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Success Drivers for Independent Feature Filmmaking in South Africa

Damon Heatlie

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A research report submitted to the Faculty of Commerce, Law and Management, University of the Witwatersrand, in partial fulfilment of the requirements for the degree of Master of Business Administration.

Johannesburg, June 2011

ABSTRACT

This qualitative research addresses the central research question - why is the South African feature film industry uncompetitive, and what are the key drivers for producing profitable films in the South African context? The central conceptual framework used is value chain analysis. The study limits its scope to focusing specifically on the development and distribution stages of the independent feature film value chain. The study commences by investigating the historic poor performance of South African films, which typically were not able to recoup costs and move into profitability. The study interrogates the critical role of the independent film producer as a 'creative entrepreneur' and looks at examples of successful film industry development in other emerging economies. The research then examines what international research indicates as success factors at the development stage, followed by an exploration of the rapidly changing digital landscape of film distribution and its associated opportunities.

The empirical research component comprises of the analysis of semi-structured expert interviews with 12 industry stakeholders – producers, distributors and funder-investors involved in feature filmmaking in South Africa. The data analysis involved thematic encoding, a reduction of 10 open–ended questions to four key thematic domains that presented in the findings: 'understanding the market', 'finding a business model', 'government support' and 'embracing distribution challenges'. Conclusions drawn from the findings were that producers have historically misunderstood audience needs and market volumes for their films, that profitability is achievable if one targets local markets modestly, that government support is critical but deficient in the South African environment, and that South African films need committed local distributors and exhibitors even before serious investment in Internet based distribution mechanisms.

This study adds empirical data to an under researched field and contributes to understanding the nature of creative industries and their dynamics.

DECLARATION

I, Damon Heatlie, declare that this research report is my own unaided work except as indicated in the references and acknowledgements. It is submitted in partial fulfilment of the requirements for the degree of Master of Business Administration at the University of the Witwatersrand, Johannesburg. It has not been submitted before for any degree or examination in this or any other university.

_____

Damon Heatlie

Signed at Johannesburg

On the 7th day of June, 2011

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I would like to thank my supervisor, Professor Gillian Marcelle, for the effort and time she has given to this project, and for her strategic insights that have helped shape this research report. I would also like to express my gratitude to my wife and daughter for sustaining me through the long nights and solitary weekends spent working on this study.

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1. INTRODUCTION

1.1 Scope and relevance of the study

The South African film and television industry can be divided into three main genres of production – television programming, commercials and corporate videos, and feature films (Deloitte 2007). This research report focuses specifically on the production of feature films – defined here as fictional films of not less than 90 minutes in duration that exploit various film windows including theatrical release.

Overall the film and television industry continues to grow and is seen as major contributor to employment and economic growth with its contribution of around R6bn a year. But within this arena, the specific activity of feature film production has consistently fared poorly from a financial perspective. As Tuomi (2006) points out, "Few South African films are commercially successful" (2006: 90). The National Film and Video Foundation's report (2008: 25) on the industry in the post '94 era concludes that "there are still challenges that need to be overcome to move the industry forward and to position it to be a serious player both locally and internationally". Head of Production and Development at the NFVF, Clarence Hamilton, points to how the average cost of South African features – R24.3m - is high compared to their average box office takings of R2.5m (NFVF 2010: 20). This means an average box office return that is one tenth of the average cost of a film – clearly South African films are on the whole not recouping their costs. There are of course other windows of exploitation or revenue streams to be considered such as DVD sales and broadcast licenses – but the box office figure is widely used as a figure indicative of financial performance.

These perspectives seem to be corroborated by more recent box office figures – one should of course bear in mind that box office takings are not the full picture[i]. Of the 11 South African (and SA coproduction films[ii]) released in the first 9 months of 2009 (see Appendix D), only 2 films made over R1m from cinemagoers. Considering that even low-budget films usually cost a few million rand, this gives an indication of the kinds of losses local producers are facing. The top earning 'South African' film in this period was

actually a coproduction, *District 9* (Blomkamp 2009). The South African-themed story (with a budget of only $30m) directed by an ex-South African earned $115min US theatres - but earned only R2.1m in South African cinemas. Produced by the New Zealand film wizard, Peter Jackson (*Lord of the Rings*), its unusual success in the international arena, including South Africa, can largely be attributed to his considerable distribution leverage and personal association with the project, including a massive viral marketing campaign bank-rolled by Sony Pictures. From a financial perspective, this 'breakthrough' film was not even a South African venture.

The aim of this research report is to look at why recent South African feature films have mostly been unprofitable - and to compare strategic directions for South African film producers aspiring to produce profitable feature films for local and international audiences. Employing qualitative research methodology, the study conducts and interprets a series of in–depth semi-structured interviews with South African industry experts (producers, funders and distributors) to investigate a range of approaches, experiences and beliefs pertaining to profitable filmmaking. It should be noted that this qualitative analysis does not focus much on hard financial data around the performance of films – while local box office revenues are readily available, the costs (and profits or losses) relating to individual films are not[iii] (see 1.4 Delimitations of the Study below).

Apart from addressing the profitability question, this research is also relevant because South African films are not reaching the throughput rate and markets required for a sustainable industry[iv]. It has been suggested that a local industry needs to produce a certain number of local films a year before the market develops an appetite for local content (Creative Industries Sector Report 2008; NFVF 2008). Sustainability is thus linked to profitability, and vice versa – people will not want to make films if they are unprofitable. This research report explores various perspectives on how to remedy the situations. What one might call a microeconomic perspective on the viability and increased profitability of individual films will hopefully contribute to growth and development of the industry and economy at a macro level. Additionally looking at macro factors, such as government support, will impact on practices at the individual level. The study should thus be of interest to a number of stakeholders in and around

the film industry, not just producers. The findings would thus be directly relevant to film producers, film financiers, funders and investors, academics and policy makers. There is not much honest communication in the film industry when it comes to what works and what fails, with obfuscation and rumour prevailing in the absence of transparency. Hopefully this research - with its qualitative exploration of diverse perspectives and thematic analysis - will contribute to a more transparent and continuous conversation around profitability in the industry. This in turn in should allow film industry stakeholders to make more sensible decisions in financial, regulatory, educative and creative domains.

The research also addresses the paucity of qualitative academic research in this area in the South African context, a problem repeatedly identified (Creative Industries Sector Report 2008; Deloitte 2007; Tuomi 2006). While there are quantitative studies that investigate factors affecting US box office revenues (e.g. Terry, Butler and D'Armond 2003; Simonoff and Sparrow 2000; Stimpert, Laux, Marino & Gleason 2008), these tend to look at demand reflected in revenues without taking into account the costs (budgets) and other strategic supply-side factors. As such these studies of 'revenue' are not reflective of profitability, and bracket the question of a producer's intentionality, efficiency and forecasting ability. In looking at views on profitability, as well as other aspects of the producer's craft, this study hopes to shed light on the viability of different independent approaches to film producing in South Africa from the inside. From the survey of literature undertaken this is not an area that has been adequately studied yet.

1.2 Context of the study

The South African post-apartheid feature film industry is continuing to struggle towards profitability, largely funded by government money, private investors and occasional international funding and investments (Cultural Industries Growth Strategy 1998; NFVF 2008; Tuomi 2006). Box office figures show that unfortunately South Africans on the whole still prefer to go to see foreign films (Deloitte 2008). Feature films often get made by producers and directors working predominantly in the more productive and sustainable commercials and television sub-industries[v]. In Gauteng

alone these more viable aspects of the film and television industry play a vital role in the regional economy - "in the 2007 financial year the film and television industry contributed R2.5-billion (US$ 25.3-billion) to the province, creating 8 000 jobs" (Magubane 2008). The NFVF maintains that nationally the film and television industry contributes R5.4bn to the economy (NFVF 2010).

The reasons why South Africa does not have a flourishing feature film industry are fairly well established within the local industry and film scene at an impressionistic or speculative level. But they are perhaps insufficiently established at an empirical level, which forms part of the rationale of this research. Certain situational factors are however generally accepted. Firstly, the horizontally and vertically-integrated Hollywood system, a value chain which extends from content development to distribution and exhibition systems, has established a stranglehold over the transnational world of distribution, leaving little room for domestic national cinemas to emerge and flourish (Culkin 2008; Scott 2002). As Mattelart has indicated, the European states have long maintained elements of protectionist policies and quota systems towards the powerful American feature film industry (Mattelart 1998). South Africa has no such policies in place to protect and develop a 'national cinema'. Additionally, the industry across the globe is one of high-risk investment – for every seven feature films made only one is profitable (Cultural Industries Growth Strategy 1998: 23). This means that while there might be interest in emerging markets generally, the nascent South African feature film industry struggles to attract both local and international investment in a globally competitive and risk-sensitive arena.

Another obvious major reason for poor local products is an insufficient and fragmented local market. As the South African Film and Television Industry Report (Cultural Industries Growth Strategy 1998) states: "The size of the domestic market is important in providing a springboard for export of film and television production. South Africa's domestic market is at present very small in comparison to developed markets" (32). More debatably, Tuomi (2006) finds a major fault in the 'production-lead' paradigm dominant in the South African industry, which is driven by what filmmakers want to make, rather than what the market requires ('distribution-lead' production). Other oft-cited reasons include a range of skills and expertise shortages in the industry that result

in: underdeveloped scripts and amateurish acting, inexperienced directors, as well as inadequate understanding by local producers of the international financing and distribution systems that get films made and circulated elsewhere (Barnard & Tuomi 2008; Deloitte 2008).

Nevertheless there is still much excitement and enthusiasm in the industry around the possibilities for what could be in store for South African feature films in the near future. The National Film and Video Foundation (NFVF) has ploughed much of its scarce resources into trying to develop the industry at a number of different stages of the value chain, while focusing most of their funds at the production stage (Joffe & Newton 2008). Government has clearly decided to prioritise the feature film industry with a rebate incentive system at the DTI committing R1bn to 188 projects since 2004 (Kriedermann 2011a), a scheme that has continuously become more producer-friendly. Local producers are making more feature films, with the number produced in South Africa rising from 9 made in 2007 (NFVF 2008) to 23 in 2010 (Kriedermann 2011a).

1.3 Research Question

In analysing perceptions of the local feature film industry, the research will be framed around the following central research question: *why is the South African feature film industry uncompetitive, and what are the key drivers (choices and preconditions) for producing profitable films in the South African context*? Within this broader question, two distinct areas of vagueness will be addressed:

1) What are the key drivers and opportunities within the 'development' stage of the South African film industry value-chain required for the profitable production of 'independent' feature films?

2) How do new and established film 'distribution' approaches and technologies fit the South African environment and facilitate the success of local films?

1.4 Delimitations of the study

It must be stated clearly that this study does not attempt to pursue a hard financial or quantitative analysis of feature film profitability in the South African situation. Such an endeavour would be unfeasible in terms of the data access it would need to have. While some high profile movies advertise their blockbuster budgets, the whole question of whether and when a film recoups its costs, and moves into profits, is more often treated like a 'trade secret'. Too much is at stake (including all important reputation) for a producer to be publicising the financial performance of their film.

Most of the studies that attempt to address ingredients of success in the US film industry use box office revenues as the dependent variable in a regression analysis. This is quite problematic because these do not reflect the costs of production (and hence profitability), nor the long tail of additional cash flows that accrue from post-theatrical exploitations. As the authors of a recent study concede:

> An important limitation of this study is its reliance on a single measure of movie success, box office revenues. Box office revenue does not include income earned from movie rentals or sales of DVDs, and while box office revenue is a key measure of audience appeal, it cannot capture other dimensions of movie success. Net profit or income earned by a motion picture after all expenses have been deducted from revenues is another important economic measure of success, but one that is difficult to calculate in the motion picture industry (Stimpert, Laux, Marino & Gleason 2008: 46)

Many other such quantitative studies do not even admit this limitation. The NFVF encountered similar problems when it attempted to research the South African feature film industry – "E-mails were sent out to film producers (companies and individuals) requesting budget information but most of them were not willing to divulge information. The reason given was that the information is confidential [...]" (NFVF 2008: 7).

The essentially qualitative research of this investigation also has a defined industry and geographical scope. The study is limited to:

1. The South African feature film industry (excluding commercials, promotional video and television industries), and

2. South African-based respondents centred in Gauteng.

Additionally, only two stages of the film value chain will be focused on:

1. Development stage – aesthetic strategies and financial plans developed by the producer to create a sense of 'viability' for investors. This broadly entails story development, attachments of cast and director, and budgeting (in this stage we will also touch on what has been identified as a separate and ensuing 'Financing' stage, the raising of finance after putting together a producer's package)

2. Distribution stage – once it has been completed, how the film is licensed on to exhibitors (movie theatre owners), DVD rental and retail, and various broadcasters to reach a maximum (paying) audience. As we shall, however, certain aspects of distribution often need to be in place even before the 'Preproduction' and 'Production' phases are in place.

The study is thus primarily focussed on the producer's actions, intentions and strategies in three main activity areas: creative, strategic and financial, while additionally looking at the activities of other stakeholders (distributors, government funders, investors, etc.) in these areas.

1.5 Definition of terms

- Feature films – fictional dramatic films, usually between 90 and 120 minutes, generally intended to make money by reaching cinema audiences amongst other 'windows of exploitation' (DVD/video rental, broadcasting licenses, DVD retail, etc).

- Independent film - defined variably as a film that is not made by a major studio, or that in at least the development phase has no links with such a studio, that has various sources of funds, and is a film in which the producer carries some risk (Bloore 2009).

- Producer – someone financially, logistically and creatively in charge of a production, and ensuring its quality and value. Usually initiates a production, and also a stakeholder in any income that comes in after interest and costs (Bloore 2009).

- Producer's package – script/treatment, proposed director, budget and attached cast. A package of creative and marketable attributes that a producer in the preproduction or development phase uses to raise funds for a feature film project (Finney 2010).

- NFVF – National Film and Video Foundation – established in 1997 to "develop and promote the [film] industry" (Joffe & Newton 2008: 25), the foundation is a government-funded body serving the industry through training, research, as well as funding actual projects and development processes.

1.6 Assumptions

It is assumed that producers and funders are being open about what they might possibly see as confidential or compromising information about their own and others' successes and failures as film professionals. 'Opening up' required tact and consideration by the researcher (myself) during the interview process, along with the assurance that personal identities will not be revealed or become evident. But there is nevertheless no guarantee that what is revealed is 'true'.

Specifically with regard to the producer respondents: It is assumed that producers are being open and sincere about their specific approaches to film-making – in other words, their 'trade secrets' or business models. This once again required tact and sensitivity by the researcher, and the motivation that the research is for the betterment of the industry. Openness was partly dependent on the questions - the interview

questions were specifically formulated so as not to convey the sense that the producer was being asked to 'reveal' all that they do and know.

A third assumption is that the reader can actually extract useable strategic insights for making films from the generalising analysis of what are fairly fragmented success indicators. In other words, there is the possibility that no distinct patterns of combined 'success' factors actually recur across the perspectives, but that the findings and analysis impose a dominant overarching 'voice'. The environment might in reality be so complex and fluid that it is 'each man (or project) for himself'.

2 LITERATURE REVIEW

2.1 Introduction – the South African situation

> From script development to marketing, South Africans must compete with Hollywood's formidable infrastructure. The evidence suggests that South African filmmakers seldom win in this uneven battle (*Barnard and Tuomi 2008: 654)*

What follows below is a literature review of existing research and theory that pertains to the key issues addressed by the research. It should be noted that there is very little research and academic literature on the South African feature film industry, and much of the literature surveyed here deals with the innovations, trends and models relating to the international (or transnational) independent film industry. The problem of poor data is not specific to film, but pertains to all the creative industries, as the Creative Industries Sector Report (2008) points out - "given that the concept of the cultural industries only found a place in global public policy in the last decade or so it is not surprising that there is a dearth of reliable and consistent data to assess the economic contribution of these industries..." (Creative Industries Sector Report 2008: 6). The Deloitte Report (2007) bemoans the lack of 'market intelligence' and research around the South African film industry specifically, citing it as one of the weaknesses facing institutional efforts to galvanise the local industry (6), while Tuomi (2006) argues that "Research efforts need to increase, and these should be made accessible to the public at large" (101).

While the creative industries[vi] have been targeted by research studies and high-level government policies since 1996 (Creative Industries Sector Report 2008), the South African feature film industry has not yet taken off as hoped. By 2006 only 5 South African films in the previous six years had made more than R1m rand at the box-office (Barnard and Tuomi 2008), while according to more recent research by the NVFV only 29% of local films made between 1994 and 2008 have earned more than R1m (NFVF 2010). The film industry's 'structural' problems have recently been explained by decreasing levels of private financing, increased dependence on government funding, high levels of foreign product saturation and limited local film genres to suit domestic tastes (Deloitte 2007). Barnard and Tuomi (2008) argue more specifically that South

African films simply cannot yet be expected to compete with superior American content. South African cinemagoers are used to Hollywood genre films and expect - from a purely technical point of view - high quality craftsmanship and Hollywood 'production-value': "for almost a century now, South Africans have had access to Hollywood films" and are bedazzled by their "technical excellence" (Barnard and Tuomi 2008: 654). South African films, lacking these Hollywood capabilities, cannot achieve these expected standards, and hence are not commercially successful domestically.

The Creative Industries Sector Report (2008), following a value chain analysis, puts more emphasis on the problem of distribution: "there are bottlenecks in distribution caused by a small domestic market and limited access to foreign markets" (2008: 19). In this regard, the Cultural Industries Growth Strategy (1998) concluded over a decade ago that "local and global [film] players require greater interaction to effectively integrate the local industry into the global industry" (123), but clearly this has not happened. These perspectives all present a common picture - South African films are struggling to compete in a highly competitive transnational marketplace.

2.2 Success in some emerging economies

It would be a mistake to think that emerging economies as a bloc tend not to have successful film industries, or that an emerging economy is somehow inherently limited by its developmental status. While the odds might seem stacked against South African feature films competing against the Hollywood monolith, other developing countries have succeeded in establishing viable industries in relation to both domestic and foreign markets. South African producers and policy makers should be looking to the factors, interventions and behaviours that precipitated these successes. In her analysis of the 'multilevel entrepreneurship' that was required to kick-start a screen production industry in a "late-start, small population" country such as New Zealand, De Bruin (2005) argues that "entrepreneurial activity in the creative industries involves action at several levels" (144). While the familiar figure of the gap-spotting individual entrepreneur (the film producer) is a base-line necessity, one also needs region-specific strategies and national-level prioritisation and policies to facilitate growth. De Bruin

(2005) argues that in a short period NZ has garnered international acclaim as a filmmaking nation, and at the time of writing had a number of international big-name co-productions in production.

India is another emerging economy that is successfully following a 'catch-up' strategy in its ITC and entertainment sectors, now that it has become export-focused and capable. The Indian film industry exploded in the 90s, largely a result of innovation and growth in the Mumbai-based 'Bollywood' film cluster – "revenues [...] have grown 360% in the period 1998–2005, and 58% in the period 2001–2005" (Lorenzen & Täube 2008: 287). According to Lorenzen & Mudambi (2010), "it is largely due to Bollywood that entertainment now is India's second biggest growth sector, and that India is becoming an important global player in the booming global entertainment sector" (6). The Mumbai film industry is a century old but has only recently become 'outward' focused - it now accounts for 40% of the national film industry, has a growth rate of between 10% and 20%, and is able to partake in sizeable outward FDI, including the recent acquisition of US film titan, Dreamworks (Lorenzen & Mudambi 2010).

Another successful filmmaking model to emerge from the set of emerging economies is the Nollywood (Nigerian) model. This industry has, like its namesake Bollywood, only exploded in the last two decades, and it is now generating annual revenues for Nigerians of between $200m to $300m (Barnard &Tuomi 2008). However, as Barnard & Tuomi (2008) argue, this straight-to-DVD industry is not comparable to the South African exhibition-focused model "because the Nigerian film industry sells a product (DVD) rather than service (theatre tickets)" (Barnard &Tuomi 2008: 659). Additionally they point out that the ultra-low budget ($15,000 versus the average $1-$2m spent on a South African movie) inevitably translates into low-quality, amateurish productions, which would never fit the more the more "sophisticated" demand of the South African consumer (Barnard & Tuomi 2008: 659-661). While the recent declarations of success from low-budget straight-to-DVD South African producer-distributor Chicco Twala ('Chicco's Mass Appeal' 2010) could contradict this view in time, it is true to say that there is currently no flourishing local South African variant of the Nollywood system. It should be noted that the scope of this research is limited to local filmmaking models that include exhibition as a primary window of exploitation.

2.3 The independent film

Overseas there is an increasing tendency to focus on the specific characteristics and opportunities presented by independent films to compete in the global marketplace. The term 'independent', when used pertaining to film productions or companies, refers to their economic relationship to the major studios and media conglomerates that dominate the US industry (Bloore 2009: 4). 'Independent' producers tend to be smaller operations sometimes working for the 'majors', but often operating entirely in their own separate economic spheres: "they cater to a great variety of market niches, and their outputs include art films for specialized audiences, genre movies of all kinds, documentaries, television commercials and direct-to-video films" (Scott 2002: 963).

