

How Are the Major Streaming Services Reshaping the Film Industry

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Abstract

The paper examines the effects major streaming services, such as Netflix, Amazon, HBO have on the Danish film industry, and seeks to identify how individual producers and independent production companies in the country can exploit the rising opportunities. The research used a mix of deductive and inductive reasoning in the analysis, for which twelve semi-structured in-depth interviews were conducted with industry professionals from Denmark over the course of five weeks. This led to insightful findings that can be used for further researches for both academics and professionals.

The analysis built on theories discussed in the literature review; Porter's five forces (Porter, 1979), supply chain, emerging strategy (Mintzberg, 1987), marketing mix, four trajectories of change (McGahan, 2004). The findings include changes in certain links in the supply chain of film production, such as; affects on producers and film financing, changes in sales and distribution. While for producers SVOD services mainly bring additional financing opportunities, decreasing the power of DFI and the national broadcasters, sales agents and distribution is highly affected. Sales agents will need to adapt to the changing conditions, and transform themselves from traditional sales agents to agents who offer extra services for their clients. Distribution is affected in a way that its release windows system is disrupted and shortening some of these windows might not be avoided in the future.

Additionally, the study, with the help of the model of marketing mix, identified that in the hypothetical case of Danish producers or production companies selling their projects for major streaming (Netflix, Amazon or HBO) services as original content, they need to face several challenges. Streaming services look for local, yet mainstream projects and in the last few years they were mainly interested in serialized content. As the SVOD platforms do not release any data regarding sales and audiences, they have an unfair advantage when negotiating for price. If a title is released on a major streaming platforms, it does not automatically mean it will reach a large audience, as mostly American and English language titles are highlighted on the platform, leaving foreign language products in the background. Furthermore, Danish producers, who are used to a system of subsidiaries as main source of financing, will have to adapt and use different promotion styles if they seek to sell their projects to a major platform. To understand the ongoing changes from a strategic point of view, the four trajectories of industry change model (McGahan, 2004) has been applied, stating that while at the moment the changes can be considered progressive for producers and production companies, the future is uncertain and as any other industry, it can catapult into radical or intermediating change. Conclusively, the above discussed findings are applicable to not only the film industry in Denmark, but all across Europe, as the Danish film industry in its structure resembles to most film industries in the continent.

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1. Introduction

“Danish cinema, whose international emblems include Lars von Trier, Mads Mikkelsen, Thomas Vinterberg and Suzanne Bier, plays a pivotal role in the audiovisual landscape of Northern Europe” (Scoffier, 2014). The Dogme95 movement that started in 1995 by Lars Von Trier and Peter Aalbæk, was the first step in the last two decades’ success story. The rising number of films led to international recognition and success, making the Danish film industry one of the most sought-after in Europe. The enormous support from the government through the Danish Film Institute and national broadcasters enables a creative environment for filmmakers where true quality content can be produced (Kerrigan, 2010). Additionally, co-productions between the Nordic countries and with other European countries provide further opportunities for Danish filmmakers (Sjöström, 2017). All these resulted in the production of many critically acclaimed and internationally successful films, such as “Land of Mine” and “In a Better World” (Scoffier, 2014), and TV series such as “Broen” (The Bridge) or “Forbrydelsen” (The Killing) (Gilbert, 2012).

As in most industries nowadays, the rapid technological development provides the industry players, such as producers, distributors and sales agents with new opportunities, while creating challenges at the same time. More and more films and serialized contents are created every year around the world, making the competition for audience extremely fierce (Binkyte and Christensen, 2016).

The spread of the Internet brought the rise of streaming platforms and VOD (video on-demand) services, both locally and on the global market. In the last few years, SVOD (subscription video on-demand) services enjoyed a particularly striking rise in the European Union, as they gained a plus ninety-five percent growth from 2014 to 2015 (European Audiovisual Observatory, 2017). In Denmark, more than forty-three percent of the population possesses subscription to a VOD service and that number is expected to increase continuously and reach a forty-seven percent threshold by 2022 (Statista, 2018). With global platforms such as Netflix, Amazon, and HBO seeking to increase their subscription numbers, a new interest for local contents has appeared: *“There is a big competition to get big projects, the right projects for your SVOD service”* (Interview with Mikael Windelin, 2018, 12:39).

Consequently, VOD platforms and their growth in the country bring many changes to the industry and affect producers, distributors and sales agents as well by creating both opportunities and challenges. It is clear that streaming services give additional financing ways for producers to help their projects of filmed entertainment, thus, it is worth to investigate what other effects they have on the Danish film industry. *“There is a little transparency for producers to both identify the full scope of their opportunities they can capitalize upon, and recognize the risks they are to face”* (Binkyte and Christensen, 2016:1).

1.1. Research Question and Delimitations

The above described characteristics and dynamics of the Danish film industry have led to the formulation of the following research questions:

Main research question:

What effects do major streaming services have on the Danish film industry, with the focus on independent production companies and individual producers?

Sub-question:

How could Danish production companies and individual producers use the evolving opportunities to reach broader audience?

This paper will investigate the film industry from a researcher’s standpoint and will seek to identify current characteristics of the industry and how would these (characteristics) change in the face of major streaming services starting to invest in local independent film projects.

It has been chosen to focus the research on production companies and individual producers in Denmark that produce both feature films and TV drama (TV series), in order to understand the industry and gain knowledge on what are the expectations of Danish filmmakers towards the new concept of VOD (video-on-demand) service providers investing into local films, as well as starting their own productions. It has also been decided to limit the scope of streaming service providers to only the major ones that operate within

the Scandinavian industry; Netflix, Amazon, HBO; and touch upon some other VOD platforms that provide similar services, which include local ones, such as ViaPlay.

The thesis of how streaming services are reshaping the film industry is intended towards Denmark but also has an international appeal, for streaming service providers offering their services across the globe, hence, in many different European markets acting similarly. Additionally, producers seek international markets to showcase their films to reach financial aspirations.

The structure of the paper is as follows; the first part is the methodology of the research, where the process of the data collection and analysis is introduced as well as explained. Next is a literature review based on the previous researches within the film industry and introducing theories and models such as supply chain, Porter's five forces (Porter, 1979), four trajectories of industry change (McGahan, 2004), marketing mix, and relationship marketing in order to build a theoretical framework for the analysis. The following part contains the analysis of the collected data structured based on the theoretical framework. The paper concludes in a discussion and conclusion about the findings in the analysis.

2. Methodology

2.1. Research Philosophy

In order to be able to properly define the research design and overall research strategy of a thesis, one has to understand the different philosophical approaches to qualitative research. The two main philosophical concepts behind qualitative researches are ontology and epistemology (Eriksson and Kovalainen, 2008). *“Ontological assumptions are concerned with what constitutes reality, in other words what is. Researchers need to take a position regarding their perceptions of how things really are and how things really work”* (Scotland, 2012:9). On the other hand, *“epistemological assumptions are concerned with how knowledge can be created, acquired and communicated, in other words what it means to know”* (Scotland, 2012:9). Thus, ontology tries to answer the question of *“What is there in the world?”* (Eriksson and Kovalainen, 2008:7), while epistemology is seeking

answers for the question of “*What is knowledge and what are the sources and limits of knowledge?*” (Eriksson and Kovalainen, 2008:8).

To better understand these philosophical concepts, two significant philosophical positions can be defined related to research studies: positivism and interpretivism. The positivist point of view in relations to ontology states that, social entities are independent of the perceptions of social actors. In regards to epistemology, positivism is concerned with observing social reality while the researcher remains value-free. On the contrary, interpretivism argues that social phenomena are developed by perceptions and actions of social actors, and sees humans as part of those social actors. Interpretivism is often linked to social constructivism, which assumes that knowledge is constructed through interactions between social actors and people (Saunders et al., 2009). Constructivism observes “*how people understand social events and settings*” (Eriksson & Kovalainen, 2008:15).

The paper draws upon the point of view of social constructivism, as the Danish film industry is based on a tight network of professionals (Kerrigan, 2010). Therefore, social interactions are significant elements in understanding the dynamics behind the industry.

2.2. Research Method and Design

2.2.1. Qualitative Research Design

According to Creswell (2009:5), the research design is “*the plan or proposal to conduct research*”. The research design of the paper builds on the techniques of qualitative research. Qualitative research can be defined as “*a means for exploring and understanding the meaning individuals or groups ascribe to a social or human problem. The process of research involves emerging questions and procedures, data typically collected in the participant’s setting, data analysis inductively building from particular to general themes, and the researcher making interpretations of the meaning of the data*” (Creswell, 2009:4).

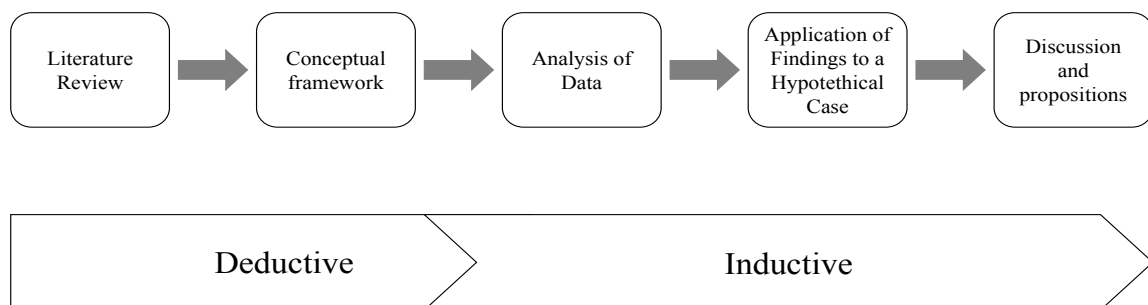
In qualitative research the emphasis is on interpretation (Cassell and Symon, 1994). Qualitative research techniques are effective in analyzing complex questions such as the changes in the Danish film industry due to the proliferation of streaming services, as qualitative research assumes that reality is socially constructed and social actors interpret it through cultural meanings (Eriksson and Kovalainen, 2008).

2.2.2. Operationalization of Theory

Generally, two alternative ways of linking theories to reality exist: the deductive and the inductive approaches. The deductive research is typically based on theory testing and implies that existing theory can be applied to reality. On the other hand, the inductive approach can be seen as a method of theory building and assumes that empirical findings could be used as a basis of developing new theories. It is worth mentioning, that studies do not necessarily use either the deductive or the inductive approach, but can use both in order to examine complex questions (Saunders et al., 2009).

This paper is considering both approaches. The deductive approach was used to provide a systematic literature review. After collecting and organizing the literature review, the same deductive approach was used to build a conceptual framework (See Figure 3), which is essential in defining the research design (Yin, 2003). The approach switches to inductive as analysis of the collected data commences, and continuous throughout the application of the findings to a hypothetical case, as well as during the course of the discussion.

Figure 1: Structure of the study



2.3.1. Literature review

It is extremely difficult to attach academical theories to the film industry due to its uniqueness and special characteristics. In order to build the theoretical framework that can

be used as a base for the analysis, several academic journals, articles, online articles and academic books were explored. The main theories explained in the literature review revolve around the topics of industry analysis, changes in the industry and the supply chain of the film industry. Without understanding the dynamics and different roles of the players within the industry it is impossible to conduct any research, thus, an overview of the industry was added to the literature review. The proposed conceptual framework combines and connects the different model into a coherent one as a means to provide a structure for the data analysis, discussion and conclusion (See Figure 3).

2.3.2. Analysis

The research study uses the theoretical background of Mintzberg's (1987) emerging strategies concept throughout its full course. The analysis follows the structure of the conceptual framework in order to seek answers to the proposed research questions through the collected data. For this study, both primary (in-depth interviews) and secondary (journal articles, online articles, books, online reports) data were collected. As the paper considers a social constructivist point of view, quotes from the various interviews are displayed throughout the analysis. In the first part of the analysis, a short industry study is provided with the help of Porter's (1979) five forces regarding individual producers and independent production companies as a way to understand the current state of the Danish film industry. In the following part, the changes that VOD services cause within the industry are examined through the various links of the supply chain. The supply chain of filmmaking includes a large number of parts, however, the predetermined limit of the study's length allowed to examine only those that are the most intertwined with producers and production companies. Thus, four parts of the supply chain are considered in the analysis: financing, producer, sales and distribution. After identifying the various changes in the supply chain, a hypothetical case of an individual producer or production company selling their project to a major VOD platforms, namely Netflix, Amazon or HBO Nordic, is taken into consideration. Due to the proposed research question of identifying opportunities and their way of exploiting, the model of "4Ps" of marketing mix (McCarthy, 1964 in: Khan, 2014) is applied onto the case.

2.3.3. Conclusion and discussion

The discussion and conclusion draw upon the findings in the analysis. With the changes identified through the supply chain, the model of four trajectories of industry changes (McGahan, 2004) is applied to independent producers and production companies in Denmark, to ensure the complete understanding of the ongoing changes VOD platforms entail to the industry. Additionally, future research possibilities related to the scope of the paper are also discussed.

2.4. Data collection

2.4.1. Primary data

For collecting primary data, semi-structured, in-depth interviews were conducted with twelve professionals from the Danish film industry. Qualitative interviews are often used by researchers to collect primary empirical data, for the reason that they enable them to gain new findings of the topic of interest (Eriksson and Kovalainen, 2008). *“A semi-structured interview is a verbal interchange where one person, the interviewer attempts to elicit information from another person by asking questions. Although the interviewer prepares a list of predetermined questions, semi-structured interviews unfold in a conversational manner offering participants the chance to explore issues they feel are important”* (Longhurst, 2003:143).

In the case of qualitative in-depth interviews, researchers have to pay attention to several aspects. The most important is to pose relevant questions that showcase their knowledge and understanding of the research topic. This helps establish deep-conversations with the interviewees about the topic. Efficiency and preparation are also essential keys when conducting in-depth interviews, thus, sending out a structured list of questions in advance to interviewees is always advised (Legard et al. 2003).

When contacting professionals for potential interviews, three main groups were considered: producers, sales agents and distributors. The interviewees were contacted using a form of e-mail. Potential contact information were accessed through a list of industry professionals on the website of the Danish Film Institute (DFI, 2018). A structured list of open questions was also attached to the e-mails to help them understand the exact topic of

the research (See Appendix 1). The first questions always revolved around introduction about themselves to help them ease into the conversation and to gain knowledge about their background. The further questions were formed around relevant topics such as the current state of the Danish film industry as they see, what possible changes could the VOD platforms bring to the Danish industry and how they see it, how do they see these changes affect the different players within the industry, how do they see the arising questions about certain rights, what would it mean for them if a major VOD platform picked their project (See Appendix 1). Due to the interviews having been conducted in a semi-structured way several topics and questions surfaced that were not taken into account prior to the first interviews. These questions and topics were later discussed with interviewees that have not been interviewed at a later stage. A total of twelve interviews were carried out in a period of five weeks. A short overview of the interviews can be seen in **Table 1**.

Table 1: Interview Overview

Name	Position	Company	Date	Location	Length
Eva Juel Hammerich	Producer / founder	Nepenthe Film ApS	March 23 rd , 2018, 10:00	Company office, Grønnegade 18, 1 1107 Copenhagen K	1:16:37
Jakob Staberg	Producer / founder	Statement Film Aps	March 23 rd , 2018, 16:00	Café, Skt. Annæ Wildersgade 52 1408 Copenhagen K	54:29
Bo Ehrhardt	Producer / founder / partner	Nimbus Film ApS	April 4 th , 2018, 16:00	Company office, Hauchsvej 17 1825 Frederiksberg C	1:00:25
Lars Feilberg	Producer / founder	Impact Tv ApS	April 6 th , 2018, 17:00	Company office, Rentemestervej 52 2400 Copenhagen NV	1:27:38
Henrik Danstrup Holst	Producer	Klassefilm ApS	April 11 th , 2018, 9:00	Company office, Kronprinsessegade 46 D.4	45:18

				1306 Copenhagen K	
Mikael Windelin	Producer / owner	Minerva Film ApS	April 12 th , 2018 15:15	Café, Espresso House, Kongens Nytorv 24 1050 Copenhagen K	38:53
Lars Herman	Producer / COO	Apple Tree Production ApS	April 13 th , 2018, 11:00	Company office, Store Kongensgade 77 1264 Copenhagen K	47:30
Mikael Rieks	Producer / executive producer	Nordisk Film	April 17 th , 2018, 15:00	Company office, Mosedalvej 14 2500 Valby	1:10:28
Camilla Mølgaard Hansen	Junior distributor and marketing producer	41Shadows ApS	April 18 th , 2018, 16:00	Café, Espresso House, Vesterbrogade 3 1620 Copenhagen	45:08
Tine Klint	Sales agent / founder / managing director	Levelk Properties ApS	April 20 th , 2018, 8:15	Café, Meyer's Deli, Gammel Kongevej 107 1850 Frederiksberg C	52:12
Klaus Hansen	Managing director	Producentforeningen	April 20 th , 2018, 12:00	Company office, Bernhardt Bangs Alle 25 2000 Frederiksberg	51:58
Stinna Lassen	Producer / founder / CEO	Good Company Films ApS	April 24 th , 2018, 15:00	Company office, Vesterbrogade 95a 1620 Copenhagen V	54:38

2.4.2. Introductions of interviewees

Eva Juel Hammerich is a film producer and co-founder of the production company Nepenthe Film. She has finished her bachelor studies at CBS, then after moving to Los Angeles, she has received a Master of Fine Arts in Film Producing from the American Film

Institute (AFI). She has worked as a personal assistant to the late actor Richard Harris, with whom she has managed to take part in numerous international productions. Together with Nina Lyng she has founded Nepenthe Film in 2005. The company mainly focuses on feature films, but also produces short films, TV and drama series. Nepenthe Film produced the critically acclaimed “Skammerens Datter” (Shamer’s Daughter), an adaptation of the famous novel written by Lene Kaaberbøl (Nepenthe Film, 2018; Interview with Eva Juel Hammerich, 2018, 00:10).

Jakob Staberg is a film producer and owner of Statement Film production company. He has been within the industry since 2007. The company mainly focuses on feature films based on real stories. They produced the film “The Man Who Saved the World”, an interesting hybrid between documentary and feature format. Currently, they are working on two feature film projects (Interview with Jakob Staberg, 2018, 01:55, Statement Film, 2018).

Bo Ehrhardt is a producer, owner and founder of the film production company Nimbus Film. He studied as a film producer in the National Film School of Denmark, where he met his future business partner, Birgitte Hald. In 1993, after graduating from the film school they founded Nimbus Film. The company was a part of the new Danish film wave in 1990s. They focus on producing fiction contents, both TV series and feature films. They are the producers of the famous drama series “Broen” (The Bridge), that has received both critical and audience acclaims. Nimbus Film is the third largest production company in Denmark (Interview with Bo Ehrhardt, 2018, 00:20; Nimbus Film, 2008).

Lars Feilberg is a film producer who has been working in the industry since 1989. He has worked at several organizations during his career holding several key positions. He has been the head of the drama department of TV3, the head of the TV drama department at Nordisk Film and as the head of development of the Danish Film Institute. He has expertise within two different areas of the film industry, namely broadcaster and producer point of view. He has worked with documentaries, feature films and TV series. His current focus is on producing documentaries while also working as the CFO of Impact TV (Interview with Lars Feilberg, 2018, 02:10).

Henrik Danstrup Holst is a film producer who has been within the industry for more than twenty years. He has worked as a producer for various companies in Denmark, such as Zentropa. In the early stages of his career he focused on feature films, while in the last few years he concentrated on producing entertainment content for children (Interview with Henrik Danstrup Holst, 2018, 01:50; LinkedIn, 2018).

Mikael Windelin is a producer and the owner of the one-man production company Minerva Film Rights. He has studied film, media and music at university and has been in the industry since 1994. In 2001, he started his own business called Take-Away Film, that mainly focused on advertisements. He became a co-owner of Minerva Film in 2006, however the company went bankrupt in 2012. After that he started working in a company called Ghosts that focused on visual effects. He later bought out what was left of Minerva Film and became the owner of Minerva Film Rights. He mainly focuses on visual effects and post-production on projects in collaboration with small production companies (Interview with Mikael Windelin, 2018, 00:15).

Lars Herman is a producer and COO of the company Apple Tree Productions. Having started in the industry in 1991, his extensive experience includes head of co-production at Nordisk Film, head of development at DFI and deputy head of drama at DR. Together with Piv Bernth, the former head of drama at DR, he funded Apple Tree Productions in December, 2017. The company's main focus is producing drama series for TV channels in Denmark and other Scandinavian countries, as well as international co-productions (Interview with Lars Herman, 2018, 00:57; Apple Tree Productions, 2018).

Mikael Rieks is a producer and executive producer working at Nordisk Film Productions that he has joined in 2003. He has been working in the industry for twenty-six years. He has experience with both documentaries, TV series and feature films. Currently he is mainly focused on producing feature films for both the domestic and the international markets. In the last six years, he concentrated on international co-productions. His last finished project was the film called "Land of Mine", which co-produced with several European countries. The movie has also been nominated for an Academy Award (Interview with Mikael Rieks, 2018, 03:10; Nordisk Film, 2018)

Camilla Mølgaard Hansen is the junior distributor and marketing producer of 41Shadows, a company that is working with both distribution and production. In November, 2017 the company launched its own streaming site, FilmLounge. Camilla's responsibilities cover PR & Marketing, and film acquisitions. She has been working as a marketing producer on the company's first feature film "Kaptajn Bimse og Goggeletten" scheduled to release this year (Interview with Camilla Mølgaard Hansen, 2018, 00:14; 41Shadows, 2018).

Tine Klint is the owner and managing director of LevelK, a company working with international sales and distribution and operating as an aggregator as well. She has been in the industry for 20 years, having started her career at Zentropa, mainly working in sales and distribution. After leaving Zentropa, she has started working for Nordisk Film, then later Trust Nordisk. In 2009, she started her own company LevelK, that works with sales and distribution. In 2011, the company extended its activities to include VOD aggregation, making it one of the few aggregators operating within Nordics (Interview with Tine Klint, 2018, 01:06; LevelK, 2018).

Klaus Hansen is the managing director of Producentforeningen, the Producers' Association in Denmark. He studied law at KU, but has been working in the film industry for several decades having started working with cinemas both in West-Berlin and Copenhagen. He has been the managing director of Producentforeningen for almost twenty-four years. The association is seeking to promote members' interests to the copyright Organisation, public institutions and TV stations as a way to provide better production conditions for producers. Moreover, the association negotiates agreements with various employee groups within the Danish film industry (Interview with Klaus Hansen, 2018, 00:01; Producentforeningen, 2018).

Stinna Lassen is a producer and CEO of Good Company Films. She studied at the National Film School of Denmark and has been within the industry for fifteen years. Previously, she has worked as a producer on the TV series "The Team" at Nordisk Film. She started Good Company Films in September 2014, together with producers Vibeke Windeløv, Ole Søndberg and Anni Faurbye Fernandez. The company is focusing on both creating commercial content and promoting new talents. They have produced three feature films and two short TV series so far, and are currently working on a TV series as part of an

international co-production in Norway (Interview with Stinna Lassen, 2018, 00:10; Good Company Films, 2018).

2.4.3. Secondary data

According to Saunders et al. (2009), secondary data refers to data collected by someone else than the researchers and for a different purpose than the researchers intend to use it. Secondary data can be used as the basis of the whole research by itself or as a supplement to the collected primary data. The paper uses secondary data as a supplement to the primary data collected from the in-depth interviews with professionals from the Danish film industry.

Several different types of secondary data sources were used, such as, academic books, academic journal articles, reports, online articles and websites, and company websites. The academic books used in the research and the literature review were collected from the library of CBS, while academic journal articles were collected through databases such as EBSCOHost and Google Scholar. However, due to the film industry's uniqueness and special characteristics not many academic literature is available within the topic. Thus, online articles and websites were also used for the purpose of the research to identify the trends and dynamics within the industry with the help of opinions of industry professionals. Furthermore, reports on the European and Danish film industry provided by organizations such as the European Audiovisual Observatory were also used. In order to collect further data, company websites such as Netflix, Amazon and websites of the interviewees' companies were also taken into consideration.

2.5. Evaluation of research process

According to Eriksson and Kovalainen (2008), when evaluating research processes three main aspects should be considered; the reliability, validity and generalizability of the research study. Based on these three aspects Yin (2003) advises the application of four tests to investigate the research process: construction of validity, construction of internal validity, construction of external validity and reliability.

Yin (2003) states that for researchers to be able to **construct validity** in their research it is essential that they use multiple sources of qualitative data. During this research,

primary and secondary data were both collected. Hence, the number of interviews and the various articles and websites allowed the researchers draw conclusions based on a large amount of sources. Moreover, the theoretical framework described in the literature review provided evidence and validity for the research topic.

As a way of **constructing internal validity** the process of matching patterns from the collected data to patterns from academic studies and literature within the topic is advised (Yin, 2003). The provided literature and theoretical framework are the base of the interview guidelines and questions created and sent out prior to the interviews. The guidelines and questions focused on topics and themes that are discussed in the literature review, while also allowing the interviewees to discuss topics and questions that might not have been taken into account beforehand. Therefore, it was possible to ensure that the collected data match the patterns and statements of the conceptual framework.

Construction of external validity suggests that findings and conclusions in a research need to be generalizable to other cultural settings, countries, industries outside of the focus of the research study (Yin, 2003). The various interviews and examined players within the industry helped gain external validity to some extent. On the other hand, as the research focuses on the Danish film industry, in order to be able to generalize the findings to other countries and industries, further investigation is necessary within the topic.

