of businesses and the quality of life of Canadians.”\footnote{Independent Panel on Federal Support to Research and Development. and Tom Jenkins, \textit{Innovation Canada: A Call To Action}, (Ottawa: Industry Canada, 2011), p. 15.} The World Economic Forum publishes an annual Global Competitiveness Report. Between 2010 and 2014 Canada’s ranking fell from 12th place to 25th.\footnote{Klaus Schwab, \textit{The Global Competitiveness Report 2014---2015} (World Economic Forum, September 2014)} When compared with peer countries the situation is worse. In 2014 the Conference Board of Canada reported that “Canada remains near the bottom of its peer group on innovation, ranking 13th among the 16 peer countries. Countries that are more innovative are passing Canada on measures such as income per capita, productivity, and the quality of social programs.”\footnote{The Conference Board of Canada, ‘Innovation’, \url{www.conferenceboard.ca}, 2014} In November 2014 Thomson Reuters announced its fourth annual Top 100 Global Innovators List.\footnote{ThomsonReuters, 'Top 100 Global Innovators,' \url{www.top100innovators.com}, 2014} Only one Canadian company, Blackberry, made the list.

One of the themes of this paper has been change; that the audio-visual industry is living through a process of ongoing and rapid change and that we are only at the beginning of that process. It is change driven by technological, business and social innovation. Canada has consistently lagged behind in its responsiveness to the forces of change, let alone in its ability to get ahead and lead change.

Yet, curiously innovation as a specific theme has not been a focus of policy documents. \textit{From Script to Screen} referenced innovation once in relation to creating “innovative content”. The report of Parliament’s Standing Committee on Canadian Heritage, \textit{Scripts, Screens and Audiences: A New Feature Film Policy for the 21st Century}, had no references to innovation. In its working document for the Let’s Talk

\footnote{Klaus Schwab, \textit{The Global Competitiveness Report 2014---2015} (World Economic Forum, September 2014)}
TV hearings the CRTC made no mention of innovation, although it was referenced in other contexts. Nevertheless, most of the submissions, taking their cue from the working document, did not reference innovation; their thrust remained on how to maintain the benefits of the existing system within a changing world. The majority response was to do so by regulatory intervention.

The irony is that in an industry built on creativity, the remarkable élan of its productions has not been matched by innovation in business practices. This is a structural issue exacerbated by a lack of policy focus on innovation. There has been a consistent pattern of underestimating the impact of technological shifts. In the early 1980s at the dawn of the so-called “500-channel universe”, which pundits declared would be the death of broadcasting, a senior broadcast executive, the president of CBC, Al Johnson, stated categorically that “there would not be such a proliferation of channels as had been predicted. Programming would be very expensive and, of course, audiences would be fragmented. As a result, television networks would be unable to bring to advertisers the critical mass of potential customers that would make their commercial advocacy through this medium advantageous.”\footnote{It seems incredulous that he could have got it so wrong. In fact, his logic was impeccable given his premises. The premises, however, were based on a closed system understanding of the television universe. Everything in that universe was rigidly fixed in place; advertising dollars were inelastic, programming types and costs were fixed in stone, economic models were limited and audiences could only absorb a very limited number of options. The blinkered view was not specific to the public sector; it is embedded within the industry. Twenty-five years later another senior broadcast executive confidently asserted that Netflix would never be an issue because it would never have access to Hollywood product and thus would never gain traction.\footnote{Two weeks after his}}

\footnote{Walter G. Pitman, \textit{Louis Applebaum: A Passion for Culture} (Toronto: Dundurn Group, 2002). Kindle Loc 6426}

\footnote{Private conversation}
pronouncement Netflix announced its first major Hollywood deal and within a year had expanded to Canada and had rapidly gained a large and growing subscriber base.

The problem is that innovation is costly, high risk and, often, the economic returns are not immediately apparent. The consistent response of the audio-visual industry to the demands of the digital domain has been that it is difficult to finance and hard to monetize. The way that industry research is conducted and interpreted reinforces a conservative take on change. For example, report after report state that, despite all the talk of digital disruption and a shift towards audience control of media on streaming platforms available anytime, anywhere, television remains the principal means by which audiences consume film and television content. This may be so, but it misses the point. The so-called “evidence-based” approach is always looking through the rear-view mirror at what has happened. The past is not a reliable predictor of the future in times of rapid change. It was that approach that so misled Al Johnson in his predictions about the future of the “500-channel” universe. For even though the change may not manifest itself as quickly as some predict, the trends are clear. To wait until the tipping point hits is to lose the game.

152 Labeling an approach "evidence-based" can be misleading and attach an aura of scientific legitimacy when none such is warranted. Much of what is called evidence is statistical data that depends for its meaning on interpretation. Interpretation can be fractious and the same set of data can yield contrary results. It can be akin, then, to the ancient practice of consulting the Delphic oracle. Famously, Croesus of Lydia did that before launching war on the Persian Empire. The Oracle predicted a great empire would be destroyed. Croesus interpreted it one way, waged war and lost his empire. There are other issues besides interpretation. To start with are we always seeking the right kinds of data to begin with? Secondly, we don’t use the data to formulate hypothesis which we can test.
Failure to Adapt: Object Lessons

Kodak provides an interesting object lesson here. In 2012 the iconic company that had transformed photography from an arcane practice of professionals to an integral, and even necessary, part of people’s lives through technological and business innovation declared bankruptcy. In an article in the Wall Street Journal published at the time of the bankruptcy Dr Kamal Munir, a Reader in Strategy & Policy at Cambridge Judge Business School, University of Cambridge, analyzed the reasons for Kodak’s demise. He wrote that after a day’s visit to Kodak eleven years previously he was convinced that the company would not be around much longer. His analysis is germane to the situation of the Canadian industry. He observed that “Kodak’s top management never fully grasped how the world around them was changing. They hung on to now obsolete assumptions about who took pictures, why and when.”

“Kodak always thought that people would never part with hard prints and that people valued film-based photos for their high quality. In other words, they saw digital as a direct substitute for film based photography… With digital, a significant shift in mind-set occurred in the meanings associated with cameras. Rather than being identified as a piece of purely photographic equipment, digital cameras came to be seen as electronic gadgets. The implications of this shift were enormous. With digital devices, newcomers such as Sony were able to bypass one of Kodak’s massive strengths: its distribution network… Unwilling to let go of the extremely lucrative (gross margins of nearly 70%) film business, it tried for many years to prolong the life of film through smaller cameras and digitally coded film and hybrid technologies such as Photo CD…Kodak followed a template used by many incumbents facing technological challenges to their hegemony. First, they try to ignore the new technology hoping it would go away by itself. Then they deride it using various justifications (too expensive, too slow, too complicated, etc.). After that, they try to prolong the life of the existing technology by attempting to create synergies between the new technology and the old
(like Photo CD). In doing so, they keep delaying any serious commitment to the new order of things.”

Sony, ironically the company that had outsmarted Kodak, provides another object lesson. Its Walkman changed the music industry and introduced audiences to portable, personalized anytime, anywhere music. It created and dominated the market for mobile music. The Walkman was first put on sale on July 1st, 1979; Sony went on to sell 400 million players. According to an analysis by Hiroko Tabuchi in The New York Times, “with its catalog of music and foundation in electronics, Sony had the tools to create a version of the iPod long before Apple introduced it in 2000. The Sony co-founder, Akio Morita, envisioned as early as the 1980s marrying digital technology with media content for a completely new user experience. It didn’t happen.” Tabuchi suggests that “Sony’s gravest mistake was that it failed to ride some of the biggest waves of technological innovation in recent decades: digitalization, a shift toward software and the importance of the Internet.”

Managing Transition

The difficulty is innovating while managing transition. The UK Film Policy Review Panel highlighted some of the problems. “There are many reasons for the slow progress but, as with the music industry before it, the fear that new distribution technologies will cannibalize established revenue streams has inhibited change... Distribution experiments involving the rapid release of British films across multiple platforms have been relatively few and far between, and in those few instances where experimentation has occurred the lessons learnt have not been made available to the wider sector. This is also the case with digital marketing... The knowledge gained from these experiments remains hidden, even though they all received public funding. Most film businesses would readily acknowledge the benefits of trialling new business models, but as the benefits of experimentation – the knowledge created about what works and what does not – are spread widely, few firms will be willing to bear the risks on their own. This situation is arguably perpetuated in industries such as film which have fragmented

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structures and large numbers of small companies. The public sector has an important leadership role to play. Also crucial are partnerships between British film businesses and innovative companies in the wider digital sector that can exploit the latest technological developments.”\(^{155}\)

The European Union has taken up the challenge with a program to experiment with new distribution business models investing up to two million euros in the venture. The first experiment launched in 2013, worked with three consortia to launch nine films across fifteen territories in various combinations of multi-platform and day and date release. In 2015 it will be launching the second phase of the experiment. The analysis of the first phase highlighted “that most European films released gained from the approach, in terms of visibility, revenue and cost savings. The report also highlighted that no major risks to the approach existed notably in terms of potential cannibalization between the several platforms of exploitation (e.g. cinemas and VOD).”\(^{156}\)

Even Hollywood is struggling to adapt to the changes in the industry. Some observers suggest that they may be at risk. “What is going on is a battle in the ‘attention economy’— a battle for eyeballs —and the corporations best placed to win that battle may not necessarily be the media companies that to-date have dominated the movie and television industries but those firms that control the platforms that deliver content to larger and larger audiences across multiple screens. All the evidence points to Hollywood, and the firms that own the major studios, not controlling the online distribution space —this despite the numbers millions having been spent trying to do just that.”\(^{157}\)

Studio executives are aware of the issues and are experimenting with various approaches to the shifting media landscape. One interesting initiative was to create a

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\(^{155}\) Film Policy Review Panel, p. 21


\(^{157}\) Cunningham, Loc 133
“standard digital product that would be available at multiple stores with a single, recognizable brand” like a DVD.\textsuperscript{158} The intent was to counter the fragmentation of the digital marketplace with a range of different formats and usage models and to replicate and eventually replace the highly profitable DVD market. This was the idea behind the launch of UltraViolet, digital locker system which was developed by a consortia of studios, electronic firms and technology companies called the Digital Entertainment Content Ecosystem (DECE).