But independent film has also taken on another meaning with the digital video revolution of the late 1990s – the 'Indie' producer now becomes a specifically small-time producer of niche movies, either ultra-low budget 'microcinema' or low budget personal films made 'on spec' (Currah 2003). This new low-budget 'Indie' mode of production is partly differentiated by its displacement outside of (and sometimes against) the established economic circuits of distribution (Culkin 2008; Currah 2003). These two slightly different understandings of the term 'independent' producer (one purely economically defined, the other brazenly anti-establishment and 'cultural') can lead to confusion; this research, unless otherwise stated, works with the former more general meaning of someone working outside of the vertically integrated Studio system.

2.3.1 The independent producer as entrepreneur

The success of the independent film is partially defined by the abilities of the independent producer. This is someone (as opposed to a studio) who initiates a film project, buys the rights to the content, sells on rights to the finished product, as well as tries to maintain an equity share in potential profits if the film breaks even (Finney 2010; Kerrigan & Ozbilgin 2001; Davenport 2006). The producer's risky business is one in which each film is a new venture - it is about spotting profitable opportunities, untested but brimming with promise, and consequently there are huge risks and

rewards at stake with each new 'start-up'. If one seeks to understand how to make profitable films and establish a sustainable film feature industry, one needs to acknowledge the importance and specificities of what are clearly the entrepreneurial competencies of the producer.

De Bruin (2005) points to the fact that the film producer is an example of a special kind of 'creative entrepreneur', someone who can marry inner artistic urges with external commercial opportunities by adding personal value. She argues that this is the Schumpeterian value-add of entrepreneurs over inventors (those who don't get beyond the idea). Entrepreneurs see opportunities, then make them happen - "It is only when the artist is, in the words of Schumpeter, the one who 'gets things done' that he/she corresponds to the creative entrepreneur" (De Bruin 2005: 145), and this involves pulling different activities together.

> A key entrepreneurial skill owned by a successful producer is the ability to integrate and multi-task: "one of the broad approaches to entrepreneurship emphasizes the entrepreneur as an organizer of factors of production, as first raised by economist J. B. Say early in the nineteenth century" (Glancey and McQuaid, 2000). Film production requires the organization and coordination of a range of creative inputs (associated with the artists – directors, actors, scriptwriters, cinematographers, costume designers, special-effects specialists, make-up artists, sound-track and music composers, editors, etc). These creative talents have to be combined with humdrum inputs such as finance for the project (de Bruin 2005: 148).

For de Bruin (2005), Peter Jackson, producer and director of the hugely successful *Lord of the Rings* trilogy (2004) is the emblematic 'creative entrepreneur'.

A producer of independent film is thus an agent or catalyst for a project, and achieving this through a range of financial and creative skills. This has been the entrepreneurial role of the feature film producer for over a century. Mezias and Kuperman (2000) point out that very early on in the evolution of the film industry, the system started moulding

the critical role of the producer as a) an innovator/differentiator, who b) had to find a market, and c) make a profit:

> The unique production qualities and star appeal that separated features from earlier multi-reels and shorts forced producers to develop many new organizational and creative skills. This included learning new approaches to functional tasks such as writing and directing, learning how to acquire and develop talent, and learning how to promote their films. Dependent on stars and substance, features could not be scheduled as shorts had been, using quotas like a commodity on an assembly line. Thomas H. Ince is credited with developing the 'central producer system', an administrative innovation that nearly every major producer soon adopted (Koszarski 1990, p. 108). This system treated each film as a unique product, allowing for enhanced creative quality, but also monitored cost, controlling the financial threat posed by the greater capital expenditures required in the production of features (Mezias and Kuperman 2000: 219).

In their study of the first 30 years of the American film industry, Mezias and Kuperman (2000) argue that entrepreneurship was not just about individual 'traits', but about community dynamics and how individuals responded to these, learning, innovating and copying from one another. But how much does the entrepreneurial behaviour of the individual producer actually count within this now mature industry, in the postmodern age of horizontally integrated media conglomerates?

Some of the recent literature points to the importance of how well producers interact with one another as well as other players in the value chain, and their degree of access to other important people. Coe (2000) looks at Vancouver producers as economic agents in the film industry exemplifying "embeddedness", a concept developed by economic geographers, in which "economic action, instead of representing some kind of free-floating logic or rationality, is embedded in networks and institutions that are socially constructed and culturally defined, and therefore is influenced by aspects such as mutuality, trust and cooperation" (Coe 2000: 394). The formal relationships of

individual projects thus emerge from informal networks (or what is now popularly called 'social capital'). Similarly, Lorenzen & Täube (2008) argue that professionalisation and social networks in the form of 'alliances' in Bollywood have allowed for small production companies to resist vertical and horizontal integration and maintain profitable control of the production stage of the Indian feature film value chain. All of the top thirty earning Bollywood films between 2003 and 2005 were produced by these newly professionalised but still small production companies (Lorenzen & Täube 2008).

Coe (2000) acknowledges that both regional and personal relationships influence the success of producers' initiatives, and that Canada's proximity to the US spells a particular national difficulty. One might ask:

> What then are the prospects for Vancouver producers looking to develop their own projects within this structural context of US dominance of access to both capital and markets? Success for independent producers in the film industry depends to a large extent on their ability to gain financial backing and distribution contracts for their projects. Although the film industry appears to be driven by the logics of transnational capital on an aggregate, scale, on a project-by-project basis, the nature of the film production process is very much determined by interpersonal relations (Coe 2000: 397).

In Bollywood it is equally essential to have this social capital - "the incumbent producers who enjoy a central position in the social network possess a richness of personal informal relations to today's star actors, directors, and financiers, and systematically use this for signing talent and obtaining finance" (Lorenzen & Täube, 2008: 294). Davenport (2006), on the other hand, while acknowledging the importance of social networks for producers, argues that they can also work against them, stifling all important operational innovation: "although the producer benefits from the efficient functioning of networks, he or she is also a network member and subject to socializing constraints; and so, given a heavy reliance on reputation, may be unlikely to risk experimentation" (55).

On a slightly different tack, Venkataraman (2004) finds a number of cultural 'intangibles' as necessary preconditions for Schumpeterian-style entrepreneurship to take root in a locality. These conditions include available role models, proximity to idea-factories, informal forums for networking, appetite for risk and other factors that contribute to an entrepreneurial culture or milieu (Venkataraman 2004: 153). He warns that true entrepreneurial mindsets, as envisaged by Schumpeter as "agents of profound economic and social change" are often antithetical to developing countries, which are often locked into traditional modalities (Venkataraman 2004: 154)

In concluding this investigation of the producer as entrepreneur, it is worth noting that some argue that independent producers display behaviour which is decidedly *un*-entrepreneurial. In a study of innovativeness and entrepreneurship amongst UK producers, Davenport (2006) maintains that they "are not entrepreneurs in the sense that the term is generally understood" (253). Producer's companies stay small due to the project-based form of operational organisation, take no risk through providing equity and hence do not participate in profits. Being in a continuously subordinate relation to the Hollywood-dominated distribution system, the independent UK producer has to resort to pre-selling the rights to finance films, and hence never builds up capital to finance her own films - "Since less than one film in ten is successful at the box office, and the UK film company can make only about one film a year, this risk-minimizing behaviour is unsurprising" (Davenport 2006: 153). This view is consonant with the generally held view that the independent film requires significantly more complex financing orchestration than the studio film. However Davenport's contention that UK producers mostly surrender all rights to profits is not sufficiently corroborated.

2.3.2 The independent film value chain

Cinema across the globe is dominated by the US film industry, which is in turn dominated by the Hollywood studio 'majors' (Coe 2000; Scott 2002; Deloitte 2007; Davenport 2006; Barnard and Tuomi 2008). In South Africa ninety percent of films exhibited are imported from the USA (Creative Industries Sector Report 2008), and most of these will be Hollywood genre films. A useful way of coming to understand this

dominance is through a value chain analysis of the industry. We look first at the Hollywood system before proceeding to look at the independent film value chain.

The six major studios, involved in both producing and distributing activities, are horizontally and vertically integrated media conglomerates. While Hollywood is often simplistically seen as a single studio-dominated production system based on vertical integration of various stages of the value chain, Scott (2002) points out this is an outdated description more pertinent to decades gone by. The major companies have partly disintegrated and rely on flexible 'production networks' rather than in-house factory systems: "Although the majors continue to dominate the entire industry, and continue to maintain a significant degree of in-house production capacity, they also rely more and more on smaller subsidiaries and independent production companies in order to spread their risks, to diversify their market offerings, and to sound out emerging market opportunities" (Scott 2002: 963). Sometimes the independents are competing with the majors, at other times cooperating – but usually the high-budget high-risk 'blockbuster' is the sole domain of the majors who are interested in the multiple streams of revenue that can be extracted from merchandising and other ancillary products (Scott 2002).

Clearly South African film production has no other option but to align itself with the independent model and its strategies, as it is predominantly competing with the Hollywood majors for screen space and audiences. Efforts by American distributors, industry lobby groups and government trade agendas have "naturalised American cinematic idioms on many foreign markets" (Scott 2002: 971). One of the most startling facts of Hollywood revenue growth is that it has taken place mainly in the export of films (Taplin 2007; Scott 2002). From 1986 to 1999 domestic growth was slight at 29%, while sales to territories overseas expanded massively by 365% (Scott 2002). South Africa, which constitutes around 1% of this export market, cannot compete directly with Hollywood's high-end 'blockbuster' content, but it can compete with other independent 'world cinemas', differentiated by their local content.

Tuomi (2006) argues that it is also not easy for independent production companies to compete with the market reach of Hollywood studios: "On a global scale, film has been

characterised by frequent mergers and a concentration of ownership. This has resulted in higher entry barriers for smaller independents, many of whom lack the access to distribution networks available to the big entertainment companies" (Tuomi 2006: 82). However independent South African producers can draw inspiration from the Indian film industry, where a number of small independent (non-integrated) production companies have created a massively successful industry. Although Bollywood has done it with the help of a population of 1.18 billion people, it is still a remarkable achievement, and one which is testimony to the power of tapping local demand:

> On a scale comparable to Hollywood, Bollywood finances, produces, markets, and distributes well over 200 films annually, including big-budget blockbusters, but in the complete absence of Sonys, Walt Disneys, or anything like major conglomerates. In a Hollywood perspective, most Bollywood firms are "indies" — the notable difference being that while in Hollywood, independent films are rarely distributed broadly, in Bollywood, many such films are mainstream box office successes (Lorenzen & Täube 2008: 297).

While the market conditions undoubtedly are very different to South Africa's, the lesson to be learned form the Indian situation is that you do not have to be a big company to be able to make successful films.

The competitiveness of South African feature films must surely partly depend on generic business skills and understanding. One needs to ask to what extent stakeholders have a thorough grasp of the discrete yet interlocking stages of film production generally, and more particularly, the specifics of the *independent* feature film value chain. The influential concept of the 'value chain' derives from Porter (1985), and provides a simple analytical tool for examining how firms and industries add value in the creation of a product. Rayport and Sviokla (1995) describe the value chain as "a model that describes a series of value-adding activities connecting a company's supply side [raw materials, inbound logistics, production processes] with its demand side [outbound logistics, marketing and sales]" (75). Analysis of these discrete stages as

separate but related activities can enhance the efficiency of the operation (Rayport and Sviokla 1995).

Mezias and Kuperman (2000) have used the value chain concept to study the early decades of the American film industry, arguing that " ...it is reasonable to model the early film industry as consisting of three populations of different kinds of firms that formed the larger film industry community" (214). In the initial period these functions were independent communities, before they were horizontally integrated into the oligopolistic studio companies that collectively came to be called the 'Hollywood system'. The authors identify three distinct activities and communities in these early days that still provide the basis of the film value chain today:

1. Production—This function involves the production of films that will be shown to the public.

2. Distribution—This function involves activities that included the storage, promotion, and physical distribution of films.

3. Exhibition—This function involves the showing of films to paying audiences (Mezias and Kuperman 2000: 214)

The model serves as a useful introduction to the most basic elements of the film industry, but is somewhat out of date. Following Goodell, Barnard and Tuomi (2008) employ five stages to model the modern film industry.

Figure 1 - 5 stage value chain

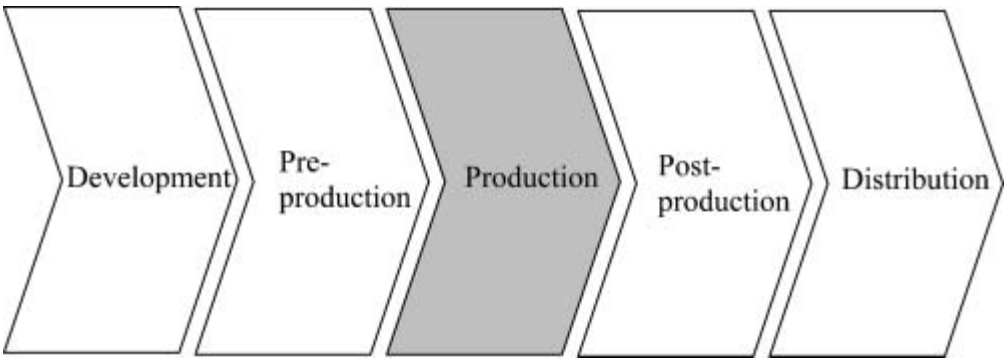


Figure 1. Film value chain. (Barnard and Tuomi 2008: 269)

They however unfortunately erroneously allocate the tasks of the discrete stages as follows: "in the development phase, the basic idea is developed and funding for the film secured. Pre-production involves a variety of planning tasks, for example, the selection of key people and the development of the screenplay, shooting schedule and continuity breakdown. Production involves the actual shooting of the film, while post-production encompasses editing and sound mixing" (Barnard and Tuomi 2008: 269). Actually screenplay development takes place in the first development stage, not in preproduction (which is essentially a logistical and planning period just before the shoot) – and as we shall see, a thoroughly developed screenplay is one of the basic prerequisites for a producer securing production funding.

In perhaps the most convincing and useful value chain modelling to date, Bloore (2009) traces the history of the deployment of the value chain concept to analyse contemporary film industries. Bloore's central point is that while Hollywood has been sufficiently modelled and interpreted, the independent film value chain has not been adequately theorised. Analysing a number of industry models proposed in the last decade, he finds them all wanting, particularly because they mostly privilege the vertically-integrated American studio model at the expense of a European 'independent' model[vii] (Bloore 2009).

He maintains that the value chain in an independent film is a lot more complex (with more 'players' and with more discrete stages and activities). It is worth considering Bloore's model in some detail as this research report borrows quite heavily from his framework, adhering to his analysis of activities of the earlier 'development' stage as well as the later 'distribution' stage (see Figure 2 below).

In his model, Bloore (2009) proposes the following breakdown:

1) Development

2) Financing and pre-sales

3) Production (shoot and post)

4) International sales and licensing

5) International distribution

6) Exhibition and exploitation

7) Consumption

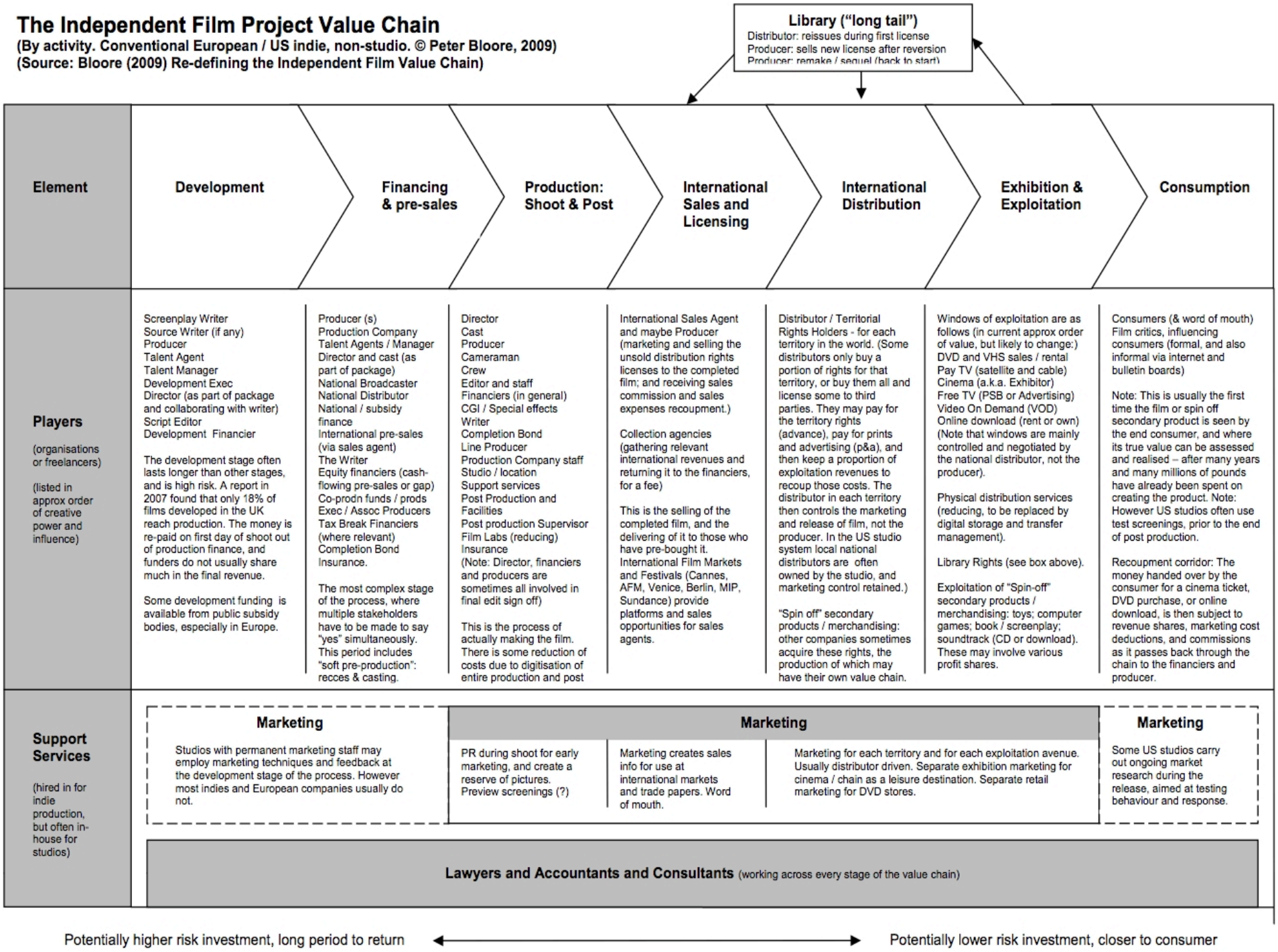
Bloore defines the development stage as "the process of creating or acquiring (through an option) the idea for a film, creating the screenplay (through many drafts), securing development funding for the writer, and initiating the production financing process" as well as often putting together a "producer's package" (2009: 9). What is clear from stages 1) and 2) is that financing is part of the focus from the beginning (and there is a fairly fluid boundary between Development and Financing stages). Another important factor to note at this end of the value chain is the emphasis on 'pre-selling' the rights as part of the financing, before the film is made – a practice usually missing from South African ventures. Pre-selling via a producer's package at a film market, for example, is beginning to do the work of stages 4) and 5) – these stages should be seen as interlinked.

Distribution, at the other end of the chain, is about exploiting the various 'film windows' once the film is finished – in other words, selling the remaining exhibition, retail, rental and broadcast rights in different territories (Bloore 2009: 10). What is critical here is a marketing and distribution plan, knowing how your film is going to find audiences. South African producers tend to focus on local exhibition, which historically, as we have seen, is not necessarily the best strategy. According to Ulin (2009) the box office revenues - generated solely from the exhibition window or 'theatrical release' - were once the principal earner for Hollywood studios. But this film window is now being challenged by other newer forms (or windows) of exploitation (DVD sales, rental, etc.). Exhibition can in some situations become merely a hype-generating 'loss leader' (Ulin 2009).

Figure 3 – Bloore value chain

The Independent Film Project Value Chain

(By activity. Conventional European / US indie, non-studio. © Peter Bloore, 2009)
(Source: Bloore (2009) Re-defining the Independent Film Value Chain)



The following sections will now focus more specifically on the existing literature regarding a) the development stage and b) the distribution stage, with a view to how they might pertain to opportunities for South African film producers.