Reliability provides aides to guarantee that the conducted research is consistent and can be repeated. Hence, if researchers in the future conducted the same research and followed the exact process, they would draw the same conclusions as the research study (Yin, 2003). The detailed descriptions of used theories and models in the literature review are part of ensuring reliability within the research. During the data collection process, interviews were carried out on the same guidelines for professionals working in the same field. Interviewed producers received the same questions and guideline, while distributors and sales agents were presented with a slightly different set of questions. This way the collected data were structured and comparable. Furthermore, as the exact research, data collection, analysis process and their distinguished steps are discussed in the methodology, it could be a guideline and an aid for the future researchers to be able to conduct the same research.

2.6. Limitations of research

The following limitations arose within the research as a result of limited methodology and dataset:

- First, only a limited number of academic studies and researches exist within the field of economics and business regarding the film industry. The industry possesses certain special characteristics and dynamics that make it difficult to attach existing models to, that describe it perfectly. As the film industry is a unique mix between art and business, the existing research lacks to identify certain characteristics and patterns.
- Second, the dataset of the study is also limited. Due to the time constraint and limited accessibility, twelve interviews were conducted with industry professionals, thus, the research could be subjected to size bias. The research lacks of interviews with certain players such as VOD platforms and distributors. Furthermore, the available secondary data were also limited. Industry professionals, such as streaming services are reluctant to release data regarding their activities and other existing data is often outdated due to fast ongoing changes within the industry.
- The third limitation is linked to language barriers. The interviewed professionals were all of Danish nationality. Yet, because the researchers' lack of knowledge of the Danish language and the required language of the thesis, the interviews were conducted in English. Since English is not the first language of the interviewees, certain imprecisions and deformations could have taken place. Lastly, as the focus of the paper is the Danish film industry, many existing data, reports and researches are in Danish, that made it impossible for the researchers to use. The National Film School of Denmark also provides data and research findings that could have been useful to the study, but these are written in Danish as well.

3. Literature Review

3.1. Industry Analysis

3.1.1. Five Forces

“The nature and degree of competition in an industry hinge on five forces: the threat of new entrants, the bargaining power of customers, the bargaining power of suppliers, the threat of substitute products or services (where applicable), and the jockeying among current contestants” (Porter, 1979:137).

The seriousness of the threat of new entrants depends on various barriers to enter and the reactions from existing competitors. There are six major sources of barriers (Porter, 1979):

- Economies of scale: these types of economies force newcomers to enter in on a large scale or to accept cost disadvantage;
- Product differentiation: Newcomers need to spend a lot on overcoming customer loyalty;
- Capital requirements: Newcomers need to invest significant financial resources to enter;
- Cost advantages independent of size: Companies already operating within the market possess cost advantage independent of their sizes. For instance, due to know-how;
- Access to distribution channels: It is more difficult for newcomers to access distribution channels than for those already operating within the industry;
- Government policy: Governments can regulate the markets in a way that can be hurtful for potential newcomers.

Powerful suppliers and powerful buyers can also cause difficulties for players within the market. Powerful suppliers could raise prices which evidently decreases profitability, while powerful buyers could limit the prices the company's goods and services are sold for (Porter, 1979).

Furthermore, substitute products provide challenges for companies as well, since they can limit the potential of an industry. The ones that deserve the most attention are those that are (Porter, 1979):

- subject to trends and could improve their price-performance trade-off with the product of the industry;
- produced in industries with relatively high profits.

Jockeying for position among existing contestants is also affecting the competition within the industry. Intense rivalry can be caused by several factors (Porter, 1979):

- Numerous existing competitors, or competitors are roughly equal in size and power;
- Industry growth is slow and limited;
- The product or service lacks differentiation, or switching costs are not high for customers;
- Fixed costs are high;
- Exit barriers are high;
- Competitors are diverse in their strategies and origins.

The five forces framework provides a useful tool for analyzing and defining a general overview of an industry.

3.1.2. Four trajectories of industry change

While Porter's five forces are an effective way for companies to analyze their current industry, it lacks of information about the ongoing changes. Every industry changes and evolves over the time one way or another. In order for companies to maintain long-term profitability, they need to understand how their whole industry is changing. Different changes in the industries require different actions from companies and the firms' strategy cannot succeed unless it is in line with the industry's change trajectory (McGahan, 2004).

Four main trajectories of industry change can be distinguished: radical, progressive, creative and intermediating change. The four trajectories are defined by two types of threats of obsolescence: threats to the industry's core activities and threats to the industry's core

assets. If both the assets and activities are threatened, the industry is going through a radical change. If only the core assets are threatened, then it is a creative change. If the activities are threatened but the assets are not, then an intermediating change is in progress. If neither the assets, nor the activities are threatened, the industry is undergoing a progressive change (McGahan, 2004).

3.1.3. Emerging strategy

Strategy is highly complex and can be seen in various contexts. Mintzberg (1987) introduces five ways to describe strategy, such as plan, ploy, pattern, position and perspective.

Traditional studies on strategy explore the formulation and implementation or execution of the already formulated strategy (Mintzberg, 1987). However, “*strategies can for as well as be formulated. A realized strategy can emerge in response to an evolving situation, or it can be brought about deliberately through a process of formulation followed by implementation*” (Mintzberg, 1987:68). Strategies that appear without clear intentions and deliberate formulation are called emergent strategies. No pure deliberate or emergent strategy exist, rather a mix of both types. No organization knows enough or has enough information to work everything out in advance, while no organization can afford to give up all control or be flexible enough to leave everything to happenstance (Mintzberg, 1987).

In the film industry, there is no explicit strategy to ensure the success of a film, therefore creating a deliberate, highly formulated strategies are extremely difficult, if not impossible. A great example for how a strategy can emerge within the industry is the case of the adaptation of a feature film strategy of the National Film Board of Canada (NFB). NFB is a federal government agency famous for its short documentary films. When funding a filmmaker on a project that unexpectedly ran long, the board had to turn to cinemas to ensure distribution for the film, which resulted in gaining useful knowledge and experience in marketing feature-length films. Other filmmakers in the country caught onto the idea of creating feature films, making NFB to pursue a feature film strategy – a pattern of producing such films (Mintzberg, 1987).

3.1.4. Creative Industries: Film Industry

In order to look into and understand the concept of the film industry, it is important to outline that it falls under the creative industries. Consequently, it is essential to start by identifying creative industries, and after, outline what defines the film industry.

The United Kingdom's Department for Culture Media and Sport defines creative industries as "*those activities which have their origin in individual creativity, skill and talent and which have a potential for wealth and job creation through the generation and exploitation of intellectual property*" (gov.uk, 2015). Hesmondhalgh (2008) refers to creative industries as those that are involved with intellectual property. He states that the basis of creative industries and economy is based on copyright and making profit from the production and distribution of copyrighted goods. He also sees creative industry as the one with the highest growth potential in economic sector nationally as well as globally, with growing market expansion possibilities allowing combinations of cultural and economic well-being.

According to Chong (2010), an economy of creative industries, just like any other industries, is represented as a classical way of three process stages that include production, distribution and consumption. "*The creative raw material and a person's or persons to interpret the material to create a performance or work of art (production or creation); a place to present the performance or work of art (distribution), and an audience to witness the performance or view the work of art (consumption or reception)*" (Chong, 2010:18).

While creative industries are similar to any other industries in regards to the processes of business, they are "*global industries with a wide range of active companies and genres*" (Mogstad, 2017:16) that maintain special features through "*being organised in small entities, work being executed at new sites for a time being or when required, creative products or services are developed with an aim to achieve ideological objectives, and also, the products or services not being manufactured, thus making creative industries still unique*" (Vas, Zahabi and Binkyte, 2017:11).

Film industry, also known as motion picture industry has a broad scope and consists of a range of players, genres, productions, distribution models, markets and definitions in

general (Binkyte and Christensen, 2016). It is necessary to outline that essentially a film is a form of art, hence, traditional rules of an industry cannot be strictly applied. Kerrigan (2010) defines two main categories within the film industry, which are Hollywood and European, and these “*camps*” pursue the industry from different angles. While US industry professionals take filmmaking from an industrial angle, Europeans take an artistic approach and see themselves as artists. Thus, applying industrial models would mean sacrificing certain artistic values of true filmmaking. As Fine (1992:1274) asserted, “*the more special the product and the less routine the task, the less an organisation can rely on formal rules, and the greater the autonomy that must be given to workers*”.

Considering Chong’s (2010) three stages of process within business, Pokorny & Sedgwick (2005) identify three alike stages within the film industry. These are as follow: production that is the actual production of a motion picture; and the other two are distribution and exhibition. The latter two are strongly interlinked as it is the distributor, who is responsible for ensuring the film’s availability for exhibition as broadly as considered necessary. This is a very basic formula of how a film is being made from an idea in order to reach an end consumer. However, there are a lot more to every single stage of the three identified stages, and according to Sjöström (2017), the film business is being digitalised, which offers a number of new options for distributing these products.

Kerrigan (2010:45) states that “*in common with other industries, successful innovation and the creation of a continuous stream of new products are essential for the survival of companies in the film industry*”. And as seen in the past couple of decades, there has been a massive increase in demand for films that has caused an overload in supply (Binkyte and Christensen, 2016). Thus, the film industry is now characterised not only as high risk (Kerrigan, 2010), but also fickle and uncertain in nature; films meet high uncertainty in demand,- “*only around 10 % of all manuscripts actually gets produced, and of those produced film, more than 70 % fail to break even in terms of revenue versus budget*” (Binkyte and Christensen, 2016:83).

3.2. Supply Chain: Creating A Value

Many different definitions exist for the supply chain, as it is “*a network of organisations possibly including suppliers, manufacturers, logistics providers,*

wholesalers/distributors, and retailers that aims to produce and deliver products or services for the end customer” (Sodhi and Tang, 2012:6). Mentzner (2000:2) defines supply chain as “*a set of three or more companies directly linked by one or more of the upstream and downstream flow of products, services, finances, and information from a source to a customer*”. No business runs without a supply chain these days, and film industry is not an exception. Supply chain is essential for filmmakers aiming to deliver value to end customers, since “*these are the deliverers of products and services, through integrating both upstream and downstream processes and activities*” (Panyi and Gredal, 2015:13).

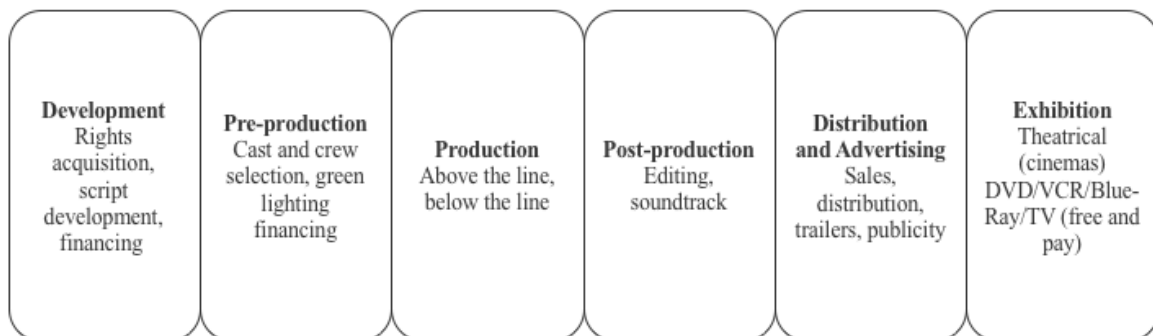
Film industry has a very large scope and is represented by a broad range of actors (Binkyte and Christensen, 2016). According to Caves (2000), there is a demand for several parties to be involved in a production of complex projects such as films. In creative industries, each of the parties have individual input that complements the project, and without these inputs it would be impossible to create any value. Bordieu (1993) supplements Caves’ position by defining artistic production as a set of agents involved.

Kerrigan (2010) identifies three main activities within the film industry and lists them in order of production, distribution and exhibition. Within each step she identifies that there can be many players involved in every stage, and that going through stages the number of parties getting involved are growing accordingly. Caves (2000) states that at each stage, the involved parties sink their own resources into the project, and by contributing to the project each of the parties expect a fair share of “say”. This might become a problem if decision rights are not allocated well. All activities are in need to be coordinated across all the players engaged as well as through their functions. Supply chain management is best to define such coordination between a great number of different actors involved. Mentzner (2000:2) defines supply chain management as “*the systematic, strategic coordination of the traditional business functions within a particular company and across business within the supply chain, for the purposes of improving the long-term performance of the individual companies and the supply chain as a whole*”. Wisner and Tan (2000:1) suggest that the supply chain management consists of “*all value adding activities from the extractions of raw material through the transformation processes and delivery to the end user*”.

In order to be able to analyse various stages of supply chain and its management

throughout film industry, it is important to identify those stages. Kerrigan (2010) introduced a linear supply chain of the film industry as shown in Figure 2. She declares that even though the supply chain is presented as linear, some of the stages listed in it coincide with each other “*depending on the nature of the film project, the type of finance and, importantly, the nature (if any) of the supply chain management*” (Kerrigan, 2010:8).

Figure 2: The Supply Chain of Film Production



Source: Kerrigan (2010:9).

3.2.1. Project

The film industry is unique in a way that each film is created as an individual project. Therefore, it is important to define projects to understand the process of movie-making. In the last several decades, several definitions were provided by researchers. Gaddis (1959:89) defines the project as “*an organization unit dedicated to the attainment of a goal—generally the successful completion of a developmental product on time, within budget, and in conformance with predetermined performance specifications*”. Munns and Bjeirmi (1996:81) say that “*a project can be considered to be the achievement of a specific objective, which involves a series of activities and tasks which consume resources. It has to be completed within a set specification, having definite start and end dates*”. According to Hobday (2000:874), a project is “*any activity with a defined set of resources, goals and time limit*”. These two definitions both state that resources, goals and time limit are necessary in case of projects. On the other hand, Burke (2013) provided a different point of view focusing

on uniqueness. He states that a project is a “*temporary endeavor undertaken to create a unique product, service or result*” (Burke, 2013:21).

In order to achieve project success, proper project management is a necessity. Munns and Bjeirmi (1996:21) define project management as the “*process of controlling the achievement of the project objectives*”. The tasks of project management include (Munns and Bjeirmi, 1996):

- Defining the work requirements;
- Establishing the extent of work;
- Allocating the resources;
- Planning the execution of the work;
- Monitoring the progress;
- Adjusting deviations from the plan.

The project manager plays an important role in coordinating and choosing the appropriate project management tools during the execution of the project. Being the owner of the project management plan, the project manager is responsible for delivering the project on time, within budget, and to the previously agreed quality. Therefore, the selection of the project manager can influence the failure or success of the project (Burke, 2013). Burke (2013:34) listed the desirable skills and attributes of a project manager:

- Team Creation: select and develop a project team;
- Leadership: lead, motivate and manage all the project participants;
- Problem-Solving: anticipate and solve problems, make decisions;
- Stakeholders: integrate project stakeholders, address their needs and expectations;
- Flexibility: respond flexibly to changing situations, exploit arising opportunities;
- Expediting: plan, expedite and get things done;
- Negotiation: influence and negotiate with the participants of the project;

- Environment: understand the environment within which the project is being managed;
- Control: monitor and apply control in order to keep the project on track;
- Contract: administer the contract;
- Scope Control: manage the scope of work and scope changes including build-method and configuration management;
- Closeout: learn lessons from project phase review and project closeout reports;
- Client: keep the client happy.

In the film industry every film is the result of a unique project. The role of the producer as project manager is crucial, as their responsibilities and tasks in the production process cover a wide scope of activities. Finney (2008:108) listed ten key roles of the film producer:

1. “The production company’s entire slate of projects;
2. The project’s inception and research and development;
3. Creative development and attachments (to achieve a “package”);
4. Financing parties and execution of contracts ;
5. Additional executives (executive producers, etc.);
6. Lawyers, agents, accountants (services);
7. Budget, locations, schedule etc.;
8. Production crew;
9. Distribution and marketing plan;
10. Film launch followed by long-tail monitoring”.

The success of the project is highly influenced by the producer as their responsibilities cover the most important tasks in organizing the project. Consequently, the producer of a movie is one of the most important participants within the production process.

Filmmaking as a project

As discussed above, every new film product can be regarded as the result of individual projects. Traditionally, the process of filmmaking is a process of product development and can be divided into three main stages: pre-production, production and post-production (Barrance, 2016).

Pre-production is the phase where most of the planning happens. The process of creating a new film product always starts with an idea that need to be polished and once the sufficient funds were raised for it, the polished idea can be put into a script. Gathering crew for the production is also part of the pre-production phase and mainly falls under the responsibilities of the producer. The next step that needs to be taken is casting the actors for the movie. In most cases, casting is the task of the casting director. Casting the right actors for the various roles could be crucial regarding the success of the film. Pre-production also includes scooping for location to ensure the best possible locations for shooting the movie scenes. Scooping for location is usually the responsibility of the location manager, or in case of a smaller budget, the production manager (Clevé, 2000).

Production is the phase of the actual shooting of the movie. Shooting only starts after the planning finished and all necessary preparations are concluded. Shooting time varies from project to project, depending on mainly the budget and the type of the film product (feature film, serialized contents etc.) (Clevé, 2000).

The last phase of creating a film is post-production, in which they prepare the film products for release. It includes every necessary editing tasks that transform raw footages into release-ready material (Clevé, 2000).

Film

The technical definition of a film according to Oxford English dictionary, is that it is “*a story or an event recorded by a camera as a series of moving images and shown in a cinema or on television*” (2004:531). While most of the scholars define a film as an experiential good (Caves, 2000; Karray & Debernitz, 2015; Binkyte and Christensen, 2016; Kerrigan, 2010), there are still some differences in characterising a film as a product. If gathered all together, these would show a whole picture of what a film actually is to a

business man as well as an end user. Harman (1994:6) describes a film as a “*visual medium that fosters visual expression*”. Karray and Debernitz (2015) add that other than being an experiential, a film is as well a hedonic product. Caves (2000) suggests that a creative product such as films is subjective to buyers’ reaction and satisfaction. And lastly, Kerrigan (2010:110) defines films as complex products consisting of “*various artistic and commercial ingredients*”.

On the other hand, some scholars see films as a product of economic as well as cultural value (Kerrigan, 2010). According to Litwak (2004:19), movies are essential part of a national cultural heritage and important means to support it by promoting “*a country’s language, customs, and attractions to audiences worldwide*”. For that reason, many institutions and authorities encourage creating local content.

Creative Control

Creative control, often called artistic control,- a term mostly used in media production, such as movies and television. An individual or a company with creative control has the authority to decide how the final product will appear. In the film industry this refers to the final cut of a film. Hence, it is the authority to make decisions in the context of a creative project (Spacey, 2017).

For a single film project creative control can include a great number of people, as during the whole process of a film being made, the creative control is handed from one person to another. A script writer has the power of creative control over a script when in writing process and when selling film rights. The creative control ends with the project being green-lighted and the next one to take over is the director attached to the project. The director then has the creative control during the process of film production while it is being shot. But it ends the moment the production is over and the creative control is taken over by the production company that will edit the final cut, and sometimes the investors who want to make sure the film is commercially viable (Spacey, 2017; Harmon, 1994).

Various articles and researches suggest that control over a creative project might include conflicts and create agency problems (Fine, 1992; Binkyte and Christensen, 2016; Spacey, 2017; Harmon, 1994; Caves, 2000). Creative control is usually held by either a

producer or production company. However, in certain cases it might as well rest with the company that has put in a large investment into the project, or bought it out. In the latter scenario, the producers and the production company lose the control of what will happen with the film after its production, or might even lose the creative control over the film (Harmon, 1994). Kerrigan (2010:37) adds that “*directors or writers are asked to change certain aspects of their project in order to fulfil market demands as determined by the distributor, or by one of the major studios offering European directors production finance*”.

Wei (2010) points out that market demands put a pressure on creative works, such as film production. They manipulate creativity and shape work. He states that “*cultural industry workers must compromise their values and tastes in response to pragmatic concerns such as market demands*” (Wei, 2010:23). However, he says that this does not necessarily conflict with the workers’ values and tastes as workers are adapting to the environment by tweaking their artistic standards. Additionally, Fine (1992) presents structural constraints that limit creative aesthetics. These might arise from one’s position or clients, workplace dynamics or resource bias, but mostly, it is the costs that sets a boundary on the production as it depends on the ingredients, tools, and the environments.

3.2.2. Financing

Many scholars agree that the risks associated with films, as well as any creative product, are high and speculative (Caves, 2000; Levison, 2007; Sjöström, 2017; Harmon, 1994; Binkyte and Christensen, 2016). Thus, acquiring the necessary funding for a new film project is extremely complicated. Oftentimes film production involves high upfront costs (Binkyte and Christensen, 2016), and since demand for a film is uncertain, investing into a movie production is a risky business. According to Harmon (1994:126), most times “*there is no guarantee and little promise that the investors will recoup their investment or earn a small profit*”. Therefore, the highest risk producers confront is not receiving enough funding.

Before any film project production starts, it is the producer’s responsibility to secure financing (Sjöström, 2017). Producers’ main responsibility is to convince the potential investors that the project is viable and provide with strong economic incentive, so to interest them enough to participate (Harmon, 1994). Levison (2007) states that film financing is a

complex process and requires a know-how and an extensive network, as people are the most important link between a film project and its financing. Moreover, one investor is usually not enough to meet the budget of a project in question to get it greenlighted (Binkyte and Christensen, 2016).

Every film project has a potential for two outcomes; it will either receive sufficient funding to meet the budget requirements, which will allow film production to begin; or it will not achieve necessary funding and the project is never launched (Binkyte and Christensen, 2016). In the case of the succession to acquire adequate investments, “*the investor is fully embedded into the project and takes upon him or her the risk of not receiving any return*” (Binkyte and Christensen, 2016:19).

Financing methods

Various sources identify different ways of possibilities to finance a film project. For instance, Hamon (1994) has outlined ten different way to finance a project, which include 1) Partnership through joint venture; 2) Corporation; 3) Development financing; 4) Equity financing; 5) Foreign financing; 6) Investment contract; 7) Fractionalisation; 8) Grants; 9) Network financing; and 10) Bank financing. Though, most of the scholars identify four to six the most recognisable financing formats, which are also the most commonly used (Kerrigan, 2010; Litwak, 2004; Sjöström, 2017; Harmon, 1994; Binkyte and Christensen, 2016);

- Equity financing;
- Institutional grants;
- Co-production;
- Pre-sales;
- Crowdsourcing.

It is important to note that terminology used between various authors differs, and some may use one term to group a few very similar financing manners (e.g. pre-sales and distribution).

Equity financing

There are many ways to obtain funding, but the mostly used one is the equity financing. According to Litwak (2004:56), equity funding is constructed in various ways; investment could be coming from “*a stockholder in a corporation, a non-managing member of a Limited Liability Company (LLC), or a limited partner in a partnership*”. Equity investors share the risks. If a movie is a success, then the investment will bring a share of proceeds to the investor; if it is a failure, the investor is likely to lose all or most of their investment. Equity financiers may as well invest their funds into a number of movie projects of different genres, audiences and stories, to which a specific producer holds the rights. This is mostly common among private equity funds in Europe that are using this strategy in order to diversify the risk (Binkyte and Christensen, 2016).

In some cases, the investors own rights to the revenues and profits of a film and are first to recoup their investment before profits are split between producer and investor respectively as agreed prior to going into the agreement. Previous researches show that it is extremely difficult to obtain investment from a private equity investors due to the fact that, the goal of such investments is “*to generate a positive return of investment, and to do this at minimum risk. Consequently, equity investors will only invest in films with a high market potential*”, which means that the film project is be proved to be appealing to the broad audiences (Binkyte and Christensen, 2016:43).

Institutional grants

Institutional grants refer to a financial aid provided by government institutions, aiming at developing local film landscape both nationally and internationally, and supporting films financially in the development, distribution and promotion stages. It is the most commonly used way for seeking financing for an independent film project. There are different types of institutional grants, each of which have specific requirements to a film project. “*Grants come at almost no expense, but often require that the investor has found financing for parts of the budget already. Receiving grants is often the final piece of financing before greenlighting a project*” (Binkyte and Christensen, 2016:43). While institutional grants vary from country to country, producers also have possibilities to receive various regional institutional grants for their film project.

Co-production

Litwak (2004) sections co-production into two categories; one that is simple and consists of director and producer collaborating with each other on a project; or a complex one that involves co-operation between two or more production companies within a region or from different countries. Irrespective, all involved parties are bringing something valuable in to the project that the others do not possess. The co-production parties also share risks, as well as revenues. However, *“if parties make unequal contributions, their control, fees, and ownership of the project can be adjusted to reflect that so the deal is fair for all parties”* (Litwak, 2004:17-18). Litwak (2004) also highlights the importance of the ownership of the film project (ownership of the property; copyright) in the co-production, as it does not necessarily mean that the party owning most of the revenue shares, control the ownership of the copyright.

Co-productions are also beneficial in terms of government incentives on a global scale. Such incentives can either be in a form of tax savings to the investors, thus, to encourage them to invest into filmmaking; or tax savings to the filmmakers, thus, to motivate foreign producers to use national production facilities abroad. Films that are co-produced between multiple countries are also applicable to institutional grants systems in all those countries, However, government supporting filmmakers with grants or loans are often to fund projects *“by directors with proven track records, and they may avoid controversial topic that might subject officials to public criticism”* (Litwak, 2004:19-20).

Mogstad Eri (2017) adds that finding the right partner to co-produce with can bring some additional benefits in regards to credibility.

Pre-sales

According to the various English dictionaries (Oxford Dictionary, 2018; Cambridge Dictionary, 2018), a pre-sale is a sale held in advance of an advertised sale, as for select customers. Other suggested definition of a pre-sale is- a sale held of made before an item is made generally available for purchase. In the film industry, a pre-sale means a buyer licensing or pre-buying certain distribution rights to a specific movie before the film has even been produced or completed (Litwak, 2004). *“The producer sells the rights to all future revenue generated in the specific country the distributor operates in, and in turn receives*

an upfront amount to finance the production until the invested amount has been recouped. <...> it comes at the trade-off of future revenues from that country. <...> thus reducing the overall market potential and payoff” (Binkyte and Christensen, 2016:45). In such sense distributors are considered to be a valuable film financiers as well.

