

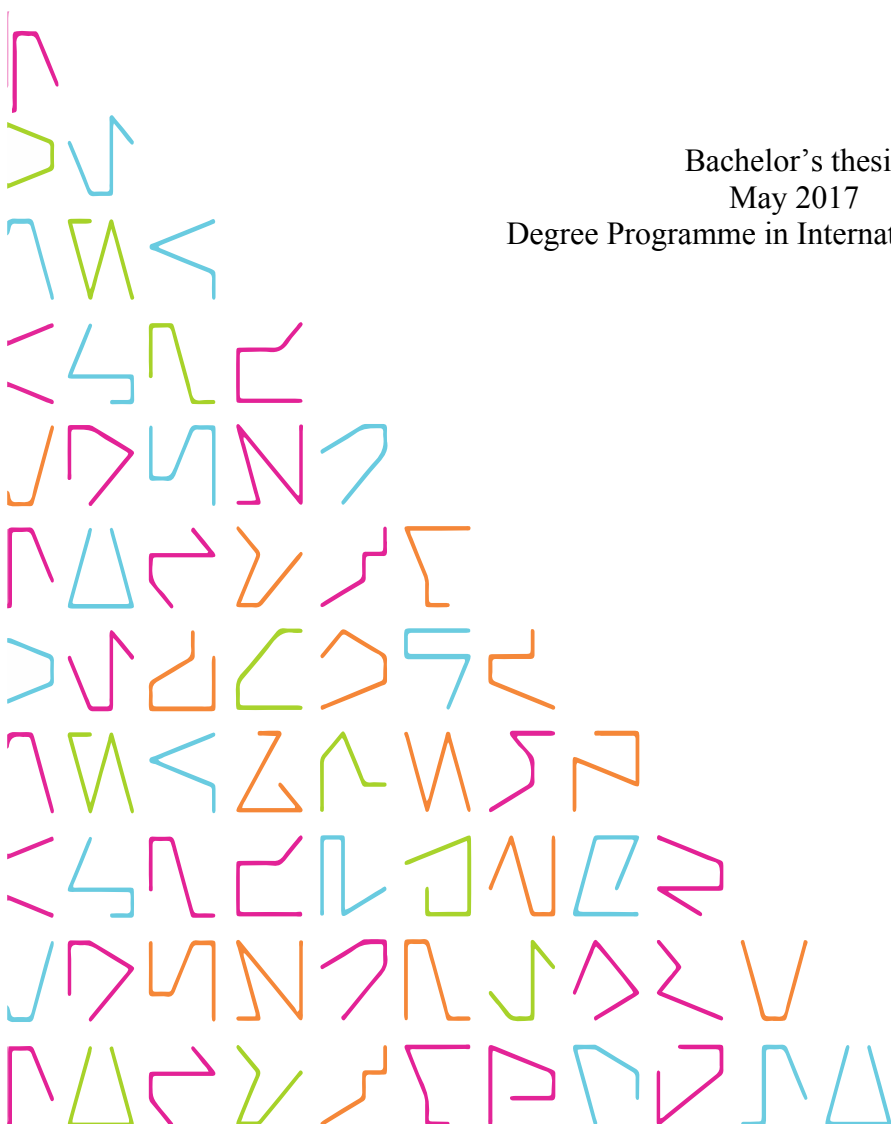


TAMPERE UNIVERSITY
OF APPLIED SCIENCES

**HOW TO WRITE A BUSINESS PLAN FOR AN INDEPENDENT, NARRATIVE
FEATURE FILM. CASE: “GET UP, GET OUT”**

Jan Kutrzeba

Bachelor's thesis
May 2017
Degree Programme in International Business



ABSTRACT

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Bachelor's thesis, 52 pages, appendices 72 pages
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Abstract:

The author of the thesis has worked in film industry in the United States in various positions since his graduation from the Stella Adler Studio of Acting, New York, in 2012. Researching business planning in independent feature filmmaking was a natural extension to what the author already does in his professional life, and the commissioned work was a perfect match for the thesis.

The purpose of the thesis was to find out how to write a business plan for an independent feature film to be produced in the United States, and whether business planning in independent feature filmmaking in the United States was a common practice. The author took a deductive approach, using both QUAL and QUAN research methods, and used *case study* as his strategy. Data was primarily collected via conducting a survey that was sent out to 250 independent feature film producers based in the United States. Secondary data was collected from literature and online sources, as per the reference list.

Based on both the survey and secondary sources, the author concluded that business planning is crucial and widely used in independent feature filmmaking in the United States – especially when the main funding source is other than the filmmaker him/herself.

As a by-product, as commissioned by tinygiant (“the Commissioner”), the author has created a comprehensive business plan for the case film *Get Up, Get Out*. The business plan was written using leading industry literature and online sources as guidelines. The business plan will be used as a tool to attract investors to finance the film that has an estimated production cost (“negative cost”) of \$1.5MM. The business plan will be classified, and not available to the public, as per the commissioner's request.

For further studies, the author recommends using a much larger focus group when conducting a questionnaire, as the response rate was only 4%. The author would find further studies on independent film *profitability* correlating with the *quality* of business planning very interesting and useful. However, these findings are out of the scope of this thesis.

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ABBREVIATIONS AND TERMS

ADR	Automatic Dialogue Replacement
cr	Credit
IFTA	Independent Film & Television Alliance
MM	Mixed method research design
MPAA	Motion Picture Association of America
QUAL	Qualitative research method
QUAN	Quantitative research method
ROI	Return On Investment
SWOT	Strenghts, Weaknesses, Opportunities, Threats
TAMK	Tampere University of Applied Sciences

1 INTRODUCTION

1.1 Background

Although its very own industry, film industry is an industry just like any other; products (films) need to be planned, developed, financed, produced, marketed, sold, distributed, and delivered to the audience – the paying customers. And just like in any other industry, a comprehensive business plan is needed to guide the filmmaker(s) – the entrepreneur(s), whether starting a film production company, a film distribution company, a talent agency, a management agency, or “merely” a film – a business venture of its own.

Business planning is essential for any and every starting business, and business plans are carefully analyzed, evaluated, and updated whenever changes are made, have happened or are bound to happen within the company itself (e.g. a new product line, new service, new management, new division, new strategy, new location, new technology, etc.), or in the industry as a whole (e.g. new regulations, new competitors, new technology, new trends, etc.).

Business planning is a vital tool for management to successfully run the business, making sure everyone is onboard and knowledgeable of the direction and strategies the company is implementing. Without proper business planning, a business has no formal direction, and much lesser chances to succeed.

Business plans are used in every industry, and they vary accordingly. A business plan for an insurance company will vary greatly from a business plan for an apple farm; a business plan for a large auto manufacturer is different from a business plan for a boutique publishing company. However, the main components remain the same and the structure is similar: every business plan starts with an executive summary, which is written last; every business plan explains the company (legal form, management, size, location, goals, vision, mission); the product (what is/are the product(s)/service(s)? What makes it worthwhile?); the industry (size and state of the industry, trends, barriers

to entry, competition, position); marketing plan (marketing mix, SWOT); financial plan (income statement, balance sheet, cash flow statement, forecasts).

Business plans vary not only by industry, but also by their purpose. A yearly business plan for a successfully running business will be dramatically different from one that is written for a newly started venture seeking financing, such as a film production company, or just a film – a business venture of its own.

Louise Levison, an acknowledged authority in the business of film, says that business plans are tools for film producers to raise money for film making (2013, p. 6). The case film used for this thesis, “Get Up, Get Out”, is a feature film script written by Justin Zerín, with production rights currently held by Ella Nuortila, Executive Producer at “tinygiant”, a Brooklyn (New York) based commercial film production company. Nuortila, who over the years has hired me for film and commercial projects of various types and calibre, has – on behalf of tinygiant - commissioned me to create a business plan for *Get Up, Get Out* to use it as a *tool* to raise the necessary funds to produce the film. Nuortila firmly believes (based on her years of experience in the industry) that the film will attract a wide audience and be a commercial success; that it will bring in more revenue than what it costs to produce and market.

The thesis serves both as an important tool for the producers from start to finish and also serves as an invaluable learning experience for the author to a deeper understanding of the business of film.

1.2 Thesis objective

The objective of the thesis is three-fold:

Firstly, the **academic** and/or educational objective of the thesis is to take an in-depth look into business planning in independent filmmaking and how to use business plans as productive tools when producing an independent, narrative feature film.