**Research & Development**

Innovation depends for its lifeblood on great research and development. One of the issues that bedevil the Canadian industry is research that is inadequate, fragmented, limited in imaginative scope and not actionable. Despite the myriad of reports and statistical data that seem to be compiled and released they tend to replicate a standardized model of providing a snapshot of an industry in a moment in time. First of all, there is no centralized research function within the industry. Reports are prepared by the Statistics Canada, CRTC, Telefilm, the CMPA as well as various other public sector agencies and industry organizations. The research is all about data gathering. It does not set out to test actionable hypotheses. Some of the findings are contradictory\textsuperscript{159}; others questionable. Nor does the industry utilize to any great extent existing academic research or partner with universities and research institutes to develop inventive research programs to aid innovation. For example, there is a vast body of economic literature on the nature of consumer choice.\textsuperscript{160} Very little of it is referenced in trying to decode the world of abundance of consumer choice in film

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\textsuperscript{158} Curtin, Holt and Sanson. Interview with Richard Berger, Senior V.P., Global Digital Strategy and Operations, Sony Pictures Home Entertainment. Kindle. Loc 852

\textsuperscript{159} For example, Telefilm reports that 75% of movie viewing is done on television; a Canadian Heritage report says that it is upwards of 90%

\textsuperscript{160} The field is extensive and rich. Daniel Kahneman, for example, is a Nobel laureate in economics but who is a psychologist. He won for his work on how we make decisions which questioned traditional economic thinking of the “rational consumer”. His book, *Thinking, Fast and Slow*, 1st ed (New York: Farrar, Straus and Giroux, 2011) became an award--winning best seller. The real issue is, to put it crudely, can we take some of this thinking and hypothesize how it would lead to different ways of presenting movie choices to audiences?
content. Nor do the reports tap into the rich academic work on the nature of consumer behaviour.

Overall, Canada as yet provides inadequate support for high-risk innovative experimentation and prototyping. A balance has to be found between a regulatory system and policy approaches whose intent is to ensure stability and continuity with incentives to take risks and explore innovative business practices. The UK Film Policy urged a strong role for the public sector. In Europe, the European Commission is investing substantially in prototyping new distribution initiatives. Korea has similarly invested heavily in digital innovation.

Although Canada is lagging behind, it is not too late. We have an opportunity to take the lead and redefine the possibilities of cinema for audiences and for the world.

Recommendation 16: Establish a centralized research unit led by a top notch social scientist, and with an industry Board of Directors, to develop a rigorous, actionable research strategy focussing on helping the industry to innovate and to test the impact of policies and industry practices.

Recommendation 17: Establish an Audience Development Fund and strategy for audience development, to undertake ongoing and extensive research into Canadian audiences and to develop, test and invest in new methods of audience engagement.

Recommendation 18: Establish a Distribution Innovation Fund to prototype and experiment with new modes of distribution, marketing and audience engagement.
CONCLUSION

Over the years public policy has created an environment for the creation of a body of Canadian cinematic work of the highest quality. More problematic has been finding ways in which to connect that work with audiences. A significant breakthrough in that regard was the implementation of the Film Distribution Policy of 1988. Distribution was the missing piece of the equation and by focussing attention on that sector we began to see that Canadian films could connect with Canadian audiences. The original intention of the 1988 policy, introduced by the then Conservative government, was bold and visionary. It proposed a way of dealing with the systemic structural failings of the market with legislation that would have levelled the playing field and given the distribution sector the tools they needed to do the work. In the event, the legislation fell by the wayside. Even so, the more limited Film Policy made a significant difference in enabling the work of Canadian distributors. Thereafter, despite the repeated invocation of “audience” as central to policy there has been little understanding of the nature of audiences; nor has there been any new thinking about the central role of distribution.

These issues have taken on a new urgency in an age of digital disruption where new players from the world of new media are usurping the roles of old media players and operating with a different mind set, different strategies and different rules. Setting out a course for new policy directions is like working a jigsaw puzzle in which the model picture is continually morphing even as you try to fit the pieces together. The only constant is the ongoing nature of the market failure; the enactors of it may shift from the media giants of yesteryear to the Googles, Facebooks and Netflixes of today but the dynamics of that market failure are consistent. This requires a different approach to policy making; one which eschews the definitive for a policy that is about process that levels the playing field for different players, whether incumbents or new arrivals. It must allow the different players the means to be responsive to the ongoing changes and to manage the particularities and dangers of transition periods.
From a public policy perspective it should matter little whether the public good is achieved through legacy businesses or through so-called upstarts. What this paper has attempted to show is that from that perspective, the point of view of the rational citizen, distribution, even as it must adapt and change, remains central. A two-fold process must take place. Certainly, we must institute the means to be adaptive and responsive to the ongoing changes; to build for a different kind of media future. But, first, to get there, to deal with the heightened uncertainties of transition periods when nothing is firmly anchored in place and as new economic models are tested for viability, one must ensure the financial viability of the sector. One must give them the tools so that they can do their job effectively. This means revisiting and strengthening the Film Distribution Policy of 1988. It is only on a firm financial footing that the sector will be able to experiment and innovate with new methods of connecting with audiences. We need them to do that for the success of the industry as a whole. Thereafter, we must follow up with a set of policies that encourages and supports innovation and audience development.

This paper has set out to explore the ramifications of feature film distribution policy on the delivery of a perceived public good—a rich and resonant film culture. However, it is impossible to articulate a distribution policy in the absence of a larger understanding of a feature film policy or for that matter a media policy, a digital policy and an innovation policy.

Everything ties together. The separations we have had, say, among the furnishers of the “pipes” and the deliverers of content or between telcom operators and broadcasters no longer hold. We have noted, for example, that it is insensible to have a broadcast policy that does not cohere with a film policy.

This paper did not set out to tackle all of the issues inherent in an altering and converging media universe, although aspects of that have been referred to and there has been a presumption about certain directions for such other policies. Other areas which are pertinent have not been touched upon at all. Governance, for example, poses quite a few questions that at some point will need examining. We have noted the incoherence
and confusion we have around something so fundamental as research. This points to the larger concerns around the ways in which responsibility for delivering on strategy and policy is fragmented among different bodies with consequent costs in clarity and effectiveness. Other jurisdictions have taken steps to resolve the contradictions through a more integrated approach. In Britain, the UK Film Council was folded into the British Film Institute, which was reconstituted with a new mandate and new powers. In Australia a number of film agencies were integrated into Screen Australia.

This paper has not been the place to explore all such aspects of film or media policy. We do, however, need to examine the full range of policy questions posed by the disruptive world of digital media. However, to do so in the ways in which such commissions and studies are normally mandated will not provide us with the new directions that will sustain us into the future. If innovation in the media sector is essential, it is just as much so in our approaches to thinking about our media universe. The last time this country has had a truly game changing Commission was with the establishment of the Massey-Levesque Commission in 1949. Its report, published in 1951, set the terms of reference by which cultural policies were enacted over the next half century. It did yeoman’s service and the results have been nothing short of spectacular. We need as radical and as exhaustive rethink of our cultural sector today. This can be done by clearly thinking through the terms of reference and the mandate for such a body.

**Recommendation 19**: Establish an appropriate commission to set the foundations for new policy directions for the future of arts and culture in Canada in an era of ongoing digital disruption.

In the meanwhile, we must keep strengthening the foundation of what we have; we must have the courage to enact and enforce the policies which allow that.
THE RECOMMENDATIONS

1 Public funding agencies and key stakeholders should implement new mechanisms in the funding process to optimize distributors' involvement in the decision making.

2 Undertake and maintain ongoing comparative analysis, within Canada and other jurisdictions, of how films perform relative to level of a distributor's involvement in funding and production.

3 Establish criteria to decide how many productions annually, on an average basis, constitutes a critical mass of film in terms of audience impact. The work should answer the question whether public funding is leveraged in the best possible way, particularly in balancing funding for supply side and demand side of the industry. It should also look at what is an appropriate ratio of failure to success.

4 Public agencies should facilitate innovative ways of ensuring a greater alignment among distributors and producers and fostering new kinds of partnerships between the two sectors.

5 The distribution sector should work to create stronger and more effective links between the industry and Canada's diverse communities. There should be a two-way information flow from the industry to the communities and from the communities to the industry providing market intelligence on the needs and tastes of different audiences for the production and distribution sectors. This should form part of a wider Audience Development Program.

6 Public film agencies should work with distributors, producers and exhibitors to explore new and innovative ways of making more screen time available for Canadian films.

7 Public film agencies should strengthen the grassroots work of local organizations and co-ordinate more effectively with distributors and producers to expand the audience for Canadian films, including Quebec films in English Canada and vice versa. These initiatives should be integrated within an overall Audience Development Program.
8 Benchmarks be set for expenditures on and the programming of Canadian films on Canadian conventional and pay television.