However, independent films are rarely pre-sold, as they lack certain elements to quality for foreign pre-sales. Such elements usually include established directors or movie stars. As Binkyte and Christensen (2016) assert, independent films are mostly financed in pre-sales by local national broadcasting TV channels. Though local broadcasters might as well be co-production partners.

Crowdsourcing

Crowdsourcing is defined as the process of obtaining financial support through donations to a film project by a large number of people, typically via the Internet (Brat et al., 2015). Kerrigan (2010:105) considers this form of financing very new and characterises it as “*small amounts of finance being sought form very large numbers of investors*”. Crowdsourcing is a type of investment that might as well be used to get a project to start up, to cover costs for development stage in order to seek further investment, or simply to find whether there is a demand for the kind of project in question (Binkyte and Christensen, 2016).

3.2.3. Sales Agents

Selling a film project or a completed film for foreign markets is highly complex, and Harmon (1994) states that no movie producer should try to handle foreign sales themselves. Each country has different regulations, types of distributors and preferences and producers simply do not have the right knowledge, selling skills and resources to sell the films to foreign markets without help (Binkyte and Christensen, 2016; Harmon, 1994). Thus, most producers incline to choose a sales agent to act as their representative in foreign markets.

Litwak (2004), identifies sales agents as companies that license films internationally, and takes them to major international markets, also known as film festivals. They are also considered as the gatekeepers, who posses a wide range of skills (Kerrigan, 2010). There are three main roles that a sales agent takes:

- Representing filmmakers looking for distribution deals for their films;
- Working with filmmakers to develop marketing strategies;
- Delivering all the elements of the film to the Distributor (Creative Skillset, 2018).

According to Kerrigan (2010), sales agents sell film rights of the film they take to international distributors and negotiate contracts with them. For this, sales agents need to have a global reach and an extensive network. They build long term relationships with various industry professionals within the international market in order to sell films to the clients. Sales agents also “*need to know what is currently selling but also predict what will be popular in the future*” (Kerrigan, 2010:155).

Film sales agents are in constant need for new films and film projects, as to regularly attend film festivals and markets to maintain relationship with international distributors and other industry professionals (Creative Skillset, 2018). If fitting their profile, sales agents take a film at any stage; it can be in pre-production stage as well as in development stage. However, while considering a project at its early stage, they might decide to await until it has gone into production or has been completed. “*The stage at which the sales agents becomes involved with the film can be dependent on a number of factors, including existing relationships between the ages and the producer, the quality of the film script, the quality and reputation of the writer/ director or cast of the film, and the genre of the film*” (Kerrigan, 2010:153).

3.2.4. Distribution

A film distribution is the process of making a movie available to an audience. In many literature sources distribution is defined as a key factor in achieving success of the film (Binkyte and Christensen, 2016; Sherman, 1999; Kerrigan, 2010; Litwak, 2004; Zipin, 2018). Binkyte and Christensen (2016:22) also define “*a distributor (being) a facilitator of product flow between producers and exhibitors, who acquires distribution rights from producers and is responsible for selling and marketing a film*”. Kerrigan (2010) highlights the importance of distribution to a film by stating that it is the most instrumental element to reaching the audience, and that regardless of stars attached to the film, if it fails to get a

distributor, it will not become prosperous.

According to Litwak (2004), oftentimes filmmakers do not understand how challenging it can be to secure a distribution deal for a film. He states that even producing a film is not as difficult as securing distribution. Nowadays the markets are excessively filled with products and due to this reason distributors can allow themselves to be picky, and “*one’s leverage in negotiating a distribution deal is a function of whether distributors perceive a film as desirable*” (Litwak, 2004:123-124). Binkyte and Christensen (2016) states that films with a stronger commercial potential have better chances of geographical expansion, leaving a great number of films with very little probability of getting distributed to foreign markets.

In order to make a sustainable market model for a film, it is essential to seek international distribution and markets, as no movie will ever become a commercial success if it is released in a single market (Binkyte and Christensen, 2016; Stokkendahl and Marcussen, 2017). There are two types of film markets out there: domestic and foreign. Domestic market is the national country of the film production, and foreign market(s) are usually defined as the entire world excluding the domestic country (Litwak, 2004). Distribution companies often handle distribution in a single territory or in a certain region (e.g. Scandinavia, Benelux). Distributors’ roles include advertising, promotion and marketing of a film, ensuring that the film reaches its audience, negotiating its release with cinemas, selling to other local distribution channels, such as platforms, television companies, and similar; which covers a great variety of functions (Binkyte and Christensen, 2016). Due to their extensive knowledge within a given market, distributors are being sought for a film distributional market by market (Harmon, 1994). Only very large companies can single-handedly manage to release a film globally. Usually these are US major studios that have vertically integrated supply chains and therefore can provide worldwide distribution for films which they produce (Kerrigan, 2010). The rest of the world of filmmakers are bound to seeking distribution deals.

Kerrigan (2010) identifies three different choices to a film release strategy:

- wide release: a type of release when a film opens on as many screens as possible

simultaneously;

- limited release: a type of release when a film opens on a selection of screens and targets a specific segment of consumers, and special publicity activities are targeting this group;
- exclusive or platform release: a type of release that is usually used on independent arthouse titles that depend strongly on the word of mouth to maintain the film's performance in cinemas.

Binkyte and Christensen (2016) identify two types of deals; a one-off purchase or a rental purchase. *“The former constitutes an agreement in which the producer pays a large upfront fee for the distribution rights for the film <...>. The latter is the rental agreement, where the distributor pays a royalty fee to the producer for the revenue he generates, meaning an indirect price”* (Binkyte and Christensen, 2016:36). Harmon (1994:71) implies that distribution is a complex *“contract-driven game, where each aspect of a contract must hinge upon the next”*. Typically, a distributor acquires certain rights (e.g. theatrical, home video, television) to distribute a film within a market of interest for an agreed term of years. After the term, the rights return to the producer or the production company. Both signing parties agree to share revenue derived from the film, by agreeing on a percentage of gross revenues that a distributor will retain as their fee (Litwak, 2004).

Distribution Windows

Today films are being published through a variety of exhibition windows, also known as windows system (Binkyte and Christensen, 2016). The windows systems is a term applied to describe a chronological exploitation of a film that goes through sequential rights, from theatrical release, through home video, pay per view television, subscription pay television and free (network) television (Kerrigan, 2010; Mair, 1988). The latter is the basic windows model, which can vary per territory depending on local traditions, practices and regulations. Usually, films are first released theatrically in cinemas for a period of time, after which follow home video and non-theatrical release, and then pay television, network television, and television station syndication. Also, there are merchandise and ancillary rights, which may generate revenues for a particular film, if these rights are granted (Litwak, 2004).

Litwak (2004:159) recognises three types of media: “1) *theatrical*, 2) *television (all forms - including pay TV, cable TV and broadcast)*, and 3) *home video (distribution by videocassette, laser disc, and DVD)*”. These media include a variety of rights that make distribution as complex as it is. Different film rights include (Binkyte and Christensen, 2016) (for a detailed overview of rights see Appendix 2);

- Theatrical rights meant for exploitation of the film to the general public in all types of theatres and cinemas;
- Non-theatrical rights meant for exploitation of the film for direct exhibition before an audience by organisations such as educational institutions, libraries, museum, non commercial organisations and the like;
- Video rights meant for manufacturing and selling or renting of the film on devices such as video discs and for exploitation only in private homes;
- Television rights meant for exploitation of the film by means of broadcasting through an encoded signal for reception by television receivers located in private homes;
- VOD rights meant for transmission of the film in a linear form to a single end-point for purpose of streaming or downloading of the Film at a time solely selected by the consumer, subject to the payment of a fee or similar consideration based on either single use, limited use, or subscription use;
- Merchandise rights meant for exploiting trademarks, characters and/or designs appearing in the film through the production and sale of articles (e.g. toys, games, garments etc.);
- Airline & Ship rights meant for exploitation of the Film in airplanes and sea or ocean going vessels that are operated by an airline or shipping line flying the flag of any country in the territory for which Airline & Ship Rights are licensed;
- Festival rights meant for exploitation of the film by direct exhibition to audiences with in a territory with limited screenings in Cinemas only during a Festival and/or Event.
- Re-make rights meant for an option for the re-make of the film in a territory.
- Ancillary rights meant for the exploitation right of the music soundtrack and music publishing; the novelization, stage play and radio; all format, character, all computer

games, all remake, sequel/prequel and spin-off and screenplay publication in the film.

Kerrigan (2010) points out, that the window system acts in protection of each of the exhibition windows so neither would be cannibalised by alternative release formats. The window system also allows every window to maximise the revenues derived by the right holders (Ranaivoson, De Vinck and Van Rompuy, 2014). While in certain countries release windows are contractually agreed upon, there is a great number, especially within Europe, where there are specific legislations that fix the release windows structure. Often, theatrical distribution window is exclusive for a period of three or four months, after which a film can be exploited through the next release window (Fontaine and Simone, 2017). Important to note that *“theatrical distribution is the core element that all subsequent distribution channels feed off”* (Binkyte and Christensen, 2016:23).

Table 2: The Windows System

Medium	Length of Time in this Window	Time Delay after Theatrical Release
Theatrical	6 months	N/a
Home video	10 years	4-6 months
Pay-per-view	2 months	8 months
Pay television	18 months	12 months
Network television	30 months	30 months
Pay television second window	12 months	60 months
Basic cable	60 months	72 months
Syndication	60 months	132 months

Source: Kerrigan (2010:159)

VOD

The video-on-demand is a relatively new concept in the movie distribution and thus, there is no academic literature covering this topic.

A dictionary definition of the video-on-demand, more commonly known as VOD, is that it is a programming system which allows viewers to choose their own filmed entertainment such as movies or TV shows from a wide available selection by means of a PC or interactive TV system. By definition, *on-demand* services can be consumed at any time rather than at a scheduled time, such as through theatrical release of broadcasting (Fontaine and Somine, 2017). According to IFTA (2018), video-on-demand is the same as view-on-demand which is a type of pay-per-view right.

VOD can be categorised into various business models (IFTA, 2018);

- A pay-per-view;
- Subscription;
- Advertising funded video-on-demand.

A pay-per-view (PPV) model, also known as transactional video-on-demand, is where filmed entertainment is available for either download: electronic sell-thru (EST) or online rental (TVOD). Customers are being charged for specific content they choose to watch, which can be either a film, TV drama, programs, etc. PPV can be a service offered by a local TV broadcaster, VOD platform, or hotels, where customers are being offered to rent a recent movie or TV show, and later charged on a bill (Mair, 1988; Fontaine and Simone, 2017). VOD service providers offering TVOD services do not normally invest in licensing and financing new productions (Fontaine and Simone, 2017).

Subscription model (SVOD) offers consumers unlimited access to a catalogue of all the content SVOD service provider has gathered, for a flat rate per certain period, usually a month, which allows for a low-risk exploration of back catalogue titles and lesser known contents. SVOD platforms allow end customers to access content via pay TV networks or most commonly used between SVOD service providers, directly through the internet

(Cabrera et al., 2018). Major SVOD service providers are investing in the new productions, also known as originals.

Advertising funded video-on-demand (AVOD) model, gives free access to the content for end consumers, while, various advertisements are streamed around the content, or prior the video entertainment (e.g. YouTube). This type of model is fully funded through advertising and the rights owners are paid by either flat fee, minimum guarantee (MG) and/or revenue sharing (Kaysen, 2015). Copyright owners are usually reluctant to release their filmed content on AVOD since it is the very last point in the window system, which is associated with the decline of the content value (Fontaine and Simone, 2017).

Aggregation

The Internet has become “*a widespread means for distribution motion pictures*” (Litwak, 2004:253). The boom of online and VOD services has allowed new business models to be successfully created and new players such as content aggregators to emerge (Kerrigan, 2010). Yet, there is very little knowledge and literature covering the concept of VOD aggregation.

An aggregator is a company that acts as a middle link between a rights owner and VOD platforms. An aggregator is “*a useful intermediary – helping distributors to make the most of their rights – and a digital distributor – dealing directly with sales agents or right holders for films without a distributor*” (Fontaine and Simone, 2017:44). Aggregators originated as gatekeepers in giving access to services of the big VOD platforms, who help rights owners distribute their films on global platforms. Some content aggregators are worldwide players, while others focus on specific territories or regions. The vast majority work with global platforms as well as local ones. However, aggregators focus on different contents; some focus on feature films, other on TV shows, while some do both.

Content aggregators can offer multiple business models, but the most common two are: 1) a flat-fee business model; or 2) a revenue-sharing business model. Most aggregators work on the latter and can also assist rights holder by advancing the technical costs (Fontaine and Simone, 2017).

While content aggregator has many diverse functionalities, their main objective is to help the rights holders optimise their rights and maximise the VOD potential (Fontaine and Simone, 2017; LevelK: About, 2018). Their other functionalities include:

- processing and delivering the digital files in accordance with VOD platforms technical requirements;
- PR and marketing-related services;
- strategic advice on how to achieve the full potential of the on-demand market(s);
- providing solutions to better monitor the actual performance of films on VOD.

Due to their position and knowledge, aggregators can also assist rights holders with coordination of digital distribution strategies for smaller films that did not benefit from a theatrical release or had none in foreign markets. Aggregators have the required expertise in finding opportunities to release such films on VOD platforms (Fontaine and Simone, 2017). *“It is important to note that the role of an aggregator and digital distributor are not interchangeable. Aggregators are like a service company for deliveries while distributors are marketing the film and releasing it on as many mediums possible”* (IFTA, 2018).

3.3. Demand

3.3.1. Market segmentation

Smith introduced first the concept of market segments in 1956, and they are still essential parts of marketing as of today. *“A market segment is a group within a market that is clearly identifiable based on certain criteria”* (Lin, 2002:249). Dickson and Ginter (1987:4) described market segmentation in the following way: *“heterogeneity in demand functions exists such that market demand can be disaggregated into segments with distant demand functions”*.

According to Kotler and Keller (2012), the marketers' responsibility is to identify all of the market segments and decide which one(s) are worth targeting. Typically, marketers can divide the market by four segmentation variables: geographic, demographic, psychographic and behavioral segmentation.

Geographic segmentation divides the market into real units based on geographical location. The units could be nations, countries, regions, counties, cities or neighborhoods. Companies can choose to operate in one or few areas or they can operate in all. However, in that case they need to consider local variations. Demographic segmentation divides the market based on variables such as gender, race, generation, family size, nationality, occupation, social class, etc. Psychographic segmentation divides consumers into groups on the basis of psychological traits, personality traits, lifestyle or values. In behavioral segmentation, the market is divided into consumer groups based on their attitude toward, knowledge of, use of or response to a service or product (Kotler and Keller, 2012).

3.3.2. Demand in the film industry

There is great uncertainty within cultural markets (Wei, 2012; Caves, 2000) and due to that reason cultural, creative products such as films are deemed to have an uncertain future. Caves (2000) states that a film as a creative good, meets uncertainty for it cannot be predicted how consumers will value it, and adds that its success or failure can rarely be explained even ex post. There is no theory or formula on how to make sure a creative product see demand, and even experienced industry professionals cannot predict what actual demand a film will hold and whether it will be profitable or will face a loss (Binkyte and Christensen, 2016; Harmon, 1994).

In order to understand what distributors are seeking in a movie, it is important to outline that distributors' demands are basically driven by consumers' demands; "*most films are produced with the end consumer in mind*" (Binkyte and Christensen, 2016:46). Thus, to identify what distributors are after when searching for new films to acquire, it will actually be the end users' demands that are considered.

Kerrigan (2010:110) defines consumers as "*rational beings following strict decision making paths and using sophisticated processes of illumination when selecting films*". She also contradicts Elliot and Hamilton's (1991) position on consumers making decisions about their leisure activities being based on basic constructs, by argumentating that decision-making depends on the activity itself as well as the level of engagement while seeking that specific leisure, thus, "*choices are a part of an extensive decision-making process*" (Kerrigan, 2010:120).

According to Harmon (1994:34), “*the success or failure of any film depends largely on the audience’s reaction. <...> One has to take into consideration that audience’s reactions are unpredictable*”. Caves (2000) provides with an argument that films show both vertical and horizontal differentiation. However, due to many ways in which films can differ from one another, they are more horizontally differentiated products. Since movies are being sold at the same or similar price, some consumers will prefer one film over the other, while other choose the exact opposite for various of reasons. Thus, it is difficult to predict consumer preferences. Other sources also suggest that content is being understood differently and that, while success of a film might depend on the actual content and quality of the end product, it is still based on the independent opinions by the end consumers, and these vary greatly (Stokkendahl and Marcussen, 2017; Binkyte and Christensen, 2016). Bordieu (1993) even propose that audience is fractured by aesthetic and ethical expectations.

Kerrigan (2010) as well as Harmon (1994) suggest that there are different types of audience and that consumers can be divided into categories. Both scholars highlight the importance of demographic factors and social classification, which form consumption habits and engagement in films. Kerrigan (2010:110) subsequently identifies a continuum of film consumers in six separate types of movie-viewers:

Table 3: Continuum of Film Consumers

Infrequent attendee	Regular attendee (mainstream taste)	Regular attendee (broad tastes)	Regular attendee (specialist taste)	Film snobs	Film industry professionals/ associated professionals
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Source: Kerrigan, (2010:110)

There are as many different opinions as there are people, and people are driven by different wishes and needs, which might change circumstantially, thus, consumption habits and trends are inconsistent (Kerrigan, 2010). On the other hand, “*no occupational world can long survive if participants judge everything equal to everything else. For collective judgement, differentiation in the evaluation of produced objects is essential*” (Fine, 1992:1276).

3.4. Marketing

3.4.1. Marketing Mix

“Marketing mix is a combination of all of the factors at the command of a marketing manager to satisfy the target market” (McCarthy, 1964 in Khan, 2014:96).

The first framework for marketing mix was developed by Borden in 1964, who simply listed twelve key elements in creating marketing strategies for companies. McCarthy (1964) refined Borden’s marketing mix and created the “4Ps” framework: product, price, place, promotion. While many critiques argue that the framework is too simplistic and misleading, and is in need of an additional fifth “P” such as packaging, or public relations, or people, it is still one of the most commonly used frameworks within the industry. Especially for companies selling services, the framework of “7Ps” was created with the addition of personnel, physical evidence and process (Khan, 2014).

Goi (2011) described products as goods and services companies offer in the markets for consumers. In the framework a product is the *“item or service being marketed through its features, quality, benefits and quantities”* (Khan, 2014:96).

Price is the total cost to customers to buy or acquire products, which includes monetary and psychological cost as well, such as required time and effort in acquisition (Blythe, 2009). In the framework price includes price-strategy and -setting, tactics, allowances, discounts or payment terms (Needham, 1996). It is often labeled as the most important element of “4Ps” as it is the only part of the mix that has a direct effect on the revenue and generates a turnover (Khan, 2014).

Promotion is the marketing communication used to attract potential customers and make them further investigate the offer (Blythe, 2009). The parts of promotion are *“sales promotion, advertising, personal selling, public relations and direct marketing”* (Khan, 2014:101).

Goi (2011) described place strategy as the way the organization distributes the products or services to the customers. It could include direct distribution, such as company owned stores, online stores or phone selling, and indirect distribution by using

intermediaries distributors or agents. According to Blythe (2009), place also refers to the physical place where the business is being carried out.

3.4.2. Relationship marketing

“Consumers tend to reduce choices by engaging in an ongoing loyalty relationship with marketers” (Sheth and Parvatiyar, 1995:256). Based on these assumptions, in the last few decades the school of relationship marketing emerged among marketing studies. First introduced by Berry (1983), relationship marketing is *“all marketing activities directed towards establishing, developing and maintaining successful relational exchanges”* (Morgan and Hunt, 1994:22). Morgan and Hunt (1994) defined ten distinct types of relationship marketing that could be divided into four groups:

- Supplier partnerships: goods suppliers, services suppliers;
- Lateral partnerships: competitors, nonprofit organizations, government;
- Buyer partnerships: intermediate customers, ultimate customers;
- Internal partnerships: business units, employees, functional departments.

In 2010, Cosic and Djuric summarized the characteristics of relationship marketing the following way:

- The focus is on keeping consumers;
- Product benefits orientation;
- Long terms;
- The focus is at consumers’ services;
- Level of consumer involvement is high;
- High number of contacts with consumers;
- Total quality management (TQM).

In relationship marketing the goal is to provide long-term value to consumers, thus, consumers loyalty is higher rated than market share (Cosic and Djuric, 2010). Due to its characteristics, Palmatier et al. (2006) in their research found that relationship marketing is more effective when the relationships are more critical to customers than the seller and when the relationships are built on interactions with an individual rather than a firm. Morgan and

Hunt (1994) proposed that the two key elements in predicting exchange performance are commitment and trust. Relationship commitment and trust develop when firms:

- provide resources, opportunities and benefits that are better than what alternative partners can offer;
- maintain high standards of corporate values and choose exchange partners with similar values;
- communicate valuable information such as expectation, market intelligence and evaluation of the partners' performance;
- do not malevolently take advantage of their exchange partners.

Relationship marketing can offer several benefits to companies, as they could increase purchases and reduce their costs, receive free advertisement through word-of-mouth and improve employee retention as well (Zeithaml and Bitner, 1996 in: Sweidan et al., 2012).

3.4.3. Word of mouth

As films and other audiovisual contents could be regarded as products, word of mouth plays a significant role in their success. According to Anderson (1998:6), word of mouth can be described as “*informal communications between private parties concerning evaluations of goods and services*”. Word of mouth can be classified as positive, neutral or negative word of mouth. Positive word of mouth is typically related to a positive experience with the product and it could include several different forms of communication such as recommendations to others or conspicuous display. On the contrary, negative word of mouth is often the result of negative experiences and dissatisfaction with the product. It can appear in several forms such as product denigration, or private complaining (Kerrigan, 2010).

Nowadays, the most common form of word of mouth is electronic word of mouth due to the fast spread of the Internet. You et al. (2015:19) define electronic word of mouth as “*Internet-mediated written communications between current or potential consumers*”.

In the film industry, word of mouth could be essential regarding the success of a project and could be central to the market success or failure of a film. Negative word of

mouth could hinder, while positive word of mouth could increase sales (Durie et al., 2000). While it is impossible to control the likeliness of word of mouth, it could be influenced by identifying the most likely audience and focusing on bringing it to their attention. Positive word of mouth could also help with attracting potential sales agents, financiers or distributors (Kerrigan, 2010).

Several websites that focus on reviewing audiovisual content by the audience and critiques are present. The most commonly known being IMDB, Rotten Tomatoes and Yahoo Movies (Kerrigan, 2010). Based on several researches, positive electronic word of mouth has beneficial effects on all types of films. Films with significant marketing support and strategy can experience increased revenues and returns at the box office, which can be related to word of mouth. On the other hand, rather than benefiting from increased revenues the more artistic types of films often receive more nominations for awards (Holbrook and Addis, 2008).

3.4.4. Film festivals

Possibly the best exposure for independent films are film festivals. Festivals are markets for business professionals, such as sales agents, distributors, and others (Binkyte and Christensen, 2016). Furthermore, *“festivals provide a context for distribution of films outside the conventional parameters of commercial exhibition”* (Jäckel (2003) in Binkyte and Christensen, 2016:35).

Film festivals can be divided into three different groups based on their prestige and exposure:

- “A” festivals include international film festivals such as Cannes, Berlin, Toronto, Sundance. These festivals are the most prestigious festivals and typically provide huge media exposure for participants as they attract the whole film industry across the globe. Getting selected to one of these festivals could bring international success and recognition for a film (Clevé, 2000).
- “B” festivals are less of significance than “A” festivals, yet still add value to the film if it gets selected for screening or is awarded (Clevé, 2000).

- “C” festivals are the least recognized festivals, thus, they do not add anything to the value chain of the film (Clevé, 2000).

Recently, many festivals started to capitalize on the fact that filmmakers, producers and other professionals from the industry gather for annual festival events and are trying to exploit their presence. A growing number of festivals organize forum space for interpersonal encounters, such as pitching sessions, development fund awards, sessions for additional financing rounds. However, one can question the lucrativeness of pitching sessions as they rarely result in success for filmmakers, yet they often cost between two-three hundred euros for observers and between three-four hundred euros for participants to attend (Iordanova, 2015).

3.4.5. Pitching

In case of a new product or idea, developers often use short, so called-elevator pitches to find investors or to create awareness within the market. An elevator pitch is “*any short speech that sells an idea, promotes a business, or markets an individual*” (Pagana, 2013:34). Pitches are approximately thirty seconds long, and they can never last for more than two minutes (Denning and Dew, 2012). The success of the pitch can be essential for a new business, therefore perfecting the pitch is extremely important. Pincus (2007) lists ten key elements in creating a successful pitch:

- Know your purpos;
- Know your target;
- Focus on your customer;
- Be authentic;
- Be specific;
- Be prepared;
- Be concise;
- Solve a problem;
- Show your passion;
- Practice.

Pagana (2013) also highlighted several crucial points in effective pitches. First, the speaker should always keep it short, as after a few sentences the audience should know what is the aim of the pitch. Second, a good pitch always has a “grabber”, an opening line that piques interest and catches the attention of people. Speakers also always need to show their passion regarding the project, as their dedication and energy could help to sell the proposal. Every pitch should end with a specific request, and mention the exact needs from potential buyers or investors. Last but not least, practicing the pitch is crucial in securing success. Rehearsing the speech could prepare the speaker to perform well and act confidently in front of an audience.

As a film or any other serialized content is the result of a new product development process, one of the most commonly used marketing tools for promoting film projects are pitches. A pitch in the film industry is a typically short verbal presentation of a story of a film or serialized content with the intent to show the main message of an idea or script that the author wants to send to the audience (Manus, 2014).