Secondly, on a **practical** level, the objective is to create a professional, airtight business plan for *Get Up, Get Out*, that can be presented to potential investors (private and/or institutional) to raise the funds necessary to start the actual production of the film, finish it successfully, and – finally - deliver a handsome Return On Investment on a prolific piece of cinematic art. However, neither raising of the funds, production, or measuring the financial successes of *Get Up, Get Out* are objectives of this thesis, but a desired result of using the business plan as a tool and means for getting there.

Thirdly, an important objective is to satisfy the commissioner with the outcome of the thesis – a business plan for *Get Up, Get Out* - and thus fulfill my **contractual obligation**.

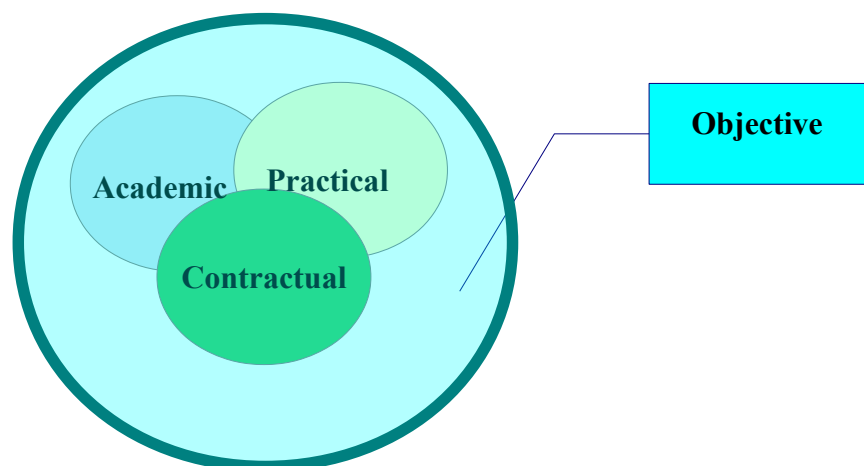


FIGURE 1. Thesis Objectives

1.3 Research question

According to J. Ritchie and J. Lewis (Ritchie & Lewis 2003, p. 48-51), there are a number of requirements research questions need to meet. Research questions must be:

- clear
- intelligible
- unambiguous
- focused, but not too narrow

- capable of being researched through data collection: not too abstract, or questions which required the application of philosophy rather than of data
- relevant and useful, whether to policy, practice or the development of social theory
- informed by and connected to existing research or theory, but with the potential to make an original contribution or to fill a gap
- feasible, given the resources available
- of at least some interest to the researcher.

The main focus of this thesis is *to produce a comprehensive, professional business plan for the independent, feature length film “Get Up, Get Out”* that will be used as a tool for first funding and then production of the film.

The thesis aims to answer the following **research question**:

- How to write a business plan for an independent, narrative feature film?

The thesis also includes the following sub-questions:

- What are the components of a business plan?
- Why does an independent, narrative feature film need a business plan?
- Does a business plan help in attracting investors for a narrative feature film?

1.4 Methodology

1.4.1 Research approach

Research approaches can be divided into two categories:

- i. inductive reasoning, and
- ii. deductive reasoning.

Inductive research approach moves from very *particular ideas* to form broader theories, and works well with a qualitative research method. Deductive research moves from

general ideas to specific particular situations, and works well with a quantitative research method (Creswell 2013, p. 3–25).

This thesis takes a *deductive research approach*, as the general idea and nature of business modeling is known and will be specifically applied to a narrative feature film; a business plan (general idea) will be created for the case film *Get Up, Get Out* to see how business planning applies to independent feature film making.

1.4.2 Research Method

There are two widely recognized research methods:

- i. qualitative (QUAL) research methods, and
- ii. quantitative (QUAN) research methods.

A study can also use both quantitative and qualitative types of data; this is called a *mixed method research design (MM)*. It is a combination of both quantitative and qualitative research design. Mixed methods have been defined as "a type of research design in which QUAL and QUAN approaches are used in types of questions, research methods, data collection and analysis procedures, and/or inferences" (Tashakkori & Teddlie, 2003a, p. 711).

Both QUAL and QUAN research methods are used in this thesis, as the research strategy is that of a case study, where primary and secondary data needed is collected via a survey, statistics, figures, literature, industry magazines, and online sources.

1.4.3 Research strategy: case study

Research strategy is a *systematic method of examining a problem and collecting appropriate information*. There are five commonly used research strategies (Walliman, 2011):

1. experimental

2. survey
3. archival analysis
4. historical, and
5. case study.

The research strategy chosen for this thesis is a *case study*: the thesis aims at creating a business plan for a very specific case, the narrative feature film *Get Up, Get Out*, as commissioned by tinygiant.

Case studies *investigate particular phenomena within real-life context* (Yin 2009, 103). In this thesis research, the author has dissected the characteristics of a business plan and adapted the findings in the form of creating a business plan for the case film, *Get Up, Get Out*.

1.4.4 Data Collection Methods

Primary data has been collected by conducting a survey (APPENDIX 2 - *Business Plans in Film Making - Survey*). The survey was sent out to 250 independent filmmakers listed in the Backstage Magazine – one of the main film and theatre industry magazines in the United States. The Survey was done using the SurveyMonkey paid user account with a student discount (\$18/month).

All research also requires secondary data (“secondary sources”) to compliment the study (Walliman, 2011). Secondary data was collected from literary sources, such as books and industry magazines, and also from online publications, statistics, sales figures, budgets, and other quantitative data (see references for a full list).

This thesis report can be divided into five main components:

1. Main concepts
2. Research question and subquestions
3. Data collection

4. Analysis
5. Outcome: the business plan



FIGURE 2. Thesis breakdown

1.4.5 Survey

General

A survey was sent out to 250 independent film producers who had shared their contact information in the Backstage Magazine – a leading theatre and film industry magazine in the U.S. - in the “production companies” section.

The main objective of the survey was to learn the following:

1. How do independent feature filmmakers finance their films?
2. How widely are business plans used to attract private equity investors to fund independent feature films?

3. If no business plans were made, why not?
4. How much value do independent filmmakers put on business planning when looking for private equity financing?
5. Would they use a business plan in making their next feature film in order to attract private equity financing?

The survey consisted of 10 multiple choice questions, with some of the questions having an option to an open ended answer. Also, the survey allowed multiple answers with some of the questions. The average time spent on the survey was 99.3 seconds.

The survey was sent out on May 7th, 2017 and closed on May 16th, 2017, thus giving the respondents seven (7) business days (Mon-Fri) and three weekend days, a total of 10 days to respond. A total of four (4) reminder messages had been sent to those who hadn't yet responded; first reminder was sent on May 10th, second reminder was sent on May 13th, third reminder was sent in the morning of May 15th, and the fourth reminder in the evening of May 15th.

Out of the 250 email invitations:

- 24 had been rejected due to a wrong or expired email address
- 14 had opted out from any further contact
- 10 had answered the whole survey
- 2 directly asked to be removed from the mailing list
- 0 had exited the survey without finishing

Results¹

Amongst the independent filmmakers who finished the survey:

¹ See Appendix 1 Business Plans in Filmmaking –survey for a full report

- drama was the most common genre² (50% of respondents)
- “under \$100k” was the most common budget category (40% respondents)
- private investors were the single largest source of financing (40% respondents)
- 6 out of 10 respondents had a business plan (60% respondents), 1 didn't know if they had one
- only a fraction of investors who had seen the business plan had actually invested
- 83.33% of the respondents said having a business plan “absolutely” helped getting the film financed
- 60% of the respondents said having a business plan when looking to finance an independent feature film is “extremely important”
- 40% of the respondents would “absolutely” use a business plan as a tool to find investors for their next independent feature film. 40% answered “probably”.

The full survey and results can be found in APPENDIX 1.

1.5 Limitation and thesis structure

Limitation

The research has the following limitations:

It studies business planning for independent, *feature length* films produced by producers based in *the United states*. The thesis did not study business planning for:

- studio films (see chapter 3.1 for definition)
- short films
- films produced by non-U.S. based producers

² More than one answer was accepted in the genre questions, as many films fall under several genres

Structure

The thesis follows a detailed structure, as laid out in the table of contents. The thesis consists of:

1. the written report
2. the survey
3. the business plan for *Get Up, Get Out* (classified)

The written report is structured as follows:

1. introduction, including the research question and methodology used
2. information on the commissioning company
3. the theoretical framework
4. conclusions
5. references
6. appendices

The survey (questions and answers) is attached (APPENDIX 1). The business plan for *Get Up, Get Out* will not be published, as per the commissioner's request.