9 The public broadcaster, consulting with distributors, producers and other key stakeholders, should develop a Canadian feature film strategy as part of their overall broadcast strategy.

10 Set up a task force bringing together industry stakeholders, public and private, government, and foreign partners with similar issues to explore innovative solutions that will balance the needs of a strong national system responsive to its citizens with the opportunities presented by new, non-national digital services.

11 Public film agencies should undertake a major review of the marketing of Canadian films with a broad mandate to look at issues of audience engagement, funding, effectiveness, digital readiness, partnerships, research and education with the intent to establish a Distribution Innovation Fund.

12 Bring stakeholders together to pursue a co-ordinated strategy for embedding film education in schools across Canada from primary to post-secondary.

13 Working with distributors, rights holders, broadcasters, public agencies and other stakeholders develop a national strategy to make Canada’s cinematic heritage readily available to all Canadians.

14 Modernize and strengthen the 1988 Film Distribution Policy for a digital era.

15 Implement a new film export policy aligned with a strengthened film distribution policy.

16 Establish a centralized research unit led by a top notch social scientist, and with an industry Board of Directors, to develop a rigorous, actionable research strategy focussing on helping the industry to innovate and to test the impact of policies and industry practices.
17 Establish an Audience Development Fund and strategy for audience development, to undertake ongoing and extensive research into Canadian audiences and to develop, test and invest in new methods of audience engagement.

18 Establish a Distribution Innovation Fund to prototype and experiment with new modes of distribution, marketing and audience engagement.

19 Establish an appropriate commission to set the foundations for new policy directions for the future of arts and culture in Canada in an era of ongoing digital disruption.
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APPENDIX: CASE STUDIES

Prepared by Dylan Young
Company Overview:

Mongrel Media has built a strong brand around putting innovative international and local films in front of Canadian audiences. Founded in 1994 by Hussain Amarshi as a means of sharing great under-represented films with a wider audience, Mongrel Media has grown into a premiere distributor of globally celebrated independent film titles, including Palme d’Or winners Blue Is the Warmest Color and The White Ribbon, and Oscar winners Capote, Amour and Man on Wire.

Mongrel Media has also championed the works of Canadian filmmakers like Deepa Mehta (Bollywood / Hollywood and Water), Sarah Polley (Away From Her and Stories We Tell), Jennifer Baichwal (Manufactured Landscapes and Watermark) and Michael McGowan (One Week and Score: A Hockey Musical).

“Mongrel released its first feature, Silences of the Palace, to cinemas in 1995. The next year we released five films, the year after that ten films, and that’s how the company has grown over the years. At this point, we're releasing between 40 and 50 films into cinemas in any given year — five to eight of which are Canadian. We’re also releasing films that go straight to VOD and DVD. So our yearly output is probably over 100 films. We now have a library of over 1500 films from all over the world.  

— Hussain Amarshi

Film Synopsis:

Bollywood / Hollywood is a flamboyant madcap romp that collides Bollywood and Hollywood storytelling conventions into a hybrid rom-com experience.

Rahul is a dashing young millionaire who believes he is "western" enough to rebel against the plans of his traditional East Indian mother and grandmother. The major point of conflict for the family is his Caucasian girlfriend — a pop star. When she dies suddenly in a freak accident, Rahul is devastated.

Instead of allowing him to mourn, Rahul's mother uses the opportunity to manipulate her son. She threatens to call off his sister's wedding unless he finds himself a "nice Indian girl."

In an elaborate ruse, Rahul enlists the services of a fiercely independent Hispanic escort to play the role of his Indian bride-to-be. The escort needs the money and, having never been a fan of the typical Indian male, feels her heart is safe. But Rahul is not a typical Indian man and his faux bride-to-be isn’t as Hispanic as he believes.

And so the hijinks begin.

161 Mongrel Media, interview by Dylan Young, January 2015.
Production Details:

Producer: David Hamilton, Camelia Friedberg, Ajay Virmani

Production Company: Different Tree Same Wood

Director: Deepa Mehta

Writer: Deepa Mehta

Cinematographer: Douglas Koch

Editor: Barry Farrell

Composer: Sandeep Chowta

Lead Cast: Rahul Khanna, Jessica Paré, Lisa Ray

Production budget: Approximately, $2 million\(^{162}\)

Financing Sources: Telefilm, Canadian Television Fund, Super Écran, The Movie Network, Movie Central Network, Corus Entertainment, Astral Media, Chum Television

Release: September, 2002

Box Office: $2,000,000\(^{163}\)

Background:

Mongrel’s involvement with *Bollywood / Hollywood* began at the script stage, as part of the distributor’s commitment to working with Canadian writer/director Deepa Mehta.

“I was interested in the concept right from the beginning,” says Amarshi. “She had just come off a crisis with *Water* — when the first set of *Water* was burned down and she escaped India. She was a talented director coming out of a crisis. She came back to Canada and wanted to do something light. She told me about the idea and it really excited me. I wanted to help make it happen. That was *Bollywood / Hollywood*. She sent me a script a few months later and we were attached right away.”

Mongrel’s financial commitment to the film would ensure it got made but it was not a decision without risk for the distributor. *Bollywood / Hollywood* was Mongrel’s first involvement with a project at the script level. The minimum guarantee placed them at a significant financial risk at a stage of development when any number of unforeseen occurrences could have derailed the film. And the market for Canadian films was not then one known for its domestic success stories.


But Mongrel’s faith in Deepa Mehta — and their confidence that they could help minister her film into something truly impactful — made their investment an easy choice.

Pre-release/Production:

In 2001, Deepa Mehta was a mid-career director, having helmed on a number of television and film projects. She had also written and directed two of her own films (*Earth* and *Fire*), that had been critical if not commanding box office successes.

“None of the films she’d made were nearly as successful as Bollywood / Hollywood would be but it still got financed very quickly,” says Amarshi. “We had the script in April/May 2001 and she was already shooting by September/October.”

Mongrel remained closely involved throughout the filmmaking process, providing script notes and feedback on several early cuts of the film. And ultimately it was Mongrel and Amarshi who brought the film to a private screening at Cannes.

“We had a private screening for an international sales agent in Cannes, which did not go very well — Deepa wasn’t there,” he says. “It was perceived as too Canadian and there were also some other problems involved with the structure of the film.”

Even as serious questions had been raised about the film, Mongrel never lost sight of the what the film could be. Amarshi returned with a renewed sense of the film’s potential to be something truly special — even if other investors couldn’t see it yet.

“When I came back, we discussed the issues. Deepa reworked the edit and ended up chopping 10 to 15 minutes off the film, which made it significantly tighter. It was also tweaked to be more compelling for an international audience.”

With the film’s new edit in place, Mongrel set their campaign strategy in motion, finalizing the poster designs, billboards and trailers.

“We had secured a whole bunch of collaborators for the film’s release,” says Amarshi. “Famous Players was on board and we had snagged the opening night spot for the Canadian Perspectives program at the Toronto International Film Festival. But we still didn’t know how people we’re going to respond to the film.”

Theatrical Release/Campaign Strategy:

“The day the film played at TIFF was the day that we launched our trailer in cinemas across the country,” Amarshi explains. “We had already committed to a P&A of around $100,000.”

“We had two different campaigns, one aimed at the Indian market, one at mainstream audiences,” Amarshi adds. “We had reached out to key community leaders — particularly in Mississauga [a city on the outskirts Toronto], where a major figure in the community hosted three pre-opening screenings that helped generate buzz — because we believed this was going to be a word-of-mouth film.”
The South Asian community is an influential and active one in Canada. Mongrel’s ability to engage them in supporting the film is a perfect demonstration of how effective cultural works can be in encouraging social cohesion across communities — and of the central role of Canadian distributors in promoting those aims.

The direct outreach strategy was very effective in engaging the South Asian community. But the buzz generated around the festival screenings showed Mongrel that *Bollywood / Hollywood* had the potential to be an unanticipated mainstream success.

Moving quickly to capitalize on this insight, Mongrel made an additional commitment to the marketing campaign.

“After the reaction at TIFF we upped the budget to $500,000,” says Amarshi. “That ended up being the right choice. The film was well received when it played at all other festivals, which was a great boost to both our marketing strategies. We put an extra $100,000 on TV advertising hours and increased the number of screens we released it to — up to 44, I think.”

“We’d always known this was going to be a populist film,” he adds. “This was not going to be a critic’s film. But we were gauging reaction as the film rolled out and it was clear we were dealing with something more. We had to start selling it as a commercial film — not in the Hollywood sense but as a Canadian commercial success.”

“That’s a large part of our role as a distributor, to be attentive to those opportunities and react to them quickly enough to help the film get seen by more people. That’s what we’re all in it for.”

“The people who work here love films. This is as much a passion project as it is a business. But it's also a business. You have to make sure it’s not just driven by your own passion. You have to know that in some cases you may love a film but it may have a very small market. You have to know how to make a strategy for that. And you have to be able to recognize when a film is capable — with the right guidance — to crossover into something bigger.”

**Post-theatrical opportunities (broadcasters, DVD, VOD and OTT):**

Video-on-demand and Over-The-Top services like Netflix weren’t part of the marketplace in early 2000s, but DVD sales were a thriving revenue stream.

“*Bollywood / Hollywood* did very well in DVD sales,” says Amarshi. “Pay TV and other broadcaster arrangements had already been secured and the DVD sales reflected how strong the public reception was for the film. It was easily our most successful distribution to date.”