One of the main responsibilities of a producer is to raise sufficient funds to a film project by reaching out to potential investors and financiers (Finney, 2008). Pitching a project or idea is a popular way to reach out to investors that could help with the production costs. However, pitches can also target distributors, sales agents or aggregators that work with releasing and distributing films or series. No matter who the targeted audience of the pitch is, a few significant steps should always be considered when pitching a film project or idea. Anderson-Moore (2017) describes the pitching process in seven steps. **Step 1** is always the research. It is important to find the best fits for the project within the industry, as pitching to the right people could increase the chances of success. People that align themselves to films similar to the project are generally more interested than other people from the industry. After the research, **Step 2** is organizing the pitch meeting. Several tools help organize pitch meetings, such as networking, cool-emailing, pitch feasts and events. The best way to start the process through networking, especially producer networking events. Another opportunity to pitch your idea or project is through pitch events, where the project could be presented to members of the industry. **Step 3** is finding comp films to your project. Comp films are films that are comparable to your project in terms of marketing or success. However, it is crucial not to compare your project creatively to comp films, but strictly from

a business standpoint. It is also advised to use films from recent years, as they can be a more relevant representation of the current state of the industry. **Step 4** is to find and attach a champion to the project or idea, preferably a director, actor or producer that can carry the project and attract potential financiers and distributors. **Step 5** is the creation of a proof of concept. Often, the proof of concept is a short video/ clip that shows off the feature idea and create awareness within the industry and also potential consumers. **Step 6** is preparing the materials for the pitch, that give information to those the pitch is targeted to. The following should always be included in the materials:

- Copy of the script/IP content;
- Synopsis;
- Longline;
- Show Bible or Deck (in case of TV series, character, episode and season breakdown as well);
- Lookbook;
- Biographies of producer and other key crew;
- Financing already in place;
- Budget;
- Cast, if attached;
- Director, if attached;
- Contact information.

During the actual pitch, the speaker should be personable and confident, showing passion and great interest in the project. Lastly, **Step 7** is the follow-up after the pitch, where it is advised to remain polite and patient as in often cases it could take months for investors and distributors to decide to take part in the project.

Visual aides for pitching

To help achieve success for their pitch, filmmakers often use visual tools such as posters, mood boards or even trailers.

“A mood board is a compilation of intentions, visuals and styles that the director seeks to pursue with the film. It is often compiled from other films, other directors’ styles

and shots from other films to establish what direction the director wants to move the film in. The mood board is sent to external parties as a signal of intent for the film” (Binkyte and Christensen, 2016:73).

When creating mood boards, filmmakers should aim to include several important details (Renée, 2014):

- Location;
- Time period;
- Character styling including their mood and emotions;
- Wardrobe considerations;
- Color palette and tones;
- Tempo;
- Closeup and wide shot details;
- Set styling and lightning.

Filmmakers also often use posters to help convince investors to fund a feature film or TV series. Typically, a poster is to show the style and world behind the movie while also grabbing the attention of potential financiers. In most cases a teaser poster includes a heading as well, that shows the author’s name, the genre of the film, the length of the project and a tagline (Celtx, 2016).

Another visual aide that filmmakers use to help their pitches are pitch trailers, also known as Proof of Concept trailers. A pitch trailer is a short clip aiming to showcase the concept and theme of a feature film. Pitch trailers are often used for raising funds for the production of a film or TV series and in most cases are self-funded by producers or directors. Proof of Concept trailers are also used to attract sales agent and distributors in an early stage of the production (Premium Beat, 2015).

Creating a pitch trailer consists of several steps (Filmmaking stuff, 2015):

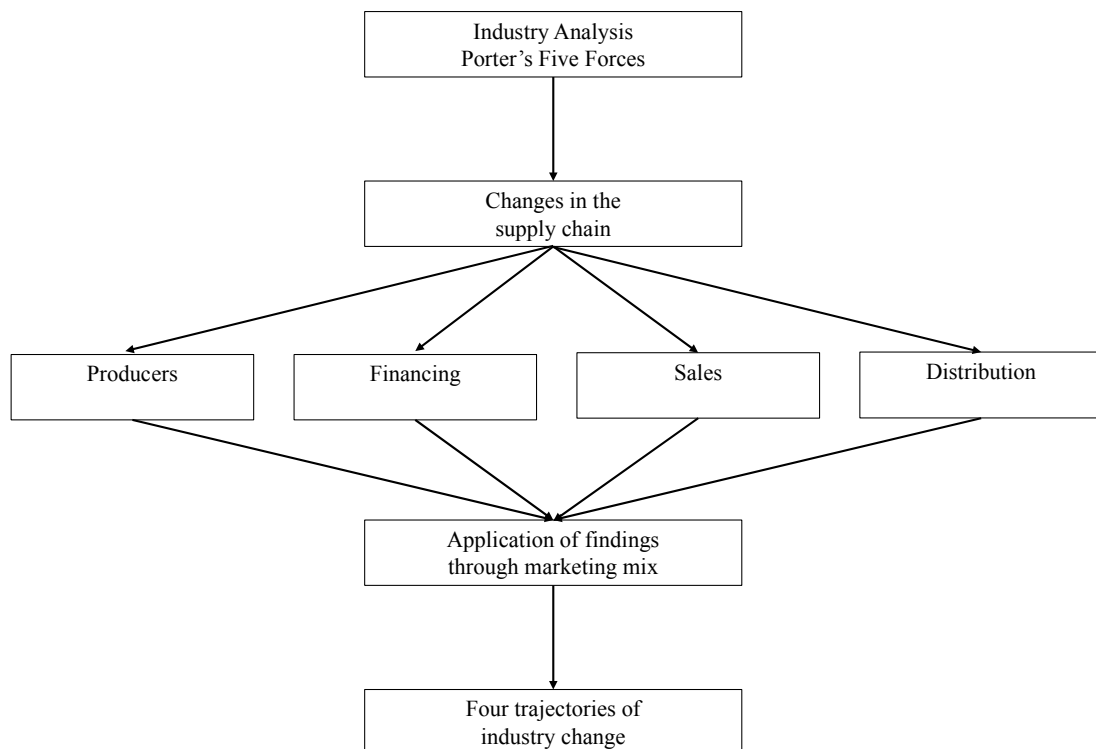
- Step 1: Watch a large number of trailers for research;
- Step 2: Write the actual trailer;
- Step 3: Hire the crew;

- Step 4: Cast the pitch trailer;
- Step 5: Work out pitch trailer logistics.

3.5. Conceptual framework

Based on the above discussed theoretical approaches and models, the following conceptual framework is proposed to help structure the analysis of the collective data.

Figure 3: Conceptual Framework



4. Analysis

4.1. Creative Industries: Film Industry

The case of the Danish film industry is extremely attractive for various reasons. First, the Danish film industry has been globally acclaimed for its high artistic qualities and commercial success. The Danish film industry is also unique in a way that it is not as much

of an industry as it is a cultural support system due to its special financing structure (Interview with Stinna Lassen, 2018, 06:30). It is also highly appreciated as a specimen in Europe, as the structure and composition of the Danish film resemble other European countries since the industry possesses many similar or alike characteristics (Boutaiba et al., 2005).

The Danish film industry can be characterised as a crowded network of industry professionals, operating within an institutional framework, where most of the Danish filmmakers graduate from The National Film School of Denmark. It is a network made up by all the industry actors, who understand the importance of interaction with other players within the Danish film industry (Kerrigan, 2010; Interview with Bo Ehrhardt, 2018, 56:10, Interview with Eva Juel Hammerich, 2018, 04:00). Networking and continuous communication with other industry players within the Danish industry is of high importance in regards to maintaining relationships and developing trust (Interview with Camilla Mølgaard Hansen, 2018, 16:15). The Danish industry has established a different culture and different ways of developing system that they operate within. This provides the players, and especially the filmmakers with creative freedom, rather than placing their focus on financial aspects (Interview with Mikael Rieks, 2018, 03:57; Interview with Mikael Windelin, 2018, 03:20), as Danish filmmakers are used to working within cultural scheme rather than an industrial one like in the US (Interview with Stinna Lassen, 2018, 15:13).

Lately, national content has been put under a lot of pressure by a great number of American filmed entertainment (Interview with Mikael Windelin, 2018, 03:55). As many others, production companies within the Danish film industry has been facing declining returns, and therefore, are under high pressure (Sjöström, 2017). To further understand the position of independent production companies and producers within the industry, Porter's five forces have been applied, from their point of view.

4.1.1. Porter's Five Forces

Threat of New Entrants

As Porter (1979) discussed, the level of threat that potential new entries pose, depends on the magnitude of entry barriers they have to face. When contemplating entering the Danish film industry as a new independent producer or production company, one has to

face several struggles. One of the most prominent entry barriers is the high costs of capital, mainly the cost of producing audiovisual contents. While producers in Denmark have several options to finance their projects through DFI, the national broadcasters, regional funds, VOD services, they still have to use some of their own money, raising the risks they have to face. All these could deter them from entering the market. *“If you are not willing to risk money in this business, find something else to do”* (Interview with Mikael Rieks, 2018, 12:50).

Another hindrance new entries have to face are the limited access to distribution channels. As Kerrigan (2010) discussed, the Danish film industry can be described as a tight network of professionals, with most of them having graduated from The National Film School of Denmark. Therefore, trust and familiarity is a key element in the industry, especially when accessing distribution companies or sales agents (Interview with Tine Klint, 2018, 29:21; Interview with Camilla Molgaard Hansen, 2018, 19:07). Hence, newcomers facing the consequences of not being part of the network, will most likely have more difficulties with accessing distribution channels than those who have been in the industry for years. Additionally, raising funds for a project can require experiences in the industry. *“I think if you have to qualify for production grants, you have to be an experienced and trained producer. You have to have a track record”* (Interview with Henrik Danstrup Holst, 2018, 08:07). Thus, regarding these entry barriers, it can be concluded that the threat of new entrants for independent producers and production companies is moderate.

Bargaining power of buyers

Bargaining power of buyers is high due to several reasons, regardless of whether they are the audience (end consumers) or distributors and VOD services (intermediate consumers). Switching costs are low, as customers do not suffer significant losses when switching between products. *“In the end, it is always the customers, who dictate what they want”* (Interview with Henrik Danstrup Holst, 2018, 28:17). The existence of piracy also gives bargaining power for consumers, as it can often prevent film owners from raising prices. *“Then the next thing is, and it is a very important thing, that is also the piracy part. Because that is also a part of this, because that is also why people cannot get the price too much up. Because people with no consequences can steal a product”* (Interview with Jakob

Staberg, 2018, 36:49). Furthermore, when considering distributors and VOD services as buyers, their power is significant compared to independent producers and production companies, mainly because of their size and influence within the industry. *“What I see is that a lot of people actually sell, smaller producers sell under. Some do it for free just to have something on Netflix”* (Interview with Jakob Staberg, 2018, 29:05). Buyers have a large variety of contents to choose from, which further helps them to maintain bargaining power over producers and production companies.

Bargaining power of suppliers

A group consisting of various players can be considered as suppliers, from actors, to film crew to those who provide financial funding to the project. The bargaining power of financiers are high as they provide the financial means to green-light a project and most projects are financed by DFI, TV2 or DR (Interview with Lars Feilberg, 2018, 10:40; Interview with Eva Juel Hammerich, 2018, 29:52). *“There are very few sources. There are the TV channels and the film institute. And if you are not working with the film institute, then it is really hard to get your film made at all”* (Interview with Mikael Windelin, 2018, 08:17). Furthermore, private financing options for feature films are limited as well. *“There is not a lot of private financing in Danish feature film”* (Interview with Henrik Danstrup Holst, 2018, 06:36). As a consequence, DFI being the main financier for most feature films possesses enormous power. *“Basically it is very difficult to have a business model. Because you are applying to a national film institution that has money for twenty to twenty five feature films a year. And there are so many players in the business. And if you do not get that support, even though they have different doors, they have the market support fund and then they have two feature film consultants. So you basically have three doors to go to with your projects. But it still means that if those three doors are closed, it cannot happen, because you cannot make it and cannot make a business out of it”* (Interview with Lars Herman, 2018, 03:44).

On the other hand, with the rise of VOD platforms more and more financing opportunities arise for filmmakers. *“We are less limited, we have more possibilities, we are not as pressured as we used to be. Now, the national broadcasters do not have that much power they used to have, because we have the possibility of going to someone else”*

(Interview with Stinna Lassen, 2018, 14:29). Moreover, the bargaining power of other suppliers could be considered moderate. A small number of Danish actors and directors, as a consequence of their experience and fame within the business, hold significant bargaining power. *“We do not have stars per say in Denmark, but there are actors who can carry a film”* (Interview with Lars Herman, 2018, 10:26). Yet, other suppliers such as the film crew do not hold that much power. Danish productions have the opportunity to co-produce in countries such as Czech Republic or Hungary, where costs are much lower and they can benefit from tax refunds due to local legislations. At the same time, they do not have to compromise on the quality of the crew (Interview with Eva Juel Hammerich, 2018, 17:09; Interview with Bo Ehrhardt, 2018, 05:48).

Threat of substitute products

As a result of being part of the entertainment industry, a large variety of products and services can be considered as substitutes. Essentially, any types of products that are used for entertainment purposes by consumers are substitutes, such as social media platforms like Facebook or Instagram; books, magazines, YouTube, sport events etc. Thus, because of the low switching costs and large number of options customers can choose from, substitute products can be considered as significant threats.

Rivalry among existing competitors

Rivalry among competitors in Denmark could be described as moderate. While high due to several reasons small independent producers have to compete with large production companies like Nordisk Film and Zentropa for public funds (Kerrigan, 2010), more often than not producers are able to gather the public support to fund their projects (Interview with Stinna Lassen, 2018, 37:59). A relatively large number of producers and production companies operate in Denmark, but financing possibilities are also generous (Sjöström, 2017). *“We are fortunate that from the state, government side, they put a lot of money into the film institute and they also have some regulations that make it possible to actually do pretty okay financing for feature films and documentaries”* (Interview with Lars Feilberg, 2018, 14:28).

On the contrary, with the amount of films and TV series produced all around the world, Danish producers have to face a fierce competition for the attention of viewers as

they have the opportunities to choose from a vast amount of contents (Binkyte and Christensen, 2016).

4.1.2. Film

According to a great number of sources, a movie that is financed primarily outside of the six major US studios, is an independent movie (Mogstad Eri, 2017; Levison, 2007; Independent Film & Television Alliance, 2018). Consequently, almost high due to several reasons all European productions are considered to be independent films. While this basically defines more than a half of films being produced, a concept of an independent film is that such a movie contains a distinct artistic style, which makes it different and distinguishes it from other films, such as of Hollywood productions. Mogstad Eri (2017) also suggests that independent films fall under a categorisation of higher artistic quality films, where he emphasises quality being delineated as more realistic, critical or experimental. Litwak (2004:123) offers a slightly different perspective on an independent production and calls it an “*alternative to Hollywood’s mainstream fare*” and a “*source for most quirky, offbeat and controversial films*”.

However, the past decades had shown a drastic growth on independent productions (Litwak, 2004; Binkyte & Christensen, 2016), which has created a new buyers’ market, but at the same time over-flooded it with supply on a global scale. Litwak (2004) provides with an argument that such a dramatic growth of the independent films have been caused by a few successful independent filmmakers that encouraged the others. high due to several reasons Ergo, abundance of independent films drove the market prices for these products down. Thus, ironically, “*independent film has become a victim of its own success*” (Litwak, 2004:251).

4.1.3. Demand

Distributors’ demands are based on consumers’ demands (Binkyte and Christensen, 2016), therefore, when looking into what potential distributors seek, it is important to consider the latest trends, political movements (e.g. #metoo movement), technology developments, and similar, as these are the factors that highly influence the success or failure of any film at a given time (Harmon, 1994; Interview with Mikael Rieks, 2018, 08:00). However, it is important not to blindly follow the audience demands when creating

filmed entertainment as this might compromise the quality of the title (Interview with Eva Juel Hammerich, 2018, 22:15).

As evident from the history of films as well as the current situation, consumers' demands are constantly changing. In film industry trends are dynamic. Moreover, the past two decades have proven that the ways how consumers are viewing content or how they seek entertainment is slowly changing (Interview with Jakob Staberg, 2018, 23:30; Interview with Mikael Rieks, 2018, 29:30; Interview with Lars Feilberg, 2018, 38:45; Interview with Klaus Hansen, 2018, 37:35). Back in the 70s cable TV was revolutionised by subscription TV, which nowadays is being threatened by online (T)VOD; what used to be a ninety-minute feature film distributed traditionally across many different channels such as cinema, DVD, broadcast TV and so on, are now slowly being replaced by short content on channels such as YouTube, or Facebook, or Amazon TV (Interview with Mikael Rieks, 2018, 29:30; 37:07; Interview with Lars Feilberg, 2018, 44:00; Interview with Klaus Hansen, 2018, 39:30; Interview with Tine Klint, 2018, 43:00; Interview with Henrik Danstrup, 2018, 26:40).

One particular trend is clearly visible,- a rise of consumption at home. There are two main reasons for this. First, "home cinema" equipment had become affordable to the mass (Kerrigan, 2010). Second, the development of the technology and globalisation made it possible to export and distribute films to the international audience much easier, faster and cheaper. As suggested by Kerrigan (2010), one of the most important factors for film consumption, aside being determined by demographics and social circumstances, is access to resources. The drastic increase in movie supply has led to consumers developing their abilities to engage with all types of films that are made available to them. Furthermore, costumers had grown to be impatient, especially, when it comes to awaiting a film to appear on other distribution channels after or even before its release in cinemas (Johnston, 2017). That could be one of the reasons why VOD platforms became so popular and have so much power these days.

With so many films being produced each year, and the majority of them being made available worldwide though various VOD channels, there is a need to differentiate between "want to see" and natural enjoyment. US major studios, as well as major VOD platforms

create a lot of awareness about a film or a TV drama prior to its release in order to gain “want to see” reactions and attract the mass audiences. Which is highly effecting the rest of film releases. Film distributors are doing market researches to be able to see what films are coming up and how to better plan release of their films, so that they would not lose potential audience to the competitors’ titles (Interview with Bo Ehrhardt, 2018, 09:32). On the other hand, most independent filmmakers seek natural audience enjoyment, which according to Kerrigan (2010), induces positive word of mouth, prolongs films lifecycle within the market and also increases box office sales. In addition, it is always difficult to predict what consumers might want to see (Interview with Jakob Staberg, 2018, 17:40; Interview with Bo Ehrhardt, 2018, 09:00), or what level of satisfaction it might bring to the audience as consumer satisfaction is dependent on their emotions (Interview with Lars Feilberg, 2018, 27:45). There is especially high levels of insecurity when it comes to foreign language films, such as French arthouse (Interview with Camilla Mølgaard Hansen, 2018, 20:20; Interview with Lars Feilberg, 2018, 35:00). Nonetheless, language is becoming less of a barrier for films’ international expansion due to the consumers getting used to and accepting subtitles more and more (Interview with Mikael Windelin, 2018, 28:20).

Yet another tendency is distinct, - audience has gotten accustomed to TV drama, and a lot of production companies have turned (or are still turning) towards these (Interview with Eva Juel Hammerich, 2018, 04:40; Interview with Jakob Staberg, 2018, 23:30; Interview with Mikael Windelin, 2018, 09:50). This trend has been evident within the industry for a few years now. Currently, Scandinavian TV drama has great demand internationally, thus, Scandinavian productions is big and growing as it is mostly considered to be high quality (Interview with Mikael Windelin, 2018, 09:50; Interview with Klaus Hansen, 2018, 35:15). It is important to note that Danish filmmakers use this opportunity now, as demand is constantly changing and in a couple of years, filmed content from other world regions might become more interesting (Interview with Klaus Hansen, 2018, 36:30). Since consumer demand is dictating what is on the flow “now”, filmmakers sometimes also need to adapt and be able to change accordingly and usually on a relatively short notice (Interview with Mikael Rieks, 2018, 12:30; Interview with Henrik Danstrup, 2018, 26:40; Interview with Bo Ehrhardt, 2018, 50:00). On the contrary, demand for feature films is growing back, *“because people get stressed from the pressure of having to see so many*

hours of TV, they are getting a little full” (Interview with Bo Ehrhardt, 2018, 23:47). “*A film is <...> a complex product*” (Interview with Stinna Lassen, 2018, 44:45), but it has a good format in regards to consumer engagement with filmed entertainment (Interview with Jakob Staberg, 2018, 23:35). Additionally, as Mikael Rieks stated (Interview, 2018, 22:50), new trends within film industry have a cycle of about ten years (e.g. films to TV series). He also argues that filmmakers are losing skills to TV, as by working on TV content for years, they have a lot of difficulties switching back to working on feature films and might not be able to create a good, quality feature product (Interview with Mikael Rieks, 2018, 47:30). Nevertheless, both fiction films and TV drama are driving the whole entertainment industry (Interview with Klaus Hansen, 2018, 02:15), and one will not take the other out (Interview with Jakob Staberg, 2018, 23:30).

4.2. Supply Chain

As Kerrigan (2010) has put it, running business within the film industry in Europe is based on partnering and relationships. Danish film industry is an outstanding example of networking and building relationships. Every or most of the filmmakers have graduated from The National Film School of Denmark, and are used to working in trio, a group of three core filmmakers crew: director, scriptwriter and producer (Interview with Bo Ehrhardt, 2018, 56:10). Relationships and trust take time to build and thus, require extensive operational partnering between the parties (Interview with Camilla Mølgaard Hansen, 2018, 16:15; Interview with Tine Klint, 2018, 29:30). Since the film industry is characterised as being one of high risk, doing business by entering into partnerships and growing long term relationships can help reduce these risks (Kerrigan, 2010). Every project needs to have the right partners involved, hence, producers are always considering who is the right person for the right projects. That includes distributors, sales agents, broadcasters, platforms (Interview with Bo Ehrhardt, 2018, 41:37), ergo the whole value (supply) chain is being considered.

4.2.1. Producer

As discussed in the literature review, the roles of the producers in a film project are various and their responsibilities include a wide range of tasks. “*I would say the producer is by far the most important the person in the life of the film*” (Interview with Stinna Lassen, 2018, 04:43). With the spread of the VOD platforms, their job and ways of working have

been affected as well. Producers have to face several changes and concerns, such as their changing tasks, the question of rights and creative control.

Changes in the tasks of the producer

Traditionally, the producers' tasks do not end when the project is released, monitoring sales and audience data is also a part of their responsibilities. However, if the content is released on a major platform like Netflix, Amazon or HBO, producers do not receive any data regarding viewers or sales. *"They will never tell you how many people saw it either. There is no market data. So, you may experience that they are happy or they are unhappy, but they will never tell you who saw it"* (Interview with Lars Herman, 2018, 45:02). *"It is always nice with the check and the money, but you will not get any sales reports and everything. So you do not get any insights into how many people are watching your movie, how it performs in territories"* (Interview with Henrik Danstrup Holst, 2018, 12:43). Thus, if a producer releases a project as an original title for a VOD platform their job with the project will finish as it finalizes post-production.

Some producers during the interviews argued that the lack of data could harm the learning possibilities for them as they use this data to draw conclusions and grow professionally. *"How do you as a producer become a better producer unless you know whether you succeeded in making a film or TV series that reached an audience? And the more data you have on who saw it, the better"* (Interview with Lars Herman, 2018, 45:51). Consequently, if a producer decides to work with a VOD platform to create original content, they will not receive any data on sales or viewer numbers, hence, they will not know if their title has reached the targeted audience at all. *"So it means when you are working with Netflix or HBO, because none of them share any data, you do not get smarter as a producer in terms of who your audience are and how you reached them"* (Interview with Lars Herman, 2018, 46:08). Furthermore, the lack of knowledge about the audience number could give advantages to the major platforms when negotiating with a producer. *"I think as a producer that is [data about sales] very useful information for learning. And also from a business point of view, are we selling it for too low price to them?"* (Interview with Henrik Danstrup Holst, 2018, 13:02). One could argue that if a producer do not know about the size of the audience their last title reached, they have an unfair disadvantage when negotiating the price

for their following contents with a major VOD service. *“Nobody knows how many subscribers Netflix has, how many click and actually watch our films, so we do not know anything at all, so it is like negotiating in dark completely”* (Interview with Bo Ehrhardt, 2018, 21:40).

Distribution rights questions

A producer or production company when creating a project attains various rights for the film or project regarding theatrical release, SVOD, TVOD, pay TV, free TV releases. A detailed list of the different rights can be seen in Appendix 2. In most cases these rights are sold to different players in the distribution channel with a predetermined end date of the contract.

While *“any deal, any setup is possible”* (Interview with Bo Ehrhardt, 2018, 35:25), in the case of VOD platforms fully financing a project, it is likely they will acquire all rights from the producers (Interview with Klaus Hansen, 2018, 47:05). Amazon lets producers retain some rights, though the most extreme possibility is the case of Netflix Original contents. *“When you are making a Netflix Original, they buy all rights forever, or at least for 50 years”* (Interview with Lars Herman, 2018, 22:49). The latter scenario could raise some questions and concerns. *“The healthy thing for the industry would be to maintain some of the rights”* (Interview with Stinna Lassen, 2018, 20:02). *“It is better than not making a series, but if you have a choice you would like to make a series where you retain rights”* (Interview with Lars Herman, 2018, 25:23).

The deal with a VOD platform is beneficial for producers and production companies at the current moment, yet it could bring issues in the future that need consideration. Long-term sustainability of smaller production companies could be challenged, as they will not receive any revenue such as from royalty fees in the future due to the loss of distribution rights. *“It is always, I think a bit dangerous taking the initiative away from the producer and just paying out everything”* (Interview with Stinna Lassen, 2018, 28:13). *“But since Netflix owns all distribution rights, all exploitation rights, there is nothing left for you”* (Interview with Lars Herman, 2018, 45:24).