2.4 Profitable 'development' of the South African feature film

> Risk taking is inherent and endemic in the film industry. Thus the New Zealand Film Commission is necessarily a risk taker. Only 10% of the hundreds of writers and short-film makers it supports make it to production of features, and of these, only around 10% again are successful. (Harley cited in de Bruin 2005: 147)

One of the issues that emerge in the literature on the South African film industry is the question of 'weak links' in the value chain. In their wholesale rejection of the South African industry's current ability to meet "sophisticated" local demand Barnard and Tuomi (2008) fail to differentiate between stages of value chain competence. It would seem that the success of South African line-producers in attracting foreign productions (both commercials and feature films) to the country is evidence that from a technical-operational perspective the local industry is globally competitive. South Africa would not be getting international facilitation work if local crews and production management expertise was not of a 'world-class' standard. In this view the production stage of the chain is not a stumbling block. It is an assumption of this research that activities at specifically the development stage of the local chain are the cause of much of the problems down the line – and perhaps one of the key issues here is the failure of producers to realise the interconnectedness of the various stages of the value chain.

More specifically framed, the question above can be modulated to: what kind of industry-level research and development (R&D) infrastructure needs to be in place for global competitiveness? Venkataraman (2004) points out the importance of R&D zones in the facilitation of any high-tech entrepreneurship: "in a modern economy, top-tier universities and R&D laboratories are the incubators of a steady flow of novel technical ideas" (162). These learning centres produce innovation but also function to attract and circulate the top creative talent. Cunningham (2004) maintains that creative industries such as film need to be seen by small or developing economies in the context of globalisation not just as products but as knowledge-based economic activities and

capacities that are deserving of (and indeed fundamentally require) government-funded research and development. Only with this kind of public funding will they be able to compete with Hollywood domination.

Locally, SASFED, an overarching industry body representing numerous stakeholder interest groups, has expressed the opinion that government support is a necessary condition for a viable screen industry (Matsunyane cited in NFVF 2010). According to Tuomi (2006) "It appears that the South Africa film industry is at a proverbial 'crossroads'. With a supportive policy environment, it can capitalise on its assets, skills and experience and produce a wider variety of films for both local and foreign audiences, boosting the economic sustainability of the sector" (83). According to de Bruin (2005) New Zealand's public sector strategic support was instrumental in pushing the creative industries growth rate to over double that of the overall economy. More specifically, the New Zealand Film Commission and NZ Film Fund have played a critical role in developing the industry through nurturing individual talent, building an international reputation, exporting New Zealand films and attracting foreign film investment (de Bruin 2005).

While one might think the development stage of the value chain should be driven by the individual entrepreneur (or production company), de Bruin (2005) argues that just as important in the creative industries is the presence of a 'strategic state', which is "one that also fits with the entrepreneurship perspective of the global age" (145). It is naive to think that 'entrepreneurship' and 'innovation' at this level of complexity occur spontaneously in a 'free market' without state intervention - these are activities that need to be pursued, lead and supported by an actively shaping and strategising state.

> Innovation is recognized as an integral aspect of entrepreneurship and was an important feature of Schumpeter's (1934) highly influential views on entrepreneurship. Sustaining an innovative edge is crucial to both the continued success of entrepreneurs (Glancey and McQuaid, 2000) and the competitive advantage of the nation. In this new global era, however, innovation does not revolve on the activity of a single firm, but requires an active search for new knowledge and technology

> involving various actors – firms and institutions (OECD, 1999). The strategic state is a key driver of innovation in the national economy and is seen as a catalyst in the creation of favourable systemic conditions for knowledge creation (de Bruin 2005: 145)

With regards to the South African situation, Tuomi (2006) maintains that knowledge creation through industry research is a crucial tool for producers. While some mainstream audience research on cinemas has been done "It would be useful to expand on this to include markets not yet reached by these channels. It would be relatively easy to survey 'captive' markets like representative high schools in townships, the cost of which would not be preclusive" (2006: 101). Tuomi (2006) goes on to declare "the provision of strategic information is vital for industry sustainability" (101). Here the emphasis is not on project-specific audience research done by producers, but more general industry-wide knowledge of audiences as markets, done by professional consultants or academics, and presumably directly or indirectly funded by government.

There is also a view that producers need to do film and genre-specific audience research at the development stage of the value chain. As Bloore (2009) notes, a key question at the development stage is whether producers are creating stories that will find a sufficient market to justify the cost, and to what extent they individually research and attempt to understand their target audience(s). Part of the problem is the 'length' of the value chain. Traditionally 'market research' only happens once the film is developed, shot and edited, and audience responses are measured at test screenings in relation to particular endings or specific scenes.

> It is important to note that the chain as a whole shows very clearly the distance between the development process and the end consumer of the film. As a result marketing departments and distributors very rarely influence the creation of the films they will eventually exploit. This separation can sometimes be said to be one of the weaknesses of independent filmmaking (Bloore 2009: 9).

It seems that not just questions of quality, but even more elementary questions of the appropriateness of genre and style are part of what are at stake here. The question presents itself, how do South African producers ensure that they are on the right track at the development phase, so far from the paying audience? This is a dilemma that is extensively addressed by the interviews in the section 'Understanding the market', discussed in Chapters 4 and 5.

Finney's (2010) answer to this question of how to match supply to demand is that this is a core capability of the producer. This capability should be tested as the producer puts a project together. He argues that it is critical that the story, cast, director and budget are all carefully selected, developed and integrated in a 'producers package' that is then marketed to investors and distributors at the culmination of the development stage. The producer's package sells the future production as a market-oriented entity and allows investors and distributors (who are in a sense custodians of specific markets) to decide whether the right stories are being told by the right people for the right audience (Finney 2010). Distributors and sales agents (see Fig. 2) have a keen eye for what will work in their territories, and a 'pre-sale', where a distributor commits to buying a film *before* it is made, based on the package, is the appropriate affirmative market signal.

The importance and prevalence of the producer's package in the development phase in the South African industry requires further research. Certainly if finance is sought in European markets, this will be an important skill to have honed. But in the Indian film industry, development hinges more on the producer's lived relationships and status, rather than the abstraction of these capabilities into a package. Lorenzen & Täube (2008) argue that in Bollywood the social network and the producer's links to a) stars, b) star directors and c) financiers (the traditional elements of a European independent producer's package) are critical to his success. The access to these 'inputs' are based on informal ties, status and reputation rather than contracts or details – "Within the network, a handshake is viewed as more valuable than a contract, and if there are disputes, elder and respected members of the community, acting on their own or as board members of the producers' associations, will often mediate and solve them" (Lorenzen & Täube 2008: 293).

While contextual factors are critical for success, feature film development, as envisaged by the independent film value chain, is essentially the responsibility of the independent producer. An important question presents itself here at an industry level - how should South African producers be preparing to compete locally and abroad with the more developed film industries of the world in the global arena? Central is the question of business model and budget level – do South African films need more capital investment to compete even locally with foreign films? Or do South African producers need to be investigating low and micro-budget filmmaking to more easily recoup costs and break-even? According to Tuomi (2006) an undefined 'medium' band is the most appropriate budget level:

> It *is* difficult for small budget films to compete with audiences used to large-scale productions. The public has certain expectations concerning film, including at least some star power and quality camera work (Smith, 2004). This may mean that South Africa, with its limited funding ability, may have to focus on a few medium-scale, well-marketed and constructed films, as opposed to numerous small 'art' films with limited audience appeal (2006: 97-98).

Kriedemann (2011a) however suggests that an orientation towards ultra-low budgets might be the better way to go, given South African recoupment possibilities (and historical failures to breakeven). Talking of recent film trends, "the other positive sign was lower production budgets, as South Africans showed they are learning how to make films for around R1 million (US$140,000), which is starting to seem recoupable while still able to create acceptable production budgets" (Kriedemann 2011b). The dilemma of budget and scale raises a new set of questions – should South African producers be downscaling (for example, 'writing to scale') for purely local consumption? Or should they be attempting to meet other nations' films head on in the international marketplace? Unfortunately international performance has not been adequately researched – the NFVF has sadly only this to say about it in its 2008 report: "Box office figures for most films that were released internationally are unavailable as film producers were not willing to give out the information and desktop research

efforts to search for the information were fruitless" (2008: 25). The question of export orientation is taken up in the field research, presented in Chapter 4.

Another aspect of the development stage - sometimes discerned as a next (separate) stage - in the independent value chain is the piecing together of the financing of the film. As Finney (2010) points out, financing an independent film is a complex process, usually requiring multiple sources of external funding, compared to the relatively straightforward internal funding of a studio film. For South African producers, the local sources of 'soft' funding include government-backed institutions such as the IDC, NFVF and DTI (Kriedemann 2011a; Tuomi 2006), while private equity seems less accessible. Coproductions with other countries, a mode which according to NFVF research (2008) constituted 39% of local feature film production between 2000 and 2007, is another way of finding finance for films.

Some local analysts argue that government support should be seen as a vital step towards a self-sustaining or self-funded feature film industry in South Africa (Kriedemann 2011a; Tuomi 2006) – Kriedemann argues that "While a profitable, self-sustaining film industry is the goal, film can make a strong case that it deserves support and soft funding from government, the tourism industry and cultural institutions" (2011). These perceptions need to be weighed up against the perspective that an independent film industry or national cinema will always need government support to counteract US hegemony – even in relatively developed markets. In a revealing study of Scandinavian film industries, Pantti (2005) states quite categorically "Nordic cinema requires sustained state support to survive" (166).

There is also minimal research and no clear consensus on the performance levels of these funding institutions in relation to their mandates. For example, according to Tuomi (2006) the IDC's Media and Motion Pictures Division is the most "promising in terms of emphasis", while on the other hand the industry magazine *The Call Sheet*, reports producers complaining of inefficiencies and late payments ('IDC Responds to Industry Criticism' n.d.). Tuomi's argument rests on the IDC's ability to encourage profitable films.

> Although its requirements may be too steep for the majority of small South African film initiatives, the IDC is a significant funding opportunity for large-scale projects and partnerships. Furthermore, this type of funding is extremely important in achieving a more sustainable 'distribution-led' industry. By forcing applicants to provide evidence of concrete budgeting, public interest and profitability potential, attention is focused on the ingredients necessary for financial success (2006: 100).

This rigorous attempt at assessment of profitability does not square with the implications of Finney's assertion that "feature film development is an inexact and high-risk activity" (2010: 25) or De Bruin's observation that "Risk taking is inherent and endemic in the film industry" (2005: 147). If Finney and de Bruin are correct, then a fair degree of risk-taking and speculation is inevitable and necessary with the public funding of films in what is recognised as a highly unstable industry worldwide[viii].

2.5 New modes of film distribution

Distribution is a discrete stage of the film industry value chain in which the film is sold on to exhibitors and exploited in other media. The film distributor, outside of Hollywood is usually a separate person or entity from the producer - "A distributor will license the rights to acquire a film. A theatrical distributor acquires the rights to promote and release a film in a particular country or group of countries (known as a territory)" (NZFC n.d.).

Traditional distribution networks are a lynchpin of Hollywood hegemony (Tuomi 2006; Kerrigan and Ozbilgin 2001), and need to feature as critical 'pressure point' in any developing and competing industry. As Scott (2002) points out "distribution has always been a vital element of the motion-picture industry [...and] is a basic condition of the sustained economic well-being of the central [Hollywood] agglomeration" (969). Kerrigan and Ozbilgin (2001) point out how fragmented UK producers lose out on the preferentially weighed revenues at the distribution-exhibition end of the value chain, in relation to their integrated US competition. Producers' net profits only accrue after all

the other players and costs are paid off, with the producer absorbing most of the risk. They go on to point out that "the fragmentation of the European industry is one of the most cited reasons for the domination of Hollywood films in Europe" (2001: 195).

Distribution, however, has not remained dominated by theatrical release, with the growth of new markets and channels complicating the function of the theatrical release window. According to Ulin (2009: 118) "one of the most interesting developments of the maturation of the distribution market is that the more important the revenue streams outside of the box office, the more importance the value placed on the box office". This paradox is caused by the fact that "the media frenzy surrounding theatrical release drives awareness that is amortized over the life cycle of the product and drives consumption months and even years later" (Ulin 2009: 119).

The South African industry in particular has historically been left out of changes in the global film distribution loop, and needs to develop a value chain that incorporates a coherent export policy as part of its 'distribution' stage (Cultural Industries Growth Strategy 1998; Deloitte 2007). Stated bluntly "the lack of sustainability in the film and TV sector is directly related to this problem of distribution" (Creative Industries Sector Report 2008: 19). The digital era has however already substantially affected the modes of distribution of feature films, and promises to herald a new era of opportunity for independent film production. Tuomi (2006) argues that "despite the obstacles, distribution opportunities are opening up for local [South African] players" (101). Technological innovations have lead to a multiplicity of channels and audience fragmentation, which can be targeted by niche content. Tuomi concludes, "With sufficient training in how to exploit the new distribution channels (for example, filming in digital format), even small filmmakers can develop sizeable markets" (Tuomi 2006: 102).

Coe (2000) maintains that distributors are key players in the industry "not only acting as brokers between producers and exhibitors, but also functioning as producers and investors as well in many cases. Control of distribution can provide a measure of long-term stability in an unpredictable industry, with profits from box-office successes being used to balance out losses from less successful projects" (Coe 2000: 396). According to Lorenzen & Täube (2008) organisational evolution towards horizontal integration at

the distribution stage of the value chain is the root of the Indian film industry's massive growth in the last decade.

> A handful of firms have entered Bollywood, focusing upon achieving economies of scale in distribution and finance, and this has influenced revenues and exports positively. Through distributing and promoting a range of films across different territories (including export territories), these firms take advantage of scale in marketing and distribution, releasing a large number of copies in cinemas in order to create crowding effects and pre-empt piracy, accessing new distribution channels such as TV and video, and investing enough in marketing to reap export markets. These firms are also of the size to take advantage of emerging possibilities for auxiliary revenues from films, such as computer games and ring-tones and video clips for mobile phones (Lorenzen & Täube 2008: 289).

In South Africa, only recently have a handful of new local distributors emerged willing to focus on and promote exclusively South African films – Helen Kuhn, for example, has launched Indigenous Film Distribution, saying "There is enough volume of local films to merit going the boutique route. I love local film, which is why we will only be concentrating on that market" (quoted in Fink 2010). Industry stalwarts Nu-Metro, Ster Kinekor and United International Pictures continue to sell predominantly Hollywood content to their exhibition arms, as has always been done in the absence of local-content quotas.

2.5.1 Marketing and Sales

Films are initially 'marketed' to audiences, distributors, collaborators and investors, before and during the production process (Bloore 2009). The current era provides a number of opportunities for all - but particularly low-budget independent - films looking to innovate within their marketing activities. The growth of the Internet over the last two decades has added an extra dimension to the way in which feature films are formally and informally marketed, essential activities in any feature film production

process. According to Finney the two factors that it make it a revolutionary marketing mechanism are 'interactivity' and 'scalability' (Finney 2010: 132) Filmmakers are able to generate more 'buzz' as they produce a film, triggering existing social networks for 'viral marketing' to take place. Focusing on the interactivity aspect Currah (2004) maintains, "the competitive structure of the industry is being dramatically transformed 'with new, previously disenfranchised voices being heard' (Butler 2002: 44). Indie producers across the world are now exchanging scripts, advice, filmmaking techniques and work-in-progress via the Internet, which in turn is leading to the emergence of novel, transculturated films" (Currah 2004: 66). A number of studies also link word-of-mouth referrals, amplified by emails and social networking sites, to box-office performance – Holbrook and Addis (2008) for example argue that "favourable evaluation of a movie's quality versus buzz via interpersonal communication work as separate routes toward the film's success as gauged by industry recognition versus market performance, respectively" (87).

But independent films are also directly marketed to potential audiences when they are released. Increasing usage of the Internet provides extra advantages to independent film because of the relatively low costs involved in innovative approaches that can be devised for creating market awareness of products, as well as targeting niche audiences. Independent producers can additionally leverage large returns on small investments in a number of ways through 'e-marketing' and other viral marketing strategies, combined with traditional forms of advertising, when the films are released. In this regard it is worth seeing Finney's (2010: 131) account of the seminal *Blair Witch Project* (1999) marketing campaign, in which "the viral spiralling was worth exponentially more than the cash injected". According to Finney (2010: 134) key elements of such a strategy include novelty (doing something surprising), mobilising emotions, and encouraging sharing on the network. This could be seen within the South African context as a vital tool in the differentiation of South African film content on both the local and global stages. Currah (2003) points out that "the creative outputs of foreign film industries are rendered more visible on the Internet, and as such, may be able to mount credible challenges to the hegemony of Hollywood content in global markets" (71). Clearly South African producers need to be thinking of how to capitalise

on this opportunity. As a report by the New Zealand Film Commission declares "Harnessing the power of the viral nature of social networking is becoming an essential part of the marketing campaign for entertainment and this is especially true for niche and independent films" (NZFC 2008: 5).

2.5.2 Digital distribution – D-cinema and VOD

Because distribution is - for the independent producer – another whole business, it does not always feature as much as it should in their 'innovation strategy' (the production of a film). Important for any successful innovation is an overall understanding of the other industry stages, best understood through a value chain analysis – "we would suggest that practitioners who seek to innovate should search broadly for opportunities and understand the importance of relations with businesses elsewhere in the community. The success of their entrepreneurial efforts may depend on the occurrence of supportive entrepreneurial changes in those businesses as well" (Mezias & Kuperman 2000: 210). The activities and systems pertaining to film distribution are mutating in the digital age, with both emerging High-Definition video technologies and Internet distribution appearing to be key drivers of change (Finney 2010). These changes need to be factored into any feature filmmaking strategy.

For both Hollywood and independent film, distribution will also be benefitting from cost savings derived from moving from 35mm celluloid film projection to digital 2K and 4K projection formats in cinemas (Culkin 2008; Currah 2003). Digital projection (D-cinema) in cinemas means that movies are no longer physically manufactured, transported, kept and projected on expensive film rolls or 'prints', but can now be digitally stored on (and projected from) server hard-drives (Culkin 2008; Currah 2003; Zhu 2001). While much cheaper than celluloid prints, digital prints threaten to 'disintermediate' film distributors, with studios or independent content providers dealing with exhibitors directly in the long term (Zhu 2001).

Even more fervently, Culkin (2008) claims that digital projection is a 'disruptive technology' that is beginning to restructure the whole industry, creating a whole set of entrepreneurial opportunities for those on their toes – "the US studios find themselves

challenged by a new generation of entrepreneurs; armed with a combination of ever more affordable filmmaking tools, widening access to broadband networks and mobile communication devices operating on digital platforms" (Culkin 2008: 45). He goes as far as to suggest that this might even see the demise of the studio system: "Such profound change in the way entertainment is being consumed across the globe has created a potential 'tipping point' in the movie business" (Culkin 2008: 45).

Even if digital cinema does not bring down Hollywood, it fundamentally changes the way a film can be released, and what one might call the release strategy. It has large implications for how many 'prints' (and hence cinemas) a film can be released on - both much less and much more. How does this affect independent film and reaching niche markets? The obvious ramification is that the industry can be a lot more responsive to a diversity of appetites. One can only speculate at this stage about the long term – certainly the advent of 'micro cinemas' and HD home cinema makes it possible to conceive of high-quality, ultra-niche and individualised consumption. One might well find that 'exhibition', no longer the exclusive provider of quality and competing with Blu-Ray home projector and HD televisions, will now have to offer different innovative experiences, such as 3D cinema. The New Zealand Commission warns that "analysts are worried that cinemas may not live up to the old adage of being 'recession proof'. Advanced home entertainment systems are making it more enjoyable to screen DVDs and save money on babysitters, concessions and theatre tickets" (NZFC 2008: 4).

But what happens if consumers bypass exhibition entirely and move to video-on-demand (VOD), where one downloads films from the Internet to watch in your own time? Zhu (2001) argues that four developments, "new broadband connection, digital file compression, streaming and encryption technologies, would make video-on-demand a reality" (2001: 273). More recently, experts have been saying "Consumer entertainment consumption is increasingly moving towards the use of on-demand platforms" (NZFC 2008: 6). Zhu predicts the outcomes of this 'disruptive technology', hypothesising that "entire business segments will be disintermediated" and there will be a "restructuring of the value chain" (2001: 273).

But does this present new opportunities for South African filmmakers? It certainly changes the landscape of feature film production, and, if Zhu is right, disruptive technologies need to be understood by all stakeholders, including independent producers, or they risk being "eliminated from the new value chain" (Zhu 2001: 279). As bandwidth develops, video is increasingly becoming the key product moved on the Internet. Already 80% of US Internet users watch videos over the Internet, and it is estimated by Cisco that by 2013 "90% of consumer web data and nearly two thirds of all mobile data traffic will be video" (Greenfield 2009: 17). Currah (2003) concurs with Zhu that VOD is changing the very activity of domestic film consumption, with its ability to potentially access any film at any time. Along with this "consumers around the world can increasingly enjoy 'on demand' Internet access to a bewildering array of feature-length and short movies, in legal and illegal software formats. The result is a more polyphonic, contestable landscape of film" (Currah 2003: 71). Bloore (2009) maintains that VOD rights will soon outstrip the value of DVD sales for film distributors.