**Conclusions:**

*Bollywood / Hollywood* was Mongrel Media’s first involvement with a film at the script level. The successes they experienced working closely with the producers and director on *Bollywood / Hollywood* set the new standard for the distributor’s level of involvement with future projects.

It also proved to be advantageous to the success of the film, both domestically and abroad. And in turn, this had a not insignificant impact on Canadian films as a whole, making them more viable as genuinely commercial ventures and as investment opportunities for foreign partners.
Bollywood / Hollywood was one of the most successful Canadian movies to be both shot and set in Canada. It was not the first but it was one of a then fairly small group of Canadian cinematic outings to be both unabashedly Canadian and commercially strong. Even if this wasn’t necessarily a re-creatable roadmap to navigate these often opposing forces, it certainly suggested that this balancing act was attainable for future projects. And so it has proven to be.

“Looking at the films we’ve distributed, I think you can see there’s a local intelligence to our choices,” says Amarshi. “You might see it as a local sort of aesthetic or a national aesthetic that we bring to the table. It’s our job to find the kinds of films that will appeal to Canadians and also to make sure that those films get made.”

“Our experience with Bollywood / Hollywood confirmed that working closely with Canadian filmmakers was the best way forward. Being able to bring that market intelligence to scripts, to share our expertise with filmmakers, helping to nurture their work to even greater success and wider audiences, has obvious advantages for all parties.”

Bollywood / Hollywood also benefitted from Mongrel’s grassroots marketing strategy. In reaching out directly to the South Asian community, they were able to generate buzz not generally available to domestic films. This provided the film a strong core of word-of-mouth support even before the film saw full national release and was, no doubt, a significant factor in the impressive results from subsequent DVD sales.

Mongrel’s efforts helped secure the film a strong showing. In so effectively marketing the film to both the niche and mainstream audiences that would most fervently embrace it, they helped make it one of the most commercially successful Canadian films on record.
Company Overview:

The largest film distributor in Canada, eOne is responsible for the dominant amount of domestic and imported theatrical content.

The company evolved from the acquisition of several companies — most recently, Entertainment One's film business with Alliance Films — into a successively larger organization. Alliance Films itself had evolved through a number of incarnations, including the purchase and absorption of Maple Pictures.

eOne operates as separate entities in Quebec and the rest of Canada.

Increasingly remodelling itself in the studio model, eOne has been taking a more holistic approach to the areas of development, production, marketing and distribution.

“If we're going to make great independent movies, we have to start developing what I call an independent studio for Canada. I'm talking about a studio made up of all the components of a big studio, where all the components work together from the outset. No studio waits until a movie's finished before they start thinking about how they're going to market it. We need to be working at that level. That's what we're doing at eOne.”

— Mark Slone

Film Synopsis

The Grand Seduction follows the antics of townsfolk in a remote Newfoundland village as they try to charm a big-city doctor into opening a practice in their small town.

The fishing villagers of Tickle Head must find a resident doctor before they can secure a lucrative contract to build and staff a new factory. In their attempts to seduce an urbane young doctor, the town completely reinvents itself, going so far as to found a cricket team and devise strange new ailments for the doctor to diagnose.

The resulting machinations and the confusion they generate make for an enjoyable romp that is both sentimental and romantic. The A-list cast of Canadian and international talent helps to give the film extra weight.

Production Details:

Producer: Barbara Doran, Roger Frappier

Production Company: Max Films Productions, Morag Loves Company

Director: Don McKellar

164 Entertainment One, interview by Dylan Young, January 2015.
Writer: Ken Scott, Michael Dowse

Cinematographer: Douglas Koch

Editor: Dominique Fortin

Composer: Maxime Barzel, Paul-Etienne Coté, François-Pierre Lue

Lead Cast: Brendan Gleeson, Taylor Kitsch, Gordon Pinsent, Liane Balaban

Production budget: $12,700,000 approx.

Financing Sources: Telefilm Canada, Sodec, The Newfoundland and Labrador Film Development Corporation, Max Films, Vision Globale and Morag Loves Company.\(^{165}\)

Release: September, 2013

Box Office: $3.9 million\(^{166}\)

**Background:**

*La grande seduction* had been a successful French-language film in Quebec and in Europe. After nabbing the audience award at Sundance in 2004, plans began to foment for an English adaptation.

Michael Dowse was initially attached to helm the remake but ultimately dropped out. Producer Roger Frappier then brought in Ken Scott, writer of the original French film. They agreed that *The Grand Seduction* would consist of nearly 80% the same material as its inspiration.

Scott oversaw this approach during the adaptation of the script but a conflict presented itself when it came time to direct the film and he was forced to pull out over scheduling issues with his own film *Starbuck*. Don McKellar was brought in as director a few months before shooting started. eOne had been involved at every stage of these decisions and would also be central in finding the right cast for the film.

“We get involved at the script level, sometimes, even at the idea stage,” says Mark Slone. “And because we have this expertise, we can help form the decisions that will turn a moderately successful film into a very successful one.”

“With *The Grand Seduction*, we were already thinking of the avenues for marketability before the cast had been decided on. You have to start thinking that way from the outset.”

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Originally, Robin Williams was being considered to star in the film but scheduling conflicts precluded his involvement. Brendan Gleeson and Taylor Kitsch were finally confirmed for the top roles in July 2012. Principal photography began later that month in both St. John’s and Trinity Bay, Newfoundland.

“We started the marketing push while the film was still shooting,” explains Slone. “We brought journalists onto the set. We brought the head of Cineplex to meet with the cast. And we made sure that we were creating our poster concepts while we had the stars in hand.”

“In these and other ways, we were ensuring that all the choices being made on set were ones that would positively affect the marketability of the picture. We were making sure that decisions were being made at a time when they were going to be the most strategically effective, not waiting until the last minute.”

“That sort of thinking touches on the studio approach we’re aiming for. I think the key difference though, between us and the studios, is we are not looking to own these films, or own the copyright, or even to be the lead producers. Rather, we’re looking to function in a role of guiding the production to be the best possible product for the marketplace that it’s going into.”

“We're not filmmakers. Our goal is not to dictate by committee — or by market interest — the fundamental creative kernel of a film. Rather, our job is to take good ideas and help shape them in ways that ensure maximum possible audience once that film comes out. Ideally, that’s something that starts as early as possible.”

Filming on *The Grand Seduction* wrapped in September of 2012.

**Theatrical Release/Campaign Strategy:**

This attentiveness to detail only increased as the film headed to theatrical screens. By the time *The Grand Seduction* premiered at the 2013 Toronto International Film Festival, eOne had already set its marketing machine in motion. Posters and banners were being spread across the country and the trailer was starting to set theatres aglow, right alongside competing titles from Hollywood.

“These trailers that we make are going up right next to big American movies,” says Slone. “Ones that look amateur will read amateur to the audience. Audiences are sophisticated. They understand what’s good or bad in seconds, just by looking at it. Sitting in the movie theatre while trailers play, you know the difference, right? It’s the difference between what looks awesome — what you can’t wait to see — and the sound of crickets — something that has no energy or holding power.”

“I think that our job is really to make sure that the good choices being made by the filmmakers are being supported by the best possible marketing at every stage of the process, not just at the finished stage.”

“There was a point where the system encouraged producers to do their own marketing and press. I have been vehemently against this idea. For anybody who says you can do without distribution, this is the kind of thing where you can really see the difference in results when those efforts are backed by proven market expertise.”

“We’re all working towards the same goal — to get these films in front of as many eyes as possible.”

Still, eOne found itself having to woo producers and filmmakers over to these market-driven strategies at times. Even with the distributor’s high level of involvement on *The Grand Seduction*, efforts to put the film in front of test audiences met with some resistance from the lead producer.
“He wouldn’t mind me telling the story,” says Slone. “Initially there was suspicion. He was dead set against testing the film. He’d made dozens of movies and he’d never tested anything before.”

“I think his reluctance went back to an old adversarial idea of how distributors worked with producers, that we wanted to run the tests to figure out how to bury the film before it was even finished. That’s the old notion of Canadian distribution we were fighting to change, that we’d take this thing they had made, sell it to TV and then half-ass the release because we didn’t care about anything else. That was the perception we were fighting against.”

“I can’t say that that dynamic didn’t exist in the industry once. But that was the exact broken piece we were working to change at eOne — the exact thing the studio approach was designed to change.”

“In the end, we did test the film. We got extraordinarily good feedback. And, ultimately, those comments led to meaningful changes in the cut of the film, including adding some pickup shots that weren't even part of the original shoot. When we retested the film — lo and behold — the scores went up. And then of course the film went on to be hugely successful. Far from hurting the film, the tests had made it a stronger film for audiences.”

“When we were nearing the end of the theatrical run, the producer admitted to me that he would never make another movie without testing again. It took about two and a half years — from production through release — for him to go from 'I will never test one of my movies' to 'I will never make one without testing.' I think that says a lot about the sort of market intelligence we bring to the projects and people we work with.”

In large part because of the commitment eOne made early on — and due to their perseverance in applying the best market mentality at every stage of the filmmaking process — The Grand Seduction went on to do well at the box office, with an impressive theatre run that lasted from May until October of 2014.

eOne was also instrumental in securing sales to the United Kingdom and the United States.

“That was very helpful when the film needed a little more production capital,” says Slone. “We were able to facilitate a sale in the U.K. that made it possible to meet those needs.”