Moreover, during the interviews, an interesting concern regarding the future of released original titles on streaming services have come to light. In the unlikely situation of bankruptcy of the major VOD companies, the rights of the contents that are exclusively available on their platform, could be transferred to other means of distribution, without producers and filmmakers having a say or influence in choosing the other channels that their titles would be released on. *“Imagine this, in ten years, or seven years, or five years, when Netflix gets enough and say that is enough and we are going to sell the whole stuff. Where all these things are going to end up? With your name on it”* (Interview with Mikael Rieks, 2018, 1:00:01).

All in all, these changes regarding rights are affecting the whole industry and could lead to a completely different reality for producers. *“The rights are the values which the producers have in their own. If we go too much into a situation where the producers only go into production for a production fee, we will have a totally other kind of industry”* (Interview with Klaus Hansen, 2018, 47:47).

Creative control

Filmmakers and business professionals within the industry care deeply about being able to express their artistic identities, values and aesthetic tastes, while at the same time satisfying commercial demands. However, sometimes meeting commercial demands constrains the creative aesthetics and requires identities to shift and evolve, in order to align with the demand and please cultural gatekeepers (Wei, 2012). Due to the uncertainty within the film industry, filmmakers are more pressured to create a product that is appealing to a broad audience to generate profit and satisfy current and potential investors, which turns their decisions to be pragmatic. Complex creative projects such as films are managed through multiple sequences of actions, which in turn involve a great number of industry professionals. For that reason, allocation of decision rights might become an issue, as each of the parties involved add their own share of investment into the project (this does not necessarily mean financial investments). At each of the stages that a film project goes through, there are different decision makers holding the creative control (Caves, 2000).

These days it is quite often that big American companies, such as SVOD service providers seek local production companies and their projects for original content

productions. In such a collaboration, the American company covers the production budget, and due to this reason, *“the local (production) company might not have any ownership interest or control over how the movie is produced and distributed”* (Litwak, 2004:20; Interview with Jakob Staberg, 2018, 13:19). Nonetheless, multiple Danish producers have not been reluctant towards such a collaboration, as it would help get the project produced (Interview with Mikael Windelin, 2018, 14:50; Interview with Lars Feilberg, 2018, 45:08). At this moment, there is not enough proof to evaluate whether SVOD majors do control the production process and to what extent. Regardless, even if they do control the production process and creative aesthetics throughout various production stages, this would be as similar as to what local public investors, such as DR and TV2 are doing. Most of the investors, who fully finance or invest large amounts into the project, are giving their notes to the production companies about what they want or what should be changed, what they like and what they do not. Ergo, producers are seeking to keep investors satisfied, as they share the common goal of making the viewers happy (Mogstad Eri, 2017; Interview with Mikael Windelin, 2018, 32:30; Interview with Lars Herman, 2018, 29:00; Interview with Bo Ehrhardt, 2018, 36:10). However, the way Danish film industry operates is very different from the way that the American film industry works. The Danish film industry is like *“a vacuum that allows to give the local filmmakers creative space”*, thus Danish filmed content is quality content and Nordic titles are strong in the international markets (Interview with Stinna Lassen, 2018, 39:15). Often, Americans do not understand the European storytelling, therefore, can easily ruin a project if controlling the creativity of it and could potentially be a source for creative disagreements as well (Mogstad Eri, 2017; Interview with Eva Juel Hammerich, 2018, 21:40).

Working with a VOD streaming service financing the local project would be interesting, yet major streaming services seeking original content might want more control in order to please their audience, and that control is more than Danish producers are used to (Interview with Bo Ehrhardt, 2018, 52:00). The certain level of creative control is not a problem to the Danish producers, as long as it is a discussion rather than a dictate of the content. *„If they do, then it would become a problem because then it is very hard to navigate as a producer, and in that case they should produce the content themselves”* (Interview with Bo Ehrhardt, 2018, 53:42; Interview with Eva Juel Hammerich, 2018, 36:35). Moreover,

working with a single financier leaves a producer with a weaker position than where they would be if they had investment from multiple sources. As then, all the financiers have a say and it is a work of relationship and coordination. Even though this is more complex, each party has to respect the others and agree on the changes together. That leaves the producer with a stronger position regarding creative control (Interview with Bo Ehrhardt, 2018, 36:50).

4.2.2. Financing

Film production is split into three different stages:

- Pre-production: a phase of planning, developing and financing, which includes cast, crew, location scouting, scriptwriting (some sources consider development as a separate stage);
- Production: a phase of film shooting;
- Post-Production; a phase of editing the shot materials, adding the necessary elements and polishing the film to its final edit.

(Binkyte and Christensen; 2016; Barrance, 2016).

The paper considers only the first and the last stages; pre-production in terms of financing means and post-production in terms of creative control.

Film financing is a complex process and requires a know-how and an extensive network, as according to Levison (2007), people are the most important link between a film project and its financing. Yet, film financing is extremely difficult to achieve. As mentioned, films are characterised as experience goods, thus dependant on the end users' perceptions. From producers' perspective, they create a product before even knowing if anyone will want to buy it. *"Films often have high costs attached to them. Combining a high upfront cost with an uncertain payoff results in risk"* (Binkyte and Christensen, 2016:17).

For an independent film in a pre-production or in-production stage to enter into a binding distribution agreement (pre-sales) is very unlikely, unless a project has an established star attached. Due to the nature of an independent film attracting smaller

audiences, the most value comes from the script, the producer and the director, and sometimes a recognised major distributor, local or international (Binkyte and Christensen, 2016; Interview with Eva Juel Hammerich, 2018, 24:30). A producer has better chances of engaging financing if they have letters of intent from these players (Harmon, 1994). Having a star director or cast attached to the project raises the chances of all types of investments. However, if a producer seeks for financing from one of the major SVOD service providers, such as Netflix, Amazon or HBO, it is best to await contacting stars before the project is discussed with these players, since if they are interested in investing and acquiring rights, they might have their preferences and suggestions (Harmon, 1994).

The Danish film market as most European markets for independent film production and financing are characterised by public funding through institutional grants, co-production with local national TV broadcasters and private investments (Sjöström, 2017). The Danish producers finance films more or less the same way they have always done, with three kinds of money; soft money, investment money, and own money. When financing a film they aim to connect with partners and attempt to get subsidy on-board very early (Interview with Bo Ehrhardt, 2018, 03:07). Film production budgets usually vary from around 500.000 DKK (five hundred thousand danish crowns) to 60 mil DKK (sixty million danish crowns) (Sjöström, 2017), and are collected through multiple financiers, making a financing plan for a Danish production as a jigsaw puzzle (Interview with Lars Feilbert, 2018, 13:50; Interview with Stinna Lassen, 2018, 20:20). Having multiple financiers also provides Danish filmmakers with more freedom as getting financing from a single source would weaken one's control over the project (Interview with Mikael Windelin, 2018, 34:02; Interview with Stinna Lassen, 2018, 13:30). The Danish film industry is a relatively small one on the cinematic scene, thus, private investment is not very common. Instead, the industry depends on the financial support of the state (Boutaiba et al., 2005). The model is quite the same for all Danish producers. Almost all of the films in Denmark are supported by either one of the main three national financiers: Danish Film Institute (DFI), Danmarks Radio (DR) or TV2, hence, projects highly depend on these three players (Interview with Eva Juel Hammerich, 2018, 25:00; Interview with Jakob Staberg, 2018, 06:00; Interview with Camilla Mølgaard Hansen, 2018, 03:20; Interview with Mikael Rieks, 2018, 15:15; Interview with Lars Feilberg, 2018, 12:00; Interview with Stinna Lassen, 2018, 06:30;

Interview with Henrik Danstrup Holst, 2018, 07:00; Interview with Bo Ehrhardt, 2018, 03:07). It is not often that DFI and the two national TV stations, namely DR and TV2, would decide on different feature film projects to support. If a film project does not meet the requirements for support from DFI, it is not likely to be green-lighted, and it will probably not gain financial support and be dropped (Binkyte and Christensen, 2016; Interview with Mikael Windelin, 2018, 07:50; Interview with Lars Herman, 2018, 03:10). Therefore, new players bringing in more financing possibilities are very welcome into the Danish film industry, and it is healthy for such a closed industry to expand its opportunities for the filmmakers to seek financing (Interview with Jakob Staberg, 2018, 16:00; 18:30; Interview with Stinna Lassen, 2018, 13:30; Interview with Eva Juel Hammerich, 2018, 36:50; Interview with Mikael Windelin, 2018, 38:30). Notwithstanding, traditional financing channels, such as DFI, TV2 and DR (and other) will still remain a strong point as the producers' first choice when pursuing financial support (Interview with Mikael Windelin, 2018, 23:30).

DFI

“DFI is a central institution in the Danish film field that operates on behalf of the Ministry of Culture (Boutaiba et al., 2005:2). While it has many functions, the most attractive ones to the producers is DFI's financial support for development, production and distribution of Danish films, within the Danish market as well as internationally (Kerrigan, 2010). DFI provides public funding, which comes from the cultural interest from the state of Denmark to have Danish films produced. The Danish government wishes to support Danish films due to the fact that it is essential to have Danish films in the cultural environment against American imported films (Interview with Klaus Hansen, 2018, 10:41; Interview with Stinna Lassen, 2018, 06:30). DFI offers four different methods to the independent Danish film projects seeking financial support (DFI: Funding 2018; Sjöström, 2017; Interview with Camilla Mølgaard Hansen, 2018, 05:40; Interview with Tine Klint, 2018, 33:30);

- Market Scheme (formerly called 60/40), which supports films with a broad audience appeal that tell a popular story or cultivate a familiar genre and are expected to be

successful and generate a lot of revenue. The scheme funds only feature film projects;

- Film Commissioner Scheme, containing three separate funds (script, development and production) focused on providing support to films with unique cinematic ambitions – artistically innovative films that challenge their audiences. The scheme funds features, documentaries and shorts;
- Public Service Fund, which supports Danish TV dramas and TV documentaries on commercial channels, in order to provide commercial broadcasters with the opportunity to produce public service content of high quality and risk-taking. Applicable for TV dramas and documentaries;
- New Danish Screen was founded on a partnership between DR, TV 2 and DFI. It supports films that push the boundaries of cinema – films that strengthen talent development and experimentation. It is applicable for low-budget fiction, documentaries, hybrids, series and cross-media projects.

A project can only apply for one of the above mentioned programs (DFI: Terms and Conditions). The first two listed are the most commonly used ones that provide with most of the support for the filmmakers (Interview with Henrik Danstrup Holst, 2018, 08:30).

National broadcasters

DR and TV2 are national broadcasters investing in local productions, mainly in TV dramas, and contributing with most of the money within the Danish film industry (Interview with Lars Feilberg, 2018, 10:45). By investing into a project both of these national broadcasters typically acquire the right to broadcast the production on TV channels owned by DR and TV2. DR and TV2 further request the non-exclusive right to stream the product on their own websites that are free for the user, within the determined licence period (DFI: Terms for Support, 2018; Interview with Bo Ehrhardt, 2018, 05:25).

Currently there is evident political diversity towards national broadcasters. New era has brought new trends and changes, thus, local politicians are now seeing the national broadcasters as *“old fashioned birds, who need a kick in the ass, and to renew themselves.*

TV2 is being sold off by forty percent, DR channels are being cut down, as well as twenty percent of their budgets” (Interview with Lars Feilberg, 2018, 37:40). In the near future, there will also be no household license system, that allowed to fund DR for years without political control over it (Interview with Lars Feilberg, 2018, 39:40).

With VOD streaming services searching for original content, they are partly entering the market of financing the Danish productions, which also shakes the traditional ways of how the national broadcasters used to operate. New financial possibilities for producers expand their bargaining power and limit options to the broadcasters, as local producers are less pressured and limited (Interview with Stinna Lassen, 2018, 15:00). Major American companies are able to bring large offers that are appealing to the Danish producers, pushing the prices within the market upwards. Hence, this makes it difficult for smaller, local broadcasters to compete for TV content, as they are unlikely to be able to keep up with the competition with the offers they can afford (Interview with Mikael Windelin, 2018, 13:14; 34:53; 35:20). As a consequence, European broadcasters are entering into strategic alliances and creating regional networks to be able to compete with major VOD service providers (Interview with Mikael Windelin, 2018, 35:20). On the other hand, producers would always rather look for local TV stations for support in exchange to certain distribution rights first, as they would like to maintain as many rights as possible (Interview with Eva Juel Hammerich, 2018, 32:00). In addition, major streaming services searching for original content invest into a project at a later development stage than the local broadcasters (Interview with Stinna Lassen, 2018, 37:00). This may bring further risks, hence the reason why producers tend to seek financing at an early stage in the project development (Interview with Bo Ehrhardt, 2018, 03:07).

Co-productions

Nowadays, Danish producers often turn to co-production partners in other European countries in order to ensure financing, and also to profit from the tax benefits and additional market(s) (Kerrigan, 2010; Interview with Stinna Lassen, 2018, 06:30; Interview with Henrik Danstrup Holst, 2018, 07:00). Co-production is an easier way of financing a project in case of it being an expensive one (Interview with Bo Ehrhardt, 2018, 03:07). By co-producing with other production companies in different European countries, Danish

production companies do not only benefit from tax credits, but they get access to foreign locations, cheaper work force, when people work longer hours for the same or smaller salary. They can even exploit the natural looks of people, especially in lesser economically developed countries as in Eastern Europe, where people do not use as much artificial means to change their natural looks (e.g. teeth whitening) (Interview with Eva Juel Hammerich, 2018, 17:10; Interview with Bo Ehrhardt, 2018, 05:48).

Other

Other than the above mentioned financing models that are most commonly used in Denmark, there are a few more that help collect the required money for the production to start. That includes finding a domestic distributor, and a sales agent, who might pay a minimum guarantee (MG), pre-sales to foreign markets, and regional funds (Interview with Eva Juel Hammerich, 2018, 29:50; Interview with Camilla Mølgaard Hansen, 2018, 03:20; Interview with Mikael Rieks, 2018, 15:15; Interview with Klaus Hansen, 2018, 10:41; Interview with Mikael Windelin, 2018, 07:50; Interview with Stinna Lassen, 2018, 06:30; Interview with Henrik Danstrup Holst, 2018, 07:00).

Star Power

According to Kerrigan (2010) and Elberse (2007), evidence shows that having a star in film, regardless of whether it is an actor, a director, or other established and known stars within the film industry, has a positive impact on the film's performance and financial returns. A star in the title "*reduces uncertainty among consumers*" (Kerrigan, 2010:109-110). There is a link between a star and a type of a movie, thus, consumers then know what they can expect from the film, and trust that it will be enjoyable for them. Having a film star adds value to the film, who assists in making it successful (Binkyte and Christensen, 2016; Kerrigan, 2010). Consequently, this brings support when looking for equity investments, due to the fact that this type of investors only seek films with high market potential (Binkyte and Christensen, 2016).

Many different sources suggest that star power affect demand of a particular film, and increases the likelihood of attracting investors and generating financing for the film project (Kerrigan, 2010; Binkyte and Christensen, 2016; Mogstad Eri, 2017; Elberse, 2007; Interview with Mikael Windelin, 2018, 14:20). A well known cast or director on board can

make a film more attractive and has great influence on the consumers' choice. As a consequence, a star attached to a project help attract investments, as well as in negotiations with potential film financiers. Talents may help get financial support from DFI for instance, but it depends on what type of financing support one is seeking (Interview with Camilla Mølgaard Hansen, 2018, 05:40). It is also important to distinguish between two types of Danish productions; Danish titles for the Danish market, and Danish titles for the international market (Interview with Klaus Hansen, 2018, 10:20). With that said, there are Danish talents, actors, directors, who can carry a film not only within domestic but also the international markets (Interview with Lars Herman, 2018, 10:30). On the other hand, established filmmakers with a successful track record do not need to pursue a private investment. According to Litwak (2004:63), there are players "*willing to supply all the production funds needed in return for ownership of the picture*".

4.2.3. Sales agents

A sales agent is an important intermediary between a film producer and an international distributor. With hiring a sales agent to represent their film in the international markets, film producers indirectly gain access to distributors by using the reputation and relationships the sales agent have managed to build up with the distributors over the years. The earlier in the process of the film development that the sales agent comes in, the better for the film; "*the earlier the deal is agreed with a distributor, the less financial risk is involved for the production company*" (Litwak, 2004:128).

Having a wide range of skills, sales agents can also be used for information about which stars matter and are more appealing in the international market, as they sell to the international buyers on a regular basis (Litwak, 2004). In addition, they are also to know and be able to predict what is popular at the moment and what will be popular in the future (Kerrigan, 2010). This can especially help when in need to find financing for a film in its development stage by securing pre-sale deals. Sales agents can not only recommend which stars to approach, but also know which distributors to target. The success of a film greatly depends on its distribution, and the choice of the right distributor can make even small independent films prosper (Harmon, 1994). Choosing the right distributor to represent one's film in a foreign market requires expertise and networks, that the sales agents hold.

Controversially, sales agents will only take films and film projects that fit their profiles, and that they are confident they will secure distribution deals for (Kerrigan, 2010).

Each sale for a film varies as distributors acquire different rights for different films, as well as buying different territories. If a project has a sales agent attached, it is a sales agent's responsibility to handle rights and distribution agreements. Sales agents and distributors negotiate rights, territories, fees and spendings such as print and advertising (P&A) (Kerrigan, 2010). On the other hand, with major SVOD services seeking original content, they can have direct contacts with producers (Interview with Stinna Lassen, 2018, 33:00). If a project is picked for world rights, the link between the producer and distributor disappears. Therefore, there is no need for a sales agent in case of this type of a deal, as original filmed contents do not have a life outside the streaming service that acquired them (Interview with Jakob Staberg, 2018, 21:00; Interview with Lars Herman, 2018, 22:50). In contrast, the rise of the VOD service providers in the recent years have complicated negotiations of the digital rights. Subsequently, sales agents come in more handy since digital rights are very complex to handle. First, digital rights are problematic to identify and most of the filmmakers do not know the exact rights they can negotiate on. Second, it is difficult to set certain territorial boundaries as Internet is a global resource. Thus, producers are in need for companies like sales agents (Kerrigan, 2010; Interview with Jakob Staberg, 2018, 33:50; Interview with Tine Klint, 2018, 20:33). For sales agents, streaming services will be just yet another customer to sell the rights to (Interview with Henrik Danstrup Holst, 2018, 23:00).

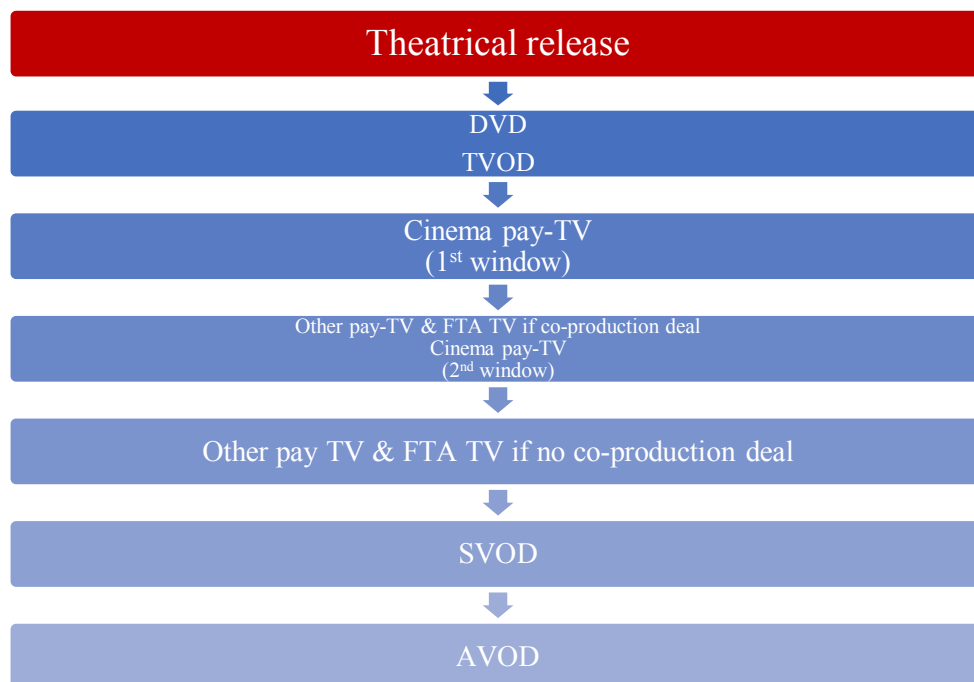
The new set up of VOD original contents is a new business model, that is passing through traditional sales and distribution models (Interview with Mikael Windelin, 2018, 22:00). Nowadays, there are no sales agents who would not be trying to be more than a traditional sales agent. *"Sales agents are turning more into agents, producing, financing partners, distributors, who are eager to co-produce and owe intellectual properties, and pay for ownership, otherwise, there would be little need for the traditional sales agents"* (Interview with Mikael Rieks, 2018, 01:03:20). Some sales agents are even becoming aggregators to the major VOD platforms, however, traditional sales agents are not used to doing that (Interview with Tine Klint, 2018, 15:50). The entire workflow of the sales agents is changing, as now they need to work across countries, whereas they used to work by

countries, selling specific rights to a distributor in a single market rather than across multiple markets (Interview with Tine Klint, 2018, 16:30). On the contrary, even with VOD majors acquiring films directly from producers, there will still be demand for release in cinemas and other distribution channels, festivals, as well as for sales across the borders. Producers lack expertise or knowledge about these, hence, sales agents are not being removed from the value chain within the film industry (Interview with Camilla Mølgaard Hansen, 2018, 36:30; Interview with Lars Feilberg, 2018, 35:00; Interview with Tine Klint, 2018, 18:23; Interview with Stinna Lassen, 2018, 33:00).

Moreover, sales agents are required to provide regular financial accounts for client filmmakers, including a breakdown of costs and income for each film (Creative Skillset, 2018). In contrast, some of the streaming services, such as Netflix and HBO, are not providing any statistical or financial data on a title's performance (Interview with Lars Herman, 2018, 45:00; Interview with Henrik Danstrup Holst, 2018, 12:45; Interview with Michael Rieks, 2018, 57:00).

4.2.4. Distribution

Figure 4: The Windows System of Film Release



Source: European Commission, 2014

In recent years, the supply of films has increased drastically. With so many films being produced each year, and so many of those being big American blockbusters, it became more and more difficult for independent distributors to secure ideal release dates (Kerrigan, 2010). Yet, at the same time, the surplus has enabled distributors to cherry pick films for distribution. It is already difficult to secure a distribution deal for an American independent film, but it became an even bigger obstacle for foreign language independent films. Such films are of less potential, since English language films are more commercial and easier to sell (Interview with Lars Feilberg, 2018, 55:00). Consumers have gotten accustomed to English language movies even in countries where English is not a native language. Thus, for a foreign language independent film, if not selected for any of the bigger film festivals, or does not have big-name actors or acclaimed director, the revenue stream would most likely turn out to be modest (Litwak, 2004).

In reality, most of the independent feature films are never going to be exhibited in movie theaters (Litwak, 2004). These films will be distributed through subsequent distribution windows. Even though cinematic release creates most attention and commentary, the higher share of revenues is earned from the alternative distribution channels (Kerrigan, 2010). Currently, the main windows are the theatrical, DVD, VoD, pay-per-view, pay-TV and Free TV releases. However, there is more concern about the revenue stream and normally, ninety percent of total film revenues come in the first year of its release (Binkyte and Christensen, 2016). Therefore, every filmmaker wishes their film would get a wide theatrical release, but distributors are very cautious about the costs. According to Litwak (2004:130-131), *“the costs of prints and advertising may exceed the cost of production”*, and for that reason every distributor picks only those films for cinematic release, that they see potential in and believe they would recoup the costs on. Additionally, theaters also pick a limited number of films that they would show at a given time (Binkyte and Christensen, 2016). On the contrary, streaming services do not have a limit on films they can show, and the costs to prepare and deliver a film to their platforms are marginal. Once a film is prepared digitally, the costs of digital distribution throughout various VOD platforms is marginal, as the same material can be replicated and reused. Thus, the costs of making a film available in a different territory is vastly reduced (Binkyte and Christensen, 2016). This is one of the reasons why so many films are being released as straight-to-VOD,

a relatively new film group, explaining the rise of a great variety of streaming services.

Technology has always been an impulse for a change within the film industry, as the industry is driven by technology. The invention and development of the Internet has provided a number of alternative film distribution methods and allowed business professionals within the industry to expose films much quicker. “*New technologies have made the process of duplicating and distributing film faster, easier and most importantly, cheaper than ever before*” (Kerrigan, 2010:193-194). Hence, entertainment now is spread around various channels and territories (Interview with Lars Feilberg, 2018, 43:40). It is quite common these days, that a film is only released on VOD platforms, sidestepping cinematic release, even though a distributor has acquired all rights packages for a specific country or a region (Fontaine and Simone, 2017). Platform release became a new norm for independent movies, mostly for the previously mentioned reasons: no potential for a cinematic release, which is highly costly (Kerrigan, 2010; Fontaine and Simone, 2017).

In a way home video was an ancestor of VOD. Not long ago DVD was one of the most important types of film release generating the most revenue, and often exceeding the revenue of a theatrical release (Litwak, 2004; Interview with Bo Ehrhardt, 2018, 02:20). Nowadays, DVD business is dying, especially in the Nordic countries (Scandinavia + Finland), where distributors almost stopped producing DVDs altogether (Fontaine and Simone, 2017). While VOD can be considered taking over DVDs place, many filmmakers and business professionals agree that revenues from VOD is not even close to compensating the loss of the DVD revenues (Fontaine and Simone, 2017; Bo Ehrhardt, 2018, 02:09; Interview with Mikael Rieks, 2018, 27:00; Interview with Klaus Hansen, 2018, 40:00; Interview with Bo Ehrhardt, 2018, 02:45). This could also be a result of that for home video, distributors are really considering which sites to pick. They would never select a mediocre film for home video release, while all sorts of films are being selected for VOD release (Harmon, 1994). In a way, traditional means of distribution do not exist anymore (Interview with Lars Herman, 2018, 20:00).