1.6 Reliability and validity

Research needs to be reliable and fulfill the requirement of validity. Ritchie, J. & Lewis J. define reliability as being the replicability of research findings if repeated in another study (SAGE Publications, 2003). Research is reliable if the data collection techniques and analytic procedures used would produce exactly the same results if done in another time frame and/or by another researcher (Creswell, 2014).

Creswell says that validity is based on determining “whether the findings are accurate from the standpoint of the researcher, the participant, or the readers of an account. (Creswell, 2014).

The author believes that the findings and the outcome of this thesis are both reliable and valid; the author claims that same results would've been obtained if conducted by

another researcher, although - the film industry being in a constant change – trends in business planning in film might change over time. The author also firmly believes that the survey respondents are the right focus group that understand the survey and give valid, reliable responses. However, out of the 250 surveys sent, only 10 responded (4% of total surveys sent). The author suggests that the survey should be sent to a minimum of 1000 independent film producers to get more accurate data.

2 THE COMMISSIONING COMPANY

tinygiant ("the commissioner") - spelled with a lower case 't' - is a Brooklyn (New York) based film production company specializing in traditional commercial production. The company launched in the spring of 2015 and it has grown fast during its first two years. tinygiant was founded by Veronica Diaferia, who is also an Executive Producer of the company. Ella Nuortila, Executive Producer, has been with tinygiant since its launch.

tinygiant represents a hand-picked, boutique size roster of nine directors that it exclusively represents in North America. Their business is based on the traditional commercial production model where they sell their directors and production services to advertising agencies. tinygiant employs a full gamut of film professionals on a project-to-project basis, as per industry standard. These include all labor needed for film production. tinygiant also has sales representation in all territories in the US.

Get Up, Get Out ("the Film") will be tinygiant's first narrative feature film production, although both Diaferia and Nuortila have worked on independent feature length films before. The company envisions producing feature films as part of their core business within the next five years.

The company has its office at the Brooklyn Navy Yard at 63 Flushing Avenue building 275, Brooklyn, NY 11205. tinygiant can be found on the web at <http://www.tinygiant.tv/>

The author has worked for tinygiant on several occasions gaining valuable commercial film production experience.

3 THEORETICAL FRAMEWORK

3.1 Studio films vs. independent films - definition

It is important to make the distinction between studio films and independent films. This thesis only focuses on independent feature film production.

There are several ways to define independent film. Louise Levison (Focal Press, 2013) defines independent film as one “made by those individuals or companies apart from the major studios that assume the majority of the financial risk for a production and control its exploitation in the majority of the world” (Levison, p. 6). Juuso (Michael Wiese Productions, 2009) defines independent films as “movies created with no funding from a U.S. studio” (Juuso, p. 49) and 'studio films' being funded and owned by a major film studio (Juuso, p. 49). The Independent Film & Television Alliance (IFTA) defines independent production as follows: “An independent film is any motion picture produced with at least 51% financed from sources other than the U.S. major studios.”

Technically speaking, contrary to the general belief, size of the budget does not decide whether a film is an independent or a studio film, but - generally speaking - independent films tend to have lower budgets than studio films, as raising large amounts of capital would be nearly impossible without the size and leverage of a major film studio. Hence films with a large budget (hundreds of millions of dollars) are always primarily financed by a major film studio - not an independent.

3.2 Business plan - definition

There are as many definitions of a business plan as there are businesses, but the main components have remained the same. The Entrepreneur magazine's *Small Business Encyclopedia* says that a business plan “is a written description of your business's future... a document that describes what you plan to do and how you plan to do it”

(article 38290). The article further states that business plans “convey your business goals, the strategies you'll use to meet them, potential problems that may confront your business and ways to solve them, the organizational structure of your business (including titles and responsibilities), and finally, the amount of capital required to finance your venture and keep it going until it breaks even.” Business plans are, thus, a road map on how the entrepreneur wants to start and run his or her business.

Matthew Record (How To Books Ltd., 2009) says that business plans are “the single most important component in the development and continuation of any venture”.

Barringer & Ireland define a business plan as written material that describes the “what and how” a new business is going to do in order to achieve success (Barringer & Ireland, 2012, p. 112).

Levison (Focal Press, 2013) says that a business plan is the entrepreneur's single most valuable document and his or her best safeguard for success. She claims that the majority of businesses that fail usually have paid little attention to proper planning. (Levison, p. 12)

3.2.1 Structure

There are different opinions on the structure and contents of the business plan. *Entrepreneur's Small Business Encyclopedia* says that plans are very different from one another in length, appearance, detail of the contents, and the emphasis they place on different aspects of the business, whereas Levison says: “the structure of a business plan is standard, but the contents are not boilerplate” (Levison, p. 14). Some basic elements can be identified though.

The Small Business Encyclopedia divides the business plan into three main parts:

1. *Business Concept*, where the industry, business structure, product or service, and how the entrepreneur plans to make the business a success, are discussed in this part.

2. *Marketplace*, where the entrepreneur describes and analyzes potential customers, where they are, what makes them buy, etc. This is also where competition is analyzed, and how the entrepreneur plans to position him/herself to beat the competition.
3. *Financial section*, which contains the income and cash flow statement, the balance sheet and other financial ratios, such as break-even analyses.



FIGURE 3 – Business plan structure

The Small Business Encyclopedia further dissects the business plan into seven separate components:

1. Executive Summary
2. Business Description
3. Market Strategies
4. Competitive Analysis
5. Design and Development Plan
6. Operations and Management Plan
7. Financial Factors

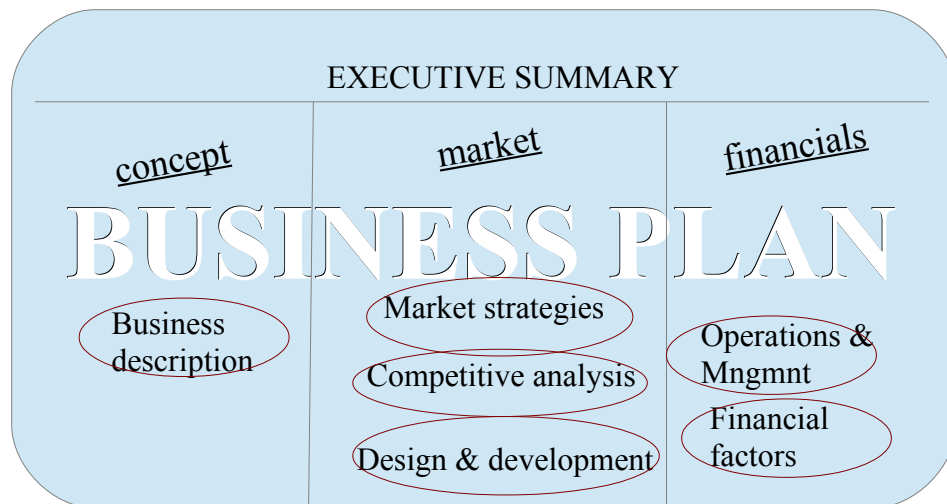


FIGURE 4 – Business plan structure dissected

Most business plans follow the same rough structure, although there are many industry specific modifications, e.g. “distribution” in the business of film. Also, the use of the business plan defines how the business plan should be written and what the focus should be on (Abrams, p. 204).

Below is a general structure of a business plan for a single **film**, as outlined by Levison (Focal Press, 2013):

1. Executive Summary
2. The Company
3. The Film
4. The Industry
5. The Markets
6. Distribution
7. Risk factors
8. Financial plan

Levison says that in a business plan, the entrepreneur gives a brief overview of the people, the products, and his/her goals (Levison, p. 19). She says that the business plan must be well thought out, and presented as a complete package (Levison, p. 21).

She also reminds the filmmaker that the proposal must make business sense: “Business facts are the glue that holds everything together in a tidy package” (Levison p. 21).

Levison strongly recommends making sure that the project is “reasonable and rational” before approaching any money sources (Levison p. 21).

3.2.2 Length

According to *The Entrepreneur's Small Business Encyclopedia*, a business plan can be of any length – depending on the business and what the use is: “a useful business plan can be any length, from a scrawl on the back of an envelope to, in the case of an especially detailed plan describing a complex enterprise, more than 100 pages.” Typically, however, *Entrepreneur* article says the business plan runs between 15 to 20 pages.