“The film ended up having a nice little life in the U.K. and the States. And because we were able to bring our own people to the table, to share our marketing materials, we were able to reduce costs and maximize impact in those markets as well.”

Post-theatrical opportunities (broadcasters, DVD, VOD and OTT):

The success of The Grand Seduction in theatres had the effect of delaying the film’s DVD and VOD windows.

“Usually DVD releases come some 90 to100 days after the theatrical release. With The Grand Seduction, we nearly doubled that time,” says Slone.

When the DVD did get its release in the fall of 2014, it did so on the buzz created by a strong theatrical showing, and several awards nominations and wins.
“The expense on theatrical is the highest there is and the revenues — because we split it with the exhibitor — have the lowest ROI,” Slone explains. “But it does drive everything else. A movie like *The Grand Seduction* is so much more valuable to us once it's successful theatrically. Even though our risk was much higher — and it was much higher — the wins we achieve are that much greater.”

“We still had to put in our share of the P&A. We still had to allow for thousands of hours of collective staff time that went into all these earlier stages. If the film hadn’t resonated with audiences, that would have been a big loss. But that preparation paid off at every subsequent stage. With DVD and VOD, we already had material prepped. DVD and VOD sales have followed the theatrical success. It’s doing well.”

“After that comes the pay window. Pay windows can be one of two things in Canada. You can go either onto Netflix or you can go on to one of the pay TV services. We had pre-sold the film to Super Channel and The Movie Network. And following that, we’ll have a secondary TV window with broadcasters airing the film for free.”

Concurrent with this secondary TV window, *The Grand Seduction* will be made available for streaming on one or several subscription-based OTT services (Netflix, Crave TV, Shomi, etc.), as well as continuing to be available to rent or purchase on the spectrum of available transactional VOD services (Xbox, Shaw On Demand, iTunes, etc.).

“We service a film all the way down the line,” Slone says. “It’s important for producers to know when they partner with a distributor that they will get full service from that distributor. Because that film has an investment from the producers, the distributor and the tax payer, it’s really important that every avenue of exploitation is taken. The cultural and commercial impact of that film needs to be maximized.”

“That includes everything we've already discussed but also includes making it available to school groups, having it play on the film circuit in small towns, putting it in hospitals, in schools and libraries, hotels and airlines — getting it exposure in all the ways it would be impossible for filmmakers to do on their own.”

“That’s what a distributor does.”

**Conclusions:**

Entertainment One’s (eOne) home grown studio approach has meant they are taking a proactive overview of the entire filmmaking process, foreseeing and capitalizing on marketing and sales opportunities well in advance of when these efforts might pay off.

In the case of *The Grand Seduction*, it began with eOne being able to advise on script and casting decisions, with an eye to how those decisions would ultimately impact the sales and marketability of the film.

It also gave them the foresight to take advantage of opportunities to generate early press and theatrical interest — even as the film was still shooting — by bringing selected representatives to visit the production and see the cast at work.

The early influence they had on these and other decisions gave eOne advantages when going after pre-sales both domestically and abroad.
“What we're seeing from this earlier involvement and attention to marketability is an increase in the number of Canadian films that are upping the quality to a level that can not only do well at home but also be very exportable,” says Slone. “We now see why studios get involved the whole way and not just at the distribution stage, and we feel that it's vitally important to replicate that.”

This overarching strategy provided eOne with noticeable advantages when it came time to release the film theatrically, giving them access to stronger and more developed marketing materials.

It’s fair to say, that the combination of these efforts resulted in the ultimate success of the film and its impressive Canadian box office results.
Les Films Séville

Mommy

Nurturing a Québec Film Auteur for Global Impact

Company Overview:

Les Films Séville is the Québec subsidiary of Entertainment One (eOne). They distribute all the movies distributed by eOne within Québec and they also distribute Québécois and European movies.

The company began its life in 1983 as René Malo Film, later changing its name to Seville Pictures (1997), and finally to Les Films Séville in 2009 — two years after being acquired by eOne.

Les Films Séville sees its primary mission as one of helping to nurture and promote Québec filmmakers for success both inside Québec and Canada, and to a significant extent, internationally.

“Personally, I think the most important thing for a director is to shoot. There are several Québec directors — Jean-Marc Vallée, Denis Villeneuve, Xavier Dolan, Ken Scott, Philippe Falardeau — whose early films we distributed, who are now doing films for studios in the U.S. We won’t have the rights to distribute those films but I can think of those films as a success for us. Whether it’s in English or in French — whether it’s made in Canada, the U.S., or in Europe — I think you become a better director every time you get to work on a film. We have a long-term investment in these directors. So we’re happy to see them improving their craft wherever they can. And because they know we feel that way, they know they can come back to us with their passion projects.”

— Patrick Roy

Film Synopsis:

Mommy starts as a kind of aggressive social satire, positing a near-future Québec/Canada in which parents are able to commit their children to state care as an alternative to parenting (not unlike California’s spate of teens committed to mental health facilities throughout the 1980s). But while this high concept setup underpins the narrative, the film almost instantly settles into the harrowing — though sometimes aspirational — mining of character flaws that Xavier Dolan is so expert at unfurling.

Steve’s enlightened and devoted mother, Diane, would never contemplate sending her son away. But he doesn’t make it easy. A charismatic borderline psychotic, he seems impatient to push everyone around him to the limits of their indulgence. He is clearly set on the inevitable trajectory towards incarceration — mommy’s protection notwithstanding — until a chronically shy neighbour starts to tutor him.

But for how long?

Production Details:

Producer: Xavier Dolan, Nancy Grant

167 Les Films Séville, interview by Dylan Young, January 2015.
Production Company: Metafilms, Sons of Manual

Director: Xavier Dolan

Writer: Xavier Dolan

Cinematographer: André Turpin

Editor: Xavier Dolan

Composer: Noia

Lead Cast: Anne Dorval, Suzanne Clément, Antoine-Olivier Pilon

Production budget: $4.9 million

Financing Sources: Telefilm Canada, Sodec, Radio-Canada, Super Écran

Release: September, 2014

Box Office: $12.8 million

Background:

In May 2013, Xavier Dolan started working on a new project. He reached out to Patrick Roy at Séville. They had worked together previously on Tom à la ferme and Laurence Anyways to great effect. Dolan wanted to build on that relationship.

“Xavier called me to let me know that he was working on a script,” says Roy. “Even without reading it, I said, ‘You can count us in.’ We agreed that we would distribute it both in Canada and internationally and we signed a deal to that effect.”

“We made a significant minimum guarantee. Very quickly thereafter, we got Telefilm on board. Xavier wanted the film to be ready for Cannes in 2014. So we had to be very fast in getting financing. But because of the timing, it wasn’t going to be straightforward. SODEC has an application schedule that you need to work with and usually producers will wait until a film has full financing before going into production. But Xavier wanted to start shooting in the fall and that was before the SODEC review date.

“So the producer, Nancy Grant, accepted the risk. Basically, she would pay to cover the difference if SODEC said no. I don’t recall exactly how much SODEC eventually came on board for but it was a lot. That was a huge risk for Nancy. But that’s the kind of commitment we all felt to help Xavier get his film made.”

Séville was also able to make advance international sales during TIFF, based solely on the script. These in turn helped to pay the minimum guarantee the distributor had committed to the film.
“At that time, I said to Nancy and Xavier, ‘If you guys need more money, we’re there to help you. Let me know if the financing is difficult, if you need more than we agreed on.’ Because we already had lots of interest in presales for the film.”

Pre-release:

Séville’s extraordinary level of involvement and input didn’t stop once the cameras started rolling. Dolan was actively seeking input from Séville and Roy all through the production process.

“Even before the film was finished shooting, Xavier was coming to the office on a regular basis, showing me clips of the film,” Roy explains. “It was already really exciting but, at the same time, you never know until you see everything all together. With these directors, you expect to have brilliant themes but you still have to wait and see if everything put together will work and will be a strong film. At that time, I just had these small clips.”

“He showed me the scene with Antoine-Olivier dancing in the kitchen to Céline Dion and a few other musical sequences. It was very exciting. And it encouraged us to increase our minimum guarantee, to support the film even more. It was easier to do because of the presales, obviously, but we did it because we really believed in the film he was making.”

In large part because of the strong relationship established between Roy and Dolan, and because the young director was so open and forthcoming with his process, the high level of support offered by Séville was made easy.

The distributor knew that this was going to be an important project, not just for Dolan, but for the company as well.

In the end, Séville’s investment in Dolan paid off. Roy was brought in for a private viewing with the director and producer. He was the third person to see the film in its completed state.

“They invited me into the editing room,” Roy explains. “Xavier was sitting on my left and Nancy to my right. It was a very uncomfortable seat, especially with two people looking at every reaction you are having.”

“It’s such an emotional film. I was lucky because the film was longer than I expected and I was late for a lunch. I turned to them and said, ‘I’m not able to talk. I’m sorry. I’m late for a lunch. I’ll get back to you this afternoon.’ I was thinking, my god, you’re a genius.”

The film still had to go through some refining and Séville was there for every stage, just as it had been with the script.

“Some people think Xavier’s really stubborn and doesn't want to listen to anyone,” says Roy. “That’s really not true. He’s very open to listening to people he respects. I think that’s the key. There has to be a strong relationship there for the process to work. I like to think I have that with Xavier.”