VOD offers a variety of release strategies, but the most common ones as outlined by Zipin (2018) are: day-and-date, day-before-date and VOD only. Day-and-date release offers a simultaneous availability of a film across different release windows, typically VOD and

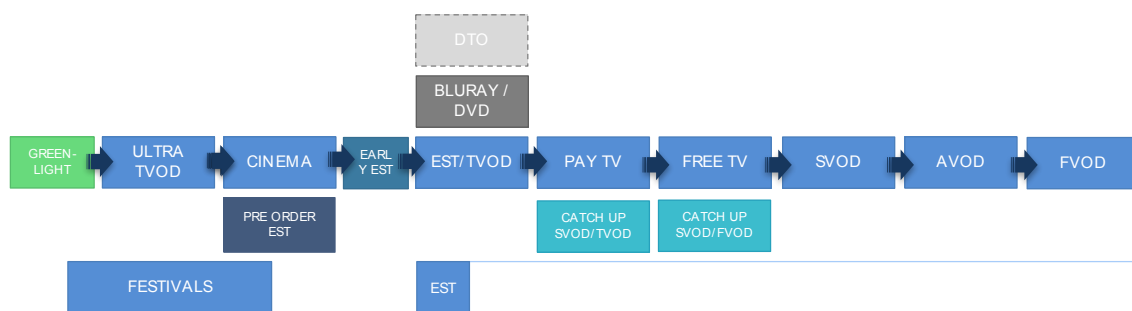
DVD. Distributors choose day-and-date release in order to increase chances of visibility and exploit promotional campaigns (Fontaine and Simone, 2017). In some other countries, as in the US for instance, day-and-date release of VOD can be at the same day as a cinema release. In Denmark, the possibility of this does not exist, due to the holdback of the theatrical window of a hundred and twenty-two days (Interview with Klaus Hansen, 2018, 20:01). However, there is no holdback for films that have been screened in festivals, thus, some industry players have been experimenting with a day-and-date release by releasing a film on VOD while it is screening at a festival (Fontaine and Simone, 2017; Interview with Tine Klint, 2018, 03:30). This type of day-and-date VOD release is especially effective for independent films with no big stars in it (Zipin, 2018). While there are more and more titles being released straight to VOD and discussions over streaming services eliminating cinemas eventually, sales for cinema tickets in Denmark are boosting and not cannibalised by VOD (interview with Camilla Mølgaard Hansen, 2018, 26:20; 28:00; Interview with Mikael Windelin, 2018, 17:25). Many of the film industry players consider it being prestige to release a film theatrically on a big screen, as it proves that a title is of high enough quality (Interview with Camilla Mølgaard Hansen). Cinema is an event and “*everyone needs events in their lives*” and such entertainment will never be diminished, as it is a different way of enjoying a film for all the different groups of audience (Interview with Mikael Rieks, 2018, 25:30; Interview with Tine Klint, 2018, 37:30; 38:50; Interview with Bo Ehrhardt, 2018, 32:45; Interview with Klaus Hansen, 2018, 38:40). For these reasons, there will still be demand for releasing films in cinemas and this type of release will not be replaced by VOD, but rather will find a way to co-exist with it (Interview with Camilla Mølgaard Hansen, 2018, 36:30; 37:30).

Nevertheless, the development of the VOD market has an impact on the overall release windows system. In Europe, every window seems to be getting closer to the initial theatrical release, which results in an overall shortening of the length of all windows (Ranaivoson et al., 2014). While shorter release windows might be seen as a positive development in terms of serving consumer demands, on the contrary, they pose a threat towards the current business model of cinema owners, distributors, television broadcasters and others. Even so, in some European countries, like Denmark or France, certain release windows, such as theatrical, are protected by the institutions that possess a significant

influence within the film industry in a specific territory (e.g. DFI, Nordisk Film) (Interview with Klaus Hansen, 2018, 21:05; Interview with Tine Klint, 2018, 03:30). They ensure that a theatrical window remains the same for all the films, regardless of the type of production. This can often harm independent films, especially the low budget titles, as the gap between the first and the second windows is too big for a smaller independent production. Nonetheless, there is room for discussion whether window schedules should be decided on a case by case (Fontaine and Simone, 2017). While there should always be a windows structure, players within the Danish film industry shall not be afraid to shorten the windows either (Interview with Tine Klint, 2018, 39:50).

Notwithstanding, some industry players are reluctant towards VOD, as it is circumventing the traditional windows system of distribution (Kerrigan, 2010). In a way, it is an opportunity, especially towards producers and production companies (Interview with Jakob Staberg, 2018, 18:30; 44:00; Interview with Camilla Mølgaard Hansen, 2018, 26:20; Interview with Mikael Rieks, 2018, 27:30; Interview with Lars Feilberg, 2018, 45:08; Interview with Mikael Windelin, 2018, 17:25; Interview with Stinna Lassen, 2018, 26:30; Interview with Lars Herman, 2018, 26:00), since it creates alternative ways of film exploitation and making a film no longer entirely reliant on the conventional distribution (Binkyte and Christensen, 2016). The distribution flow of today's industry can be seen in Figure 5 below (for an overview of different rights, see Appendix 2).

Figure 5: The Distribution Flow of Today



Source: LevelK, 2018

On the other hand, “the release of a film on VOD, and in particular on SVOD, could

jeopardise the possibility of a selling the rights to a television channel at a later stage” (Fontaine and Simone, 2017:26), thus, limiting or completely removing various windows of distribution (Kerrigan, 2010). The traditional release windows system, as well as reluctance coming from the industry, could be a few of the reasons as to why many SVOD service providers, such as Netflix, Amazon and HBO (and others) started investing into and becoming highly aggressive for local original content (Interview with Jakob Staberg, 2018, 08:40; Interview with Lars Feilberg, 2018, 30:35; Interview with Mikael Windelin, 2018, 12:27; Interview with Stinna Lassen, 2018, 12:50). Although there is a possibility for independent producers to sell all rights for their projects to these services that acquire worldwide rights, it is often more profitable to seek distribution per territory (IFTA, 2018). Au contraire, if it is a niche independent film, it might be more profitable to release on a niche VOD platform or select a buy-out from a major VOD service (IFTA, 2018; Interview with Mikael Windelin, 2018, 20:20).

The new set up is mostly affecting the traditional distributors and broadcasters, as their business models are the most disturbed by the streaming services, since VOD service providers are capable of covering much more ground while requesting limited resources, whereas distributors and TV channels are not as competent (Interview with Eva Juel Hammerich, 2018, 52:05). Moreover, streaming services provide producers with the opportunity to access domestic and foreign markets, therefore, distributing their filmed contents themselves (Interview with Camilla Mølgaard Hansen, 2018, 35:30). However, this type of release is still limited to the producers, as they are still required to go through a third party, namely an aggregator, to deliver their titles to VOD platforms (Fontaine and Simone, 2017; Interview with Mikael Windelin, 2018, 22:00; Interview with Tine Klint, 2018, 20:00; 24:18). Ergo, distributors are more threatened by the merge of the new players as aggregators rather than VOD platforms themselves.

Traditional distributors and broadcasters have to change their business models or else they will be consumed by the new players in the industry (Interview with Eva Juel Hammerich, 2018, 52:05; Interview with Mikael Rieks, 2018, 01:03:20; Interview with Bo Ehrhardt, 2018, 26:18; 30:16). Some of the broadcasters are starting to acquire VOD rights to themselves, so to secure their position towards certain titles in the market, and to be able to compete over customers with streaming services (Interview with Lars Feilberg, 2018,

24:00

VOD

The traditional business within the film industry has changed. Today, we are in “*an on-demand world where consumers want to watch what they want, when they want*” (Kerrigan, 2010:197). Over three billion people use the Internet, covering almost eighty percent of Europe’s population. More than half (over sixty six per cent) is accounted from the digital distribution of video content, and is continuously rising, making the demand for streaming and VOD increase (Deltenre, 2015). New technological developments within the past few decades have enabled the rise of the VOD services, which are now coming of age in Europe with the increase of pay on demand revenues in the EU by fifty two per cent (European Commission Report, 2014), and which are now providing producers, distributors and other exhibitors alike with new opportunities and challenges (Binkyte and Christensen, 2016; Interview with Jakob Staberg, 2018, 18:30; 44:00; Interview with Camilla Mølgaard Hansen, 2018, 26:20; Interview with Mikael Rieks, 2018, 27:30; Interview with Lars Feilberg, 2018, 45:08; Interview with Mikael Windelin, 2018, 17:25; Interview with Stinna Lassen, 2018, 26:30; Interview with Lars Herman, 2018, 26:00). However, this new model of digital distribution is very contradicting. While the model creates new opportunities for exhibiting the content to all the players within the film industry, it is also changing traditional distribution models. As previously stated, the costs involved in digital distribution and replication of the content are relatively small, which makes it possible for the producers to distribute their films digitally by themselves. In addition, distributing audiovisual contents via VOD is a lot easier, since there are very little to none language or cultural obstacles. Additionally, rights holders are no longer restrained by geographical barriers, that provides a possibility to reach a very broad audience worldwide (Binkyte and Christensen, 2016; Mogstad Eri, 2017; Interview with Mikael Windelin, 2018, 28:20). On the other hand, VOD gives little transparency for the producers as of how to exploit these new opportunities (Interview with Jakob Staberg, 2018, 33:50; Interview with Tine Klint, 2018, 20:33), and sometimes, going through approved aggregators or other traditional channels is the only way (Fontaine and Simone, 2017; Interview with Mikael Windelin, 2018, 22:00; Interview with Tine Klint, 2018, 20:00; 24:18).

In Europe, aside the global VOD service providers, there is a great variety of local television and cable companies that offer video content through online transaction. Thus, the European VOD market is very fragmented (Fontaine and Simone, 2017). This creates an advantage as well as disadvantage for the European film filmmakers. The advantage being that there is a possibility to choose between a variety of streaming services due to the fact that different VOD platforms target different audiences and, as a result, have different catchment areas. Yet, at the same time, this is a disadvantage, as choosing the right partner requires knowledge and expertise on which is the right one for one's project. For instance, drama might work on one platform, while the other will focus on fantasy content. Reaching broad audience is one angle, while reaching the right audience is a different one. In addition, there is a great lack of transparency in regards to a film's performance on the on-demand platforms. Some streaming services do not share any data, royalties or statistics (e.g. Netflix, HBO). Ergo, one cannot know how their film actually performs (Kerrigan, 2010; Fontaine and Simone, 2017; Interview with Lars Herman, 2018, 45:00; Interview with Henrik Danstrup Holst, 2018, 12:45; Interview with Michael Rieks, 2018, 57:00).

Concerning independent European films, direct to VOD is often the only possible option to reach the audience, as a film is niche and may not be applicable to cinematic release. There can be a great variety of reasons behind this, such as not being able to find the right distributors or a sales agent, who would believe in a title and would pick it up, or language barriers, which are quite common in Europe due to existence of many various languages within the region. Whatever the reason is, smaller European productions lack broader exhibition outside their home countries. With VOD platforms entering the market, more and more of such films are being published through streaming services in foreign markets by sales agents or their aggregators. This provides great opportunities to the film and industry players, and helps maximise the audience reach without jeopardising a possibility to release a film in cinemas (Interview with Eva Juel Hammerich, 2018, 46:40; Interview with Lars Feilberg, 2018, 26:20). Sometimes films are even being released on VOD platforms in certain markets while playing in theaters in others. *"This model is supposed to favour cross-country circulation of small films and has been staunchly supported by aggregators"* (Fontaine and Simone, 2017: 25; Interview with Tine Klint,

2018, 03:30). On the other hand, sustainable distribution strategy could not possibly be based on video on demand alone (Binkyte and Christensen, 2016).

While there are many ways of possible distribution of a film through various VOD platforms, only few major ones are growing in popularity: iTunes, Google Play, Amazon, and Netflix (Matt, 2016). In recent years, the most popular model for VOD release became SVOD, globally as well as in Europe, with over a ninety percent increase in SVOD services provided from 2014 to 2015 (in EU), and gathering two thirds of the whole on-demand service revenues in Europe in 2017 (European Broadcasting Union Report, 2016; Thomson, 2018). The Nordics; Denmark, Sweden, Norway and Finland, are the leaders in the SVOD uptake (McDonald, 2018). Such a fast development of the SVOD market is related to the growth of consumption through the open Internet, that was caused by the increased broadband coverage and the rapid increase of connected devices. In these days, consumers can access online video contents not only through their TVs or computers, but also tablets, phones, video consoles and other smart devices (European Commission Report, 2014). SVOD is offered by Amazon, Netflix, HBO, the three SVOD giants that share the majority of European subscribers (European Commission Report, 2014), and other smaller and local SVOD platforms. One of other factors for the striking climb of the SVOD platform in Europe, is the absence of TV series on most of the major VOD platforms. For instance, iTunes and Google Play offer TV series only in a few of European countries (Fontaine and Simone, 2017). With the consumer preferences changing towards TV series (Interview with Eva Juel Hammerich, 2018, 04:40; Interview with Jakob Staberg, 2018, 23:30; Interview with Miakel Windelin, 2018, 09:50), there is a growing demand for this type of contents. However, streaming services face a great competitive disadvantage when targeting TV series, due to the fact that, distributors and producers tend to make deals with local broadcasters, who finance productions in return to non-exclusive right to screen the film, while allowing the producers to keep and exploit the remaining rights (Fontaine and Simone, 2017; Interview with Eva Juel Hammerich, 2018, 34:40).

While the usual VOD does not effect traditional distribution model much, since films can still be exploited through other windows prior to VOD release, SVOD has three different focus when acquiring content: non-exclusive deals, when a film can be released through other distribution windows as well as multiple SVOD platforms; exclusive SVOD deal,

meaning a film cannot be released on other SVOD platforms and in some cases PayTV; or exclusive original content deal, which is when a film is made available only on a specific SVOD platform that acquired exclusive rights, and will not be exhibited on any other platforms or through any other channels. The latter model is mostly offered by Netflix and HBO in the Nordics, while there might be more players in other countries (Interview with Klaus Hansen, 2018, 47:35). Amazon also produces its own original contents, however, it does not block the possibility of distributing content through other channels or platforms. This circumstance suggests that SVOD services might become a substitute for free and pay TV in Europe, as can be seen happening in the US. With the increase of subscriptions to SVOD platforms, there is a decline in pay TV subscriptions, though this phenomena is still marginal in European territories (Moskowitz, 2018) while in the Nordics pay TV and SVOD is not the same (Interview with Tine Klint, 2018, 02:54). Additionally, pay TV channels are launching their own on demand catch up services, thus SVOD services rather complement free and pay TV (Fontaine and Simone, 2017).

Being a rapidly growing and dynamic market, SVOD is yet young and not yet stabilised, hence, competition is honing year by year. Lately, a significant number of SVOD platforms have actively started searching for localised contents. They provide production companies with financing in return for certain or whole exhibition rights, entering into co-productions and securing certain exhibition rights, or buy-out a complete product (Mogstad Eri, 2017; Interview with Jakob Staberg, 2018, 08:40; Interview with Lars Feilberg, 2018, 30:35; Interview with Mikael Windelin, 2018, 12:27; Interview with Stinna Lassen, 2018, 12:50). Securing exclusive premium contents as well as diversifying the offered contents, should aid the SVOD service providers in limiting the subscriber churn and gaining more competitive advantage towards TVOD (Fontaine and Simone, 2017). The industry giants such as Netflix, Amazon and HBO, dominate the market of acquiring original content. Nevertheless, a few smaller platforms like ViaPlay are also stepping into this game in order to be able to compete with the global ones (Fontaine and Simone, 2017).

With this change within the Danish film industry, there are more players, allowing production companies and producers to create more content and providing more options to the customers (Interview with Jakob Staberg, 2018, 10:15). By investing into local content production, streaming services create jobs for the producers, as well as the remaining Danish

filmmakers, making independent film market and local film industry boost (Interview with Camilla Mølgaard Hansen, 2018, 40:00; Interview with Mikael Rieks, 2018, 27:30; Interview with Mikael Windelin, 2018, 17:25; Interview with Stinna Lassen, 2018, 26:30). Denmark is a small country with a language area of five and a half million people (Interview with Lars Herman, 2018, 03:10). Streaming services investing into local contents also give limited, pre-determined possible audience. Yet, they also provide with the opportunity to reach world audience, which might not be possible with limited domestic theatrical release. As a consequence, this is a great opportunity to reach the audience, if a project serves a niche audience (Interview with Mikael Windelin, 2018, 19:30; Interview with Bo Ehrhardt, 2018, 47:47). On the other hand, in Denmark, one might reach a larger audience with DR rather than Netflix (Interview with Mikael Windelin, 2018, 24:40).

Main VOD Players

Netflix

Being one of the SVOD leaders on a global market, Netflix had started as a DVD rental company back in 1998. Their business model allowed consumers to subscribe on a monthly rate and access unlimited catalogue of DVDs, which used to be sent directly to homes. Within three years, from 2003 to 2005, Netflix subscribers rose from seven hundred thousand to over three and a half million (BBC, 2018). Two years later, in 2007, Netflix launched their streaming service, followed by international expansion to Canada in 2010, and parts of Europe (Nordic countries, UK and Ireland) in 2012, then later to Western Europe in 2015, finally completing European expansion in 2016 (BBC, 2018). Today, Netflix has one hundred and twenty-five million subscribers (Statista, 2018; Fiegerman, 2018; Kramer, 2017), and is available in over one hundred and ninety countries across the world (Matt, 2016). This creates an enormous advantage to the producers if a film is picked up by Netflix, as it will be available for the large Netflix audience worldwide (Interview with Camilla Mølgaard Hansen, 2018, 31:00; Interview with Mikael Rieks, 2018, 43:30).

During the expansion to the European market, Netflix announced their involvement into original programming with “House of Cards”, that premiered in 2013. Netflix has invested one hundred million US dollars for two thirteen-episode seasons, which was considered a significant risk, yet the series had won eight Emmy nominations and helped

establish the international reputation of the brand. The second season of the same show has received thirteen Emmy nominations. “Orange is the New Black” is another successful Netflix original series, with the first season earning twelve Emmy nominations, and becoming the most watched original series on Netflix in 2014 (CNN, 2014). The most popular Netflix original series in 2017 was “Stranger Things”, that won five of the eighteen Emmy Awards it was nominated for (BBC, 2018). Today there are more than two hundreds Netflix original series. Yet, in 2018 alone, Netflix aims to further launch eighteen new original series, eleven new seasons for existing original series, and fourteen new original movies (Fiegerman, 2018). Netflix offers a diverse catalogue of filmed entertainment to their customers (Interview with Camilla Mølgaard Hansen, 2018, 34:10).

For the past couple of years Netflix has shown interest in partnering with local production companies and broadcasters in Europe and has been the most aggressive streaming service seeking original content (Interview with Jakob Staberg, 2018, 12:35; Interview with Mikael Rieks, 2018, 40:00; Interview with Stinna Lassen, 2018, 23:20). While it is one of the best VOD services to publish a title on due to its broad audience reach, it can be extremely difficult to release a film onto Netflix. As a consequence, submitting an application to finance a project with the aim of creating original content for the platform is even more challenging (Matt, 2016). Each film project must go through a pitching process, which is then considered by the team sitting in Great Britain. As Netflix’s decision making is very centralised, it makes them even more difficult to approach (Interview with Eva Juel Hammerich, 2018, 43:40; Interview with Lars Feilberg, 2018, 30:35). Netflix has established its own system of selection of titles through algorithms, that considers factors such as cast, festival awards, social media coverage, genre and others (Kerrigan, 2010; Matt, 2016). Companies as Netflix, have the resources to compile data on performance of the catalogue of films they have across territories and time, and use the data to predict the potential of the new films and projects (Kerrigan, 2010). However, Harmon (1994:34) argues that “*unrealistic practice - regardless how often employed - to compare one’s project with similar films that are presently, or have been recently, on the market*”, as it is not possible to predict audience reaction for a certain film. Thus, forging a complete strategy in advance is not achievable in case of the film industry, as uncertainties that cannot be seen in advance emerge (Mintzberg, 1987). On the other hand, while having an incredible storage

of data, Netflix does not share any of it with their partners, neither producers nor aggregators, hence, producers that are working with Netflix can never know how well their title performed (Interview with Camilla Mølgaard Hansen, 2018, 31:30; Interview with Lars Herman, 2018, 45:00; Interview with Henrik Danstrup Holst, 2018, 12:45).

Netflix may offer two models when investing into a project; coming up with an offer to the producers, which is often twenty five per cent overhead of the production budget and take all rights for unlimited period of time; or co-produce the project and split the rights. The deal for the latter case might vary depending on the agreements parties make (Interview with Eva Juel Hammerich, 2018, 30:45; Interview with Bo Ehrhardt, 2018, 29:15). Typically, Netflix makes a buy-out, meaning that filmmakers do not have the rights for future distribution, neither any royalty rights (Interview with Mikael Rieks, 2018, 57:00). It is a one time deal instead of a steady revenue stream coming from various different sources (Interview with Mikael Windelin, 2018, 16:10).

Netflix has created a brand, therefore, quality stamp is given to the producers when they create original content to Netflix, sending a message that this content is commercial and mainstream, as Netflix is only interested in that type of contents (Interview with Tine Klint, 2018, 07:35).

Amazon

Amazon was first launched as an online book store in 1995 in the US, with its founder Jeff Bezos having a vision for it to be “an everything store” (Hartmans, 2017). Soon after, in 1998 Amazon launched its store in the UK, and started selling music and videos, and a year after, - electronics, video games, home improvement items, toys and games, and much more. In 2000, the company opened its DVD Video store, and in 2004, its DVD rental service, followed with Prime in 2007 (Amazon, 2018; Hall, 2017). By 2010, Amazon launched its own entertainment studios (Makeda and Paresh, 2017). A year after they purchased the European DVD retailer LoveFilm, that had been using the same model as Netflix just in UK and Germany, and which Amazon has decided to shut down by completely replacing it with Amazon Prime only last year, in 2017 (Perez, 2017). Amazon’s success is the strength of the brand and the package of services it provides: SVoD service,

unlimited music, access to the kindle library of e-books, picture storage space and fast-shipping service for any purchase on its retail website, etc.

While a few years ago Amazon was only available to a selection of markets, namely US, UK, Japan, Germany and Austria, today Amazon is available worldwide, offering Prime services in more than two hundred countries (Vincent, 2016), with over one million subscribers (Boland, 2018) and over three thousand feature films in their catalogue (Spangler, 2018). However, in some countries, especially in the Nordic region, Amazon has a very limited catalogue (Interview with Eva Juel Hammerich, 2018, 38:00).

Ever since the launch of Amazon Studios back in 2010, Amazon have been producing video content, yet not until the last years that their original titles have gained great success and brought more recognition. The best known Amazon original is “Manchester by the Sea” with an investment of ten million US dollars by Amazon, that has been Oscar nominated under a number of categories, including the best picture in 2017. The film won two Oscars; for the Best Performance by an Actor in a Leading Role by Casey Affleck, and for the Best Original Screenplay by Kenneth Lonergan (iMDb, 2018), making Amazon the first streaming company to achieve Oscar nomination (Makeda and Paresh, 2017). Since then Amazon has invested in a variety of film projects with well known cast and filmmakers; another Oscar nominated movie - “The Big Sick”; “Wonder Wheel” by Woody Allen; a nominee at Berlin International Film Festival “Don’t Worry, He Won’t Get Far on Foot” with a cast as Joaquin Phoenix, Jonah Hill, Rooney Mara, Jack Black and other. Differently from Netflix, Amazon supports the windows system and release of its originals through other distribution channels, especially theatrical release, which Netflix is missing a huge opportunity on (Fuscaldo, 2017).

Recently, Amazon has introduced a Festival Star program, with which it seeks after content that has been selected and played in the major film festivals for their Amazon Prime platform, giving and offer to the rights holders per territory and a high bonus for providing with world rights (O’Falt, 2018; Interview with Tine Klint, 2018, 15:15). This offer from Amazon is limited to only specific festivals and titles that played there, and no other films are applicable.

HBO

HBO, whose name stands for Home Box Office, was founded in 1972 and started its life as a program broker, and started producing its own programs soon after. Back in the days studios did not practice selling exclusive rights to a single distributor as HBO, thus acquiring exclusive rights to the films for HBO was a struggle. To become less dependent on the studios' content, it started creating original programming (Mair, 1988). In 1975, HBO became the first network to deliver its programming to the end consumer through satellite, which made it the first national cable channel (Gregersen, 2018). Much of HBO's success in the 1970's and 1980's laid on the decision to use the latest technology, offer a variety of programs among films, turning cable operations into partnerships, as well as introduction to a monthly flat fee for its services (Mair, 1988).

HBO was the first one to experiment on releasing original content. Its first original series date back to the 1980's, though its most recognised series were produced in the 1990's, when HBO put its focus on creating its own programs. Its most known series include "The Sopranos" (1999–2007), crime series "The Wire" (2002–08), "Six Feet Under" (2001–05), "True Blood" (2008–14), and the latest and most recognisable one being "Game of Thrones", based on the American author, George R.R. Martin's series of fantasy books (Gregersen, 2018). Its original TV series is acknowledged as quality content allowing this service provider to maintain their prices high (Wittmer, 2017).