VOD would thus appear to open up possibilities for independent film production and distribution as it is consumer rather than producer-driven, the traditional vertically integrated studio film production mode. This is in line with a larger shift to the 'marketspace' and from "supply-side to demand-side thinking" (Rayport and Sviokla 1995: 85). Hypothetically it becomes a lot easier for niche films to be sold and consumed. Taplin (2007), corroborating Culkin (2008), argues that the VOD and related new Internet distribution models such as Internet Protocol Televsion (IPTV) constitute such a radically unstable nodal point in the film industry (*vis a vis* piracy and foreign-ethnic demand) that they could end the long spell of US dominance in the global film arena[ix].

2.6 Conclusion of Literature Review

There is a dearth of local data and research around the South African feature film industry. What research there is, points to the perception that the industry is not yet sustainable and competitive, and individual feature films have not proven to be profitable ventures. This does not mean South African films cannot become profitable.

The review has looked at some examples of successful and profitable film industries in other emerging or 'late-comer' economies, including those of India and New Zealand.

Understanding the producer as an entrepreneur is an important step in understanding the dynamics of the feature film industry. Moving on to the film industry more generally, we have seen how it can be analysed as an integrated 'value chain'. Using this analytical framework, the independent feature film value chain is shown to be different from the Hollywood model, one with specific relevance and value to the currently uncompetitive South African industry.

Reviewing current thinking on the activities and options involved in the mission-critical 'development' stage of independent film production strategies, one can see how financial and creative choices will impact on profitability. Successful development hinges on South African industry's research and development capabilities, government policies and funding in relation to independent feature films, the development of an entrepreneurial culture conducive to market-oriented producing, as well as the all-important question of finding film business models and financing appropriate to local conditions.

The literature review has also assessed contributions to the question of independent film 'distribution' in the current situation, looking specifically at ways in which distributors and audiences are successfully targeted and reached in the digital age. The Internet brings with it a range of new tools and techniques that change the way producers and distributors take their films to market, with viral marketing strategies now seen as a necessary tool just to keep up with the competition. Digital innovations in the form of both digital projection technology (D-cinema) as well as VOD (video-on-demand) platforms via the Internet also promise to unleash major changes in the way films are distributed. Some go as far as to call VOD a 'disruptive technology' that threatens to restructure the whole value chain.

3 RESEARCH METHODOLOGY

3.1 Introduction

This chapter outlines the methodology used in the research study. The section starts with a brief discussion of the qualitative research paradigm, and the rationale for choosing this mode of research. It then proceeds to explain the way in which the data was collected and analysed, followed by some reflections on internal and external validity.

The research employed qualitative research methods to collect and analyse the data as prescribed by the topic. According to Flick, one of the key characteristics of qualitative research methodology is its ability to do justice to complex situations when compared to quantitative research: "Objects are not reduced to single variables but are studied in their complexity and entirety in their everyday context" (Flick 2005: 5).

A qualitative approach was the most appropriate method for this study of opportunities within the feature film industry, because: 1) the research is focused on a diversity of human perspectives (Flick 2005), in which "detailed and descriptive information from individuals" (Kalaf, Dan and Dietz 2008: 121) will be extracted, and 2) because the topic, given its South African context, is relatively uncharted territory. It has been argued, "If a concept of phenomenon needs to be understood because little research has been done on it, then it merits a qualitative approach. Qualitative research is exploratory..." (Creswell 2003: 59). It should be clear from the literature review that there is very little academic research regarding the feature film value chain in South Africa - part of the research objective was to determine to what extent local practices tie in with international models of filmmaking, which have been studied.

3.2 Interview Design

Data collected in this research was obtained by means of a series of in-depth face-to-face interviews with selected individuals – the interviews were approximately an hour in length. The questions were open-ended to gain a detailed sense of the respondents'

views and to allow them to phrase and elaborate their answers in the manner they wish (Kalaf, Dan and Dietz 2008). The in-depth interviews were semi-structured, and conceived of as what Meuser and Nagel (cited in Flick 2005: 89) call 'expert interviews'. This is a specific form of semi-structured interview in which "the interviewee is of less interest as a (whole) person than in his or her capacity of being an expert for a certain field of activity" (Flick 2005: 89). Accordingly the range of information that is relevant to the interview is more constrained, and the questioning more directed (Flick 2005).

Disadvantages of the interview method generally are that it is time consuming and expensive, and the role of the interviewer becomes a deciding factor in the success of the data gathering (Kalof, Dan and Dietz 2008). Disadvantages or dangers of specifically the semi-structured interview approach are that is easy for the interviewer to lose track of the initial research question when the questions are not rigidly set (Willig 2008). Additionally, the 'rapport' between interviewee and interviewer becomes critical (Flick 2005; Willig 2008) – and the interpreter can easily take the content of the interview at face value: "the researcher needs to know what the interview means to the interviewee to fully understand the interviewee's contribution" (Willig 2008: 22). The advantages of the semi-structured interview include the fact that it is easy to organise as people are familiar with and accepting of the interview form (Willig 2008); the usefulness of the expert interview is that it is relatively concentrated, relevant and 'objective' information can be obtained. The invitation letter indicated to interviewees that while I wanted them to draw on their own experiences, I was not asking them to represent themselves or their organisations in any official capacity. This was also implicit in the assurance (as discussed above in 1.6) that their ideas and specific quotations would remain anonymous, and that their identities would not be revealed. They had been selected as experts in their field to assess the industry in an impersonal, objective manner.

3.3 Population and sample

The population implied is the number of feature film producers in South Africa who have produced at least one feature film, along with those distributors, investors/funders or other stakeholders who have been involved in the funding or

release of at least one feature film. While it is impossible to ascertain their exact number, it is estimated that this population is quite small – according to one of the respondents the industry has on average released less than 10 films a year since 1994.

The case sampling method used was theoretical sampling, probably the most appropriate form of sampling for qualitative research[x], as well as for the thematic encoding procedure that was undertaken in the data analysis stage (Flick 2005: 90). Theoretical sampling allows for a gradual and flexible process of deciding who next to interview in the data collection process itself, and as a 'theory' emerges (Flick 2005: 64). Additionally, in much qualitative research sampling is less concerned with questions of representivity (as with statistical sampling) than with *relevance*: "Individuals, groups are selected according to their (expected) level of new insights for the developing theory, in relation to the state of theory elaboration so far" (Flick 2005: 64). It is therefore particularly appropriate for the expert interview.

While theoretical sampling has an 'emergent' approach around selection, a provisional set of twelve respondents had been chosen before the interviews started, representing a balance between 6 producers and 6 other professionals (distributors, funders, financiers) from the industry. However as a theoretical sample this did change slightly, with some changes made to the list of respondents as the research got under way.

The idea driving the selection of the 6 producers was that they should reflect different levels of budget (high, medium and low budgets) to get a range of perspectives. The perspectives then cover a wide experience of filmmaking from high to low budget films. The 6 non-producers, chosen as a form of triangulating the producer perspectives, are made up of the following: a) 3 funder/investors are from the government-funded organisations (DTI, IDC and NFVF) mandated to develop the local industry; 2 private sector distributors, and 1 private financier. Interviewees were usually first contacted by phone – once contact had been made, and the person had agreed to the interview, an email was sent through with the official request letter attached (see Appendix A).

Table 1: Respondents

Respondent A	Producer
Respondent B	Distributor
Respondent C	Producer
Respondent D	Funder
Respondent E	Producer
Respondent F	Distributor
Respondent G	Producer
Respondent H	Financier/Investor
Respondent I	Funder
Respondent J	Financier
Respondent K	Producer
Respondent L	Producer

3.4 The research instrument

The research instrument took the form of the semi-structured interview - as such, not all of the questions could be formulated in advance. The interviewer has to improvise during the interview to accommodate the specificities of the interviewee's perspective and interest (Flick 2005). However rather than spontaneously formulating questions from unformulated topic headings in the interview – Willig (2008) argues that this can lead to more closed than open questions - the interviews involved a basic repertoire of pre-formulated topic questions, a structure within which improvisation could take place. This ensured that the full area of the research question was covered in each interview, allowing for the comparative analysis that takes place in the thematic encoding approach, while retaining some flexibility around each case.

The respondents were drawn from separate stages of the film value chain (feature film producers, who initiate and produce films, film funders or investors, who invest public or private funds in them, distributors, who come into play once the film has been made). Nevertheless one basic template of interview questions was devised for the different kinds of respondents – they all answered the same questions. The interview question sheet is attached in Appendix A. To my knowledge this is an original research instrument - meaning that I was unable to find any existing historical usages to evaluate and compare them with, or to build upon.

3.5 Data collection procedures

To contribute to the professional attitude required of the interview, interviewees were preferably interviewed at their places of work, and during office hours. The idea was to collect work-focused opinions and insights that represent the respondents in their specialised capacities, views that emerge from professional selves in the context of work. However, in reality this did not always suit the respondents, and with two or three interviewees, I allowed them to set the time and setting according to their convenience. I generally presented the respondents with the interview questions at the interview, as I wanted to obtain fairly spontaneous responses. However a few of them requested that I email through a copy of the questions before agreeing to the interview.

The interviews were recorded by the interviewer in a research notebook. This form of recording required a degree of discernment - important sentences were written down verbatim, while more tangential or anecdotal speech was summarised with key phrases. The interview notes were then transcribed on a computer before being further summarised in point form.

3.6 Data analysis and interpretation

Once the interviews were conducted and transcribed, the resulting data was analysed according to the procedure involved in thematic encoding. This form of coding is appropriate for the purpose of a comparative analysis of different perspectives, and requires defined topics to be delineated at the data gathering stage in order for comparisons to be made across cases and groups (Flick 2005). The 'thematic encoding' process, outlined by Flick (2005), starts off with an initial summary of each case, which results in what he call a short case description. This preserves the original thoughts of the respondent that pertain to the main issues of the research question. In my research process, the summary stage entailed reducing each transcribed interview to a 1-page point-form summary in an Excel spreadsheet.

Generally this is followed by a further analytical stage, which attempts to reduce the case to a system of categories by means of identifying "thematic domains" and "categories". Only after this is done are the cases compared and 'crosschecked' to arrive at a common thematic structure (Flick 2005). It was clear that the best way to do this crosschecking would be via the summaries in the spreadsheet – responses could then easily be compared by scrolling along a single row horizontally. According to Flick, this thematic structure is then used to revisit and shape each case again, resulting in "a case-oriented display of the way the case specifically deals with the issue of the study" (2005: 188). A more in-depth explanation of this process of further compressing the data follows below.

At this point it feels necessary to describe the process of how these themes were arrived at. Firstly, the process of interviewing the respondents, transcribing the answers, and summarizing and tabulating the data enables a review of the relative importance of the questions to the research thrust. At this stage one needs to evaluate the information and decide what to focus on and how to structure the findings of the research. The groundwork for this happens in the case summarizing and content reduction (see interview summaries In Appendix C). Certain topics begin to emerge and crystallise as the dominant areas of significance, suggesting new thematic configurations that sometimes cut across seemingly unrelated questions. At the same time, certain questions recede back, seeming less connected and relevant to the overall research question. The re-categorising process undertaken at this juncture is based on what Flick (2005) calls "thematic structuring" (309), where the interplay and crosschecking between the different interviews yields a new selective focus for analysis. Simply put, by reducing the content and comparing the answers one is able to see what the themes are that one needs to focus on, and how one can resort the information for analysis.

From the ten original questions I derived four themes, which are colour-coded in the case summaries (see Table 2 below). The responses from Questions 1, 2 and 9 – coded green – are grouped under the theme 'Understanding the market'. While question 2 was quite open-ended I have focused quite narrowly on those parts of the responses that relate to market understanding and innovation[xi]. The answers to Question 3, 5 and

8 are combined under the theme 'Finding a business model' – coded blue - and are held together by the thrust of Question 3, which asks what business model best suits local conditions.

Responses to Question 4 around the producer's package - no colour - were left out of the analysis. Too varied and disinterested, with some respondents clearly not understanding the question, these responses also (like Question 2) did not seem to contribute to the themes as they emerged. Question 6 seemed to provoke quite expansive answers – from the quantity and intensity of the responses here it was clear that this was a majorly important precondition for success and would need to constitute its own thematic domain, 'Government support', coded orange. Finally answers to Questions 7 and 10 seemed to fit well together under 'Embracing distribution challenges and opportunities'.

Table 2 - Thematic Encoding

1) There is a perception that South African films have historically not done that well financially. Would you agree? What are the reasons for this?
2) What are the key attributes and abilities that will make for a good feature-film producer, given South African conditions?
3) What do you think is the most sustainable/profitable business model for the South African feature film industry? E.g. Low budget niche films/larger budget independent films, local/international markets? Do very low budget films make sense for you?
4) In your view, what are the key elements of the 'package' that a producer needs to put together to sell to investors/distributors at the development stage?
5) In your view, what configuration of film financing makes sense in the South African context?
6) How would you assess the government's policies and performance in this department?
7) What are the key challenges for South African films in the distribution stage of the film value chain?
8) Should SA producers be aiming to export their products? How should

they be going about getting international distribution?
9) What kind of market research and target marketing do you do/would you expect to see done? Are target audiences even important for feature films?
10) What are the opportunities presented by the Internet for independent filmmakers competing with Hollywood product?

COLOUR KEY
'Understanding the market' (GREEN)
'Finding a business model' (BLUE)
'Government support' (ORANGE)
'Embracing distribution challenges and opportunities' (PINK)

The 12 summarised interviews, with their colour-coded responses as per the template above in Table 2, are individually presented at the end of the report in Appendix C. What follows in the next chapter is a presentation of the findings that takes the form of an in-depth discussion of each theme as it cuts across the various responses.

3.7 Limitations of the methodology

There are clearly limitations to the methodology used. As a limited qualitative research study focused on the detailed responses of a small group of individuals it is possible that some important views are not represented in the data. This can only be addressed by future research involving additional stakeholders as respondents. As discussed in the conclusion, this research report is seen as a study that needs to be built on by further, detailed research studies.

Additionally, expert interviews depend on the interviewees being 'experts' – as has been pointed out, the obvious danger of this assumption is that the interviewees turn out to be less expert than intended (Meuser and Nagel 1991) - and this might not even be easily deduced (for a discussion of this see the concluding section of Chapter 5). Lastly, one also needs to question the usefulness of qualitative research over time. The film industry is a particularly volatile, fast-changing arena in which funding rules,

policies, and markets are constantly changing. Consequently, elements of the research might have a limited duration of validity.

3.8 Validity and reliability - or credibility

Kalaf, Dan and Dietz (2008) define external validity as "the ability to generalize from a study to a larger population" (157). They go on to point out how the concept of external validity is not really applicable to qualitative research as the objective here is "not to make statements about the wider population but to understand things in-depth and directly from the perspectives of those being studied" (2008: 161-162). They suggest that questions of reliability and validity are better assessed in qualitative research against the specifically developed criteria of credibility, transferability, dependability and confirmability (see below). Flick also states that some thinkers are wary of using quantitative-oriented criteria to assess qualitative research: "from this scepticism, a series of attempts have been made over time to develop 'method-appropriate criteria' in order to replace criteria like validity and reliability" (2005: 226). According to Kalaf, Dan and Dietz (2008), internal (as opposed to external) validity "means that the study is drawing appropriate conclusions from the data at hand" (156). They state problems often stem from an incorrect choice of variables or causal inferences (Kalaf, Dan and Dietz 2008) – but these are not regular aspects of qualitative research. As above the question of validity is dealt with below using the more 'method-appropriate' criteria.

Kalaf, Dan and Dietz (2008) argue that "reliability is concerned with consistency", meaning consistency of findings across a period of time "in repeated applications of the research" (156). Clearly this becomes a problematic criterion when one is pursuing qualitative (interpretative) research, where one is not engaging in mathematical measurements, but rather investigating detailed and diverse perceptions of human subjects. However Flick argues that some forms of qualitative research can still aspire to 'reliability' in terms of their methods (rather than results): "the quality of recording and documenting data becomes a central basis for assessing their reliability" (2005: 2005). As mentioned above, Lincoln and Guba (1985) (cited in Flick [2005] and Kalaf,

Dan and Dietz [2008]) offer credibility, transferability, dependability and confirmability as alternative 'method specific' criteria for qualitative research.

Credibility includes mechanisms such as triangulation of methods, 'member checking' and 'peer debriefing'. As far as credibility measures go, this research gave the interviewees the opportunity to rectify their statements at the interview summary level. Details of the various stages were documented, forming part of the 'audit trail', which allows for a degree of *confirmability*. *Transferability* to other situations is not a criterion that this research can meet as it is highly industry specific.

Dependability corresponds to the reliability of the data in quantitative research – but refers in a qualitative context to how "truthful" researcher and research are (Kalaf, Dan and Dietz 2008: 163). Given the field of film production, this is not an easy question to address. As Culkin (2008) points out "research into the movie industry is fraught with difficulties. First, there is the secretive nature of deal making at all stages of the value network from script development, through green-lighting a project, to sales and distribution across many territories" (50). The nature of the film industry does not automatically lend itself to 'truthfulness' – nevertheless my sense was that those that cooperated did so in good faith. What was also important to continuously reflect on was when my own identity as a filmmaker was surfacing - and to what extent I might be interpreting and shaping the data unconsciously to suit my own aspirations and beliefs.

4 RESEARCH FINDINGS

4.1 Introduction

This chapter entails a description of the research findings - it also takes the data analysis one step further by having sorted the responses to the ten questions into four high-level themes. These themes have an analytical function, grouping together various common areas of discussion both within a single conversation and across the various voices canvassed; but they also have a pragmatic purpose – the themes are mostly verbs and designate 'actionable' areas of focus for interested parties, as identified by the respondents. Indeed, it was part of the original intention of this research to able to provide a practical research document which, while shedding light on some of the perceived constraints in the industry, would also assist policy makers, funders, producers and other industry stakeholders to produce 'successful' films. These four themes then, '*understanding the market*', '*finding a business model*', '*government support*' and '*meeting distribution challenges and opportunities*', define four key areas of activity that industry stakeholders need to work on to shift the industry towards sustainability and profitability.

4.2 Understanding the market

"Essentially we have a mismatch between our budgets and markets." Respondent A (producer)

The first question around the poor performance of local films was designed to probe the respondent's understanding of the usually uncontested fact that local films have on the whole *not* recouped their costs and been able to move into profit in the last two decades. Firstly, is this news to them – and then, how do they explain it? Encouragingly, all the respondents are aware of this poor record of performance, agreeing with the statement, with many additionally bringing up empirical and anecdotal evidence (with varying levels of detail) to support this fact. For example, Respondent D, a funder, points out that of the 148 films produced locally from 1994 to 2008, only five films earned half of the R250m box office revenues - and that while

films budgets averaged at R7 million, they generally made less than a million. However some of the agreements with the statement were qualified - a few respondents alluded to Leon Schuster's hugely successful comedies as an outlier that would need to be excluded from a generally negative picture (Respondents E, I & J). Two respondents (C and D) felt that a recent spate of lower budget successes pointed to a possible turning point in the industry - and two other respondents pointed to 'success in the past' as an upside to consider[xii].

Different reasons are offered for why the SA film industry has not developed into a profitable and sustainable business – but a few common or similar reasons are expressed as well. Certainly the most common root explanation was that South African feature films have performed so poorly because they have failed to understand the local market. All responses - apart from Respondent I - include this as a primary factor. The failure has different levels; firstly, *local producers are out of touch with the local market* – they have simply not been aware of audiences' needs and tastes (Respondent D). Producers have to change the predominantly 'production-lead' paradigm to an audience-oriented model which is focused on the market (Respondent J). One of the state funders argues similarly "we need to reach a critical mass of producers who understand the consumers and can communicate the necessities" (Respondent D).

Secondly and more specifically producers (and funders) have *failed to understand the importance of making films for specific audiences.* As Respondent A puts it - "No movies are for everybody". Even more simply, "you have to have a target market in mind as a producer" (Respondent F). Producers need to be able to answer "who is this film for, why are they going to watch it, how are we going to get them to the cinemas? If you can't answer these questions, don't make films with risk money!"(Respondent B), and Respondent L states bluntly that there are no audiences for the films that are made.

The misunderstanding of the market ranges from qualitative aspects, such as the tastes of new black audiences, to quantitative calculations, such as the maximum feasible revenue one might expect for a particular genre. The specifically financial misreading of the market is a recurring problem identified in the responses, with 8 out of 12 respondents explicitly citing the disconnect between budget and revenues in one way

or another. It is expressed variously as "a lack of understanding of how the market drives your budget" (Respondent C), "the high cost of the films we've made in relation to revenues" (Respondent B) or a "mismatch between our budgets and markets" (Respondent A). Respondent H, a funder/investor, likewise points to a producing pattern in which there is no specific budget determination by a potential audience, where the costs have been simply too high - "It's no good making a R10m film that's only actually worth R4m in terms of revenue".