“We exchanged notes on the first cut. I made my comments about how we could improve it and he listened. He made some changes I suggested, others he didn’t. It’s fine like that. That’s the way it works. At the end of the day, it's his film.”
Theatrical Release/Campaign Strategy:

When it came to figuring out a release date, Dolan was concerned that a 2014 release would be following too closely on the heels of *Tom à la ferme*, putting the two films in conflict for awards like the Jutra. Dolan was also exhausted, having written, directed, produced and edited three films in as many years. The idea had always been to get *Mommy* into Cannes but there was still a lot of work to do.

“I had my concerns,” says Roy. “I wasn’t sure Xavier would be able to finish the film in time for Cannes. But I thought, let’s see if it gets into competition and we’ll worry about whether it will be ready then.”

“When Xavier heard the news about the film being chosen, I was there with him in his apartment, with all the actors and the DOP — I brought champagne. It was really touching because it was a great dream of his to be in competition in Cannes.”

“So he had to finish the film very quickly after that. And this was at a time when he had publicly said he was dead, too burnt out to work. But he managed to do it anyway. And it was a triumph at Cannes.”

*Mommy* went on to earn the Cannes Jury prize, sharing the honour with cinema legend Jean-Luc Godard’s *Goodbye to Language*. After the win, even Dolan had to accept that the film release couldn’t be delayed for a year.

“We started talking about September 2014,” says Roy. “It was earlier than he’d wanted but he agreed it was the right choice. Even then, people in Québec complained. They demanded to know why we weren’t putting it out right away.”

“It was all over the media. But we stuck to our plan. We took the time to plan the release strategy well, to make the best trailer and poster we could — even as people were attacking us for the delay.”

The buzz created around Cannes was heavily circulated through the blogosphere and across social networks. And even the acrimony over the perceived delay in the release further stoked the flame of interest in the film.

“I would argue that the anticipation created by our measured approach helped the film be stronger when it was released. As I told our critics, if the film is good in May, or June, it will still be good in September. In the end, I think everyone would have to agree with that.”

*Mommy* screened at a few other festivals over the summer, generating further buzz, and was released across Canada a few weeks after TIFF 2014, on September 20th. That same day, they found out it was going to represent Canada at the Academy Awards.

“We couldn’t have predicted any of these things,” Roy admits. “But they became parts of our campaign. The posters and trailers had only been circulating since July — which is not very long. We ended up doing a lot of things differently with *Mommy*.”

“We released the film on 62 prints — an audacious strategy. Usually it would be 20 or 25 but there was a such a demand. We’d made a commitment to deliver it in a big way after creating all that anticipation.”

“We rolled it out in waves. We didn’t put it in every theatre right away. If there were three theatres in a town, we put it in two. We’d only put the third one in there if the demand was really there.”
“It was still a big risk. I had my doubts. We waited for the numbers to come in on that first Friday. Xavier and Nancy kept texting me for updates. It was like that all weekend. The numbers were amazing. It ended up being a great weekend.”

Mommy ended up topping Canadian box office records for the year, beating out films with Hollywood stars and larger budgets. As of February 12, 2015, Mommy had pulled in $3,566,749 at the Canadian box office. The film also won the Guichet D’Or, the award presented annually to the Canadian French-language film with the highest-grossing domestic box office sales. It also had spectacular success in France and other countries.

Post-theatrical opportunities (broadcasters, DVD, VOD and OTT):

When Mommy failed to be nominated for the Best Foreign Film Oscar, Séville’s attention turned to the strategy for the DVD and VOD release.

“The Phase 2 plan was to get the nomination, then release it again after the Oscars,” says Roy. “That didn’t happen. So we started preparations to do the VOD release on March 17th, 2015.

After the film has its run on iTunes and the other platforms, the broadcasters will finally get their chance to air it. Super Écran and Radio-Canada are slated, as are the many foreign broadcasters Séville had made presales to.

“There had been some concerns from our TV department that the unique framing choice Xavier chose for the film would pose a problem with the broadcasters,” Roy admits. “But I said, ‘You know what? I’ll deal with it. Because that’s his vision.’ I believe totally in Xavier’s taste and judgment.”

“In the end, we didn’t need to worry. Radio-Canada bought it as soon as they saw the film. The issue has never come up.”

No doubt, Mommy will eventually be available on Netflix or a competing OTT service, but at the time of this writing no specific agreements have been secured.

Conclusions:

Séville’s experience with Mommy has to be seen as a unique one. Foreseeing the successes at Cannes or the near miss at the Oscars would have been impossible. And so, the particular strategies that the distributor used during its intimate involvement with the film have to be seen as anticipatory rather than predictive.

“You don’t know that a film is going to get that sort of opportunity,” says Roy. “You can hope for it, you can believe it deserves it, but you can’t predict it. You can plan for it, though.”

It’s that very ability to react to these unforeseen opportunities so quickly and decisively that are the greatest proof of the importance of the distributor/filmmaker relationship.

“I remember at the press conference announcing that the film was going to be in competition at Cannes,” Roy recalls. “I said to the press, ‘Now, be ready because there is going to be a big emotional reaction at La Croisette on that date.’”
Séville attached itself to the project at the earliest stage and then helped to secure the funding necessary to make Dolan’s vision come to life. That unwavering faith in his craft, expressed both financially and personally, can only have had a positive effect on the results of the project.

The evidence of this is clear to see from the critical and public response to the film, as well as the many awards lavished upon it. And when the film started to generate the accolades it deserved — the ones their faith had presupposed — Séville was ready to maximize the impact of that boon.

The restraint used in releasing the film, paired with the bold commitment to so many prints, ensured both an extremely high demand, and the means to satisfy that demand just as it reached a furor.

Mommy is one of the greatest domestic successes Les Films Séville has been involved with. It would be difficult for the distributor to replicate the exact conditions that ultimately led to that success. But Séville’s focus on cultivating ongoing relationships with iconoclastic filmmakers — helping them not only to disseminate their work, but also to realize their visions from very earliest stages — can only help to continue getting them close to that goal.

“What excites me is the work we do with creators,” Roy says. “Any success you have starts with the quality of that relationship.”
KinoSmith
Up the Yangtze / China Heavyweight / The Fruit Hunters
The Theatrical Documentary

Company Overview:

KinoSmith was founded in 2007 by distribution veteran Robin Smith. Since then, it has established itself as a significant boutique distributor with over 300 feature film releases. Canadian titles in the roster average around 50% of these.

Working in a variety of roles for an impressive list of film players — from Alliance to Lion’s Gate — Smith found he had a unique vantage point from which to observe industry trends and address unexploited niches in the market. KinoSmith came about as a response to what he saw as a lack of good distribution options for smaller Canadian films.

Initially, Smith concentrated on fiction works but he soon realized that KinoSmith would be stronger by developing a focus on documentary film. Documentary filmmakers had been finding it difficult to connect with distributors who had insight into how to maximize the impact of their films, especially theatrically.

In this capacity, and in creating tailored strategies for digital, KinoSmith was well-positioned to answer this need. The close relationship KinoSmith subsequently developed with Hot Docs ensured that documentaries would always be an important part of their business.

“When I first started, it was 70% fiction, 30% non-fiction. But then I started looking at what the other distributors were doing — which wasn’t a lot for documentaries. I noticed some little gems, small movies slipping through the woodwork and no distributors picking them up. And this was at a time when you were increasingly starting to see some documentaries doing impressive numbers at the box office. It also coincided with digital becoming an increasingly important revenue stream, and services like Netflix and iTunes stating that documentary was one of their most popular categories. So we were still doing fiction films but the ratio had flipped. It’s been a great choice for us.”

— Robin Smith

Film Synopses:

In this case study, the distribution of three documentary films — all by the same director and production company — will be discussed. The aim is to show strategic approaches to the feature documentary.

In Up the Yangtze, Chinese-Canadian director Yung Chang returns to the gorgeous, now-disappearing, landscape of his grandfather’s youth for a trip on a luxury cruise that traverses the gargantuan waterway. With a humanist gaze and wry wit, Chang takes an Upstairs Downstairs approach to the

168 KinoSmith, interview by Dylan Young, January 2015.
cruise, capturing the microcosm society of the luxury liner and using it as a reflecting pool for larger social issues in a rapidly modernizing China.

With *China Heavyweight*, Chang follows a master coach as he recruits poor rural teenagers, hoping to turn them into Western-style boxing champions. The top students face difficult choices as they graduate — should they fight for the collective good or for themselves? A metaphor for the choices being made throughout the New China.

Using Adam Leith Gollner’s book of the same name as a launching point, director Yung Chang set out to make *The Fruit Hunters* a cinematic odyssey from the dawn of humanity to the cutting edge of modern agriculture — a film intended to change not just the way we look at what we eat, but also what it means to be human.

**Production Details:**

*Up the Yangtze*

Producer: Mila Aung-Thwin, John Christou, Germaine Wong

Production Company: EyeSteelFilm, The National Film Board of Canada

Director: Yung Chang

Writer: Yung Chang

Cinematographer: Shi Qing Wang

Editor: Hannele Halm

Composer: Olivier Alary, Johannes Malfatti

Production budget: $1M approximately.

Financing Sources: The National Film Board, Telefilm, Canadian Broadcasting Corporation, Radio Canada National Geographic, PBS POV, and ZDF.