3.2.3 The role of the business plan

A business plan “gives you the opportunity to develop a clear picture of the growth and bottom-line prospects for your film company” (Levison, p. 13). Levison also says that a business plan enables the filmmaker to “make more effective decisions and helps everyone follow the leader”. Having a clear course laid out, “you have guideposts to follow that will show you where you are visa-a-vis your goals” (Levison, p. 13).

Levison suggest getting to know the “nature of your goals and objectives, the desired size of the company, the products and/or services it will sell, its customers and market niche, the amount of revenue likely to flow, and its sources” before beginning any business (Levison, p. 13). This applies well to film as well: the filmmaker should know what s/he wants to achieve with the film (financially speaking), who the paying audience is, where they are, how much money does s/he need, what the costs are - and will be - and how much can s/he expect to profit.

Levison also reminds that the business plan is a marketing and sales tool and has to be factual (Levison, p. 16).

3.3 Why a business plan for a film?

According to Levison, any film proposal (whether a single motion picture or a film production company) that aims at raising money from private investors, needs a business plan: “if you are doing a single film, the outline is exactly the same, except you have fewer numbers to project and there is no separate overhead” (Levison, p. 13).

Levison (Focal Press, 2013) says that risks are too large, competition too strong, and investors’ sophistication too great not to have a business plan when making a film. Filmmaking is a very costly business, and when investors – often very savvy business people - are asked to hand out millions of dollars, they will want to know how their money is used, by whom, when, where and what the chances are of making a profit. When equity investors ask for a business plan, the filmmaker must have all the market explanations, facts, and figures at hand and in order when needed (Levison, p. 22). Levison advises to leave any negotiation deal points out of the business plan (Levison, p. 14).

3.4 Executive summary

The executive summary is “the hook that pulls readers into your net, and it must represent your future plans precisely... It is the place where you tell readers what you're about to tell them... It is a condensed version of the rest of your proposal” (Levison, p. 19). Rhonda M. Abrams (The Planningshop, 2014) says that the Executive Summary is “the single most important part” of the business plan. It has to excite the reader to read the rest of the proposal.

Abrams divides the Executive Summary into two different types: the Synopsis Summary, and the Narrative Summary (Abrams, p. 49).

3.4.1 The synopsis summary

The Synopsis Summary is the easier one to write, according to Abrams. It's simply “a short version of the conclusions of each section of the business plan” (Abrams, p. 49). The Synopsis Summary covers all the sections of the business plan equally, and also mentions what the writer is asking of the reader, financially.

3.4.2 The narrative summary

The Narrative Summary can be dramatic, aiming at exciting the reader about the business venture, however not omitting any necessary information. Abrams says the Narrative Summary works best with new businesses that “break new ground”, e.g. a new product, or with new ways (technology) of doing things. It also works well with a dominant business with a strong background. The Narrative Summary focuses more on the business opportunity, and less on the operational aspects. Abrams says It takes a skillful writer to create a comprehensive, enthralling, yet functional Narrative Summary (Abrams, p. 49).

3.4.3 Length of the executive summary

Levison (Focal Press, 2013) quotes Marcus Tullius Cicero, a Roman politician and lawyer, when talking about the Executive Summary: “Brevity is the charm of eloquence”. Less is more (Levison, p. 22).

The filmmaker must summarize the entire business plan to show the goals driving the business, the film, the essential market and distribution factors, and the major elements for the success of the project in a few paragraphs only (Levison, p. 22).

No information can be omitted though, and nothing added: “anything you say here has to appear in more detail somewhere else in the proposal” (Levison, p. 23).

Venture capitalist Eugene Kleiner says: "An Executive Summary should be short: two pages at most, one page if possible" (Abrams, 2014). It is a 'summary', as per definition. Abrams says that people who normally read business plans are busy and should be able to read the summary in less than five minutes (Abrams, p. 50). Abrams also elaborates on the writing style: it should be “dynamic” and “logical”.

Levison also reminds the filmmaker not to fool with tradition: “you should make it as easy as you can for potential investors to read your plan” (Levison, p. 17).

Naturally, the Executive Summary must be written last; it is a *summary* of the whole business plan, as per definition.

3.5 The company

The Company Description is the most important section after the Executive Summary and financial sections (Juuso, p. 81). This is where the filmmaker tells the potential investor who the money is being used by and with what credentials. Needless to say, everything in the company section – just like in other sections as well – needs to be verifiable; lying or embellishing is not only unethical, but it may give grounds for law suits.

The Company Description includes a detailed information on the company structure (“who”); what the form of the legal business entity is (LLP, LLP, S-Corp, etc.), when was it founded, who the founders are, what the purpose of the company is, brief description of the film, its budget, schedule, and the film makers' idea of distribution he/she is seeking and with what ammunition (Juuso, p. 81). As with any other section of the business plan, never make any promises as this can backfire on many occasions.

The second part of the Company Description introduces the people attached to the project. That is, not someone the filmmaker *wants* to work with, but the professionals who will “99% certain do the project” (Juuso, p. 81). Louise Levison says the introduction to the production team is included “to give investors an idea of your team's experience and expertise”. Levison also says that this is where any notable attachments should be mentioned, e.g. notable director, producer, actor, cinematographer, editor, etc. Also, anyone mentioned in the Company Description must have given their consent “in some written form” (Levison, p. 23).

Levison (Focal Press, 2013) divides the Company section into: *who*, *what*, *when*, *where*, and *why*. The *who* tells about the company and about its founders; *what* describes the purpose of the company, its goals, and how it is planning to achieve them, including the budgets; *when* describes not only the schedule but also the current situation (e.g. is it a startup?); *where* refers to “where you are going to sell your films” (Levison, p. 39). Specificity is preferred here, as tempting as “worldwide” sounds though.

Levison says that the Company section is “an introductory statement, not a thesis”. A short summary suffices. This section should be concluded with a brief introduction to the core production team (the long versions can be in the Appendix); this is producer, executive producer, director, writer, co-producer, assistant producer, and editor. It is always important to let the investors know the team's track record to generate trust (Levison, p. 40). Levison also advises to add the cinematographer or musician/music supervisor/music producer to this section if they have notable experience. Normally these are considered below-the-line positions, however.

If no-one on the team has any experience, Levison and Juuso take two different approaches. Juuso blatantly tells the reader to stop writing the business plan and “go out and get that experience!” (Juuso, p. 81).

Levison advises to attach someone who does have experience, if no one else does (Levison, p. 41).

3.6 Product description - the film

“Success in any business revolves around the product” (Levison, p. 49).

Juuso says that the product description – the film in our case – is the simplest of the entire business plan. Here the filmmaker describes his/her film, without getting into details. However, it's good to focus more on certain aspects of the film, such as story or locations (Juuso, p. 87).

Levison (Focal Press, 2013) says that with a one-film plan (such as this case study) the full script and budget should be ready before creating a business plan. The most important part of product description in making a film business plan is selling the actual story (Levison, p. 49). This does not mean including the whole script, but “telling the whole story of the film in one or two pages, endings included” (Levison, p. 49). This part will also include any attachments – people who have committed to working on this project.

Very importantly, although it is the investor's responsibility to read the script, the use of any graphic scenes, violence, sex, drugs, and alcohol or profane language should be mentioned in the film description so that everyone is on the same page and no investor will have unwanted surprises (Juuso, p. 87).

Other important details to be included are genre, budget, target audience, writer, director, location, equipment used, casting details, schedule. A lot of repetition is bound to happen, but “the more an investor remembers from your business plan, the better” (Juuso, p. 88). Juuso also advises to focus on the strengths, e.g. the director's previous experience, or the money already invested in the film. Levison says that it always impresses investors if the filmmaker has invested their own money to secure an option (Levison, p. 57).

3.7 The industry analysis

The industry analysis consists of the latest available data of the film industry; box office sales, trends, etc. This section introduces the investor to film industry in general, who the major players are, and how it all works. The section is expected to give an overview of the industry, US box office, worldwide box office, total admissions, and size of the independent film market (Levison p. 24). Educating the investor on the history of the industry will also be welcomed (Levison, p. 64).

The questions the investor might have and that the filmmaker should have the answers to might include the following (Levison, p. 67):

- How healthy is the industry?
- How does the film industry work?
- What is the future of the industry?
- What role will my film play in the industry?