In this view producers have not been rigorous enough in assessing whether they will reach the numbers required to recoup the costs of production. Budgets have been arbitrarily and perhaps idealistically established, too high to break even – "*Max and Mona* cost R7 million, and another R1million on marketing – it just wasn't viable" reflects Respondent B, and "*Jerusalema* was R13m – but will it even break even? This market cannot deliver that kind of money" (Respondent F). Respondent G makes it clear that it is not easy at the best of times – one can't readily recoup the costs of a feature film given the local market. A producer of larger budget films, Respondent G gives a solution that integrates several problems - "we need to look to building a local audience, bring down budgets, address a full local audience – or make a film that will travel".

However things are now changing with producers learning from experience, and "a great film, targeted at a specific market, made at the right budget is workable" (Respondent E). Respondent G's view goes further to say that one needs to identify a market and then expand or maximize it as much as possible in the creation of screen value – "the producers of *Liefling* have specifically targeted the Afrikaans market in its entirety – from teen to elderly, rural and urban". Here the choice of director is important in successfully optimising your audience - "you need to understand the commonalities of the audience segments, which requires brilliant intuition" (Respondent G). According to this producer, a film needs 'good chemistry', and much of the overall success of a film hinges on the hiring of a great director who combines parts to create a 'magic and energy' that is greater than the sum of its parts. "You need to be meticulous about who you cast and attract as a director", says Respondent G.

One of the major problems producers currently have to contend with is a direct consequence of the historical disconnect between supply and demand; filmmakers have not given South African audiences what they want, and they have lost their trust in the process. The South African industry now needs to build "credibility with local audiences" (Respondent A) to overcome the stigma of 'bad quality' films (Respondent B). One exception to the rule, and that several respondents acknowledged as having proven that one can build a positive relationship with local audiences, was the phenomenal success of comedian Leon Schuster. Respondent F points out that "Schuster is an industry – he's made 13 films in the last 10 years", and puts his success down to his 'star' power grown over the years.

Audience research

One of the most obvious ways to improve one's understanding of the market is to research your target audience – and almost all respondents agree that audience research is important. The best way to do this, however, is not that simply decided, and there are various responses to the question of how producers should acquaint themselves with what audiences actually want. Some respondents (A, H & G) felt that genre analysis (projecting expected revenues for a film from historical performances of the same film genre) was an effective means of establishing what works and what doesn't – others were not as convinced. Respondent J says that good producers have a basic instinct for knowing what audiences want – but distributors generally don't know what works, and so resort to pulling the figures on genres. Similarly, Respondent K thinks that genre analysis is too simplistic to be beneficial – for one it can usually only draw on the one revenue stream (box office takings) readily available for analysis.

There was not any sense of a consensus on test screenings either - "Test screenings? There's not much use in asking people what they want, they don't really know. You need to find out what people really do. Box office analysis will show that comedies are most popular, with action-crime coming in a poor second" (Respondent A). On the other hand Respondent L, a producer finishing a feature film at the time of the interview, was making use of test screenings at the editing stage to determine narrative choices that would appeal to the target audience – "Every decision you make

is based on who your target audience is, what story, who you cast". This goes for the development stage as well as postproduction, with Respondent D, a funder, suggesting that applicants for development funding should be arriving with well-researched audience profiles.

A commonly–held opinion was that audience research should not only be the producer's responsibility - the NFVF's industry research mandate should be assisting producers with this kind of research and analysis (Respondents C, E, F). They should be compiling as much information as possible to improve market understanding – "a NFVF 'handbook' should explain all the regions and markets to producers" (Respondent C). Likewise, Respondent E argued that audience data was critical information for any producer, and that the NFVF should take a leaf out of the UK Film Council's book in producing "detailed and comprehensive analyses" of the industry, looking at how films and DVDs performed regionally - "we need to be able to establish the different pockets of value, where to focus your distribution".

Once again individual insights abound around how audiences should be researched. Respondent F maintains that "market research […] needs to be done professionally – not 'I asked my friends'". The point made here is that people close to the producer give biased feedback - the best guarantee of objective market feedback is working closely with a distributor – "they are the link to the consumer". Respondent B offers an interesting response - producers and distributors alike need to be answering three questions, 'who is this film for', 'why are they going to watch it', and 'how are we going to get them to the cinemas'.

Another alternative and perceptive take is that to understand the complexity of new mixes and segments emerging in the South African market, one needs to let go of the idea that you as a single producer might know this market. In this view, "there isn't a regular movie audience - there are various shifting segments that still need to be explored" (Respondent C). The advice for producers here was to build "teams" around project, that in their diversity could collaborate in learning about these new 'sub-markets' – "no producer knows everything about how to make a movie [in SA today], and everyone in the team needs to understand these new markets."

Producer as innovator

An often-repeated refrain was the difficulty of this industry - "It's so difficult, you might as well make a good film" (Respondent J), "It's extremely, extremely hard…" (Respondent B). Some respondents suggest a rigorous economic analysis of the feature film industry in South Africa leads to the inevitable conclusion that the industry cannot yet sustain full-time feature film producers. Respondent H for example, says the SA industry needs greater momentum and throughput - "It is imperative to build a critical mass of films to feed the value chain", arguing that it would require about 25 films a year.

In the interim producers will need to be highly innovative in the way they approach their ventures, coupling producing as a high-risk entrepreneurial activity with another more reliable source of income – "if all you're doing is producing films, you're always going to be struggling" says Respondent D. Diversified interests within the value chain are one way to sustain the producer – and Respondent D suggests facilitation (of foreign productions), or postproduction facilities and distribution as vertically integrated activities that could assist cash-starved producers. In support of this, Respondent B, who is very picky about his projects (having rejected the slate model of multiple simultaneous projects in development) says "my company can only finance productions through distribution, my bread and butter", while Respondent F also suggests that production could be accompanied by facilitation as an option.

A number of respondents mentioned entrepreneurship without being prompted. "A producer needs to have vision and entrepreneurial spirit – be determined" (Respondent B). Respondent F argues that "producers are the entrepreneurs who start the most businesses in the world" as they "are constantly in start-up phase". So why have producers fizzled as entrepreneurs? Respondent D explained the entrepreneurial problem here - most feature film producers had been conditioned on the facilitation and television side of the industry, where one earns a fee or commission, rather than finding ways to be exploiting market-oriented product - "the entire business model underlying the industry was not focused on producing revenues – they got their fee at production, consequently the rush to production to get their fee". Likewise,

Respondent H explains that film producers have "come from facilitating international productions, which only developed a specific part of the value chain" – namely the operational side of things. In other words, this specialisation has lead to weaknesses in what comes before and after actual production – the stages of development and distribution.

While there is a fair degree of consensus on some of the reasons for a poorly performing industry, there are also some idiosyncratic opinions on the 'market failure'. Respondent E points to amongst other things, inadequate or insufficient marketing of local films, Respondent K feels that access to cinemas and the lack of a cinema culture are major problems, while Respondent I makes the fairly self-evident but important observation that international competition in the theatres is strong. As mentioned earlier, Respondent J, an award-winning producer, argues that there is a very specific misreading of both national and international markets around the politically-themed content that the industry has been preoccupied with since '94 – he also maintains the local industry needs to build a star system to pull audiences into the theatres. This last prescription is echoed by Respondent F, a distributor.

4.3 Finding a business model

At the moment the approach seems to be, make a mediocre film with a mediocre budget to compete in a mediocre film festival (Respondent J)

In addressing the million-dollar question of the most appropriate business model for the South African market and feature film industry, there was a wide variety of opinion around what appeared to be the central question of 'budget level'. It felt as if the responses around funding options and export potential flowed naturally from here, which is why they have been grouped in the same theme. Some of the interviewees opted for a specific budget level of movie they thought was the way forward for the industry (such as 'high budget for cinematic release', or 'micro-budget made–for-DVD'). Others resisted the implied choice in the question, arguing that there wasn't one model or budget level that works better than others.

One of the respondents calls for 'radical innovation' - "we are never going to build a big industry around conventional cinema. Ultra-low budget films [under a R1million] are an attractive option, such as the Nigerian 'Nollywood' cinema" (Respondent A). In this view DVD is seen as a far more effective local distribution channel than theatrical release. "*Hijack Stories* bombed at the box-office – but has continued to sell successfully in DVD retail, like around 60 000 units. *Jerusalema* did very well on DVD as did *Tsotsi*. DVD represents much more accurately the demand in the market – most homes in Soweto have a DVD player" (Respondent A). There were similar views of the ultra-low budget or micro-budget opportunities, although not quite so convinced of the direction. Respondent E agrees that there was opportunity at this level, but this wasn't their chosen model – Respondent K also believes in low budget, pointing to the breakthrough moment of the Danish Dogme 95 films in the 90's, which demonstrated that quality films could be consistently made on low budgets.

On the opposite end of the response spectrum is the view of just one respondent that South African filmmakers should be attempting to make 'high quality' films for the cinema, and that competitive 'production value' for successful theatrical release would cost a minimum of R10 million – "in the R2 - R4 million rand band you can't hope to compete on the cinema screen, it's not going to be a feature film" (Respondent J). This position proposes that the low-budget straight-to-DVD model is essentially in the same competitive space as TV. For the 'silver screen' you need to make something extra/exceptional - "you've got to give them a reason to get into their cars and drive to the cinema. It's got to be better than television".

It should be noted that these were the only two adamant proponents of a 'single model theory' – and it is interesting to note how radically different they are in terms of emphasis, both in a sense calling for innovation away from a middling mediocrity, albeit in opposite directions. The others tended to see opportunities at various budget bands, corresponding to different markets, while usually having identified their own chosen 'sweet spot'.

This set of respondents had clearly developed their own schemas of analyzing the opportunities in the feature film industry, although there are some interesting

correlations in the perspectives. Respondent C, perhaps the most analytically prepared of the respondents, argues that there is:

1. an ultra low-budget 'Nollywood' style of film to be made, which should be supported by the NFVF as an industry development initiative
2. a mid-tier domestic model (R3-6m budgets) aimed at the domestic cinema market, as well as…
3. an as-yet-unrealized first-tier (higher-budget) film that could go international ("this is very exciting, but we are not yet mature enough for it").

Although Respondent C couldn't be drawn on which was the most viable opportunity objectively, it should be noted that the domain in which they have situated their own productions is the mid-tier bracket.

In fact, what became clear across many of the responses is that the mid-tier model aimed at domestic theatrical release is the one that has been most tested and the one that is currently being most exploited. The upper and lower limits of this domestic budget band varied slightly across the respondents, but most of them fell between R2.5m and R10m, with the lower limit determined by the DTI's 35% automatic rebate for films of R2.5m or more (see below). Respondent E, who has been successful with low-budget Afrikaans films, puts it at between R2.6 – R3m, with R4m at a stretch. Respondent I felt that films between R3 - 4m were a good bet, while Respondent D proposed a viable range of R4 – R10m, suggesting you get a sales estimate from a sales agent if you want to go over R10m. Respondents B and L were higher at R6 – R8m and R6 – R10m respectively – "over R10m, I don't see how a local film can make money here (except Schuster)" (Respondent L).

There were also those (Respondents F and G) who didn't feel the need to specify any budget bands, rather expressing the view that all films, regardless of budget size, need to be designed around profitability. On the other hand Respondent H sketched quite an intricate breakdown of possibilities, with a 'low budget' band of R2.5m – R13m and a 'medium budget' band of R13m – R30m (presumably the budget level Respondent J was advocating) sitting between what he calls 'micro-budget' and 'high-budget' categories. This investor's position is that the R2.5– R13m band should be getting the

largest allocation of public funding and investment money, but that all levels can offer valid investment opportunities.

Financing SA films

As expected, the financing of films was an area which most respondents had very definite, clear opinions. There were areas of general agreement as well as difference, based on their own specific experiences and adopted business models. All participants were in agreement that in most cases, films would need to make use of multiple sources of funding, and in particular make use of the highly beneficial terms of the Department of Trade and Industry's Film Production incentive scheme, an automatic rebate of 35% of the qualifying South African spend. Over a third of any feature film's budget is thus covered, with no 'equity' or 'debt' strings attached.

Several respondents bemoaned the absence of private institutional investment, such as the private equity funds that are involved overseas. Respondent C explained this absence - "there is no institutional money [private equity funds] as there is no evidence of returns". An alternative view from Respondent H says it is because private equity doesn't have much appetite for risk in SA, while Respondent G finds that private money is scarce globally in the current economic climate. Respondent E was one of the few producers who has managed to access many small local private investors, arguing that they need to be provided a business plan which answers the key questions of payback period and ROI (return on investment). A number of respondents also mentioned that a slate of films might reduce risk for investors. The verdict was out on whether the 24F tax break for film owners was a significant incentive for private investment – some felt it was an attractor (but only Respondent E's investors apparently using it), while the financially experienced Respondent C maintains it is just a tax deferral.

A principle around structuring the finance reappeared numerous times with regards to a primary differentiation between 'soft money' (and other non-recoupable cash) and 'risk money' (recoupable) - "the aim should be to reduce the private money, as this is the money at risk" (Respondent B); "the more soft money in the finance the better the position of the producer" (Respondent D); "the finance plan should really aim to maximise non-recoupable cash such as minimum guarantee [non-refundable cash

upfront from the distributor] or negative pickup" (Respondent A). Coproductions were also mentioned as a viable way, given the right project, of accessing foreign funds and reducing the money at risk (Respondents A, B, D & G). On an altogether different tack, one of the respondents criticised a growing pattern of 'soft money' misspending – "people often abuse soft money – often that money is only available for content that is 'knowable', 'worthy' and a box-office failure" (Respondent J).

The option of seeking international presales, a common financing practice in the European independent film chain (as advocated by Finney [2010]), only came up in two interviews, and both times was, surprisingly, seen as a waste of time. "Pre-sales are gone – they're difficult for international films, impossible to get for local films" argues Respondent J, whose last big film was an international success – "In this economic climate presales are gone". Equally dismissive was Respondent B, who says, "you need to work very hard to get an international deal, presales, or even post shooting – it's not really a financing option for SA films at all".

Exporting

As far as exporting goes, opinions varied only slightly as to the extent to which producers should be focused on international markets. No-one seemed to rule out the possibility of finding international buyers and audiences for local films, although none of the respondents felt that South African expertise is overall sufficiently developed enough to be to be able to compete internationally. There was a dominant sense that the industry should, as a priority focus, be addressing, developing and expanding local markets (Respondents A, B, D, E, K, L), while a smaller set of respondents also felt that films should be made with export potential in mind (G, H, I, J). The middle ground was a more neutral view that export possibilities depended on the type of film being made (C, F).

The respondents generally gave reasons for their views that were grounded in an economic perspective and in personal experience. Respondent A says "… yes, for a few exceptional films, it's feasible – but exporting as a rule is not realistic", arguing that SA films and industry support are still insufficiently competitive from both a cost and quality point of view to warrant attempts at exporting, even in relation to other

developing industries such as India and Australia. "Australian producers are more experienced, the government distributes content – and even there, of the 20 or so titles that are produced a year, only 2 to 3 are getting international distribution" (Respondent A). Respondent K stated more bluntly that South Africa is 10 years behind the Australian industry, while Respondent D maintains export orientation is only important when the budget is high. As a distributor with extensive experience working with local filmmakers, Respondent F says "filmmakers need to learn locally, get to a level of competence – you need to make 4 or 5 films before you can stand in the international arena". And Respondent B has the following warning for those who are banking on a foreign deal: "one should not assume that you will get international distribution, in fact you should assume that there is a 99% chance that I won't get anything substantial. It took me two years to get a US deal [for X]"

A less hard-line view is that while some genres (art house, horror & religious) have export potential, one shouldn't compromise the film's integrity by making it specifically to suit foreign tastes (Respondent E). In this paradigm, one shared by other respondents as well, you need to make the film primarily for a target audience within the domestic market. You do well there as a first milestone - and then any international sales come as a bonus following from this success – "in the model I'm interested in, R6 to R10m, it will hopefully breakeven here, but possibly make money overseas" (Respondent L). Even Respondent J - an advocate of a higher budget, internationally-marketable product - thinks one needs to build an authentic story that sells at home first – "the old adage stands – be successful in your own market before trying to sell it elsewhere". Apart from these mainly economic reasons, there was also the occasional personal reason offered for the domestic option – for example "if you ask me which films I've interested in […]. I'm interested in making films for SA audiences" says Respondent L.

Those who felt more optimistic about exporting local films argued that global demand is now more receptive to difference (Respondent J), and that coproduction inputs can enhance the storytelling and marketability for international markets (Respondents G & I). Respondent J maintains that 'export quality' filmmaking is also about competing with foreign product in domestic arenas – "it is difficult, but you need to make a 'high

quality' films. At R40 a night, the standard is high. The model cannot just be budget-related. You need to try to make feature films that have a chance to be seen throughout the world". Perhaps the most strident voice in this camp was Respondent H, a public funder who argues that filmmakers are obliged to make internationally competitive films – "they have to [export] - it should be mandatory… But it's tough - look at what a South African film is up against". The more neutral view mentioned above holds quite simply that certain kinds of film can be sold overseas, while others are best suited to domestic consumption: "The key thing is to realise that there are: 1) films that can travel, and, 2) films that can't travel" (Respondent F); or rephrased, vernacular films do not travel – English films of sufficient quality will have international appeal (Respondent C).

4.4 Government Support

"Our industry policy needs a serious review across the various institutions" (Respondent C).

There are three main government interventions aimed at supporting and developing the South African feature film industry - film producers can apply for funding or support from each of these initiatives. The Department of Trade and Industry (DTI) runs a Film Production incentive scheme (a 35% rebate of up to R10m on films costing more than R2.5m). The National Film and Video Foundation (NFVF), funded by the Department of Arts and Culture, and mandated by government to develop the industry, is involved with funding script development, production finance (grants, loans and investments), assisting marketing and distribution and educational initiatives. The Industrial Development Corporation (IDC) has a Media and Motion Pictures SBU which is involved in film financing, and has invested in over 40 films in the last decade.

While the DTI is not primarily concerned with the 'quality' of the application (mechanistically approving funds if they meet certain mostly quantitative criteria), the NFVF is qualitatively selective of its disbursements, for example, rigorously assessing the quality or potential of a script before approving development funding. As an investor with a development mandate the IDC is also selective, assessing film projects like its other investments in terms of risk and reward.

The respondents were all quite familiar with the policies and processes of these government-funded and mandated organizations, and spoke extensively about what they thought to be their respective strengths and weaknesses – what emerges from the analysis is a fairly consistent set of interpretations. One thing was clear from the start just from the way people were talking – these public-funded support mechanisms are a vital element in the performance of the industry as a whole[xiii].

DTI

The DTI received unqualified praise from almost every one of the interviewees for their efficiency, transparency and ease-of-use - "brilliant" (Respondent L), a "top performer" (Respondent E), "very good" (Respondent C), "delivers fantastically" (Respondent F), "a great motivation for private investors" (Respondent K). Some make the point that the "the DTI rebate has been instrumental in unlocking the possibility of films moving into profitability" (Respondent D) - likewise Respondent H calling the upping of the rebate from 25% to 35% "a game-changer", and Respondent J calling it a "critical" support mechanism. Respondent B sums up the general feeling: the DTI rebate system "works very well" – this is because it is fair, clear, and easy to apply.

NFVF

The NFVF came in for more of a mixed reception. What respondents liked and acknowledged was their work around script development and training programmes (Respondents E, F, H, L). "The NFVF have done well in developing the industry and in terms of script development" says Respondent H, an investor, while Respondent E, a producer feels "they seem to be doing good work in their script development activities". Perhaps the most positive response to the NFVF, someone who received funding for a film and found them generally "very supportive", is particularly enthusiastic - "they offer brilliant courses, for producers, scriptwriters. For the people who do Sediba, it's an amazing thing" (Respondent L).

But in other areas there was less positive feedback - "The NFVF lack a coherent policy and vision – they seem to work on a shot-gun approach" says Respondent B. In the same vein, Respondent C points to "the NFVF's horribly muddled mandates" as a

major obstacle as well as the fact that "there is generally a conflict of vision between the various stakeholders, between the established white industry and the transformation-driven NFVF". Respondent E sees this in a different light: "The NFVF has been struggling to transform the industry [...] the film industry is dominated by white males". More generally Respondent C argues that "the industry needs more coherence between the funders [...] we need a script that goes through the NFVF script development programme, one point of entry into an integrated system". Similarly, Respondent F maintains that the IDC should align its criteria with the NFVF.

There were also some criticisms of the way the NFVF have interpreted - and supposedly not always fulfilled - their mandate. Respondent K felt that with their focus on commercial value they were not fulfilling their 'cinema-as-art' mandate, implicit in their alignment with the Department of Arts and Culture. From another quarter, their involvements in production and distribution are seen as a misdirected use of resources (Respondents B, F & G) – Respondent B warns that "they are in danger of becoming producers and distributors themselves". Similarly, Respondent G finds them too controlling of the projects the finance – "they see themselves as producers".