Release: September, 2007

Box Office: $1,029,000

*China Heavyweight*

Producer: Yi Han, Bob Moore, Zhao Qi, Peter Wintonick

Production Company: EyeSteelFilm, CNEX Foundation, Yuan Fang Media

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Director: Yung Chang

Writer: Yung Chang

Cinematographer: Shaoguang Sun

Editor: Xi Feng

Composer: Olivier Alary, Johannes Malfatti

Financing Sources: Telefilm Canada, SODEC, Rogers Group of Funds, TV5 Quebec, Channel 4, Movie Central, The Movie Network

Release: January, 2012

The Fruit Hunters

Producer: Mila Aung-Thwin, Bob Moore, Catherine Baulu

Production Company: EyeSteelFilm, National Film Board of Canada, Canadian Broadcasting Corporation

Director: Yung Chang

Writer: Yung Chang, Mila Aung-Thwin, Mark Slutsky, Adam Leith Gollner (Book)

Cinematographer: Mark Ó’Fearghail

Editor: Hannele Halm, Mila Aung-Thwin, Omar Majeed

Composer: Olivier Alary, Johannes Malfatti

Production budget: $1 million, approximately.

Financing Sources: National Film Board of Canada, Canadian Broadcast Corporation, Telefilm Canada, Sodec

Release: November, 2012

Background:

KinoSmith wasn’t a fully realized concept when *Up the Yangtze* came along. Smith credits his involvement with the film as an important catalyst in the company becoming what it is today.

“*I stumbled across *Up the Yangtze* at a point where I was still figuring out what my next steps were going to be,*” says Smith. “*I had a lot of experience in film, working with different companies, and I was in the process of setting up my own thing. But what KinoSmith was actually going to be wasn’t clearly defined yet.*"
“Then I saw this movie by this young director named Yung Chang. I saw this movie and I just knew it was going to be something. That was *Up the Yangtze*. I didn’t have any idea it would do as well as it did but I knew it was going to be something important and I was going to help make that happen.”

The film was ready for the public but the filmmakers were hitting a wall with distribution. The NFB was supporting the film, they had produced Chang’s first documentary, and the production company, EyeSteelFilm, had already made presales to some broadcasters.

“It was a film that every distributor had kind of turned down,” Smith adds. “Not all the rights were available and — to the credit of the other distributors — that was maybe why they walked away from it. So I said to the filmmakers, ‘Why don't we do this ourselves? I'll help you guys navigate this.’ We went to Telefilm for alternative distribution money, which was still around in those days, and that got us started co-releasing it. It was a good arrangement because the filmmakers actually held on to the rights. I wasn't buying the rights. And there was no minimum guarantee.”

“So with my expertise and the filmmaker's blood, sweat and tears behind it, we decided to get this out, and it went out theatrically and turned into the third highest grossing Canadian doc of all time.”

KinoSmith hadn’t been involved with *Up the Yangtze* from the very beginning but Smith would be instrumental in formulating a uniquely effective rollout strategy for the film. The success of that experience would establish a lasting relationship between KinoSmith, the producers at EyeSteelFilm, and Yung Chang for subsequent projects, including *China Heavyweight* and *The Fruit Hunters*.

**Theatrical Release/Campaign Strategy:**

With a small budget backing *Up the Yangtze*'s release, KinoSmith had to maximize the film’s exposure using an unconventional approach.

“The cinematography was gorgeous,” says Smith. “I knew it would look fantastic on a big screen. I knew it would make people talk.”

Going against the common market wisdom, KinoSmith devised a rollout strategy with EyeSteelFilm that would get the film seen as much as possible before its theatrical release.

“Traditionally, distributors don’t really like to overdo advance screenings because they think they are giving away the baby,” Smith explains. “But when you have a film like *Up the Yangtze*, a film with great word-of-mouth, getting the film seen ahead of the release can generate the same kind of buzz as tens of thousands in advertising.”

“It’s not going to work with every picture. So there’s always a risk. I have to give the filmmakers a lot of credit for that. They were willing to take the chance. They followed our guidance.”

After the run of advance screenings, the film had a full release, rolling out in stages across the country, starting with the major cultural hubs. Montreal was the first opening weekend to come in. The numbers were strong, even better than expected. It played out much the same in Toronto. In Vancouver, the film proved to be a small sensation. *Up the Yangtze* continued to gather momentum — in its small way — as it spread to more theatres. Before long, they had a bona fide hit on their hands.
“When we first developed our strategy around the movie, we were very consciously going after all these sectors. There was the environmental sector, the cultural factor, and we were obviously tied in with the Asian community struggle.

“But really, we just had incredible timing because, all of a sudden, China was everywhere. We were seeing China as the cover story of Time Magazine, the Globe and Mail did a huge profile on China opening its doors. It became sexy territory. There was this place that we knew very little about that we suddenly wanted to dive into — and Up the Yangtze was right there to catch that wave.”

Up the Yangtze became the third-highest domestic grossing Canadian-made documentary (after The Corporation and Sharkwater) with a box-office take of $640,000.

“Of course the success of Yangtze garnered me and my company a lot of attention,” says Smith. “It really solidified where the company was going.”

When Yung Chang was ready to tackle his next feature doc, China Heavyweight, it was to a much-developed KinoSmith that he and his producers returned to.

“It’s much rarer to get involved with documentaries at the concept stage because you never know what material you are going to get,” Smith explains. “Documentaries are literally made in the editing room. So you’re not going to make that commitment unless there’s a lot of trust.”

“I obviously had that extra level of confidence with Yung. With China Heavyweight, and The Fruit Hunters too, I was in at the treatment or verbal pitch stage — even though I knew those films were going to have much more conservative prospects.”

“You’re not going to get a Up the Yangtze every time out,” he adds. “China Heavyweight is a great film but it’s also very niche, you’re not going to be able to put it out to as many theatres. You can’t count on the whole Chinese community to come out for it and you can’t expect it to do well with the sports fans. It’s always only going to be a narrow segment across all those groups.”

“But that’s also a big part of the distributor/filmmaker relationship. I’m coming on early because I trust in their skill — I know they’ll make the best film possible — but they know I’m also going to be very frank and realistic about how far a film can go.”

As expected, China Heavyweight didn’t reach the results of its predecessor but, under KinoSmith’s ministration, it did perform well beyond the box office. It was critically well-received and ended up claiming several award wins and nominations.

“With The Fruit Hunters, we’re talking about a film that is even more niche,” Smith says “We didn't do enormously theatrically with the movie but I didn't anticipate we would. Theatrical was something I wanted to do for Yung, because at a certain point you owe it to a filmmaker. What seems like a loss in the short term is often a solid investment in a very profitable long-term relationship.”

Post-theatrical opportunities (broadcasters, DVD, VOD and OTT):

During the theatrical run of Up the Yangtze, KinoSmith encountered some rights conflicts. There was a CBC window coming around the corner and that ended up creating an issue with Cineplex.
“CBC promoted a free screen while we still had the film in all the major theatres,” says Smith. “It wasn’t cool. As a result, we got pulled out of the theatres early. The film still did enormously well but there were a lot of hiccups along the way.”

The buzz surrounding *Up the Yangtze* transitioned into a best-case scenario for post-theatrical opportunities. In 2008, VOD and OTT were relatively new revenue streams but the film eventually received fairly high-profile placement on these services.

“If I was releasing *Up the Yangtze* for the first time today, I’d be better at balancing all the pieces,” Smith admits. “But I don’t think we could have done better with the resources we had at the time. We’re still seeing sales on it today.”

In 2013, when *China Heavyweight* ended its theatrical run, the film passed through its various windows much more smoothly. There was a pay TV run with TMN and Movie Central, and the usual broadcaster windows.

DVD was softening as a revenue stream but KinoSmith’s focus on digital was starting to pay off. They had been paying attention and had learned how to make the system work for them.

“With digital, the publicity is almost zilch,” Smith says. “The most important part is making sure you get the right placement. A lot of that has to do with being flexible. Every time we launch a film on iTunes, we make sure that Apple chooses the dates. If you try to force a particular release date, your film could be buried. But when we play nice, they give us good splash presence and that makes a huge difference in how people gravitate to it.”

“I mean, there is going to be a core group of people who are really interested in any given film, people who will find it no matter where it is. And you can get more people in with social media, get the filmmakers to reach out to their followers. But nothing is going to beat good placement for getting your film seen by people who aren’t already incentivized to find it.”

In the case of a very niche film like *The Fruit Hunters*, moving to digital can actually give the film a whole new life.

“The thing that’s so great about video-on-demand is that something like *The Fruit Hunters* can really find its audience,” Smith says. “What wasn’t very viable in theatres suddenly becomes a niche treasure. It can now actually fall into that hot sub-genre of food docs. It’s got all of these different elements to draw people in — sustainability, monoculture — that can finally reach a larger audience who couldn’t find it at a theatre nearby.”

Even so, KinoSmith still spends very little to promote their titles on digital channels — preferring an approach tailored to the realities of the online world.

“We’ve done Facebook ads,” Smith explains. “We never buy traditional media for any of our VOD releases. That’s not necessarily to say that it’s the wrong thing to do. It could be the right thing to do depending on the movie and depending on what type of media you’re doing. If you’ve got a film with a very specific type of audience, then it can make sense to buys ads on websites that serve those specific interests. So, talking about *Fruit Hunters*, that might be a popular food blog, or a site discussing micro-farming and agriculture. But social media campaigns still make the most sense. Promoting digital lets you be much more granular in your efforts.”
Conclusions:

KinoSmith has managed to establish itself as a strong and reputable distributor by paying close attention to two key factors — relationships and opportunities.

At a time when documentary filmmakers were struggling to find distribution partners, KinoSmith stepped up, and in so doing found themselves a unique segment of the market to excel in.