Since the investor might not have any prior experience in film industry, he or she might also want to know how films are made, how they get into theaters, and who the 'movers and shakers' are (Juuso, p. 99). As the industry is constantly changing, the best resources are online in the form of databases, reports, and industry magazines:

Free

Box Office Mojo www.boxofficemojo.com

DEG: Digital Entertainment Group www.dvdinformation.com

indieWIRE www.indiewire.com

Internet Movie Database www.imdb.com

International Documentary Association www.documentary.org

Lee's Movie Info www.leesmovieinfo.net

Los Angeles Daily News www.dailynews.com

Los Angeles Times www.latimes.com

Motion Picture Association of America www.mpa.org

National Theater Owners Association www.natonline.org

The New York Times www.nytimes.com

Variety www.variety.com

Fee

(Note: both free and paid information)

Baseline StudioSystems www.blssresearch.com

Giant Screen Cinema www.giantscreencinema.com

Global Entertainment and Media Outlook/PricewaterhouseCoopers www.pwc.com

Hollywood Creative Directory www.hcdonline.com

Hollywood on the Run www.Hollywood.com

IMDBPro www.proimdb.com

Screen International www.screendaily.com

The Hollywood Reporter www.hollywoodreporter.com

Other useful online resources

Business Strategies www.moviemoney.com

www.Filmfestivals.com

Film Independent www.find.org

Hollywood Wiretap www.hollywoodwiretap.com

International Film and Television Alliance www.ifta-online.org

Large Format Cinema Association www.lfca.org

Peacefulfish www.peacefulfish.com

SAG www.sag.com/lowbudget

Sundance Film Festival <http://festival.sundance.org>

These sources can be used when discussing the trends, size of the market, the share of independent films, revenues in North America and worldwide, future projections.

When explaining how films are made and distributed, the point of view should be that of the producer (Juuso, p. 99) as s/he is the one to deal with it.

The distinction between a studio film and an independent film should be made and the advantages and disadvantages highlighted (Juuso, p. 100). Only “facts but nothing but the facts” should be in this section (Levison, p. 63). The investor has a right to know of any obstacles or problems that might occur in filmmaking.

Levison (Focal Press, 2013) emphasizes the importance of assuming that the investor has no previous knowledge of the industry, and thus must be taken “by the hand” and explaining the business of film to them. It is vital for the filmmaker to show the investor how the industry works as a whole, where the filmmaker fits into that picture, and how the independent film segment operates (Levison, p. 66).

It is important for the investor to understand the *revenue streams* of the industry and how distribution works. Revenue streams are constantly being challenged by the ever evolving technology, but can currently be divided into:

1. Theatrical exhibition
 - U.S.
 - Worldwide
2. VOD (Video On Demand, such as Netflix, Hulu, HBO)
3. Direct-to-DVD (formerly direct-to-video)

Just like with everything else in the business plan, distribution should be explained with the assumption that the investor “does not know how the system works” (Levison, p. 115). This includes explaining distributors' fees, cuts from any profits, and the process in detail.

3.8 The Market

Knowing the market is crucial. In general, market analysis is defined as pointing the target market segment of the business in the industry (Barringer & Ireland, p. 124). “The market comprises all those people who are going to buy tickets” (Levison, p. 90). The purpose of the market analysis is to describe who will pay to see the film and how the filmmaker intends to reach those people (Juuso, p. 49).

According to *The Producer's Business Handbook* (Focal Press, 2011), the marketing section identifies the target and secondary audiences, describes how the filmmaker is planning to engage them “even during development, preproduction, and production of the film” and educate the investor on any other methods the filmmaker intends to use “to develop and grow awareness of the film” (Lee, J. J., & Gillen, A. M., p. 96).

In the industry section, the whole industry is explained and divided into studio films and independents. In the *Market Analysis*, that division goes a step further into segments.

The estimated gross revenues will be then based on the identified segments (Levison, p. 90).

3.8.1 Market segment

“Your market segment, or niche, consists of the type of person out of the total movie going population who is likely to rush out to see your film the first weekend, as well as secondary target groups that will be interested” (Levison, p. 90). As tempting as having 'everyone' as the target audience is, the fact is that only certain groups of people, that can be identified by their demographics (e.g. “caucasian teenage boys in Canada”, or “30-60 year old black females in the U.S.”), will be the target or secondary audience. Some films, such as the Jurassic Park -franchise have a wider audience, while others, such as the Nymphomaniac Vol. 1 & 2, a much smaller, niche audience. It is for the filmmaker to know and define who will most likely be rushing to watch his/her film the opening weekend. This is crucial in order to determine whether the film can survive, and succeed. The question that needs to be answered is: who the end users of the film are – the ticket buyers – and how many of them are there likely to be (Levison, p. 90-91).

After first dividing the industry into studio and independent films, the filmmaker needs to now further divide the segment into smaller pieces. Levison (Focal Press, 2013) recommends answering the following questions:

1. how large a population segment is likely to see the film?
2. What size budget is reasonable compared to the size of this segment?

3.8.2 Defining the Segment

“An independent film will attract moviegoers from one or two identifiable segments of the audience” (Levison, p. 91). It is the filmmaker's job to identify these using *comparative research* with the publicly available data. The segment can be defined in many ways, e.g. by

- the main *genres*; comedy, action, drama, thriller, horror, romance, or a combination of these
- *formats*, such as documentary, animation, large format
- underlying *themes*; e.g. inspirational (religious), young adult, magical realism
- *affinity groups*; e.g. ethnic, urban, religious, sports
- *age* and *sex* groups
- similar *budget* parameters

These are only guidelines. Many films represent more than one genre, format, theme, or an affinity group. The film can e.g. be a 'large format, partly animated romantic comedy targeted to the religious, urban LGBT youth'. “There are also filmmakers who are linked with specific genres and who have become their own genre” (Levison, p. 92), such as Quentin Tarantino, the Coen brothers, or David Lynch.

Many filmmakers don't like to pigeonhole their film, but it is necessary to give the investor an idea of what the film represents and what kind of return on investment (ROI) can s/he expect. In the end, the most crucial question the investor has in mind is: will the investment be lucrative or not, or “how much money will I make?”.

3.8.3 Demographics

The filmmaker needs to have a clear understanding of who will want to see his/her film; what's their age, sex, their interests. Jurassic Park will attract a very different audience than Nymphomaniac; Forest Gump will attract different viewers than Trainspotting. The age rating used in the U.S. can give a clearer picture of the potential size of the market.

The numbers vary yearly, and the latest updates can be found in the *Theatrical Market Statistics Report* made by the *Motion Picture Association of America* (MPAA) with data collected by the *National Association of Theatre Owner's* (NATO). The rating system in

the United States is voluntary, but it gives both the filmmaker and the investor an idea of their potential market. See APPENDIX 2 - *The Film Rating System* for the film ratings table in the United States.

3.8.4 Production cost

One of the ways to assert the investor is to compare similar films, their costs, and their revenues. One of the ways to compare films is the production cost (a.k.a. negative cost) (Levison, p. 101). Every producer has his/her own way of making a budget, but the results can be compared. Levison lays out three common cases to illustrate how comparing similar films can be an asset when attracting investors:

1. Similar films with similar budgets

The film should make a revenue equivalent or better than that of another film that shares the same genre or theme with costs similar to those estimated.

2. Similar films with higher budgets

If the comparable films are similar in genre or themes but the film in development has a higher estimated cost, this can be justified with better attachments (e.g. talent or director) that are likely to bring in more revenue. The larger the budget, the more value is being put on name attachments (Levison, p. 101)

3. Different films, moderate budgets

Specialty or niche films might have a difficulty reaching the market. Levison suggests a strategy that starts with a moderate budget “that have mainstream potential” (Levison, p. 102).

Whatever the case may be, one should always compare to existing films to give the investor an idea of what to expect. “Take the experience of similar films and use it to your advantage” (Levison, p. 102). Actual tables with numbers belong to the financial

section of the business plan, but it is important to educate the investor on the size of the market and potential revenues already in this section (Levison, p. 102).

3.8.5 Incentives

In the U.S. several States offer incentives for filmmakers for many economical reasons; mostly job creation and spending. However, while a State may approve a film for its incentives, the money is never guaranteed. The production must first come up with the whole budgeted negative cost (production cost), and – if the State approves it – whatever the State gives back will be a bonus. The filmmaker should never tell the investor he/she will be getting a State incentive before it's actually been granted (Levison, p. 103).

3.8.6 Marketing strategy and marketing plan

“Marketing strategy is usually defined as the techniques used to make the end user aware of a product” (Levison, p. 103). A Marketing strategy is an explanation of the goals the filmmaker needs to achieve with his/her marketing efforts. The marketing strategy is shaped by business goals (e.g. “\$1MM in box office sales on the opening weekend”). The business goals and marketing strategy should go hand-in-hand.