A very common view was that the organization was constrained by 'limited resources' (Respondent A, C, D, E, J) - a phrase that popped up quite regularly for some reason (an almost tautological and irrelevant observation in my view - are not all resources by definition limited?). Nevertheless, they are "underskilled and underfunded" (Respondent C). Respondent I claims to have heard rumours of 'favouritism' in funding allocations – while Respondent L reads this as legitimate sustained development of diverse voices that wouldn't otherwise be supported from a purely commercial point of view. Additionally, as discussed above, a repeated call was for the NFVF to allocate more of its energies to in-depth industry analyses and reports to support producers' understanding of the market.

IDC

Of the three government-backed support mechanisms, the IDC received the least favourable reviews – none of the respondents (apart from the respondent from the

IDC itself) had anything positive to say about it, although to be fair there were some neutral statements that were not negative.

The IDC is seen variously as - having failed to secure ROI on their investments and developed the industry (Respondent A), slow to respond, process and pay (Respondents E, F, L, I), demanding of high interest rates and other unfavourable terms (Respondents A, B, I) and paralysed by fear (Respondent C,G, L). Respondent F says they seem to get bogged down in internal criteria and plodding legal assessments; a common complaint emerges that they are currently too bureaucratic and expensive to be a worthwhile consideration – "the red tape and onerous conditions make it almost not worth it" (Respondent B). Respondent J puts it more diplomatically, saying they have "complex processes". It was also explained that the IDC's delays in cash flowing productions had partly been the reason why the DTI was now paying in milestones – "after you get your contract you still have to wait 3 to 5 months to get your money" (Respondent F).

Excessive risk aversion is given as one of the main reasons for poor delivery within the organisation. This is partly due to the poor performance of their film investments historically - "unfortunately they didn't have a mechanism for assessing the risk - and it was easy for a snake-oil salesman to sell them a bad deal" (Respondent D). Respondent B explains a touch resentfully, "they got into the film business a bit wet behind the ears, got taken for a big ride, and we're all still paying for that". Another explanation of the risk aversion was due to the "…the IDC's impossible mandate, driven by the top, to produce a 15% Internal Rate of Return, an investment mandate. They are stuck in this mandate, completely hamstrung by their policies around risk aversion – they are actually not development driven" (Respondent C). Respondent L says they are so risk averse they are "They're 'de-incentivised to invest' – they're incentivised to not make mistakes". According to Respondent A the IDC's terms are sufficiently burdensome and unfavourable for their involvement not to be attractive to other private investors, while Respondent L mentioned "onerous terms" that were not acceptable.

On the upside, the IDC's establishment of a risk-assessment system (Respondent D) bodes well for the future, they do have a lot of money (Respondent J), and they could

be quite a capable, useful player (Respondent G). The fact that the IDC was now purportedly looking at low budget films was also seen as a positive (Respondent F).

SABC

Interestingly some respondents included the state-funded broadcaster, the SABC, as part of what government has to offer the film industry as institutional support. Respondent J maintains the SABC has a future role to play, pointing out how internationally, public broadcasters have played a crucial part in sustaining a local film industry by licensing or investing in feature films[xiv]. "Canada could easily have become an extra US state as far as the film industry goes, but the local broadcaster got behind the film industry. It's an important boost - it gives the project a bit of credibility". One perception was the SABC's current state of financial crisis was a major setback - "the SABC is a disaster, leaving MNET as the only supportive broadcaster" and strengthening the latter's hand when it comes to price negotiations (Respondent E). On another tack, it was suggested that a coordinated government initiative could and should leverage the SABC as a publically funded broadcaster to market local films at low cost (Respondent K).

4.5 Embracing distribution challenges and opportunities

Many of the criticisms here started off and concentrated on the apathy of the established big business distributors, Ster Kinekor, Nu Metro and United International Pictures, towards local film. Historically distributors have simply not done enough in pushing SA films (Respondents B, D, E, G, H, I). "They've essentially been middlemen, putting out Hollywood content, they haven't needed to become innovative, cutting-edge distributors" says Respondent B. Respondent D argues that they are "passive recipients of Hollywood product and have relied on the international hype already generated to sell the movies". This impacts on their attitude ("pessimistic") and ability to distribute local content with their "very limited understanding of the local market, particularly around new black content" (Respondent D). Some respondents hoped that the recent emergence of leaner, independent distribution companies would help address the capability and commitment deficit at this stage of the value chain. Others

pointed to the fact that producers would need to allocate more resources to marketing their films (Respondents D, E, F, H)

A number of respondents pointed to the scarcity of digital screens in South African cinemas, creating a "bottleneck effect", where SA films are competing for those limited screening opportunities (Respondents E, F, G, L). Digital screens make use of digital projection and digital 'prints' - in doing away with expensive celluloid prints, digital screens can bring down the costs of physical distribution significantly. But SA exhibitors (who are generally owned by the same companies that own the distributors) balk at the fixed cost investment of replacing existing technology (Respondent E). Another related exhibitor problem identified is the lack of interest and risk-taking by relatively powerful exhibitors in showing SA films (Respondent B, C, E). Underperforming (South African) films are 'bumped' out of a cinema very quickly to make space for potentially more profitable Hollywood releases, a 'survival of the fittest' situation.

Respondent E pointed to the successful South Korean local quota system – "In Korea, cinema chains got substantial government subsidies from government in the short-term to cover the shortfall while local audiences were being re-educated", but felt that the SA industry might not be robust enough to take this regulatory pressure. Respondent C called for quotas, while H maintained that there wasn't enough capability and throughput yet to successfully impose quotas.

Developing audiences

A recurring view was that cinema audiences need to be extended to black segments by building new cinemas in townships (Respondents D, E, H, L). Black audiences are the major growth areas in cinema (Respondent J, L) – according to Respondent L, 42% of local cinemagoers are now a black youth audience. "Why is it so difficult to build a few cinemas in black areas?" asks Respondent E - "one could get it sponsored, and create a hub of activity around it". Respondent K thinks government could get involved in supplying capital-intensive infrastructure. Contrary to this view was the renegade opinion that it was too late to create a black cinema audience – filmmakers should be

looking forwards, with DVD and VOD release. "Two generations of township dwellers have not gone to the cinema – they're not going to go now" (Respondent A).

Internet opportunities for film

Rather than excitement around the Internet as a new distribution platform there seemed to be a recurring concern around the facilitative role that it plays as an anarchic unaccountable platform supportive of piracy: "the Internet is more threat than opportunity at the moment" says Respondent A. This inversion of the opportunity due to piracy was shared by a number of respondents (Respondent A, C, D, H). And while several respondents (C, B, E) believe that VOD will be replacing DVDs in the future, most of these seem to feel that neither the state of local infrastructural development nor that of a viable revenue model currently suggests a workable market-space. The distributors seemed to be the most optimistic about the Internet as a channel for niche films in the future – "proper broadband will open massive opportunities for local films over studio films", says Respondent F. However, the general lack of interest by the interviewees would seem to indicate a sense that South African producers need not be focusing on the Internet as a distribution platform just yet. There is also a rather clichéd refrain one finds across the interviews about the importance of social media networks in today's world of film marketing (Respondent C's is typical - "marketing movies on the Internet has become very important, making use of social media networks"). This commonsensical statement about the Internet does not seem to have any specific value for South African films, but appears rather to be a given for any kind of business in the digital age. As Respondent E puts it, "…remember with the Internet you are competing with everything".

4.6 Conclusion of research findings

A common thread underlies many of the responses to the question of why South African films are not finding a market. Producers, distributors and funders seem to find fault with South African producers as the all-important entrepreneurs who initiate film projects and shepherd them through the film value chain. These criticisms are primarily focused around the lack or superficiality of market understanding, and the financial

ramifications of this when it comes to establishing budget level and revenue models. There is more diversity of opinion when it comes to proposing film business models for South African conditions; some think there are quite narrow and specific opportunity gaps, while others maintain a range of models are viable. Although the notions of appropriate budget bands varied, many respondents seem to be interested in pursuing locally–oriented films in a low-medium budget band of R3 – 10m, while only a small minority felt that export was a necessary part of the film's strategy.

There is a high level of consistency with the responses to government stakeholders in the chain. Most of the people interviewed felt that government support was extremely important, and there is clearly a pattern in the performance assessments – feedback around the DTI was good, the NFVF received a mixed bag of opinions, while the DTI came in for a lot of criticism. Distribution was another area to be addressed for improving market performance, with committed, informed local distributors identified as a major driver of success. Increased digital screens, marketing spends, and local film incentives or quotas for exhibitors were all cited as ways to increase the chances of South African films competing with Hollywood content. The Internet is seen less as a new distribution and marketing opportunity than a threat in facilitating piracy.

5 ANALYSIS OF FINDINGS

5.1 Introduction

In this chapter the intention is to highlight some of the key findings discussed in the previous chapter, and, where relevant, relate them back to some of the ideas and assumptions explored in the literature review. Each of the four themes is treated separately, following the format established in the presentation of the findings, and consists of a brief summary of the relevant theme-based findings that is then analysed in relation to whether it supports or differs with the prevailing thought and international best practice already discussed. The purpose of this analysis is to offer an interpretation of the data geared towards a greater understanding of what the specifically South African preconditions and drivers of successful filmmaking might be.

5.2 Analysis of market understanding

South African films have generally been financially unsuccessful, particularly if you discount the exceptional success of Leon Schuster's comedies. This is the general consensus of the respondents, and concurs with the dominant readings of overall industry underperformance (Creative Industries Sector Report 2008; Cultural Industries Growth Strategy 1998; Deloitte 2007; NFVF 2008 & 2010; Tuomi 2006). Some respondents, however, see a possibility that the industry is turning a corner towards profitability with the success of some recent low budget films. Stakeholders ascribe the historically poor performance primarily to a lack of understanding of the market – not knowing what audiences want, not making films for specific audiences, and not matching budgets to realistic market-related income projections. This research suggests that problems lie with the effectiveness of the producer or the producing function. The position offered here offers a different emphasis to the explanation offered by Barnard and Tuomi (2008) – that SA films simply can't compete with Hollywood films - as well as to the wide-ranging factors of the Deloitte report (2007) discussed in the literature review.

What is interesting here (in this focus on the industry's misunderstanding of the market) is how causality or responsibility has become focused on the producer and what is produced. There seems to be a new mood and discourse of accountability around performance. It is no longer a problem with 'audiences'; rather, taking the state of audiences as a given, how do we address them profitably? The respondents at some level are feeling that it is up to South African producers to learn from recent experience, accept and understand the conditions (the small local market, predilection for foreign films, lack of investment, etc.) and start becoming competitive.

Additionally, the findings present a common view that producers and distributors need to build credibility around South African films by getting to know their audiences through various ways including audience research, test screenings and genre analysis. These responses concur with Bloore's (2009) concern, discussed above in Chapter 2, that the development stage of the value chain is particularly difficult because of its distance from the end stage of consumption. Because of all the intermediary stages before the market is finally tested, films can often accrue vast sunk costs before stakeholders realise that it is a commercial failure. As Finney (2010: 31), discussed earlier in the literature review, notes, "A key element of this [producing] process is 'testing' the marketplace [...] The objective is to determine whether the marketplace will support a project, or whether a screenplay and package do not add up". The producer has to take great care to ascertain the size of the potential market (in relation to budget) and to get to know the target audience.

In this regard it was severally felt amongst the interviewees that the NFVF could play a greater and more expert role in researching audience and other market trends, and collating and presenting this information for the industry. This opinion corroborates the views discussed in the introduction that the industry is generally insufficiently researched from an academic standpoint (Creative Industries Sector Report 2008) and is lacking in 'market intelligence' (Deloitte 2007) – the Deloitte report maintains the dearth of research additionally hinders the work of government institutions facilitating productions in the industry. As we have seen, Tuomi also stresses the importance of audience and industry research undertaken at a high level: "The provision of strategic information is vital for industry sustainability. Without an adequate understanding of

market trends and audience analysis, industry participants will be unable to make effective investment decisions" (2006: 101). It seems that the recurring request for more research and information about the South African industry indicates a key precondition for successful market orientation.

Another common response was that project-specific audience research should be done professionally by producers themselves, possibly with a distributor on board. This once again complements Bloore's (2009) analysis, where he points out that the 'distance' between producer and development stage can be bridged by the involvement of 'marketing departments' and 'distributors'. Additionally, one respondent argued that producers need to be aware that in this fast-changing and diverse society they alone probably do not have an adequate understanding of all the new emerging audience segments. They should involve as many of the production team in a pursuit of a mutually enriching understanding of the target audience. This very particular piece of wisdom was not repeated by any of the respondents, nor, given its specificity, would one expect it to be. However it seems to me a particularly important reflection given the heterogeneity of life-worlds, cultures and class experiences that constitute South African society and its potential audiences.

A number of respondents held that South African producers can be seen as entrepreneurs in a tough and high-risk industry. We can see an intersection here with the literature discussed earlier in the report (Mezias and Kuperman 2000; de Bruin 2005; Finney 2010), in which we find the suggestion that producers should be understood as 'creative entrepreneurs', constantly innovating new products and activities in an unstable environment. Some respondents thought that the South African industry might not yet be able to support producers as full-time producers, and that producers should be innovative in making provision for additional sources of income, preferably in other stages of the film value chain. This last suggestion is also one of the successful activities of film entrepreneurs identified by Mezias and Kuperman (2000). The common view that a producer was only as good as his network of contacts also resonates with Coe's (2000) theory of a successful producer's "embeddedness" in social networks of influence, and Lorenzen & Täube's (2008) observations of the power of informal 'alliances' in Bollywood. One respondent argued

that one of the factors involved in the poor performance of feature films is probably the poor performance of producers as entrepreneurs. Local producers, coming from the South African facilitation and television industries with their fee-based model, have not acquired the requisite entrepreneurial, financial and marketing reflexes required of a feature film producer seeking profits.

This is quite a key point – if entrepreneurial zeal, resilience and risk-taking 'profit orientation' (as opposed to fee-seeking behaviour) is required of the producer, then it is important that there is a concerted effort to inculcate these traits and skills in South African producers. Undoubtedly some of this is hindered by lack of knowledge and financial expertise, and this is fairly directly addressable through education and skills training. But returning to the literature, Venkataraman's (2004) emphasis on an *entrepreneurial milieu* is equally important and less obviously realised. His cultural 'intangibles' (role models, proximity to idea-factories, informal forums for networking, appetite for risk, etc.) are, in his own admission, less easily produced in developing countries, such as South Africa, where there is less appetite for radical innovation. Another important implication of this understanding of truly innovative entrepreneurship is that it does not just take place spontaneously, in any place, but requires specific conditions to be in place, in a specific place or region. Where those conditions are not in place, they need to be contrived.

At this point it is necessary to recall de Bruin (2005) who, in explaining the New Zealand film industry's exemplary outperformance of the economy, argues "entrepreneurial activity in the creative industries involves action at several levels" (2005: 144). While you need entrepreneurs on the ground, you also need entrepreneurial activity and strategy at the regional and national or state levels, which should be aligned with one another. In her view, film entrepreneurism is dependent on an innovation mindset that in the globalised economy requires and is coordinated from above by a 'strategic state'. Combining Venkataraman and de Bruin, if South Africa seriously wants to compete with other developing economies such as New Zealand in the global film arena, it needs a 'strategic state', which having identified certain growth priorities, creates the conditions for an entrepreneurial culture and facilitates entrepreneurial activities at different levels.

5.3 Analysis of business modelling

The general view of the respondents is that there is no single business model that has a monopoly on opportunity in the South African situation – however stakeholders do seem to think that historically films with only limited domestic potential have cost too much. This differs from Tuomi (2006) and Kriedemann (2011), who suggest medium and low budgets as the most commercially viable orientations. If one overlays the various respondents ideas of what 'feasible' budget levels are, a realistic budget range of around R3 – R10m emerges for a film aimed at a local audience. Higher budget films above the R10m mark need to be able to travel internationally - and to do this they will need to be of sufficient 'quality'. As far as financing goes, respondents argued that films should maximize 'soft money' and other non-recoupable sources of income before adding investment money to the finance plan. The 35% DTI rebate is seen as a lifesaver in a financial landscape in which most private money has dried up, and should form the basis of financing. Some producers are reporting, however, a renewed interest from private investors.

A surprising result was that a majority of the respondents felt that in most cases South African films should, first and foremost, be aiming to fulfil local audiences' needs – exporting the film (if exportable) should come as a second stage. Producers should therefore forget about seeking international presales. This interestingly contrasts with the European best practice of seeking presales as part of the financing plan, as expounded by Finney (2010) and Bloore (2009 in the literature review. If we revisit Bloore's value chain analysis of the independent feature film industry, we see that a number of later stages are also predicated on the film being sold on to foreign territories – for example, he identifies an "International Sales and Licensing" element, as well as "International Distribution". These differences could mean that the South African independent feature film, as currently practised and envisaged, requires a different value chain model from the European one.

Another implication of this disinterest in presales to distributors in foreign territories is that producers lose out on an early warning system. As mentioned earlier in the discussion of Finney's (2010) description of the development/financing stage, presales

indicates the 'film has legs' and is an indication that the film is hitting the mark as far as commercial viability goes. Presales can also constitute a valuable slice of the funding pie, and allow for a bigger budget, and more production value. If there is no interest in terms of presales, it might because the film is simply not good enough – not even for local consumption.

Of course one has to be aware that is hard to find international presales on the no-name low-budget productions that local producers seem to be pursuing – as the New Zealand Film Commission cautions, "Most low-budget and digital feature films are produced without securing a sales agent or pre-sales. As they rarely have any strong commercial attachments (such as name actors or a well-known director), sales agents will usually want to see the completed film before making a decision about representing it" (NZFilm n.d.). Nevertheless, it seems as if South African producers are too easily limiting themselves to a local film paradigm without fully exploring the possibilities of international connections.

Only one respondent argues, against the prevailing local wisdom, that to compete domestically in cinemas means to create a film of sufficient cinematic 'quality'. This in turn entails an investment of at least R10m, probably more, which also means that it can and should travel. This dissident view – unique at least amongst the respondents - could easily be dismissed as 'old school' – but there is a shrewd logic at work in this argument if one looks more closely. Local markets are conditioned to expect - even before one starts talking about story or genre choices - a certain base-level of production or screen value (cinematography, production design, professional acting, etc.) through the foreign films they see - following this logic, to begin to compete with even a low-budget American film of say $7.5m, South African films will need to invest in a minimum level of production value. R10 – R20m is still not a big budget, although higher than what most of the other respondents would consider – at this level "producers should be focused on making brilliant little films that are based on great scripts" according to the respondent. Interestingly, this maverick respondent is also advocating 'little' films, but films that can travel - and it might also be worth noting that s/he, as a producer, is responsible for one of the most internationally acclaimed South African films in recent years.

5.4 Analysis of government support

The consensus is that government support for the feature film industry is a critical condition for success – the case not only in South Africa but across the world. This widely held view is line with de Bruin's (2005) concept of the 'strategic state', discussed above, in which the state facilitates entrepreneurship in selected areas of strategic focus. Respondents all agreed that the DTI is doing great work with its incentive program – the rebate is suitably generous and is well administered. The NFVF, although working with limited resources, is proving effective in its training programs and specifically its development initiatives around scriptwriting. It does however come in for some criticism around its strategic direction - with conflicting mandates, the taking over of production and distribution functions, and not putting enough into its research function.

The IDC came in for a lot of flack, with slow internal processes, long waits for payment, poor ROI, onerous terms and extreme risk-aversion cited as problems. The overwhelmingly negative response from the industry stakeholders interviewed differs substantially from Tuomi's (2006) optimistic conviction that "Of all the government-related funding options, the most promising in terms of emphasis is the Media and Motion Pictures Division of the Industrial Development Corporation (IDC)" (100). Rather than bringing profitability to the industry, it would appear that they have been a stumbling block in the financing landscape, with many unrealised investment opportunities passing by. Several respondents did however feel that they could play quite a useful role, particularly if there was greater cohesion and coordination between the various government-backed programmes.

In this regard, there is a call for a comprehensive review of industry policy, which would hopefully create a single point of entry for applications, and an integrated pipeline. The one danger in this scenario is that the gatekeepers gain complete control over the destiny of a project – currently, one institution's rejection doesn't preclude a producer from trying the other two. Some respondents also felt that the SABC as a public broadcaster should be playing a role; they could provide a financing cornerstone (as in

other countries) and add credibility to projects – however their current financial crisis has meant less involvement rather than more.