HBO has entered into the SVOD online market in 2012 with the launch of HBO Nordic in Denmark, Norway, Sweden and Finland (Richwine, 2012), later in US with HBO Now in 2015 (Baumgartner, 2015), and expansion to other European countries in 2016 (McAlone, 2016). Their catalogue covers around eight hundred titles, which is available to subscribers for around ten euros a month.

HBO's focus lies more with TV content than what Netflix and Amazon offer. Just like Netflix, HBO acquires exclusivity for the content, though they exploit SVOD rights only on HBO channels in HBO countries but also use other channels to distribute other rights and maximise their profits (Interview with Lars Feilberg, 2018, 26:20). Ever since its growth in the 1980's, HBO had an aggressive business model to pre-buy projects in order to secure exclusive pay TV rights for a specific film, thus becoming the largest movies

financiers back in the days (Mair, 1988). HBO currently has a Nordic division as well as offices in this region countries, and they are requesting new content from the local producers (Interview with Lars Feilberg, 2018, 30:35). Decentralised decision making allows HBO being more accessible and thus, more attractive.

Other

Several European companies have launched their own SVOD platforms to position themselves against US global players on the emerging market. One of these is ViaPlay, a domestic provider in the Nordic region with a back catalogue of around one thousand and seven hundred titles. Unlike its competitors, ViaPlay has not had a great number of TV shows to offer to its customers, with only three per cent of its content being TV shows (Fontaine and Grece, 2016). ViaPlay is a TV3 online platform, with access across all Nordic region (Denmark, Finland, Norway, Sweden) (Interview with Lars Feilberg, 2018, 32:19). Due to major American streaming services aggressively entering the market, ViaPlay is no longer pre-buying content (Interview with Tine Klint, 2018, 06:20), but it is gearing up and has a number of projects in development, which it hope will help it compete with the big players, thus the platform is seeking for original content as well (Interview with Bo Ehrhardt, 2018, 16:10).

Facebook as a social media platform is entering the streaming market as well by investing into short format web series that it currently makes available through its platform in the US (Interview with Mikael Rieks, 2018, 31:00; Interview with Mikael Windelin, 2018, 27:50). Though not long after, it may expand to other territories, including Nordic countries.

There have also been discussion about Apple and Google entering into the competition over original content but there are yet no valid sources for this information to either be confirmed or rejected (Interview with Tine Klint, 2018, 35:30).

Aggregation

Aggregators originated as gatekeepers in giving access to services of the big VOD platforms, which they still continue to do today. Global VOD service providers such as, iTunes, Netflix, Amazon and other, are reluctant to give direct deals to distributors that do

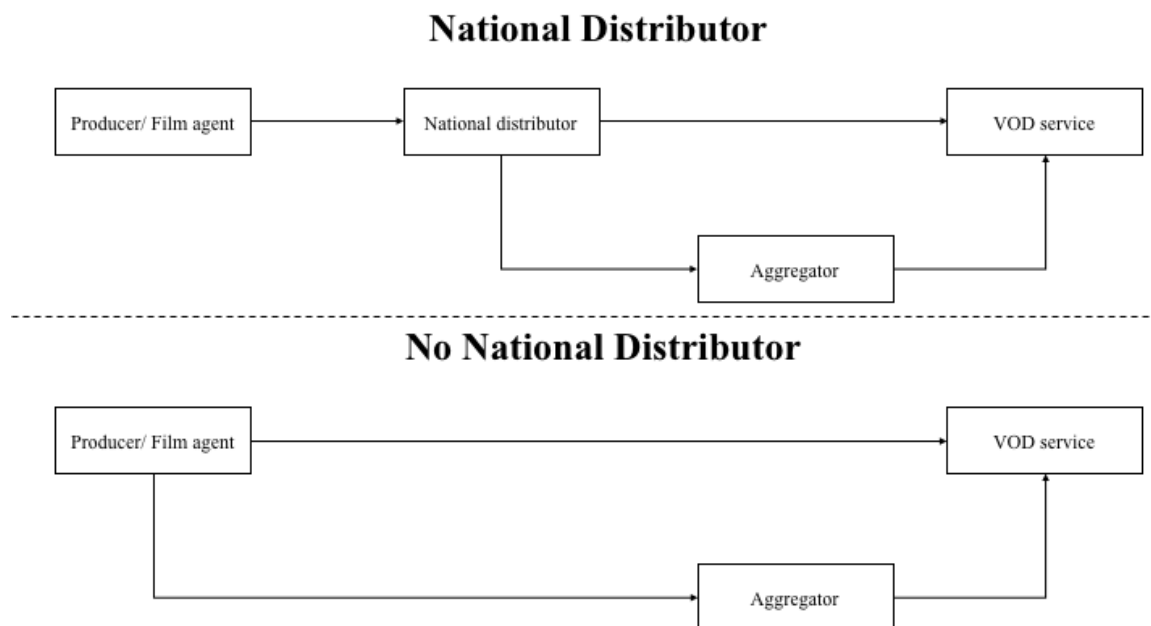
not own large catalogues. “*Going through an aggregator is often the only way for small distributors to place their content on global platforms*”, and aggregators are being valued by the online platforms for being the only way of dealing with large numbers of content providers (Fontaine and Simone, 2017; Interview with Mikael Windelin, 2018, 22:00; Interview with Tine Klint, 2018, 20:00; 24:18). By being a middleman between VOD platforms and large amounts of various rights holders; distributors, producers, and others, aggregators effectively narrow down the administrative processes and costs to the platforms. On an even keel, aggregators save rights holders from the administrative burden of negotiating a contract with each one of the VOD service providers in order to place their film on the various platforms (Fontaine and Simone, 2017). This set up is not likely to change any time soon and the amount of such gatekeepers will only grow (Interview with Mikael Windelin, 2018, 22:00; Interview with Stinna Lassen, 2018, 35:00). Moreover, there is a need for a layer such as aggregator between producers and streaming services, otherwise production company will not be a facility anymore (Interview with Jakob Staberg, 2018, 19:40).

A content aggregator operating on a global scale with major as well as local platforms that provide various VOD services (EST, TVOD, SVOD, AVOD, etc.), can offer the rights holders an innovative approach to cross-platform and cross-country digital distribution. Thus, aggregators optimise the rights and increase royalties. International aggregators usually coordinate a digital distribution strategy by using their extensive expertise within different fields. Such strategies can help a film that had a small theatrical release or had no release at all, either locally or in foreign territories. If a film did not have a theatrical release within a specific market, placing it on VOD platforms would be considered as straight-to-VOD release. Additionally, aggregation can help in developing and expanding the opportunities of a straight-to-VOD market. This is particularly relevant to independent productions in Denmark and also in the rest of Europe, as straight-to-VOD releases in foreign markets could increase the circulation of European films and assist in maximising the footprint left by European film releases (Fontaine and Simone, 2017). However, VOD distribution is still a low margin business compared to the revenues from other distribution channels, and thus, aggregators could be perceived as just another intermediary in the value chain, meaning less revenues to the rights holders. Moreover, it is

too difficult to estimate the demand for independent European productions.

Many rights holders see the VOD market as an opportunity. VOD distribution is a low margin business and is fast growing, but many find it difficult to adapt to the new models and practices that VOD brings, which put a lot of pressure on distributors, sales agents and producers. This could easily “*lead to the disintermediation of traditional players*” within the film industry (Fontaine and Simone, 2017:7). Therefore, aggregators could pose a potential threat for distributors (See Figure 6). Nonetheless, distributors could be considered as a threat for aggregators as well. “*It is expected that (at least some) distributors might gradually develop their own expertise in areas that are part of the aggregators’ core activities*” (Fontaine and Simone, 2017:6), which would enable those distributors to undermine the aggregators’ distinctiveness.

Figure 6: The aggregators in the VOD distribution chain



Source: European Audiovisual Observatory Report (2017:39)

The rise of companies offering various aggregation services is clearly visible on a global scale. While some offer specific services like digital postproduction or digital distribution, others offer full packages. In Denmark and the Nordic region, the increase is not as obvious, but this might soon change and the market could tighten up. Consequently,

aggregators will compete over clients, such as local distributors, as well as over the content (films). Therefore, aggregators are already evolving and changing their portfolio of functionalities by either expanding their expertise or adding additional services for their clients.

Table 4: Examples of players moving into VOD aggregation

Activity of origin	Rationale for moving into VOD aggregation
Technical services	Extending the provision of technically compliant digital master files to the pre-negotiation of contracts with the main platforms.
Distributors	Building catalogues of content to address VOD services.
Agents	Dealing directly with VOD services in the absence of a national distributor.
Consultants	Designing digital strategies.
On-demand services	Negotiating VOD rights both for their own services and other (foreign) services.
DVD publishers	Leveraging their DVD rights to aggregate VOD rights.
Pure players	Positioning themselves as neutral players in the value chain.

Source: European Audiovisual Observatory Report (2017:36)

4.3. Marketing Mix

In the following section, in order to analyze how producers and production companies can exploit the rising opportunities VOD platforms bring to the Danish film industry, the “4Ps” of marketing mix model is applied on a hypothetical scenario; individual producers and production companies in Denmark reaching out to major VOD platforms with their projects to create original contents. With the help of the above discussed findings

in the analysis, the section will seek to give understanding of how Danish individual producers and independent production companies can achieve success when trying to sell their projects as an original content for one of the major SVOD platforms, Netflix, Amazon or HBO Nordic.

4.3.1. Product

It can be an excellent opportunity for independent producers and production companies to release their products on the major SVOD platforms. While there is a growing interest from major platforms for local content (Mogstad Eri, 2017; Interview with Jakob Staberg, 2018, 08:40; Interview with Lars Feilberg, 2018, 30:35; Interview with Mikael Windelin, 2018, 12:27; Interview with Stinna Lassen, 2018, 12:50), expectations from the audience influences the type of projects they acquire as their main goal is to increase subscription numbers (Interview with Stinna Lassen, 2018, 24:03).

In the last few years, streaming services such as Netflix, Amazon or HBO have gained a significant number of subscribers due to the original series they released. *“Their business model is mainly, as I see, it is built on serialized content, they are not very interested in one-offs”* (Interview with Mikael Windelin, 2018, 13:22). *“Everybody talks series all the time”* (Interview with Jakob Staberg, 2018, 24:19). *“Then it is also interesting to see if it is going to change the format of film entertainment, because I know that there is a lot of demand for TV series or larger format instead of you know, just one feature film of ninety or a hundred minutes”* (Interview with Henrik Danstrup Holst, 2018, 26:42). As audiences are looking for drama series or miniseries to consume, streaming services are looking for more contents like those. Thus, serialized contents recently had a higher chance of succeeding with VOD platforms. *“The amount of drama series produced has just increased so much in recent years”* (Interview with Lars Herman, 2018, 23:46). *“In these days because of all the platforms have conquered the world, many, many projects, and I have seen this so many times. Many projects, former known as feature films are turning into be series, miniseries, changing territories and course of actions”* (Interview with Mikael Rieks, 2018, 13:06).

Furthermore, some producers believe streaming services will not be looking for feature film contents on a large scale. *“I do not see, I do not know of a big market as Netflix*

Original feature films. I do not think that is going to be huge. They will be into that, but they will be kind of cherry picking on a few projects” (Interview with Mikael Windelin, 2018, 14:02). *“When I look at Netflix, HBO Nordic and all that, I look at TV series and not feature films. I hope they will be looking into feature films but they are very costly as it is a one-off deal. I don’t see them being hungry for a lot of feature films”* (Interview with Bo Ehrhardt, 2018, 22:35). Nevertheless, since streaming services are always searching for content that the audience demands, this tendency could change, as viewers will most likely need different types of content as well. *“Feature films are not dying. On a contrary, because people get stressed from the pressure of having to see so many hours of TV. I think that people are getting a little full”* (Interview with Bo Ehrhardt, 2018, 23:47). As a result of this, VOD platforms are looking for more and more feature film contents year by year. *“I know they acquire films much more than they did a year and a half ago”* (Interview with Jakob Staberg, 2018, 24:49). Therefore, the possibility of VOD platforms acquiring a larger number of feature films is increased due to the changes in audience demands.

4.3.2. Price

Amazon, HBO or Netflix provide new opportunities for producers to finance their projects, or to sell their already finished products. The three giants invest more and more into local content, thus Danish producers and production companies can take selling their projects to the major VOD platforms into serious consideration. Yet, it is difficult for them to determine the price for their contents for various reasons.

If Amazon or HBO acquires the project, producers have the possibility to retain some distribution rights, meaning they can expect future revenue from royalties (Autelitano, 2016; Pham, 2017). On the other hand, more likely than not, if Netflix buys a product as an Original, they also keep all rights for future distribution, therefore producers and production companies will not receive any revenue from royalty fees in the future (Interview with Camilla Mølgaard Hansen, 2018, 31:30; Interview with Lars Herman, 2018, 45:00; Interview with Henrik Dalstrup Holst, 2018, 12:45). Consequently, if producers decide to sell a project where they cannot retain any rights, they will receive a one-off payout, but cannot expect any future revenues making the price they ask for the project or finished film extremely crucial. If they sell it for too low price they risk future sustainability and their

own profits. *“It means also, if your production gets more expensive, you start eating out of your own revenue and then it might not be a great business after all”* (Interview with Mikael Windelin, 2018, 16:05). For these reasons, producers always calculate the possibilities of going over budget into the price they ask, and negotiate for an amount that could cover the unexpected extra expenses and still leave revenue for them.

Negotiating a good price does not only mean to ask for a price that covers the budget and have additional revenue for the producers, but also to request a price that is aligned with market prices. One should not sell a product for less than what other similar products are sold for. Nevertheless, it is extremely difficult to negotiate for a price when one party has information, that the other does not possess, creating information asymmetry between the parties (Fisher, 2002). Regarding the price producers sell their product for, it could be beneficial to know, for example, how similar films or series performed on the streaming platforms, how big audience they attracted. However, Netflix, Amazon or HBO do not release any data or information regarding sales, thus leaving the producers in dark when negotiating for a price (Interview with Lars Herman, 2018, 46:08; Interview with Bo Ehrhardt, 2018, 21:40). Additionally, producers and production companies who have already sold a project to a major VOD platform, do not receive any information about the performance of their titles on the streaming site, hence they do not know if they could ask for a higher price based on the audience their product has attracted for the VOD platform.

4.3.3. Place

As discussed above, different types of contents are displayed over the different SVOD platforms, hence producers should always make sure they display their titles on SVOD platforms, that could be the most beneficial for them and attract the most possible viewers. In Denmark, producers have the opportunity to choose from several major SVOD services, with the largest two being Netflix and HBO Nordic (Amazon is not yet a significant player within the Danish market) which could bring worldwide audience to their titles. However, one should be aware of the challenges of reaching an audience on a major VOD platform.

Reaching an audience through VOD

Without a doubt, it is an excellent opportunity for a film or series to become an original content on one of the major VOD platforms, regarding the potential audience number among the subscribers and the possibility of releasing content worldwide. *“A film could actually reach a larger audience through Netflix, than if a film had a small arthouse distribution”* (Interview with Bo Ehrhardt, 2018, 47:47). *“Netflix is a potential very large audience”* (Interview with Lars Herman, 2018, 18:46). *“It is kind of a two way thing, it is limited in your region, but it is enormous worldwide”* (Interview with Mikael Windelin, 2018, 28:10). If creators are looking for an international audience, streaming services could be a very successful way to reach them, with Netflix having one hundred and twenty-five million (Statista, 2018) and HBO and Amazon Prime having one hundred and forty-two million and a hundred million subscribers respectively (Molla, 2018).

However, having a film on a VOD platform does not automatically entail that the film will reach an audience (European Audiovisual Observatory, 2017). *“The thing is, it is not being live worldwide. It is there. It is very easy to put everything on a platform, both on iTunes, Vimeo or YouTube. It does not mean people will find it and watch it”* (Interview with Tine Klint, 2018, 07:17). A film that does not appear on the homepage of the digital platform most likely will not sell well and will reach limited audience. Therefore, increasing visibility on VOD platforms is one of the most difficult challenges for online distribution (Fontaine and Simone, 2017).

Global players such as Netflix, HBO or Amazon have several thousand titles in their libraries making it quite difficult for subscribers to choose films or series to watch. Thus, it is not surprising, that audiences are more likely to watch those contents that appear on the virtual storefronts' homepage (Fontaine and Simone, 2017).

Only a small number of the titles available on VOD platform benefit from any kind of promotion on the homepage, and often cases European or local films do not appear on the homepage at all, especially on platforms of the global players (European Audiovisual Observatory, 2017). *“You leave it up to the platform to promote, but your film would never be highlighted. A foreign language film would not be highlighted on a platform like Netflix”* (Interview with Tine Klint, 2018, 22:20). When browsing through Netflix's homepage, for

example, most titles offered are American or of English language. *“If you go into Netflix and look at the front page, and if you go into iTunes you get the US content. If you would like to get the Danish content you would have to go down here. And probably they have Danish films and then you could go down to Danish films. But when you go into the front page, you have the US content”* (Interview with Klaus Hansen, 2018, 39:25). It is difficult to find smaller, independent titles unless specifically searching for one. However, with several thousand films and series displayed on the platform, one can be quite confused about what is and what is not available for watching. Furthermore, Netflix promotes contents to users that are similar to titles they have already watched, which can hurt diversity. *“They have this algorithm that shows you what to watch based on what you saw last time. But that is not really giving you a sense of what is out there. That is just guiding you in the same direction that you have always been in”* (Interview with Mikael Rieks, 2018, 38:27). *“I would actually like to be introduced to different things”* (Interview with Tine Klint, 2018, 23:30). *“It can also be that we get too much of the same and it will be boring”* (Interview with Henrik Danstrup Holst, 2018, 29:25).

Theatrical release is still a key for small-budget and arthouse films for increasing exposure, due to the attention films receive in the context of traditional prints and advertising campaign. As a consequence, documentaries and arthouse films that skip the theatrical release could struggle to create awareness and therefore could lack visibility on VOD platforms (Fontaine and Simone, 2017). Among the major VOD players, while Amazon releases their film theatrically as well, Netflix refuses to do so, which makes it difficult for smaller-scale productions to receive the desired publicity (Sweeney, 2018). If a small, arthouse film is only released on a major VOD platform, it is easy for it to get lost among the huge amount of titles the service offers for subscribers.

An effective way to boost visibility on VOD platforms could be by social media marketing and campaigns, as they are relatively cheaper than traditional distribution prints and advertising (Fontaine and Simone, 2017). Social media is a good way to build a community for the film, for example with the use of Facebook (Interview with Camilla Mølgaard Hansen, 2018, 23:12). However, one can argue that the effects of social media marketing are not as successful as a theatrical release would be for the film.

4.3.4. Promotion

Pitching

Pitching a project is still the most used and effective way to reach out to potential financiers, distributors or sales agents, therefore it is essential for producers to make excellent pitches. However, this task can be challenging as the required style and content of pitches can differ significantly based on if it is directed to a distributor, sales agent or a potential financier. *“It can be anything from being a very organized application that meets a pre-described deadline, or it can be a drunken pitching can. And both things can work”* (Interview with Stinna Lassen, 2018, 42:40).

“When you are seeking production support, what you pitch is an idea, a concept” (Interview with Camilla Mølgaard Hansen, 2018, 07:41). Yet, financiers are different as well, and what they look for in a project differs. *“It is knowing your project and knowing the financier”* (Interview with Stinna Lassen, 2018, 43:03). In Denmark independent film productions are in most cases financed by public funds, mainly DFI and the national broadcasters (Sjöström, 2017). *“It is very different pitching to a regional fund than it is pitching to a TV station for instance”* (Interview with Stinna Lassen, 2018, 44:34). For example, DFI is looking for innovative ideas for creative output, but of course it also depends on the type of financing scheme the producer is applying to (Interview with Camilla Mølgaard Hansen, 2018, 08:34). In the end, everything comes to pitching the same project, only highlighting different aspects to different financiers. Focusing on the cultural, creative aspects in case of public funds like DFI and focusing on the commercial opportunities for other financiers such as TV stations or private investors. *“But in a way they all want to be a part of the success. So it is just highlighting the things you know to them could be successful”* (Interview with Stinna Lassen, 2018, 44:43).

When pitching to distributors or sales agents one should focus on different aspects of a film project, mainly commercial and audience potentials. *“I guess when you pitch to distributors, we focused again on the fact that it was a famous children’s book, written by a very famous Danish author, whose books have been made into films many times”* (Interview with Camilla Mølgaard Hansen, 2018, 10:40). Anything or anyone that can boost sales is worth highlighting for when pitching to distributors or sales agents, whether it is

actors, directors or the idea itself. *“The distributors very much look at; do we believe this can meet an audience. And they evaluate that based on the script and the director and the actors”* (Interview with Stinna Lassen, 2018, 52:01). Having widely known names in the industry attached to the project, in most cases is an effective way to get distributors or sales agents for the film. However, often small independent projects do not have any “big names”, only a good script or idea. In these scenarios, everything depends on the idea and the quality of the pitch and visual tools such as trailers, stills, mood boards, posters. *“If they come with a foreign language film, no cast, no director, no festival, it’s like it really hasn’t to be a great, great story. Or you get to see the trailer or the film and it’s just fantastic, then we would take it on. It doesn’t make it any easier, but if it’s fantastic, a festival will most likely take it”* (Interview with Tine Klint, 2018, 50:47).

With the major VOD platforms trying to acquire more and more local projects, new ways of financing opportunities arise for independent producers and production companies. Danish producers are used to pitch or sell their ideas or projects in a certain way, that might not be effective with the major platforms such as Netflix, Amazon or HBO. *“If you go to Netflix, yes you have to pitch it differently”* (Interview with Tine Klint, 2018, 27:02). Companies like Netflix have specific requirements that projects need to meet for them to even consider financing it, and these requirements are different than what Danish producers are used to. Normally, producers when seeking financing, first go to Denmark, then the Nordic countries, then other European countries. In addition, major platforms are coming from the US, operating in a different culture, therefore their way of conducting business differs, which is something Danish producers need to get used to if they want to succeed with them (Interview with Tine Klint, 2018, 27:14). The global platforms are always seeking to increase the number of subscribers (European Audiovisual Observatory, 2017), consequently they are looking for content that could help them with achieving this goal. Thus, when pitching a project to them one should focus on how their film could attract subscribers to the platform (Autelitano, 2016). *“What is important is how many new subscribers they get. And they get new subscribers when they have a new show”* (Interview with Stinna Lassen, 2018, 24:03).

All in all, the differences that VOD platforms bring could be a challenge for Danish producers, that can only be alleviated by learning a different way to pitch or to sell their

projects. *“Instead of being used to; if you come with a right director, you know the commissioning editor, you know you will get the support. With the VOD majors it is much more about the project and it has to be solid for you to present it to them. And you have to be able to pitch it excitingly, and you know, it has to be good scripts”* (Interview with Stinna Lassen, 2018, 38:14).

Networking as a way of promotion

The Danish film industry is based on a small network of professionals where most people know each other personally, as they most likely have graduated from The National Film School of Denmark (Kerrigan, 2010). *“It is not really a film industry, it is more like a cottage industry”* (Interview with Lars Herman, 2018, 04:31). In small networks like this, personal relationships among professionals could determine the success of a project. According to the concept of relationship marketing, it is beneficial to nourish relationships with intermediate buyers (Morgan and Hunt, 1994). For producers in Denmark that means, the continuous maintenance of personal relationships with distributors and sales agents can help promote a project to them.

Morgan and Hunt (1994) defined trust and commitment as key elements in long-lasting relationships with customers. In the case of relationships between producers and sales agents and distributors in Denmark, trust also plays an important role. Sales agents and distributors when evaluating a project or film to take on consider their past relationships with the producers or production companies. *“First of all, we would look at the partners, then the project”* (Interview with Tine Klint, 2018, 29:21). While without a solid, well put together pitch it is extremely difficult to succeed, building trust with potential partners could be an aid in achieving goals.

A good way of building trust is through networking, as relationship marketing is most effective when relationships are built with an individual person (Palmatier et al., 2006). *“You network a lot. You talk to them a lot on the phone and e-mail. You need to be in kind of constant contact with them, in order to build a relationship with them, so they trust you and trust your judgement and your taste”* (Interview with Camilla Mølgaard Hansen, 2018, 16:51). Furthermore, if the potential partners trust the producer, it is easier to make deals with them that is beneficial for the producer. *“If people trust you and your judgement and*

what you can create, you are more likely to get, I guess, better deals with different parts of the distribution chain” (Interview with Camilla Mølgaard Hansen, 2018, 19:09).

While producers can pitch their projects themselves to streaming services, in cases with major platforms such as Netflix, it can be difficult to reach out to them. *“Netflix does not want to talk to everybody. They do not want to talk to every little producer”* (Interview with Mikael Windelin, 2018, 22:23). As can be read on the website of Netflix, they only accept pitches from trusted partners (Netflix, 2018). *“Netflix requires that you go through an aggregator when you deliver”* (Interview with Tine Klint, 2018, 19:55). Moreover, as, in exception of HBO, global streaming services do not have offices in Denmark, it makes contacting them for Danish producers even more challenging (Interview with Lars Feilberg, 2018, 30:38). Thus, building a relationship with professionals who have a way in with major VOD platforms could be a key element in succeeding.

5. Discussion

5.1. Four Trajectories of Change

According to McGrahan (2004) it is vital for firms to understand what type of changes their industry is going through. In order to identify that, the first step is to define the industry they operate in by identifying direct competitors who share the same buyers and suppliers. Thus, production companies and individual producers who create audiovisual content such as films, drama series or documentaries can be considered as an industry.