Marketing plan focuses on how the firm is going to sell its product or service (Barringer & Ireland, p. 124). The marketing plan is the *how* the filmmaker is going to achieve his/her marketing goals.

The plan focuses on four different areas: Product, price, place (distribution) and promotion strategies, also known as the “marketing mix”, or the 4 Ps of marketing.

3.8.7 Market research

“Knowledge is power” is a quote attributed to Sir Francis Bacon, the English philosopher, statesman, scientist, jurist, orator, and author. His age old wisdom also applies to modern filmmaking. Knowing the product, the industry, the market, and the potential target audience is part of the essentials of effective business planning. “Whether you are raising money for one film or a group of them, gathering data on the feasibility of your concept is important” (Levison, p. 103).

Data can be found in numerous sources: online databases, studies, industry magazines - a lot of them are free. The filmmaker can also conduct surveys to get to know his/her audience better using online tools, such as SurveyMonkey, Qualtrics, Zoho, Survata, Sogosurvey, or even Google forms. A lot of these offer free basic accounts. The investors need and will expect credible references (Levison, p. 106).

3.9 Distribution

3.9.1 What is film distribution

The distribution part refers to the 'place' in the marketing mix; it's one of the 4 Ps:

1. Product – the film
2. Price – ticket price
3. Promotion – marketing strategy + plan
4. Place – distribution; **where is the film being shown and how does it get there?**

Stacey Parks (Elsevier/Focal Press, 2012) defines distribution as the process “by which a film reaches the marketplace and is made available to its target audience” (Parks, p. 9). Practically this means the ways by which the film gets from the filmmakers desk to the movie theaters (Levison, p. 115). “Simply put, it is the business of selling the film to

various media” (Levison, p. 115). This media may include movie theaters, new media, video-on-demand, direct-to-video, television, online platforms, airplanes – any medium that broadcasts films.

As with any other section, film distribution and how it all works must be explained to the investor with the assumption that he/she does not have prior knowledge of the film industry (Levison, p. 115).

Film distribution can be roughly divided into studio distribution and independent distribution. For the sake of this thesis, I will cover only the independent side, as the case film is an independent production – not financed by a major film studio.

The distribution landscape changes constantly as new media are being introduced along with new technology. The advent of Netflix, Hulu, Amazon and the likes have changed the distribution processes and structures.

3.9.2 What is a distributor

Distributors are middlemen that buy films from filmmakers and sell them to buyers, such as TV stations. However, unlike in other industries, film distributors may be heavily involved in making artistic decisions about the product, packaging, name, marketing, and financing (Levison, p. 116).

Middlemen are often viewed in a negative light, but motion picture distributors “perform an important function without which the average filmmaker would not thrive (Levison, p. 117).

The major difference between studio distributors and independents is their size and financial ability (Juuso, p. 27). The size often dictates how the films are being released, as small, independent distributors can't afford a wide release with a film opening on

thousands of screens around the U.S. - or abroad. Independent film distributors often employ “single market campaign tests on one to a dozen screens in three to six strong target markets” (Juuso, p. 27). If these are successful in terms of box office sales, media attention, and word-of-mouth, the film's release can be expanded to movie theaters in other markets. “Most independent distributors employ lower-cost distribution strategies that rely more heavily on viral and social networking campaigns, less expensive internet advertising, and that maintain minimalist distribution operations” (Juuso, p. 27).

Levison says that distributors have a tremendous power that is magnified in independent film: “in an independent distribution company, one person, with no one to answer to, may determine the entire course of your film” (Levison, p. 117). The distributor has the power to influence decisions on any script changes, casting, final edits, and marketing strategies. Distributors are also often very involved in the financing of the film (Levison, p. 117). This power is established in the *distribution agreement*, that specifies all the details regarding the film's distribution.

Once the distributor has the film's rights, he/she relicenses the film to the various media both domestically and abroad. Levison says that the U.S. theatrical box office “is the backbone in the chain of revenues for a film” (Levison, p. 117). If this goes well, the film gets positive hype, and it'll be an easier sell in other markets as well. “Even a small theatrical release can increase the value to buyers of an otherwise unknown film” (Levison, p. 117).

3.9.3 Distribution fees

The fees distributors charge vary from one territory to another. The fees may also depend on the medium. Distribution fees can vary anywhere from 15% to 50% **of the revenue**. Generally, distributor fees average around 35% or under. The fees depend largely on how involved has the distribution company been in the creation of the entire film package. Here are some of the functions that distributors may perform:

- get a finished film

- provide print & advertising money
- be rented
- raise equity or presale financing
- provide a minimum guarantee
- pay an advance

“The amount of risk is primarily related to the amount of money the distribution company pays out of its pocket” (Levison, p. 126). The more the distribution company risks in advance, the higher their fees. Conversely, the more the producers put up front, the more leverage they have in negotiating distribution fees.

4 RISK FACTORS

Levison (Focal Press, 2013) states that every business plan should have a *risk statement* where the entrepreneur – producer in the case of filmmaking – educates the investor on the risks of investing in film. It is for the protection of the filmmaker from law suits in case the investment turns out unprofitable (Levison, p. 151).

“A risk statement can be a very short statement or a long explanation” (Levison, p. 151). The risk statement belongs right after the Executive Summary.

5 FINANCIAL PLAN

Filmmaking can be roughly divided as follows:

1. development
2. production, including filming
3. distribution

Production can be further divided into pre-production, shooting days, and post-production (editing, colour correction, sound mixing, ADR³, music, title cards, subtitles, graphics, trailer, etc.). However, from a film financing point of view, making of a film is roughly divided into three (see above), and financing the development stage is separate from financing the production: “motion picture development is typically financed separately from production financing” (Lee & Gillen, p. 81).

“The Financial section tells the investor how you will be financing the film and how that financing will be paid back, if the film makes money” (Juuso, p. 93). The financial plan consists of two main parts:

1. how is the filmmaker planning to finance the film
2. financial projections: projected revenue vs. costs

5.1 Financing an independent feature film

Levison says that the odds of getting an investor are extremely poor, because investing in film is “probably the worst investment anyone could ever make” (Levison, p. 155). The risks are tremendous and, all in all, film investments are considered “capricious”. She says that from a purely financial standpoint it is a gamble just like playing in Vegas, but that there is a lot more to it. Apart from the prospect of financial gains, there are a myriad of other reasons why people want to invest in film, such as glamour, personal

³Automatic Dialogue Replacement

ideals, being part of a creative process, or simply wanting to impress others by having one's name in the film credits (Levison, p. 155).

There are as many ways of financing a film as there are filmmakers (Levison, p. 156). These may include production incentive programs, foreign pre-sales, bank or other loans, private equity, crowd funding, filmmaker's own capital, distributor's advances, and many other forms, and usually it is a combination of several different money sources.

Lee & Gillen (Focal Press, 2011) lay out the following financing sources in addition to private investors:

- production incentive programs
- international territory presales: “a presale is a contract whereby a distributor agrees to buy or license certain rights in a specific territory for the film for a pre-agreed amount, of which typically 10 percent to 20 percent is payable upon signing and the remainder upon delivery” (Lee & Gillen, p. 82)
- ancillary presale - “like an international presale, but with an ancillary participant such as television or electronic game” (Lee & Gillen, p. 82)
- gap financing - “estimates from a qualified/bankable international sales agent on the value of each international territory, not pre-sold, is discounted by the bank (typically to 50 percent of its value) and is loaned to the producer (some banks have a maximum of \$2.5 million or 20 percent of the budget, whichever is less)” (Lee & Gillen, p. 82)
- talent profit/equity - “key talent compensation converted to picture profit or equity participation” (Lee & Gillen, p. 82)
- vendor profit/equity - “commonly referred to as 'contra deal', in which key vendor compensation is converted to picture profit or equity participation” (Lee & Gillen, p. 82)
- corporate sponsorship or brand tie-ins

Lee & Gillen say that the bank “remains the single most important participant when arranging structured financing for production” (Lee & Gillen, p. 82). Whatever the financing model, banks are almost always used for depository, loans against collateral and guarantee contracts, and cash disbursements.