These responses to the role(s) of the state brings us back to a consideration of the capability-building argument explored earlier, which focuses on the R & D infrastructure (Venkataraman 2004; de Bruin 2005). Research and development (R&D) in a national film industry (such as with the South African industry) would presumably need to entail not just the usual calls for training and skills development, but the adoption of an innovation/creative industries framework, followed by the implementation of specific multi-level strategies, funded and coordinated by government, around script development and integrated financing initiatives. This would need to include extensive (and sometime purely speculative) script development funding of screenplays, a focus on arts education and training to develop a better and wider understanding of storytelling, a coordinated 'pipe-line' of development stage and production funding linking the different government-funded institutions, as well as extensive market research around trends and opportunities in relation to local and foreign consumption. This last capability would amount to an industry-level 'business intelligence' system, operating at a national level and feeding film producers, organisations and other stakeholders in the industry with cutting-edge research and statistical analysis. The question then presents itself whether South African government funding bodies and policy makers properly understand the importance of a coordinated approach to a 'creative industries' R&D infrastructure, and whether even the government itself, at its highest echelons, is capable of the level of coordination and cooperation required of a 'strategic state'.

5.5 Analysis of distribution challenges

Distribution challenges and opportunities constitute the final area of focus, and one that provides additional insights and some surprising results. The Internet responses generally did not yield answers that were particularly relevant to the central question of what makes for producing successful films in South Africa. They are more appropriate to the film industry at a global level, with several respondents making the generic 'long-tail' statements about the possibilities for endless low-volume sales for

niche products[xv] (Respondents A, B, F, H). Feelings were not consistent, ranging from the very positive (a "game-changer") to the very negative ("I'm uninspired by this VOD-cell phone rubbish"). It seemed as if most of the respondents had embraced Internet distribution as something inevitable coming in the future, but had not thought through how it might impact on their own practices yet. Several of the respondents seemed not to have made a distinction between Internet distribution and Internet marketing, either only talking about one, or confusing the two activities.

Contrary to the literature (Zhu 2001; Finney 2010; Culkin 2008; Currah 2003) South African industry stakeholders on the whole do not see the revolutionary potential of the Internet as a VOD (video-on-demand) distribution platform for South Africa – or at least not yet. This might be partly attributable to infrastructural issues focused mainly around bandwidth limitations. But it seem as if they are more concerned with what are seen as the immediate problems and imbalances in the existing value chain, such as the lack of commitment and expertise in the big distribution companies, and the relative industry strength of their exhibition arms. But when the regulatory use of local content quotas in cinemas to promote local film arose in some discussions, there wasn't much of a willingness to impose them. I find this a strange paradox deserving of further research, perhaps as part of a larger research study into the exhibition stage in the South African film industry. In my view it is clear that South African exhibitors have gotten off lightly in terms of obligations to local film.

While the literature (Culkin 2008; Currah 2003; Finney 2010) sees digital projection (with the reduced costs of digital prints) as an opportunity for independent producers with smaller films to get into more cinemas, the South African cinema landscape is one with limited and highly contested digital screen space. In the respondents' experience, digital distribution ends up working against the producer rather then for them. Exhibitors (cinema owners) seem resistant to the costs of the new digital technology, as the status quo works fine for them - perhaps this is an area for government to step in with some form of subsidised capital investment or incentive mechanism to open up new digital screens for local films.

Likewise, the respondents were less enthusiastic than the literature (Currah 2003; Tuomi 2006; NZFC 2008; Finney 2010) around the marketing opportunities presented by the Internet. The distributors showed more of an interest in and knowledge of current trends here, but the producers on the whole seemed sceptical or vague, and none provide viral 'principles' (such as Finney's novelty, emotions and sharing) or concrete examples of a marketing campaign. This seems like a lost opportunity for South African filmmakers – as Finney concludes, "the independent film business has much more to gain than the Studios from exploring all avenues offered by the digital network" (2010: 135). Additionally and more generally the 'disintermediation' of distributors from the value chain enabled by digital technologies, heralded by Zhu (2001), did not crop up in more than two conversations – most respondents seemed to be relieved at the emergence of dedicated local distributors, rather than wanting to get rid of them.

In fact, the Internet was mostly associated with the threat of piracy through file sharing – which most respondents saw as a major distribution problem. This was intertwined with a recurring argument about how a monetising mechanism hadn't been worked out yet for legitimate downloading. What is surprising here is that US businesses *have* worked out ways of securing-and-monetising video content. There does seem to be a certain resistance to thinking through the implications of the new. One might speculate that the association of the Internet with piracy (more of an international than local issue) is due to the more prevalent and damaging South African piratical activity of DVD cloning and selling.

On an altogether different and more positive tack, another major distribution challenge identified was building new audiences and the cinemas that house them. In this regard a common concern is addressing a young black market, an audience with great growth potential, as well as getting targeted films to them in new township cinemas.

5.6 Final Analysis – An assessment of the respondents

As a final point of analysis it is necessary to mention what was for me a positive and unexpected process of discovery during the research process. The sample of selected

'experts' (with the exception of one respondent) turned out to be real experts. I started the research expecting to encounter a fair degree of bluster and superficial knowledge under the veil of expert opinion. Instead I found a range of nuanced, articulate positions derived from different engagements with the industry. Initial concerns that particularly producers would not want to divulge 'trade secrets', personal insights or financial information were unfounded. Respondents had specific 'pearls of wisdom' from their experiences to offer the study – and I learned something new from each interview, something hard-earned yet generously shared. They also seemed on the whole to have a well-developed sense of the intricacies and power-dynamics of the film value chain, and a kind of an in-built Porter's 'five forces' radar system.

My sense is that because this is such a tough industry, just to stay in it requires high levels of passion, dedication, strategic thinking and reflection. To survive in the world of feature films you have to become a passionate, curious expert - to understand all the layers, stages and opportunities to be found in the industry, and to be able to discuss, question and learn from others. As Respondent E puts it, a film producer needs to have "twenty core competencies". The realisation that I was actually dealing with experts was inspirational - the research began to accrue value in the eyes of the researcher. I am now able to see this research as much more than an arbitrary set of opinions – in my opinion it contains a pooled wisdom that adds to an understanding of an often opaque and misunderstood industry, as well as opening up areas for further research.

5.7 Conclusion of analysis

Analysis of the findings shows that the call for understanding the market points to the accountability of producers in insuring marketability, and that producers are assuming responsibility for addressing what audiences want. This is a positive development in that causes of poor performance are seen as immediately actionable and addressable - people are talking the language of competitive advantage rather than the discourse of blame. Audience research, test screenings and genre analysis are ways on which producers can get to know their specific market. However the concern that more could be done with public-funded research to assist the industry community with general

market understanding corroborates the views in the literature review. It also seems that South African producers do not have adequate entrepreneurial skills – and that these attributes would need to be supplemented and encouraged by a strategic state.

The locally focused business model adopted by most respondents is surprising in its deviation from the established European independent film business model. The European film is premised on pre-sales and international distribution – it seems as if South African filmmakers are not fully exploiting this opportunity for accessing foreign capital. The degree of consistency around opinions on the performances of the respective government institutions serving the industry gives the criticisms some credibility and legitimacy. The findings show that stakeholders see government support as critical to the success of the industry. This supports the arguments explored in the literature review that hold that government should be involved in capability-building and research and development initiatives in knowledge and innovation industries.

The South African perspective on opportunities offered by digital distribution does not concur with the international perspectives discussed in the literature review. Digital projection is hamstrung by the limited number of digital screens and Internet distribution is seen as problematic in relation to piracy and monetising mechanisms. The major concern seemed to be the lack of commitment by the large distributor-exhibitors to local film, while audience development as a distribution stage imperative was an unexpected context–specific finding.

6 CONCLUSION

6.1 Introduction – review of the study

This research report addressed the central research question - why is the South African feature film industry uncompetitive, and what are the key drivers for producing profitable films in the South African context? The study commenced by investigating the poor performance of South African films, which typically were not able to recoup costs and move into profitability. In surveying the limited literature on the topic, it was found that the industry on the whole has been financially unsuccessful due to problems across the various stages of the value chain.

The central conceptual framework used in the study was value chain analysis. The study limited its scope to the development and distribution stages of the independent film value chain. This device was used to interrogate the critical role of the independent film producer as a 'creative entrepreneur'. The report looked at examples of successful film industry development in other emerging economies, and examined what international research indicates as success factors in project development, followed by an exploration of the rapidly changing landscape of digital film distribution and its associated opportunities.

The empirical research component comprised of the analysis of semi-structured expert interviews with 12 industry stakeholders – producers, distributors and funder-investors involved in feature filmmaking in South Africa. The data analysis involved thematic encoding, a reduction of 10 open–ended questions to four key thematic domains that were presented in the findings: 'understanding the market', 'finding a business model', 'government support' and 'embracing distribution challenges'. Key findings here were that producers have historically misunderstood audience needs and market volumes for their films, that profitability is achievable if one targets local markets modestly, that government support is critical but deficient in the South African environment, and that South African films needs committed local distributors and exhibitors even before significant investment in Internet based distribution mechanisms.

6.2 Reviewing the research question

Returning to the research question, why are local films uncompetitive and how can they be made more profitable, and based on the findings, the following conclusions can be drawn from the study.

Understanding the market

The research found that a fundamental problem leading to poor financial performance of local films has been producers' inadequate understanding of audiences – who the film is being made for, what this audience wants, and what revenue one can expect from this audience. As a consequence, producers have not constrained budgets to what their market can support, and the costs of making films have not been recoupable. Improved market understanding requires intensive audience research and market analysis of different kinds, some of which producers cannot be expected to do on their own. Additionally the research found that producers are precariously positioned as creative entrepreneurs in a high-risk environment, constantly needing to innovate new 'products'.

The findings thus suggest that producers need to become market focused if they want to increase profitability. They also show that industry stakeholders, including producers, have learned hard lessons from the poor performances of 'production-lead' filmmaking in the last decade, and are already becoming increasingly market-oriented. They are starting to research audiences, developing stories that address specific audience needs, as well as attempting to ensure that budgets are matched to projected revenues. One can conclude that producers are taking responsibility for trying to ensure the marketability and financial viability of their products, and that this bodes well for future profitability of the industry.

Business model

The research found that opportunities exist at a number of levels in the South African film landscape. These range from ultra low budget straight-to-DVD models with budgets under R1m to high budget internationally competitive films costing tens of millions of rands. This study showed that while international markets could possibly

provide additional revenues after success at home, local markets are currently the primary driver in terms of profitability. This is a deviation from the independent film value chain developed in Europe (Finney 2010), which advocates internationalisation of distribution and sees foreign sales and pre-sales as critical success factors.

The research findings suggest that local films with a budget of R3 – R10m are viable, and perhaps this budget level should be the focus of industry development efforts and entrepreneurial focus. Locally aimed films with budgets in excess of R13m appear to be commercially unviable. With respect to financing and funding, the study arrived at the following conclusions. In order to enhance financial viability, producers should be attempting to maximise soft money, including the very generous DTI rebate, and minimise recoupable risk money.

Government support

The research found that government support and funding are critical to the success of the South African film feature industry - and could be improved. The first point concurs with the European environment where policy experts claim that without state and EU assistance there would be no independent European film industry. The study shows that the three key government players are performing at quite different levels. The DTI film production incentive appears to now be a fundamental element of most financing strategies, with administration of the rebate efficient and hassle-free. The findings indicates the NFVF is getting its training programmes right, while muddled mandates, control issues and limited resources constrain its effectiveness as a funder. The research also suggests they need to improve the quality and quantity of their research activities. IDC performance is clearly unsatisfactory, with administrative inefficiencies, poor historical ROI and onerous terms being the main problems.

The research also found the need for greater cohesion and coordination between the vtof New Zealand's aligned innovation framework as the primary success driver of its high-performing film industry. In conclusion, the competitiveness of the South African industry would certainly be enhanced by such a high-level strategic realignment.

Distribution Challenges

The study found that large vertically integrated South African distributor-exhibitors (Ster Kinekor and Nu Metro) occupy too strong a position in the value chain, and have historically not done enough in promoting local films. This disinterest has lead to a lack of understanding and expertise in the local distribution of South African films. The research found a prevailing lack of commitment to distributing and marketing local films. It is hoped that the recent emergence of dedicated domestically-focused distributors will change the picture, although some also call for more regulation of exhibition practices. With a constant oversupply of cheap foreign product, exhibitors can exhibit what they want, when they want. A South African film not performing well is quickly 'bumped' out of cinema for a film with better prospects, invariably a higher-budget Hollywood title.

The study also found that there need to be more digital screens installed in South African cinemas for local films to make us of the cost savings rendered possible by innovations in digital distribution systems. Additionally the research suggests that the development of new black segments (through targeted content) and black audiences overall (by building cinemas in townships) could be important drivers of growth and profitability at the distribution stage. Although some see the Internet as a key viral marketing tool, the study indicates that there is not as much enthusiasm for it yet as a distribution platform.

6.3 Recommendations to the industry

What follows are recommendations for actions and behaviours by industry players that would lead to more profitable films and a more competitive industry. The recommendations are separately addressed to the two key agents - producers and government.

Producers

With regards to market understanding, it is recommended that producers observe that there is a paradigm shift taking place across the value chain. Market-orientation is fast

becoming a basic requirement for doing film business. If producers want to attract interest from other stakeholders, such as investors and funders, they will need to ensure that they have a crystal-clear presentation of who their audience is, what they want and how much the segment can yield in terms of revenues. They then need to set their budget level accordingly. Producers need to do their own market and genre research, but also need to be more insistent on more and higher quality industry research from government organisations, such as the NFVF.

In terms of business model choices, the most important question producers need to ask is whether the film will travel. If not, they need to keep their budget under R10m, probably in the market-proven R3–6m range, to recoup from limited domestic windows of exploitation. The research also indicates there is underexploited opportunity in international coproduction and distribution, which can significantly raise the budget level and production value of a film. While local markets are currently the primary driver in terms of profitability, some producers could make big profits if they think globally.

It is recommended that producers play a more engaged and vocal role in addressing challenges at the distribution stage. Producers should be putting pressure on government to generate local content quotas for exhibitors and increase the number of digital screens. Producers and distributors could make greater use of the Internet as a marketing and distribution mechanism, particularly for niche films. Even if the VOD has not yet taken off in South African markets, it will - and cautious local players stand to lose ground to global distributers.

Government

Government needs to understand that film production is an entrepreneurial activity - as such it will not just happen in a vacuum. If South Africa seriously wants to compete with other developing economies in the global film arena, it needs a 'strategic state' - one that creates the conditions for an entrepreneurial culture and facilitates entrepreneurial activities at different yet aligned levels (individual, regional and national).

Existing government support organizations could and should work together more cohesively. This would require a review of existing policy and mandates, and greater coordination around applications and criteria for funding.

Government needs to invest in high-quality research in the film industry. For producers and other industry stakeholders, thorough market understanding requires intensive, professional and sustained research into audiences and market behaviour beyond their own capabilities. The ideal situation would be the creation of a business intelligence system that feeds stakeholders with the latest industry-related information, statistics and research to assist in decision-making.

Government should consider subsiding digital project projection technology, with a view to prioritising their use for local films. The study shows the limited number of digital screens has created a bottleneck that exhibitors look unlikely to address due to the digital projection conversion costs involved. This constrains the digital release of local films, which could otherwise be released in more cinemas at reduced costs.

A more controversial recommendation of this research study is that government explores regulatory intervention at the exhibition stage of the value chain. The report found that exhibitors are currently not incentivised to show or persist with South African content over popular foreign product. The box office figures reveal plainly the very poor attendances for South African titles (see Appendix D), and exhibitors have an overabundance of star-based Hollywood genre films to show in their place. In the absence of a regulatory framework, there will be little more than a token gesture to promoting local film releases from powerfully positioned exhibitors.

By introducing local content quotas for cinemas, South Korea managed to effect a dramatic sea change for the local feature film industry[xvi]. Like the Koreans, the South African government could assist exhibitors with subsidies while the market adapts to local films.

6.4 Future research

There is a pressing demand for further more detailed research of the South African feature filmmaking - in particular there is need for research on audiences and market performance. Quantitative and qualitative research in this area would assist in decision-making processes in many stages of the value chain, specifically the development and distribution stages. While the NFVF should be working on this it is also important that independent academic research initiatives address this significantly under-researched field. This study has uncovered a number of additional topics that could be explored in future research on profitability in the industry.

Beyond the scope of this research report but a crucial element in coming to grips with competitiveness in the film industry is a series of in-depth 'case studies'. These predominantly qualitative investigations would map the development of individual South African feature film projects from development to consumption across the various windows of exploitation. Case studies of successful films would impart knowledge of best practices to a range of stakeholders, while 'failed' films would provide lessons on what to avoid.

As researchers of film repeatedly testify, one of the major obstacles to industry profitability studies is the resistance by producers to revealing 'private' information. This could be overcome by public funders (such as the NFVF) insisting that this kind of informational cooperation and financial transparency is a precondition for funding.

A topic well worth additional research is the international market for 'world cinema' and co-production. While South Africa has a number of coproduction treaties in place with other countries, what these countries want content-wise is a complete unknown for most local producers. The spate of recent South African films can be seen as an experimental testing of the local market; what do they like, how far can the audience be stretched. The more difficult question is how to tell and position local stories for overseas markets – this information would assist producers to make the appropriate connections with potential partners.

Another area requiring further research is the role South African film festivals and associated film markets could play in the exporting of local films. Here the questions would be, to what extent do they provide assistance to South African producers in facilitating international pre-sales and international funding, the finding of coproduction partners as well as international marketing and distribution[xvii]. The Durban International Film Festival, with the recent addition last year of Filmmart - a film market and forum for local producers to meet international players - is currently the only event of its kind on South African soil.

A final topic area that requires further focused research is the local marketing of South African film. This would entail an analysis of various marketing techniques currently practised by South African distributors in addressing local audiences. The major question at this stage is how to get different audiences into the cinemas – what makes each individual segment want to see a film? Distributors have in the past decade sometimes spent large amounts on P & A (prints and advertising) for a local release, without much to show for it in terms of box-office takings. While this research has turned up some evidence that local producers and distributors are talking about the potential of viral marketing, no specific strategies or anecdotes indicating implementation came to light.

6.5 Final Comments

This research report has focused on the potential profitability and competitiveness of South African films, essentially from a producer's perspective. But the competitiveness and health of the industry has much wider ramifications for South African society.

From a purely economic perspective a successful film industry has the potential to play a beneficial role in developing the South African economy, in providing jobs and generating profits from domestic and international exploitations. We have seen that in New Zealand, the creative industries, with state fostering, have grown to employ over a quarter of the population. However any film production strategy needs to be aware that the economic goals of profitability and development need to be balanced with other objectives. Commercial viability and market–orientation is an important new

preoccupation of the industry - but there also needs to be some retention of a cultural agenda. The recommendation here is that films are seen simultaneously as both culture and commodities.

The danger of pure profit-seeking, as Kerrigan and Ozbilgin (2001) point out, is that it squeezes out cinematic diversity and promotes so-called 'universal' (North American) values and identities. Additionally, it will not produce the risk-taking and authenticity that many filmgoers value in film as a cultural form. As Botha (2003) emphasises, there is social value in a film industry that is not narrowly focussed on the bottom line.

> The underlying assumption should be that a diversity of film types would make the film industry as a whole more healthy, with France as an excellent example. A film industry, which is focused exclusively on maximising profit, would inevitably become shallow and artless (186).

From this cultural perspective, Tuomi (2006) points out that "Film is a powerful medium which influences the way a country views and is viewed by the world" (96). Cinematic representation and expression is an important part of the cultural and intellectual life of a country. It contributes to a level of critical thinking and philosophical engagement around 'where society is going', and questions of identity and representation. As such South African filmmaking has a cultural validity and value independent of economic or developmental imperatives.

The South African film industry is thus an important one from both cultural and economic perspectives. But beyond these often conflicting economic and cultural value-spheres there are also several hybrid 'cultural-economic benefits' to developing societies. These are benefits which are less tangible and, consequently, less easily quantifiable than strictly financial or cultural returns. Put another way - it is not just about economics *or* artistic-cultural expression; it is also about how they reinforce one another to produce additional social value.

For example, the production of authentic 'export quality' representations of South African life contributes to a positioning and branding of the county as a 'capable' society in the global consciousness, affecting perceptions around security and risk, FDI

in other industries, tourism, etc. Demonstrations of cultural competence affect the overall attractiveness of the country, in the same way as the 2010 World Cup supposedly boosted South Africa's status amongst nations. Tuomi (2006), looking specifically at the implications for tourism, notes that "A British Tourism Authority report estimated that locations featured in successful films often experience at least a 54% increase in tourists over a four year period" (97), and observes that "[feature filmmaking] is one of the best forms of 'advertising' available to South Africa" (97). Conversely, South Africans' sense of pride, self-worth and their general levels of confidence around global competitiveness must also surely be affected by successes in the national film industry, as was seen when *Tsotsi* (2005) was received so well overseas after winning Best Foreign Film at the Oscars.