This wasn’t an act of pure benevolence. In fact, KinoSmith had picked up on a rising trend that promises to make their business increasingly profitable as digital distribution channels — in particular the transactional ones — become more commonplace. When it comes to OTT and VOD, documentary is a growth sector.

Committing to an approach that emphasizes pragmatic choices in the short term – while pressing forward with a long view of the market’s potential – has also allowed KinoSmith to build strong mutually beneficial relationships with filmmakers.

The distributor’s close ties to director Yung Chang and the producers at EyeSteelFilm not only launched the company to much acclaim, it also helped the filmmakers pursue passion projects that other distributors might have steered them away from.

But KinoSmith has always seen their participation as distributor for Yung Chang and EyeSteelFilm as an investment in a particular storyteller’s sensibility. The wild success of *Up the Yangtze* may not be reproducible. But if it is, it will be because the filmmakers were given the opportunity to hone their craft through the more qualified successes of *China Heavyweight* and *The Fruit Hunters*.

And KinoSmith’s close tracking of the growing opportunities in digital has opened up new possibilities for even their most obscure offerings — ways to reach out and satisfy the niche interests that will never be served by theatrical venues.

“Especially now, with the growing popularity of cord-cutting, many viewers are filling that hunger for news and facts with documentaries,” Smith says. “It’s not live current events but it is informative.”

“You can see a bad fictional film and you’ve wasted two hours of your life. You see a bad documentary, you can walk away and still feel like you’ve learned something.”
Company Overview:

IndieCan Entertainment was founded in 2011 by filmmaker Avi Federgreen to address a failing he saw in Canada’s film distribution sector. Federgreen felt that the works of Canada’s next wave of cinematic talent were being under-represented because their films were often too low budget to interest the more established distributors.

He believed that a significant part of the Canadian story was being ignored because of the steep economics of filmmaking. Ambitious filmmakers who had the ingenuity to bootstrap their productions into finished films were then hitting a wall at the distribution level, unable to secure decent theatrical windows, broadcaster arrangements, or any of the other publicity and revenue channels available to established distributors. As an independent filmmaker himself, Federgreen felt he was well-positioned to take on this role. IndieCan Entertainment was created to serve that niche.

“There are more than 200 indie films made in Canada each year, less than 10% of which are distributed. Many of them deserve an audience. First-time feature filmmakers are trying to establish a career, and if their work can’t be seen then it’s tough to get money for the next project.”

— Avi Federgreen

Since its founding, IndieCan Entertainment has distributed 36 independent films, of which 28 have been Canadian works.

Film Synopsis:

Sex After Kids is an edgy ensemble comedy that explores what happens when you’re too tired, uninterested, or annoyed to seduce the person you love, loathe, or haven’t even met yet.

An interconnected cast of characters struggle to define themselves as sexual beings in the wake of parenthood — with mixed results: newlyweds try in vain to align their newborn’s schedule and their libidos; a single mother is encouraged to pursue casual no-strings-attached sex; a couple of empty-nesters try to rekindle their romance after their daughter moves out; a single dad struggles to find the “perfect match;” a wife fights to have her husband see her as a lover and not just a mother.

Production Details:

Producer: Jeremy Lalonde, Jennifer Liao, Lori Montgomery, Jason Naggiar, Keri Peterson

Production Company: Believerville Productions, Cryingman Productions

Director: Jeremy Lalonde

170 Private Interview, interview by Dylan Young, February 2015.
Background:

When *Sex After Kids* came to IndieCan Entertainment, director/writer Jeremy Lalonde and his producing partners had already run a successful crowd-funding campaign through Indiegogo. Their campaign was subsequently voted the Indiegogo Campaign of the Month in March 2012.

“When I went about making my second feature film, *Sex After Kids*, I didn’t want to wait around for the traditional funding agencies to tell me whether or not I could make my film. I knew I could do something great on a low budget, so I worked non-stop with some help from the cast and crew of my film and in 47 days we raised $61K dollars through crowd funding.”

— Jeremy Lalonde

The rest of the production costs were met by private investors and shooting on the film was completed in 2013.

Federgreen got involved during the editing process, as decisions were being made about how the film was going to be packaged to reach the widest audience possible.

IndieCan — whose approach to distribution includes keeping their filmmakers actively involved at all stages of the process — was an apt choice for *Sex After Kids*, a film produced in truest DIY fashion.

“It’s part of my ethic, that if the filmmakers don’t want to be active participants in the release of the movie, I also don’t want to be involved,” says Federgreen. “The flipside of that is that I’m not going to take their film and run away with it.”

“Indie filmmakers put their guts into their work. They get it financed, they give up all their fees — defer them, probably forever — to get the movie made. It’s not going to feel right to have someone come along and say, ‘Yeah, we’ve got it from here. We’ll let you know how it goes.’ So I go the other way. They have to be active participants.”

IndieCan’s investment in the project would be $20,000 for P&A. There was no minimum guarantee.

Pre-release:

“With *Sex After Kids*, the team allowed me to give them notes on the editing. From that point on we talked about everything,” says Federgreen. “And they participated in everything that I wanted to do with the film. What they didn't agree with, we sat down and talked about until we came up with a better solution.”

“So the plan was — and we all agreed on this — that we would give the film a festival run as a lead into the theatrical release, then follow that up with windows as inflight entertainment on Air Canada and VOD with iTunes, Rogers, etc.”

The final and hardest part of the IndieCan strategy was going to be getting *Sex After Kids* a TV deal. But that would come later.

IndieCan and the *Sex After Kids* team also brought their skills together to come up with the advertising, trailer and poster campaign. Social media would prove decisive, with combined following of over 100,000 between the director and cast.

The Indiegogo pitch focused on encouraging contributors to help make the film a reality, rather than on the money concerns. This put the focus on what really mattered to the target audience — seeing the film.

“There was a fan base already built in for the film,” says Federgreen. “So we benefited from that and then I ran ads in NOW [the Toronto alternative weekly best aligned with their target audience] that complemented some contests we ran on Facebook and Twitter. But that was the limit of the print advertising.”

“We had a publicist who reached out to press across the country and there were TV interviews, all that kind of stuff,” he adds. “We did it all.”

“I'm not of the philosophy that you need to spend millions of dollars to get the word out. I just think that conventional P&A doesn’t make much sense any more. Especially when we're talking about independents, it's hard enough to get people to go see them. Spending tons of money — and failing to get people to go see them anyway — is dumb.”

Theatrical Release/Campaign Strategy:

The festival screenings generated enough goodwill and positive critical response to help build audiences for a targeted theatrical release.

The film played in six cities across Canada for week-long runs and in Toronto for six weeks, receiving strong reviews wherever it played.

“We chose to screen the film at smaller theatres like the Rainbow & Magic Lantern cinemas,” says Federgreen. “Cineplex wasn’t an option. They would have been way too expensive.”
Posters had been delivered a few weeks in advance so that the film would start to filter into peoples’ awareness. These were given prime placement at the theatres. And there was a special advance screening in Toronto where the proceeds went to one of the cast member’s charities. But it was social networking that really helped drive audiences to the theatres.

“The director and the cast had a huge amount of followers on social media and that translated to an impressive following for the film,” Federgreen adds. “It all helped put Sex After Kids in the top five grossing Canadian films in its opening week.”

**Post-theatrical opportunities (broadcasters, DVD, VOD and OTT):**

After the theatrical run, Sex After Kids found a place on Air Canada in-flight roster and thereafter it played successfully on Bell, Rogers, Shaw and MTS’ VOD services.

“The film does exceptionally well on iTunes too,” says Federgreen. “Physical DVD sales have also been amazing for the film, both on the IndieCan site but also on Amazon.ca.”

The biggest hurdle was still going to be finding a place for the film on TV. The film hadn’t managed to get any of the regular players involved at the pre-production stage. With broadcasters insufficiently incentivized to champion low-budget Canadian titles, finding takers for the film once it was made was always going to be an uphill battle.

“It wasn’t easy but I did finally manage to sell it to Super Channel. It'll be airing in the summer of 2015.”

At the time of this study, the film had not been offered to any OTT service (Netflix, Amazon Prime, etc.). The fees offered by OTT channels for these sorts of films are so minimal that it was not deemed worth risking the broadcaster arrangements to even sound them out.

Once the conventional television avenues have been exhausted, IndieCan may pursue some sort of OTT arrangement.

**Conclusions:**

IndieCan Entertainment fills a necessary niche in the distribution industry, giving low-budget and micro-budget films access to channels, marketing and funding opportunities that might not otherwise be available.

The close collaboration between IndieCan and the filmmakers resulted in a relationship where each party was able to benefit and capitalize on the resources and experience of the other, to more effectively hone in on the right strategy to motivate audiences towards their film. This was a significant factor in the success of Sex After Kids.

The film received consistently decent reviews and was very effective in finding its audience. A significant part of this was achieved by capitalizing on opportunities to publicize and disseminate information about the film through available and pre-established social networking channels. In fact, these online strategies proved much more effective and cost-effective than traditional P&A methodologies.
While aspects of this strategy might have been achievable by the filmmakers on their own, IndieCan’s distribution experience and market intelligence afforded them options they would not have had otherwise.

The targeted use of print advertising and press outreach helped to bolster the efforts in the social media sphere. And the subsequent sales to television and Air Canada, or the successful distribution of the film through VOD services and DVD sales, would have been difficult to achieve without IndieCan’s stewardship.

The combination of all these efforts, and the willingness of the distributor and the filmmakers to unite their efforts, resulted in what — particularly for a low-budget film — was a Canadian commercial success.