Levison (Focal Press, 2013) gives several guidelines for the filmmaker to keep in mind before writing his/her business plan:

- seeking reality; don't assume anything. Especially when it comes to financing.
- find the best fit; not all money is equal. Make sure to work well with the investor on all levels. Trust is essential.
- be careful what you promise; in fact, don't explicitly guarantee anything on paper
- be careful what *they* promise; always have everything on paper
- be ready, willing, and able to explain it; know your industry, know your product, know your market inside out and be ready to answer questions

Juuso (Michael Wiese Productions, 2009) and Levison (Focal Press, 2013) advise against writing about existing financing sources other than those that are being used in the project, as this may only confuse the investors.

5.2 Financial projections

The financial calculations and predictions function not only in assuring the filmmaker that s/he is on the right track, but they also need to convince the investor that s/he will get a handsome Return On Investment (ROI) on the project. No investor would want to just throw money away.

According to *Entrepreneur Media* (Entrepreneur Press, 2015), *investors often look at the financial section first* – before even reading the executive summary! A savvy investor knows that the charts, tables, formulas and spreadsheets are “like the pulse,

respiration rate, and blood pressure in a human being” (Entrepreneur Press, p. 201). It shows the condition of the proposed business, and what are its chances to succeed.

There are three kind of financial statements:

1. income statement
2. balance sheet, and
3. cash flow statement.

Together these represent the condition (current or future, as estimated) of the company; it's value, and it's ability to pay its bills and earn profits (Entrepreneur Media, p. 201).

As a filmmaker looking to finance a film (or films) that doesn't yet exist, forecasting is a necessity (Levison, p. 189). This is done by comparing existing films by e.g. genre, type, theme, target audience, release date, and/or budget, looking at their budgets, box office sales, foreign sales, and other financial data (Levison, p. 191). Levison says that forecasting is an art, although not a precise one. Juuso (Michael Wiese Productions, 2009) says that the forecasting will mostly likely be completely wrong as it is impossible to predict a film's success, but it is necessary to give the investors some guidelines and show them that you take them seriously and that you know what you're talking about.

Levison (Focal Press, 2013) says that the financial data collected and used from films already released will serve two purposes: 1. show their profits and 2. form a basis for estimating the revenues and total costs for the film.

5.3 Comparable films table

“Forecasting requires that you use films that reasonably can be compared by theme, budget, and release date” (Levison, p. 191). The comparable films table is made for seven years, including the current year, as per industry standard (Levison, Focal Press 2013).

The purpose of the comparable films table is to show the investor that profits have been made with similar, comparable films. The comparables list should include four to five similar films with available worldwide data exists and is readily available (Levison, Focal Press 2013). “Films can be similar in genre and sub-themes; however, it is unlikely that at any budget you will find 15 films just like yours” (Levison, p. 192). Other similarities are budget range, release date, release territory (domestic vs. foreign), maximum screen count domestically (Juuso, 2009).

Reliable data can be found in the following sources:

- Internet Movie Database <http://www.proimdb.com/> (free + subscription based)
- Baseline <http://www.baselineintel.com/> (charged per report)
- Hollywood Reporter <http://www.hollywoodreporter.com/> (subscription based)
- Variety <http://variety.com/> (subscription based)
- Gracenote – former Baseline data <http://www.gracenote.com/studio-system-product-pagevideo/>
- Box Office: The Business Of Movies <http://www.boxoffice.com>
- Box Office Mojo <http://www.boxofficemojo.com>
- DEG: Digital Entertainment Group <http://www.degonline.org>
- Edgar Database <http://www.sec.gov>
- Global Entertainment and Media Outlook <http://www.pwc.com>
- Motion Picture Association of America <http://www.mpa.org>
- Screen Digest <http://www.screendigest.com>
- The Numbers <http://www.the-numbers.com/movie/budgets/all>

The comparable films table needs to include all the crucial data on the comparable films:

- Domestic Box Office Gross (US & Canada)
- Exhibitor Share (Theatre owners' share of the box office revenue)
- Home Video Revenue
- Pay TV Revenue

- Distribution Fee
- Prints & Advertising (cost of marketing campaign and copies made of the master file for theatrical release)
- Other Distributor Costs (expenses outside of P & A for which the distributor is reimbursed such as residuals and DVD manufacturing, marketing, and distribution costs)
- Foreign Gross (Canada excluded; money received from advances by foreign distributors for the right to distribute in all formats; per territory data)
- Sales Agents' Fees & Expenses (sales agents market and collect advances from foreign distributors; residuals are included as part of expenses)
- Total Producer's Rep Gross (Producer's Rep seeks out and negotiates domestic distribution and sales agent agreements)
- Producer's Rep fees
- Negative Cost (costs incurred to shoot the film and create the negative off of which all copies of the film are made; also know as the 'budget' of the film) (Juuso, 2009)

5.4 Income projections table – revenue and expenses

The income statement shows how much the company is making money - if any - by adding up all revenue (sales + other sources) and subtracting all the costs. The result is the net income, i.e. the bottom line (Entrepreneur Media, p. 202). When creating an income statement for a film that does not yet exist, the filmmaker uses predictions based on data gathered on other, similar – comparative – films by e.g. genre, theme, budget, or a release date. It is important not to make any promises; all the projected data is forecast – not reality. The income projections table shows the investor how much money it *might* make, not how much it *will* make (Juuso, 2009). Income projections for a film are always made showing three examples: the Low Success, Medium Success, and High Success.

5.5 Cash flow projections table

The Cash Flow Projections table predicts when everything on the Income Projections Table comes through (Juuso, 2009). Levison (Focal Press, 2013) says that the cash flow statement “shows the timing of incoming revenue and outgoing cash.” The Cash Flow Projections Table is made using data from the “Medium Success” column on the Income Projections Table. The table is divided into years, and quarters; Year 1, Q1, Q2, Q3, Q4; Year 2, Q1, Q2, Q3, Q4; Year 3, Q1, Q2, Q3, Q4; Year 4, Q1, Q2, Q3, Q4; etc.

Both Levison and Juuso say that it is impossible for the filmmaker to forecast the timing or exact numbers (unless they are doing their own distribution) as these largely depend on the distribution deal, which can vary grossly. Levison suggests adding the following disclaimer at the bottom of each table: “For reference only. How and when monies are actually distributed depends on the contract with the distributor” (Levison, p. 202).

5.6 Balance sheet

“A balance sheet can help an investor see that a company owns valuable assets that don't show up on the income statement or that it may be profitable but is heavily in debt. It adds up everything your business owns, subtracts everything the business owes, and shows the difference as the net worth of the business” (Entrepreneur Media, p. 206). This is a case in the normal course of business. It is not, however, used in the case of a one film business plan.

6 CONCLUSION

The objective of the thesis was three-fold: academic, practical, and contractual. On the academic level, the author wanted to learn about business planning; what it is, how it works, what purpose does it serve, who is it used by, at what point, and – more specifically – whether independent film producers use business plans when making feature films, and if so, how is it done. This objective has been met.

On a practical level, the author wanted to apply the general theories and practices of business planning in creating a real, usable business plan for the case film “Get Up, Get Out”, as commissioned by tinygiant, a Brooklyn (New York) based commercial film production company, with the purpose of attracting \$1.5MM in private equity to finance the film. This objective was also satisfactorily met.

On a contractual level, the author wanted to fully satisfy his contractual obligation by delivering the commissioner with an authentic, airtight business plan with real business value. The commissioner has approved the author's business plan and released the author of further encumbrances.

The author took a *deductive* research approach, as the general idea, concepts and theories of business planning are widely known and used. Research methods used in this thesis were both *qualitative* (QUAL) and *quantitative* (QUAN), also known as a *mixed research method* (MM). The strategy chosen was “*case study*” - the author applied the concept of business planning to a case film, *Get Up, Get Out*. The author collected *primary* data by conducting a *survey* with 250 independent film producers *secondary* data from literary sources (see: APPENDIX 1).

The topic for the thesis came from a very practical place; a real business need. tinygiant (“the Commissioner”) has obtained the rights to the Film, and needs a business plan to attract private equity investors to finance the development, production, and marketing of the film. The author works in film production, and has often been hired by the Commissioner on various different commercial film projects. It was a practical win-win situation for both the Commissioner and the author, as a real business need and learning objectives were met, bringing real, tangible value to all parties.