As any other industry, it is constantly evolving and undergoing changes as it has done during its entire history. *“If you look back, this industry has changed so many times. Like when television became normal and popular in the fifties. It was suddenly a viable alternative to going to the movies and it made a major crisis and a major impact on cinema. And then there was the VHS, the revolution that people could rent and buy and watch it at home. Then came the DVDs. And now it is the SVOD. There is always something disrupting the business and markets”* (Interview with Lars Herman, 2018, 15:04). In recent years, the rapid growth of SVOD services in Denmark have been changing the film industry, and it is essential for producers and production companies to comprehend what type of change the SVOD services bring to their industry. As discussed in the literature review, McGahan

(2004) introduced for trajectories that could describe industry changes based on whether the core assets and core activities of the companies competing are threatened or not. If both assets and activities are threatened, then the industry is undergoing radical change. If neither assets neither activities are threatened, it is progressive change. Intermediating change happens when core activities are threatened, but core assets are not, while creative change occurs when core assets are threatened, but core activities are not.

To be able to understand the changes SVOD services bring to Danish producers and production companies, first the core assets and core activities need to be defined. Core assets are the audiovisual contents that producers and production companies create, such as feature films, serialized contents, documentaries, short films. Core activities could be detailed as all the tasks producers do during the development, pre-production, production and post-production phases.

When asked about the changes they feel SVOD services bring to producers, most interviewees replied that it simply is a new opportunity for them to finance their projects (Interview with Bo Ehrhardt, 2018, 29:15). *“I do not think it changes that much, except there are more people to reach out to”* (Interview with Jakob Staberg, 2018, 18:20). *“I think for producers it is an opportunity more than a hindrance. There are new platforms for your content or your film to be shown”* (Interview with Camilla Mølgaard Hansen, 2018, 26:21).

On the other hand, some of them expressed concerns regarding exclusivity, and stated that only the minority of the producers will actually benefit from the new opportunities (Interview with Jakob Staberg, 2018, 29:24). *“I think that there will be no room for the lot of us. There will be a few of us that will make a lot of money. So, I think that all in all, we will be losing as a business and that will be a few players producing a lot of, very attractive shows that everybody wants to see”* (Interview with Lars Feilberg, 2018, 52:08). However, as discussed before, other financing opportunities such as the DFI or regional funds do not cease to exist, they will further provide funding for projects, ergo those who do not succeed with the streaming services will have other doors to turn to.

All in all, the changes do not threaten the core assets, the audiovisual contents, as the audience will have always have demands for them. On the other hand, an interesting

consideration has been mentioned during one of the interviews. With the younger generation consuming content more and more from platforms like YouTube, it is possible that they will only require shorter formats in the future, threatening formats like feature films (Interview with Mikael Rieks, 2018, 29:30). One can argue though that, trends come and go, sometimes serialized contents, sometimes feature films or documentaries being the most demanded by audience, but the overall demand for audiovisual contents is not threatened.

Core activities of producers and production companies are not threatened either. Since the disappearance of demand for audiovisual contents is highly unlikely, the core activities of producers is not in jeopardy as they provide the contents the streaming services require. *“It has to be uniquely Danish, it has to work for Denmark in order to also work for the French or the German audience”* (Interview with Lars Herman, 2018, 31:39). VOD platforms are targeting local contents in order to gain subscribers, and they want to achieve authenticity by creating the contents with local, Danish producers and production companies, as typically projects that are well anchored locally sell better than those that are specifically planned for an international audience (Interview with Mikael Windelin, 2018, 28:10). Producers can take advantage of the rising opportunities by investing into projects that interest streaming services.

All things considered, neither core assets nor core activities of producers and production companies are threatened by the changes SVOD platforms bring to the industry, thus according to the four trajectories model, the industry is currently undergoing a progressive change. However, one should not forget, that even though an industry generally evolves along only one of the four trajectories, this can change in the future due to customer demands and new technologies. Hence, an industry could catapult from a creative or progressive change into radical or intermediating change (McGahan, 2004). While at the moment, only a handful of projects have been picked up by streaming services in Denmark, it cannot be excluded that they will be responsible for a larger portion or most of the produced contents as they gain more spread and power. *“Since we are still in an expansion phase in SVOD, sooner or later some of the smaller platforms are going to be bought out by the larger ones, or consolidations are going to happen”* (Interview with Lars Herman, 2018, 24:21). As a consequence, if there are less players, the major platforms will possess more power over the production companies. It could mean, that only a selected number of

producers and production companies will be able to create contents for their platforms, essentially challenging the smaller and individual production companies. In that case, both the core assets and core activities of the producers would be threatened, eventually creating radical change (McGahan, 2004). Nevertheless, as the transition period is in its early stages, one can only speculate about the future and exact conclusions cannot be drawn.

5.2. Future Research

In addition, while the focus of the paper is on the producers and production companies, it is also interesting to examine, how the changes affect distribution in the film industry. First of all, one of the most prominent changes is the decline in the DVD market. Over the last ten years, sales of DVDs have decreased significantly with VOD platforms overtaking their place. Nonetheless, the revenue from VOD distribution is only a portion of what DVD sales brought to distributors in the past (Sweney, 2017; Interview with Mikael Rieks, 2018, 27:57). Furthermore, broadcasters are also threatened, as demand for flow TV is continuously shrinking, and more and more consumers switch to on-demand services (Bond and Garrahan, 2015). *“Sooner or later, because also technology is changing, there is going to be no need for a television catching signal from the air, it will all just be platforms”* (Interview with Lars Herman, 2018, 33:35). On the other hand, one could assume that cinemas are also largely effected by the rise of VOD services. Ticket sales last year in the US have reached an all time low since 1992 (Siegal, 2018), yet the international market holds a steady position on sales (The Numbers, 2018), and admissions in 2017 in Europe reached a record high in the past few decades (Parfitt, 2018). Hence, cinemas are not yet threatened by the changes and it is unlikely that they will disappear as most consumers reckon cinemas as event entertainment (Interview with Tine Klint, 2018, 37:45; Interview with Bo Ehrhardt, 2018, 32:45; Interview with Camilla Mølgaard Hansen, 2018, 36:30). In conclusion, in film distribution core activities are threatened, as distributors need to face and adapt to changes regarding traditional distribution channels. However, to be able to define precisely the changes according to the four trajectories model, further investigation is required.

With the rise of the Internet, a lot of great opportunities arose. Yet, among those opportunities, there are also threats. With the Internet everything became entangled

together. *"This shifted our cultural life, everyday life to the internet"* (Interview with Jakob Staberg, 2018, 36:55). While nowadays it is much easier to distribute filmed content through various streaming services, it is as easy to "distribute" it through illegal websites. The piracy of films and TV drama is a great issue that is always talked about, however, no real, good incentives of how to stop the piracy have been brought by local governments yet. Internet needs to be regulated more than it is now, as so far stealing a product through pirated sites, such as torrent have little or no consequences (Interview with Jakob Staberg, 2018, 36:55). Local, as well as regional political systems *"need to come up with a plan"* (Interview with Jakob Staberg, 2018, 40:30). On the contrary, *"streaming services bring less piracy"*, as VOD platforms provide consumers with more options to obtain a desired content for an affordable price (Interview with Jakob Staberg, 2018, 42:05).

Currently, DFI encourages streaming services to produce local Danish content. *"If streaming services take too much of the producers' market that might become problematic"* (Interview with Camilla Mølgaard Hansen, 42:00). Therefore, the market is in need of new laws and regulations. Recently, there have been discussions between politicians and film industry professionals about the new media policy, where VOD services would be entitled to contribute to the local film making and productions, by investing a share of their revenues from that particular country into the local productions (Interview with Eva Juel Hammerich, 2018, 53:40; Interview with Camilla, 42:00; Interview with Lars Feilberg, 2018, 11:15; Interview with Klaus Hansen, 2018, 00:05; 28:50; Interview with Henrik Danstrup Holst, 2018, 43:40). There are two types of obligations that are being considered and that EU member states would be able to apply:

- Tax (SVOD tax) payment on the turnover;
- Investment quota.

This will be an interesting topic for the future researchers to look at, as the new regulations might scare the major American streaming services away. While it might be an insignificant change to these players if the law is applied within a few member states, it might become a serious issue if it defines the standard across all Europe (Interview with Klaus Hansen, 2018, 26:34; 33:12).

Additionally, there is as well a question about how much producers are willing to sacrifice to sell their product. As Mikael Rieks (Interview, 2018, 43:30) stated, *"streaming services give audience; if you want to reach audience, then go to Netflix. But is that what we want?"*. At this stage, it is too early to say or predict how the streaming services will affect the behavior of local producers. The interviewees have given different opinions about Netflix offers. While some had no problems with losing the rights for a high offer, others had some concerns about it, especially about retaining copyright and some of the rights, as well as royalty or other reporting means (Interview with Lars Herman, 2018, 22:50; Interview with Stinna Lassen, 2018, 20:00; Interview with Henrik Danstrup Holst, 2018, 12:45). There already is a question of how the goal to exploit the large audiences that streaming services offer towards creating and maintaining a strong culture, might affect the industry and producers' work. *"Producers who execute the production without retaining rights, have no interest in developing. The rights are the values which the producer have"* (Interview with Klaus Hansen, 2018, 48:30). In a situation, where producers are going into production only for production fee will create a completely new type of industry, where there would be no need for producers to have creative input or creative development. *"We will have a production sector, where they (producers) will only be executors and not the developers"* (Interview with Klaus Hansen, 2018, 48:30).

More importantly, popularity of the internet amongst younger audiences also shapes the demand and needs of the new generations. Younger generations are seeking short form contents that is mostly available on YouTube and Facebook, and if this continues, it will be the end of independent pictures as we know them unless something is done about it (Interview with Mikael Rieks, 2018, 24:00; Interview with Tine Klint, 2018, 43:00). There have been some discussions over why Netflix is not trying to exploit the cinematic release window as they own all rights for all their original content. Some think they are losing by not releasing films theatrically. Others add that it would also be streaming services', such as Netflix's, responsibility to help educate younger audiences of the importance of independent films and quality content. Also, they should be highly interested in educating new generations as filmed entertainment is what gives them business (Interview with Mikael Rieks, 2018, 32:15). Furthermore, Netflix entering into the cinema industry would not only

be the best solution to educating the younger audiences, but would also help with some of producers' concerns about rights exploitation (Interview with Mikael Rieks, 2018, 36:35). It would as well be interesting to investigate more about consumer preferences towards streaming services, and which VOD and/ or SVOD platforms they use. In addition, how many different subscriptions consumers have, since *"as a consumer you cannot access all the film, you have to have multiple subscriptions"* (Interview with Tine Klint, 2018, 37:00). There is a limit to how much people can consume (Interview with Mikael Rieks, 2018, 37:07), and how their preferences are changing towards the streaming services.

It is important to note that the film industry is constantly changing, and there is always something new that disrupts traditional business models (Interview with Lars Herman, 2018, 15:00; Interview with Henrik Danstrup Holst, 2018, 41:15). As the film industry is highly dependent on technological development, in the near future the rise of the AVOD channels, especially YouTube, is expected, in relation to competition over the filmed content. Most likely, AVOD services will become the main competitors to SVOD and streaming services, *"and pay per minute, which will be super cheap"* (Interview with Lars Feilberg, 2018, 49:00).

6. Conclusion

The aim of the research was to identify the changes major VOD platforms, such as Netflix, Amazon and HBO Nordic bring to the Danish film industry, with a special focus on individual producers and production companies. Consequently, the sub question of how producers can exploit the rising opportunities VOD services provide was added to the research. To answer the proposed research questions a qualitative research method based on semi-structured in-depth interviews with industry professionals was applied.

The players in the film industry are closely intertwined and depend on each other. For this reason, one cannot completely understand how the changes VOD platforms cause affect producers without analyzing changes in the supply chain. The supply chain in the film industry contains several more significant, however the limitations of the research paper have not made it possible to analyze the entire supply chain. Thus, the research identified four essential parts of the supply chain that required further analysis in order to answer the research questions: financing, producers, sales and distribution.

Financing in the Danish film industry is centered around the Danish Film institute and the two major public broadcasters, Danmarks Radio and TV2 as a result of the generous subsidiary system the government provides for filmmakers. The entrance of VOD services into film production provides new ways and opportunities to finance projects.

Producers are mostly affected by receiving new financing opportunities, yet face some concerns such as the possibility of losing some or all rights to their title and the lack of knowledge about the performance of their product as VOD services do not share sales data with them.

Sales agents are affected in a way, that the roles of traditional sales agents are disappearing. Hence, in order to survive within the industry they should, and most of them are already transforming from a traditional agent into one that provide extra services for filmmakers. Sales agents will not be removed from the distribution change, if they learn to adapt to the changing conditions.

Distribution is the most affected link in the supply chain, as the traditional release windows system is disrupted by the VOD services. On the contrary, as some players, such as TV broadcasters are immensely challenged by the VOD platforms, cinema sales do not seem to shrink in the European countries (Parfitt, 2018). Therefore, cinema and VOD platforms will most likely co-exist, and cinematic release will not be disappearing.

After identifying how certain players are affected by the changes, with the help of the “4ps” of marketing mix (McCarthy, 1964 in Khan, 2014) the findings in the analysis were applied through a hypothetical case of a Danish individual producer or independent production company selling their project as an original content to one of the major SVOD services, Netflix, Amazon Prime or HBO Nordic. The application of the model included suggestions for producers they need to be aware of when trying to sell a project to a VOD platform. This analysis included several topics, such as choosing the right formats of audiovisual contents SVOD services are looking for, negotiating for a price that is beneficial for the producers as well, choosing the right platform for their products and being aware of the limited visibility their title could face towards audiences on a large platform. Lastly, the

changed ways producers need to pitch or promote their projects to the SVOD services and the role of networking in reaching out to them were discussed.

In the last part of the study, McGahan's (2004) four trajectories of industry change model was analyzed and applied to the Danish film industry from the producers and production companies point of view. It can be concluded, that for them the industry is evolving a progressive trajectory as neither their core assets, nor their core activities are seriously threatened (McGahan, 2004).

The thesis investigates a topic that is based on an interesting field, as the changes VOD services bring to the film industry are currently undergoing and affect many of its players. Hence, the findings of the study could be used by both industry professionals and academics. It also provides a foundation for future research possibilities, such as questions about the problems of piracy and the political aspects and future regulations regarding SVOD services.

In conclusion, SVOD services present new opportunities for producers to green-light their projects and to release their titles worldwide, thus this interesting new scenario is worth exploiting by them. As traditional distribution channels are transforming, the changes are unstoppable, consequently producers need to adapt in order to succeed in the long term.

7. References

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Interviews

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Interview with Jakob Staberg, March 23rd, 2018, Copenhagen, Denmark

Interview with Bo Ehrhardt, April 4th, 2018, Copenhagen, Denmark

Interview with Lars Feilberg, April 6th, 2018, Copenhagen, Denmark

Interview with Henrik Danstrup Holst, April 11th, 2018, Copenhagen, Denmark

Interview with Mikael Windelin, April 12th, 2018, Copenhagen, Denmark

Interview with Lars Herman, April 13th, 2018, Copenhagen, Denmark

Interview with Mikael Rieks, April 17th, 2018, Copenhagen, Denmark

Interview with Camilla Mølgaard Hansen, April 18th, 2018, Copenhagen, Denmark

Interview with Tine Klint, April 20th, 2018, Copenhagen, Denmark

Interview with Klaus Hansen, April 20th, 2018, Copenhagen, Denmark

Interview with Stinna Lassen, April 24th, 2018, Copenhagen, Denmark

8. Appendix

Appendix 1: Interview Guidelines

Interview questions for producers

1. Please tell us a little bit about yourself;
 - a. what you do
 - b. what are your responsibilities
 - c. How long you've been doing this job
 - d. How long have you been within the industry
2. Could you tell a little bit about the Danish film industry and how it works?
 - a. What is the usual business model for a new film?
 - b. What is the usual strategy for reaching an audience?
3. Are you aware of different VOD platforms such as Netflix and Amazon targeting projects at various stages and making them their own originals (e.g. Netflix originals)?
4. Do you feel like this new set up coming from Netflix and other similar services have changed/ is changing the industry in any way? If so, how?
5. What does that mean for the (smaller) production companies/ producers such as the one you work for/ yourself?
6. Do you feel like this offers new opportunities for smaller production companies and individual producers?
7. Do you feel like submitting a project/ film to Netflix is a way to reaching the broader audience than through traditional means of distribution?
8. Do you think it is a threat to other actors in the industry? Such as sales agents, distributors etc.?
9. Have you ever considered reaching out to such VOD platforms to pitch projects? If yes, by what means and how did it go?
10. What would it mean for you/ your company if VOD platform selected your project?
11. Do you know whether Netflix and others alike are actively searching for new projects in Denmark or would one have to submit it to them?

12. How do you see the fact that Netflix originals are only available on Netflix, and they are not distributed elsewhere?
13. Do you have knowledge whether copyright and ownership of other rights would remain within a production company as yours or would a VOD platform, other than Netflix, would acquire those rights?
14. Do you know when a project is picked, do you know if the production process is controlled by the VOD service provider and have the production within their facilities, or is the project being produced by team behind that specific project as yourself?

Interview questions for sales agents and distributors

1. Please tell us a little bit about yourself;
 - a. what you do
 - b. what are your responsibilities
 - c. How long you've been doing this job
 - d. How long have you been within the industry
2. Could you tell a little bit about the Danish film industry and how it works
 - a. What is the usual business model for a new film?
 - b. What is the usual strategy for reaching an audience?
3. Are you aware of different VOD platforms such as Netflix and Amazon targeting projects at various stages and making them their own originals (e.g. Netflix originals)?
4. Do you feel like this new set up coming from Netflix and other similar services have changed/ is changing the industry in any way? If so, how?
5. What does that mean for the (smaller) production companies/ producers?
6. Do you feel like this offers new opportunities for smaller production companies and individual producers?
7. Do you feel like submitting a project/ film to Netflix is a way to reaching the broader audience than through traditional means of distribution?
8. Do you think it is a threat to other actors in the industry? Such as sales agents, distributors etc.?

9. Have you ever considered reaching out to such VOD platforms to pitch projects?

If yes, by what means and how did it go?

10. What would it mean for you/ your company if VOD platform selected your submitted project?

11. Do you know whether Netflix and others alike are actively searching for new projects in Denmark or would one have to submit it to them?

12. How do you see the fact that Netflix originals are only available on Netflix, and they are not distributed elsewhere?

13. Do you have knowledge whether copyright and ownership of other rights would remain within a production company as yours or would a VOD platform, other than Netflix, would acquire those rights?

14. When a project is picked, do you know if the production process is controlled by the VOD service provider and have the production within their facilities, or is the project being produced by team behind that specific project?

Appendix 2: Definitions of the rights

Cinematic Rights

Theatrical Rights

means the rights to exploit the Film by means of 35mm and/or High Definition exhibition to the general public in either conventional theatres, drive-in cinemas or digital cinemas by means of digital prints where a fee is charged for admission to view the Film.

Non-Theatrical Rights

means the right to exploit the Film by 35mm or 16mm or High Definition for direct exhibition before an audience by organisations not primarily engaged in the business of exhibiting motion pictures such as (without limitation) educational institutions, libraries, museum, non commercial organizations and the like.

Public Video Rights

consist of the exclusive right to exploit audio-visual devices of the Film such as video discs other than in private homes, such as by way of example in educational institutions, libraries, museums, film society facilities, business service organisation facilities, private clubs, religious institutions, government agencies and military facilities, prisons, lodging and construction camps, shut-in institutions, retirement centres etc., in hotels, motels, hospitals, embassies and similar institutions and by non-commercial organisations and in oil rigs.

Video rights

Home Video Rights

are limited to the exclusive right to manufacture and sell or rent out audio-visual devices of the Film such as video discs and for exploitation only in private homes but not for public viewing or exhibition or for broadcast of any audio-visual devices. The audio-visual device shall contain and/or implement the respective area code, but not authorize multi-format/multi area codes.

Covermount Rights

Means the right to distribute or authorize others to distribute the Videograms of the Film free of charge in connection with newspaper/magazine covermounts and/or redemptions.

VOD rights

Video on Demand or VOD

Means transmission of the Film in a linear form to a single end-point (point-to-point/peer-to-peer distribution) by means of any and all types of distribution and redistribution, including but not limited to, analogue and/or digital (a) terrestrial (incl. wireless and mobile), (b) cable (incl. fibre and traditional cable), (c) satellite and (d)

Internet distribution for purpose of streaming or downloading of the Film on a television, computer, set-top-box, IP-box, memory stick or other form of viewing and/or storing device (incl. portable devices such as mobile phones, PDA's etc.) now known or later invented for purpose of non public on demand viewing of the Film with VCR functionality at a time solely selected by the consumer, subject to the payment of a fee or similar consideration based on either single use, limited use, or subscription use.

Transactional Video on Demand or TVOD

means the communication of the Film to the public where a charge is made to the viewer for the right to view the Film at a time selected by the viewer for each transaction, for a limited period of time not to exceed forty-eight (48) hours from the time viewing is initiated by the consumer and not to exceed thirty (30) days from the date the consumer pays the separate transactional fee (i.e., per Film or episode).

Subscription Video on Demand or SVOD

means a subscription VOD service whereby a regular charge is made to viewer in respect of a certain period, during which period the viewer can view the Film an unlimited number of times at times selected by the viewer for each viewing.

Near Video on Demand or NVOD

means the communication of the Film to the public where a charge is made to the viewer for the right to view the Film at a time within a short period of the time selected by the viewer for each viewing.

Advertiser Funded Video on Demand or AVOD

means the communication of the Film to the public where viewer's rights to view the Film at a time selected by the viewer for each viewing is funded by advertising.

Free Video on Demand or FVOD

means the communication of the Film to the public where no charge is made to the viewer for the right to view the Film at a time selected by the viewer for each viewing.

Electronic Sell Through or EST

means the communication of the Film or part thereof to the public by any means of transmission of an electronic copy via the Internet or private or virtual private networks (whether with or without an accompanying tangible copy) for the reception and permanent use and enjoyment of the Film by consumers.

Television rights

Pay Television

means exploitation of the Film by means of broadcast by Transmission Means of an encoded signal for reception by television receivers located in private homes or similar permanent living places, where a charge is made to the viewer for use of a decoding device to view a channel that broadcasts the Film along with other programming.

Free Television

means exploitation of the Film by means of broadcast by Transmission Means of a signal for reception by television receivers located in private homes or similar permanent living places free of charge or subject to a nominal government tax or regular periodic service charge, but not a charge for Pay Per View or Pay TV.

Pay per View

means exhibition of the Film, by way of any Transmission Means, over a service whereby the viewer may choose from a selection of programs with exhibition times chosen and offered by the service provider.

Simulcast

Online simultaneous streaming”: being the right to make the Episodes available as part of a linear scheduled Broadcasterbranded service via online streaming simultaneous with transmission of the relevant Episodes on the Permitted Channel via the Broadcaster Website provided that access to the stream is free of charge, the Episodes are streamed in the same form as is transmitted on the Permitted Channel, and users are not permitted to download, store or otherwise access any Episode following the completion of the scheduled stream.

Catch-up TV

means a service made available (i) in encrypted form, (ii) at no additional charge, (iii) to subscribers of Distributor, (iv) during the Catch-Up TV license period as specified in the Memorandum, and (v) for an unlimited number of Exhibitions.

i. Internet

means the global data network consisting of interconnected facilities and networks which communicate using the international protocol known as TCP/IP (Transmission Control Protocol/Internet Protocol) and related protocols and standards, and includes any derivative or future version thereof.

ii. Transmission Means

mean any form of intangible, traditional, digital, or electronic transmission methods now known or hereafter devised including, without limitation, downloading and streaming, by means of the Internet, worldwide web, internet protocol or so-called “broadband” or “on-line” delivery, telephone, fiberoptics, power lines, wireless (including, without limitation, mobile, cellular, radio and microwave technologies) and every other form of transmission, now known or hereafter devised, to any device, now known or hereafter devised.

iii. Handheld Devices

means a mobile electronic device a substantial purpose of which is facilitating telephonic or text communication, digital photography or data storage and which customarily fits in a human hand, and which incorporates functionality that allows viewing of a feature film. Handheld Devices include but is not limited to personal mobile phones, personal assistants such as Blackberries, Treo, Sidekick, portable DVD-players, I-Pods, however exclude laptops and Computers as defined below.

iiii. Computer

means an electronic device that accepts a Motion Picture Copy in digital form and allows its viewing or manipulation in response to a sequence of instructions where the type and order of the instructions can be defined, selected and entered by the user of the Computer. A Computer includes desktops, notebooks and laptops and excludes VCR, DVR, DVD, set top box players or recorders and Handheld Devices.

Airline, Hotel and ship rights

Airline & Ship Rights

shall mean the right to exploit the Film in airplanes and sea or ocean going vessels that are operated by an airline or shipping line flying the flag of any country in the territory for which Airline & Ship Rights are licensed.

Festival rights

Festival Rights

shall mean the right to exploit the Film by direct exhibition to audiences in the Territory for a limited time period and with limited screenings in Cinemas only during a Festival and/or Event.

Re-make rights

Re-make Rights

shall mean the right for Licensor to license an option for the re-make of the film in the Territory. The purchase of re-make rights is based on Producer's confirmation and subject to signature of a detailed production agreement signed by Licensor and Licensee.

Ancillary Rights

Ancillary Rights

shall mean any and all allied and ancillary rights in and to the Film in the Territory as such terms are customarily understood in the film and television industries including without limitation the music soundtrack and music publishing exploitation rights; the novelization, stage play and radio rights; all format, character, all computer games rights, all remake, sequel/prequel and spin-off rights and screenplay publication rights in the Film. For the avoidance of doubt Ancillary Rights shall not include the rights to stream/download the Film via the Internet, video-on-demand rights and airline and ships rights.

i. Excluding Merchandise Rights

Shall mean the rights to exploit trademarks, characters and/or designs appearing in the Film through the production and sale of articles (e.g. toys, games, garments etc.)

Appendix 3:

What does it mean?