All of the objectives have been satisfactorily met. The author learned about business planning in theory by studying literature, and – as a by-product – created a professional business plan for the commissioner. By conducting a survey with 250 independent film producers, the author also learned that the vast majority of independent feature film producers used business plans in filmmaking, and value them highly: 60% of the respondents used business plans in filmmaking, 83.33% of the respondents said having a business plan “absolutely” helped getting the film financed, 60% of the respondents said having a business plan when looking to finance an independent feature film is “extremely important”, and 40% of the respondents would “absolutely” use a business plan as a tool to find investors for their next independent feature film. However, the author also learned that 40% answered that they'd “probably” use a business plan when working on their next film, and also that 10% of the respondents would “definitely not” use one. The author himself did not use a business plan when making his own, independent short film. However, the author's film was a. short (vs. feature length) and – most importantly – b. self financed (vs. financed by other sources, such as investors, loans, pre-sales, advances, etc.). To conclude, some independent filmmakers do use business plans, some don't, although everyone seeking to attract private equity investors most definitely should, and most likely will be required to.

The business plan created for the commissioner will not be published, as it contains delicate, classified information on the commissioner and the case film that is not public information in the United States, where the commissioner is located. The business plan will be updated and modified as the project evolves, and used as a tool by the producers to attract private equity investors, produce the film, and – ultimately – gain a handsome return on investment.

The author believes that his research and the thesis follow the rules and ethics commonly agreed upon in the academic world:

- the thesis is objective and the data reliable,
- the thesis will be collectively available (apart from the actual business plan, which will be classified)
- it is neutral

- peers will be free to criticize it (scepticality)
- it honors the author's confidentiality agreement with the commissioner, and
- it is written in a good manner, crediting others' work

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The Numbers <http://www.the-numbers.com/>

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The Wrap.com <http://www.thewrap.com/>

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8 APPENDICES

APP 1. - *Business Plans in Filmmaking – Survey* (6 pages)

APP 2. - *The Film Rating System Used By The Motion Picture Association Of America (MPAA)* (2 pages)

APP 3. - *“Get Up, Get Out” Feature Film Business Plan* (64 pages)

Business Plans in Film Making

1.

* 1. What genre was the latest independent feature film you worked on? Please check all that apply.

- Action
- Animation
- Comedy
- Documentary
- Drama
- Documentary
- Horror
- Thriller

Other (please specify)

* 2. What was the budget?

- Under \$100K
- \$100K - \$500K
- \$500K - \$1M
- \$1M - \$3M
- \$3M - \$5M
- \$5M - \$10M
- Over \$10M
- I don't know

* 3. How was the film financed?

- Distributor
- Foreign pre-sales
- Private investors
- Bank or other loan
- Crowd funding
- Family
- Self
- I don't know

Other (please specify)

4. What was the single largest source of funding?

- Distributor
- Foreign pre-sales
- Private investors
- Bank or other loan
- Crowd funding
- Family
- Self
- I don't know
- Other (please specify)

* 5. Did you have a business plan?

- Yes (continue to Q6)
- No (continue to Q6, then skip to Q9)
- I don't know (continue to Q 6, then skip to Q9)

6. If YES, how many investors did you show the business plan to? If NO, why not?

7. If YES, how many of them invested in your film?

8. Did the business plan help getting the film financed?

- Yes, absolutely
- Yes, most likely
- Possibly
- Not necessarily
- Probably not
- Most definitely not

* 9. How important is it to have a business plan when looking to finance an independent feature film?

- Extremely important
- Very important
- Not sure
- Not very important
- Completely unnecessary

* 10. Would you use a business plan as a tool to finding investors for your next independent feature film?

- Yes, absolutely
- Yes, probably
- Not sure
- Probably not
- Definitely not

APPENDIX 1

Business Plans in Film Making

Jan Kutrzeba

check all that apply.		
Answer Options	Response Percent	Response Count
Action	20.0 %	2
Animation	10.0 %	1
Comedy	30.0 %	3
Documentary	0.0 %	0
Drama	50.0 %	5
Documentary	0.0 %	0
Horror	20.0 %	2
Thriller	10.0 %	1
Comments		2
	answered question	10
	skipped question	0
Q2. What was the budget?		
Answer Options	Response Percent	Response Count
Under \$100K	40.0 %	4
\$100K - \$500K	0.0 %	0
\$500K - \$1M	20.0 %	2
\$1M - \$3M	10.0 %	1
\$3M - \$5M	0.0 %	0
\$5M - \$10M	10.0 %	1
Over \$10M	20.0 %	2
I don't know	0.0 %	0
	answered question	10
	skipped question	0
Q3. How was the film financed?		
Answer Options	Response Percent	Response Count
Distributor	0.0 %	0
Foreign pre-sales	10.0 %	1
Private investors	40.0 %	4
Bank or other loan	10.0 %	1
Crowd funding	20.0 %	2
Family	10.0 %	1
Self	30.0 %	3
I don't know	0.0 %	0
Comments		3
	answered question	10
	skipped question	0

Q4. What was the single largest source of funding?

Answer Options	Response Percent	Response Count
Distributor	0.0 %	0
Foreign pre-sales	10.0 %	1
Private investors	40.0 %	4
Bank or other loan	10.0 %	1
Crowd funding	0.0 %	0
Family	0.0 %	0
Self	30.0 %	3
I don't know	0.0 %	0
Other (please specify)	10.0 %	1
	answered question	10
	skipped question	0

Q5. Did you have a business plan?

Answer Options	Response Percent	Response Count
Yes (continue to Q6)	60.0 %	6
No (continue to Q6, then skip to Q9)	30.0 %	3
I don't know (continue to Q 6, then skip to Q9)	10.0 %	1
	answered question	10
	skipped question	0

Q6. If YES, how many investors did you show the business plan to? If NO, why not?

Answer Options	Response Count
	6
answered question	6
skipped question	4

Q7. If YES, how many of them invested in your film?

Answer Options	Response Count
	6
answered question	6
skipped question	4

Q8. Did the business plan help getting the film financed?

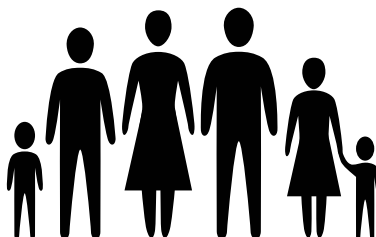
Answer Options	Response Percent	Response Count
Yes, absolutely	83.3 %	5
Yes, most likely	0.0 %	0
Possibly	16.7 %	1
Not necessarily	0.0 %	0
Probably not	0.0 %	0

Most definitely not	0.0 %	0
	answered question	6
	skipped question	4
independent feature film?		
Answer Options	Response Percent	Response Count
Extremely important	60.0 %	6
Very important	10.0 %	1
Not sure	20.0 %	2
Not very important	10.0 %	1
Completely unnecessary	0.0 %	0
	answered question	10
	skipped question	0
independent feature film?		
Answer Options	Response Percent	Response Count
Yes, absolutely	40.0 %	4
Yes, probably	40.0 %	4
Not sure	10.0 %	1
Probably not	0.0 %	0
Definitely not	10.0 %	1
	answered question	10
	skipped question	0

THE FILM RATING SYSTEM

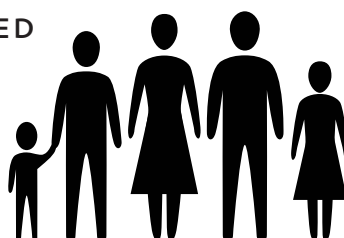
EMPOWERING FAMILIES TO MAKE INFORMED MOVIE CHOICES

GENERAL AUDIENCES



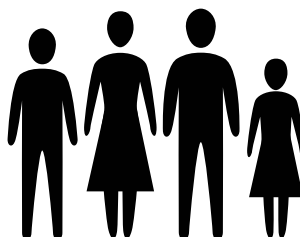
Nothing that would offend parents for viewing by children.

PARENTAL GUIDANCE SUGGESTED



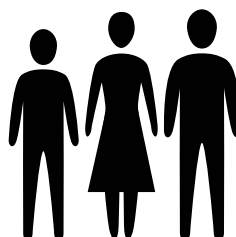
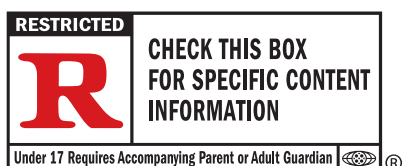
Parents urged to give "parental guidance." May contain some material parents might not like for their young children.

PARENTS STRONGLY CAUTIONED



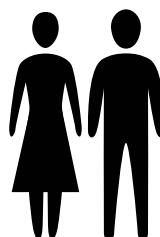
Parents are urged to be cautious. Some material may be inappropriate for pre-teenagers.

RESTRICTED



Contains some adult material. Parents are urged to learn more about the film before taking their young children with them.

NO ONE 17 AND UNDER ADMITTED



Clearly adult. Children are not admitted.