The South African government and industry stakeholders should be inspired by other emerging economies (South Korea, India, China and New Zealand, for example) who have managed to grow successful feature film industries through combinations of well thought-out policy design, financial assistance and entrepreneurship. The South African feature film industry is deserving of existing government support. But if it is to really compete in the global arena it requires even more tactical focus and further integration of state polices and institutions around a strategic framework. From their side, producers also need to further embrace the market-orientation mindset. If South Africa can evolve a 'strategic state' of the New Zealand variety, we will no doubt see 'creative entrepreneurs' and global players of the calibre of Peter Jackson emerging from the South African feature film industry.

NOTES

[i] The exhibitor takes around 50% of box office off the top – but then there are further windows of exploitation that bring in additional revenues (DVD retail, broadcast licenses, etc.).

[ii] Co-productions are films that are officially produced in more than one country to make use of multiple subsidy and industry incentive schemes, and to draw on multiple resource pools.

[iii] Producers are generally quite secretive around their film budgets and the performance of their films, and for some reason the industry seems to support this feeling. Seeing as many SA films produced today receive some level of public funding (whether through the NFVF, IDC, or a DTI rebate) it should be accepted that the ROI should be public information.

[iv] SA market share has been estimated at a "relatively low" 0.5% of the global film, TV and commercials industry (Deloitte 2007: 121)

[v] Even Gray Hofmeyer, director of Leon Schuster's recent smash hits, *Mr Bones* (2001) and *Mr Bones 2* (2008), has a day job in the television industry

[vi] In the South Africa context creative industry public policy has focused predominantly on music, film and video, publishing and craft - but the term can include more generally design, theatre, architecture, new media, fine arts, etc. (Creative Industries Sector Report 2008).

[vii] Bloore's definition of 'independent' is basically any film that is not produced by a studio, and possibly has more than one source of funding.

[viii] Indeed if Davenport's (2006: 153) assessment that less than 1 in 10 UK films is successful at the UK box office (in a developed economy and market) is in any way accurate and generalisable, then it would seem to be misguided to think one can predict winners or expect profitability from every film invested in, given South Africa's nascent industry.

[ix] There are however still technological issues with VOD. Current bandwidth limitations and variability means producers/purveyors having to encode video at different levels, leading to undue complexity for end-users, with South Africa particularly hamstrung in this area, not yet even enjoying a workable Standard Definition solution (Greenfield 2009). Internet piracy via software hacks and peer-to-peer (P2P) networks also constitutes a major issue which is undermining the production of both studio and independent production, and is an unknown variable into the future (Currah 2003; Taplin 2007).

[x] See Flick (2005) p.67.

[xi] While the respondents were asked an open-ended question regarding the skills and attributes required for a successful producer, the responses as a whole were 'all over the place', lacking consistency and depth. Additionally they did not seem to link up to any emergent theme. I decided to only work with responses around innovation and how these pertained to 'understanding the market'.

[xii] The historical perspective advanced here is that there is always international break-out potential - the 80's Jamie Uys comedy *The Gods Must Be Crazy* made over $100m worldwide (Respondent G). The other historical view holds that there was a small yet profitable industry servicing the domestic (white Afrikaans) market in the 70's and 80's, pre the politically-themed yet 'market-less' and commercially unsuccessful films post '94 (Respondent J) - this view limits failure to a recent era, suggesting it is content-related.

[xiii] This was later confirmed by Respondent J, a seasoned producer: "Government support, such as the DTI rebate, is critical – private equity is currently very difficult"

[xiv] "In any country in the world that has difficulty in sustaining its own industry (every country in the world except India and the US) they [broadcasters] have some kind of incentive" (Respondent J)

[xv] An example - "The cinema model is one of massive oversupply (broadcasters are also oversupplied) – and the exhibitor's question is always, is there a bigger audience for the next film? With the long tail, everything can stay on the catalogue. Nothing gets pushed out" (Respondent A).

[xvi] Every screen in the country needed to be showing a local film for at least 147 days in a year. In a little over a decade this pushed the market share of South Korean films from around 16 percent to 47 percent of the domestic market (Kyong-nyon and Ji-eun 2006).

[xvii] As Finney (2010) points out, "the [international] festival circuit plays an essential role in the discovery and launching of independent films" (55).

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APPENDIX A - LETTER TO RESPONDENTS

Dear Respondent,

I am writing to request your involvement in a research study on the profitability of the South African feature film industry – specifically, producers', funders' and policy specialists' impressions of the key drivers of success. I am a lecturer and part-time student at Wits University where I am completing my MBA thesis

The project would benefit immensely from your participation in a semi-structured interview of around 1 hour. I would be grateful if you could let me know whether you have the time and inclination to participate in the interview - which of course would be scheduled according to your convenience.

To ensure reliability of the recording and interpreting of the information communicated in the interview, you would be given copies of the summarised interview for your verification. You can also be assured of confidentiality in that the research is for academic purposes, and you would not be personally identified in the final report.

Please do not hesitate to contact me if you have any questions around the project. I hope to hear from you soon.

Yours sincerely,

Damon Heatlie

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APPENDIX B - RESEARCH INSTRUMENT: INTERVIEW QUESTIONS

Interview questions for qualitative analysis

General questions:

1. There is a perception that South African films have historically not done that well financially. Would you agree? What are the reasons for this?
2. What are the key attributes and abilities that will make for a good feature-film producer, given South African conditions?

Development stage questions:

3. What do you think is the most sustainable/profitable business model for the South African feature film industry? E.g. Low budget niche films/larger budget independent films, local/international markets? Do very low budget films make sense for you?
4. In your view, what are the key elements of the 'package' that a producer needs to put together to sell to investors/distributors at the development stage?
5. In your view, what configuration of film financing makes sense in the South African context?
6. How would you assess the government's policies and performance in this department?

Distribution stage questions:

7. What are the key challenges for South African films in the distribution stage of the film value chain?
8. Should SA producers be aiming to export their products? How should they be going about getting international distribution?
9. What kind of market research and target marketing do you do/would you expect to see done? Are target audiences even important for feature films?
10. What are the opportunities presented by the internet for independent filmmakers competing with Hollywood product?

APPENDIX C – INTERVIEW SUMMARIES

Respondent A

Producer

"Essentially we have a mismatch between our budgets and markets"

1	SA films have been unsuccessful? Why?	Yes. Films fail to recoup costs because budgets are too high for feasible revenues from local markets. Industry needs to still build credibility with local audiences.
2	Key attributes for SA producer?	Product and revenue model innovation. Able to innovate financially to bring down recoupable costs.
3	Most profitable/ sustainable business model?	Ultra-low budget 'Nollywood' style films aimed at TV and DVD markets. New black markets are DVD-oriented, not cinema goers.
4	Key elements of producer's package	Talent. Script. Track record of producer/director. But in SA we don't have acting talent or track records.
5	Financing configurations for SA	Co-production is feasible and attractive. Ideally maximise soft money & non-recoupable cash (e.g. presales), while keep recoupable investment low. Negotiate *pari passu* pay-out position
6	Govt policies and institutions?	DTI done what they said. IDC have not seen ROI on millions invested & have not developed the industry. IDC's terms are not attractive to other private investors. NFVF have too little money.
7	Distribution challlenges?	Forget fixing/developing theatrical - township dwellers won't go. With low-cost productions, find synergies between simultaneous PayTV and DVD release.
8	Should SA export films?	Industry not developed enough to compete internationally. Insufficient expertise and still too costly.
9	Audience research?	Genres prescribe target market. Youth are now an important segment to consider. SA makes too much adult drama. SA box office analysis shows comedies most popular, followed by action-crime.
10	Internet opportunities?	More threat than opportunity (piracy). Need an internet-payment model to counter piracy. In the medium-term, the long tail means: if we can make cheaper productions, revenues can be earned over time. Good for niche products.

Respondent B

Distributor

Motto: *"It's extremely, extremely hard…"*

1	SA films have been unsuccessful? Why?	Yes. Box office takings average at a few hundred thousand rands. High costs relative to revenues. But with experience producers are learning how to tap into the markets and spend appropriately. Overcome stigma of bad quality films
2	Key attributes for SA producer?	Understand: who you are making the film for how to get the audiences there how to identify a good story how to pull it all together
3	Most profitable/ sustainable business model?	An extremely hard business Develop good projects, release films to pay the bills Ideally making films for R6-R8m
4	Key elements of producer's package	a) strong script b) director c) talent d) budget and risk analysis e) distribution deals and any sales estimate
5	Financing configurations for SA	Always use DTI & NFVF money. 50% soft money, 50% private money. Reduce private money by co-productions Always reduce money @ risk 24F is an investor incentive
6	Govt policies and institutions?	DTI rebate system works very well - fair, clear, easy to apply IDC got taken for a ride - responded with red tape & onerous conditions that hardly make it worth it NFVF lack coherent policy and vision NFVF in danger of becoming players in industry beyond just supporting it
7	Distribution challlenges?	3 big distributors have historically just been middle-men for Hollywood content. Haven't distributed local films properly. Theatres don't take risks Piracy - result of industry not catering to lower income hh's Limited broadcast license opportunities
8	Should SA export films?	No. Focus domestically - too hard to get presales or sales overseas.
9	Audience research?	3 questions: who is this film for, why are they going to watch it, how are we going to get them to the cinemas
10	Internet opportunities?	Platform for niche distribution Great marketing tool (social networking sites & blogspheres) Traditional internet advertising - identify the audience Release online & theatrical simultaneously, where theatrical is marketing

Respondent C

Producer

Motto: *"Understand your market"*

1	SA films have been unsuccessful? Why?	Yes. But financial data shows an improvement recently. Poor storytelling; an underdeveloped local market for local film; a lack of understanding of how the market drives your budget. Poor government funding support
2	Key attributes for SA producer?	Team-building capability. New sub-markets need a diverse team to properly address the demand. Understand & deal with business Understand which costs add screen value
3	Most profitable/ sustainable business model?	a) ultra-low budget 'Nollywood' TV sector under R1m (developmental value) b) mid-tier sector R3-6m (can succeed domestically) c) first-tier (non-existent) made for international audiences - each tier has own opportunities & rules
4	Key elements of producer's package	Financial data - investors not interested in story Projected market value, with evidence of genre's performance in market Team; producers track record Bring in distributor early to give project credibilty
5	Financing configurations for SA	No institutional money (no proof of returns) Private individual investors are emerging 24F is jus a tax deferral but still an incentive Broadcasters should be buying - but SABC a mess
6	Govt policies and institutions?	DTI - very good IDC potentially capable - but currently impossible, driven by 15% IRR investment mandate NFVF underskilled & underfunded More coherence required btw funders - 1 pipeline General conflict of vision between stakeholders
7	Distribution challlenges?	Piracy - don't have solution No marketing allocation in budget Theatres too powerful - can easily bump local films (quotas could help)
8	Should SA export films?	Understand your market - low-end vernacular, no Film with international appeal, yes
9	Audience research?	Financial performance data should be readily available NFVF should be compiling market-related data for producers
10	Internet opportunities?	Piracy in file-sharing, but DVDs will be replaced by VOD Marketing via social media networks now NB e.g. interactive Twitter campaigns

Respondent D

		Funder
	Motto:	*"SA producers need to understand the local audiences"*

1	SA films have been unsuccessful? Why?	Yes. Of 148 films produced locally from 1994 to 2008, 5 films made 50% of R250m box office. Films budgeted at R7million made less than R1million (on average). Producers have not been aware of audience needs & tastes Producers didn't learn to exploit rights in TV & facilitation (set fee-based incomes)
2	Key attributes for SA producer?	Understand the local audiences, who, where, what they want Select market-oriented projects Financial & marketing skills (inc recoupment schedules)
3	Most profitable/ sustainable business model?	Vertical integration helps pproduction Recent box office successes indicate a R4-10 million feasible budget range for films aimed at SA market Get sales estimates for over R10m films Key element - attractive product
4	Key elements of producer's package	story - audience awareness? budget level - in sycn with market and production value? director - track record finance partners - the less recoupable money the better
5	Financing configurations for SA	The more soft money the better for the producer Unfortunately not many angel investors in SA (but emerging) Constraints - need to prove performance at R10m level Coproductions can work, even without a treaty Global opportunities for lower budget niche films
6	Govt policies and institutions?	DTI rebate a critical condition for profitability IDC has lots of money, but their investment is hard to get - now have a risk-assessment system. NFVF struggling to transform an industry dominated by white males. Greater representivity will also help address our market diversity. NFVF's major constraint is limited resources
7	Distribution challlenges?	Building screens in underserviced areas Established distributors only know how to deal with prepackaged Hollywood content. Ignorant of local audiences, pessimistic about local films
8	Should SA export films?	Presales aren't obligatory. International distribution only important when budget is high
9	Audience research?	To seek funding producers should research an audience profile Match budget level to audience Make entertaining and critical films
10	Internet opportunities?	Interent piracy problem - not impressed by benefits Until security issues and monetizing model are sorted out, don't see the opportunity

		Respondent E
		Producer
	Motto:	*"a great film, targeted at a specific market, made at the right budget is workable"*
1	SA films have been unsuccessful? Why?	Yes if you Schuster's success out of the equation. Distributors don't do enough work Inadequate marketing of films Undeveloped/uneducated audiences But great film, targeted at a specific market, made at the right budget is workable
2	Key attributes for SA producer?	Jack of all trades (specifically law and accounting) People skills Honesty/integrity - to develop a reputation
3	Most profitable/ sustainable business model?	Extremely low budget slates for DVD release R2.6 - R3million rand bracket for cinema release DTI rebate (R1,1m) - but no longer SABC deal upfront, leaving MNET as hard bargainer R4m gives you an extra million for marketing & added prod value
4	Key elements of producer's package	Private equity requires a business plan - director's statement, projected cash flows, ROI etc. 3 things an investor asks: How much? How long before I recoup? How much is the return? Not interested in story. Brief synopsis should contain the heart of the story. Pictures of cast - high profile glamour investment.
5	Financing configurations for SA	On a R3m film - R1,1m from DTI, R400 000 from NFVF, R400 000 from product placement. R300 000 in presales from NEXT. Now have to raise just under R1m. IDC could come in with half-loan, half-equity. 24F tax incentive could also drawn in private equity
6	Govt policies and institutions?	DTI is a top performer The IDC is slow to respond The SABC is a disaster, leaving MNET as only supportive broadcaster The NFVF has limited resources, but doing good script development work
7	Distribution challlenges?	South Korean local content quota & subsidy system an option, could hurt underperforming SA exhibitors. Extend our audiences by building cinemas in townships Digital projection bottleneck - need more digital screens Not enough spent on marketing
8	Should SA export films?	Some films (arthouse, horror & religious) can travel. But don't compromise film's integrity by making for foreign tastes
9	Audience research?	Yes, critical. NFVF should be compiling this information: DVD stores in an area, stocks and sales per region, cinema performances analysed geographically... UK Film Council generates detailed & comprehensive analyses.
10	Internet opportunities?	Can assist addressing SA expat audiences in Australia and UK, allow for downloads. But rememebr with the Internet you are competing with everything.

		Respondent F Distributor
	Motto:	*"the vernacular has a unique attribute – it differentiates your film from the film next to you"*
1	SA films have been unsuccessful? Why?	Yes, but now there has been a recent spate of successful films. *Bakgat, Jerusalema, Jakkalsdans* have all done well. Break the R3m ceiling, and there's knock-on effects on DVD retail, rental, TV licenses Local market can't support the higher budgets (e.g. R13m). Only high quality products will travel.
2	Key attributes for SA producer?	Creative businessmen - solid understanding of business principles. Constantly in start-up phase. Producers need 20 core competencies Story skills, people skills, flexibility, financial acumen...
3	Most profitable/ sustainable business model?	Companies can mix service-deal with own productions. There's a slate approach (e.g Film Factory), using low budgets, rebate and private money Key thing to realise is that there are 1) films that can travel, and 2) films that *can't* travel - But like Schuster...
4	Key elements of producer's package	Budget (relative to genre) and reliable sales estimates Team: crew & cast (preferably including stars) Buyers. Who's buying? Successful-viable exploitation of the DTI rebate Pitchable story (investors don't know scripts) & storyboard?
5	Financing configurations for SA	Films get made in various ways Increasingly producers seem to be finding private money
6	Govt policies and institutions?	DTI delivers fantastically IDC gets bogged down with internal criteria - very slow reponse time, long waits for payment. 1 legal team looks at all the deals NFVF's script development on the right track - involvement in production and distribution misdirected. NFVF should be generating more research for producers on box
7	Distribution challlenges?	Poor marketing materials from producers Congestion on the digital screens Social media sites generate conflicting messages about a film Producers faulty expectations of film's potential
8	Should SA export films?	We need to make films that are good enough To get good enough, fillmmakers need to practice locally
9	Audience research?	Target audiences are critical in this industry Market research needs to be done professionally (not friends) Working with distributor assures you of objective market feedback - and watch films
10	Internet opportunities?	Proper broadband will open massive opportunities for local films over studio films. Will be good for niche films, like arthouse - will allow lower volumes to sustain films

		Respondent G
		Producer
	Motto:	*A film needs good chemistry. How the elements gel is the way it is bigger than the sum of its parts.."*
1	SA films have been unsuccessful? Why?	Right & wrong. Small & fragmented market - but films can break out. *Gods must be crazy* made $100m worldwide. Can't readily recoup costs of feature given local market Cut budgets while expanding the audience - or make a film that will travel
2	Key attributes for SA producer?	Raise funding & put good value on screen for low budget Identify an audience before artistic agenda Woo the audience (& see sequel potential) Expand the audience
3	Most profitable/ sustainable business model?	Lower budgets/become budget-focussed All films need to be produced to make profits
4	Key elements of producer's package	A promo & trailer Competent literature Don't go to film markets for money - build relationships Go to co-production forums NB - relationships & business plan
5	Financing configurations for SA	DTI = critical component Private equity currently v difficult internationally 24F can attract investors In SA hard to find money now Slate can reduce risk for investors
6	Govt policies and institutions?	DTI important element NFVF useless - too little money, too much control IDC could be good - but paralysed by fear If broadcasters were in shape... internationally they provide the cornerstone of film financing
7	Distribution challlenges?	Support lacking - D & E focussed on bottom line High demand for limited digital screens Highly competitive screen space - no time for word-of-mouth Quota's are difficult - but needs incentives/intervention
8	Should SA export films?	Yes, if the film can travel Coproduction can add an outsider perspective
9	Audience research?	Genre analysis is cheap Good chemistry - a good director combines parts to create magic & energy Intuit commonalities of segments (other media trends)
10	Internet opportunities?	Great for marketing - not sure about distribution Downloading eats into everything Critical question - how to monetize this platform with huge potential

		Respondent H
		Financier/Investor
	Motto:	*"There are very few SA producers who can bring in European soft money"*
1	SA films have been unsuccessful? Why?	Yes - if you look at money made. Some films not ready to be made. Films made without an audience No specific budget determined (by potential audience) Costs too high Filmmakers come from facilitation - limited value chain exp
2	Key attributes for SA producer?	Like CEO - combines financial, creative and physical production elements Weakness in finanicial & legal expertise
3	Most profitable/ sustainable business model?	Viability of whatever budget band depends on the market. Industry needs momentum - 25 pictures a year H =>R30m, M = R30-R13m, L = R13 - 2.5m, Micro = <R2.5m - bulk of investment must go to L (R2.5-R13M) Micro + short-films NB for development
4	Key elements of producer's package	Script Creative elemens - cast, director, creative producer Sales estimates (esp for international appeal)
5	Financing configurations for SA	The more soft money the better Soft money, distributor advance, a TV sale, and some investment money (minimize). IDC - as investor - could lower its ROI. Private equity doesn't have much appetite for risk in SA
6	Govt policies and institutions?	Govt institutions have come to the party DTI has brought down thrshold to R2.5m, upped reabte from 25% to 35%. Game-changer NFVF has done well in developing industry & scriptwriting IDC has invested in 40 films with varying success. Could invest in more tentpoles - now investing in low-budget
7	Distribution challlenges?	Lack of marketing Local product not good enough to compete No cinemas in the townships Exhibitors owned by big co.s, purely commercially driven Get off too lightly, but SA industry not ready for quotas.
8	Should SA export films?	Should be mandatory. But product is not good enough
9	Audience research?	Before you decide on budget, decide what it is worth. Know who audience is Genres are good way of establishing markets - well-researched
10	Internet opportunities?	Massive game-changer - allows for cheaper & self-distribution, intelligent marketing Excerbates piracy problem Long-tail will bring extra revenues

		Respondent I
		Funder
	Motto:	*"If you have a Rolls Royce, but you don't market it, you won't sell it"*
1	SA films have been unsuccessful? Why?	Yes - but Schuster has established a niche market SA films competing against international films Afriikaans & SA setting constrain films to domestic appeal
2	Key attributes for SA producer?	No idea!
3	Most profitable/ sustainable business model?	DTI rebate could be brought down further to encourage low-budget film & documentary Distribution agreement required for DTI rebate, which could be problematic Ballpark budget of R3-4 million if it wants to recoup costs
4	Key elements of producer's package	Not interested in script (creative choices and operational performance assessed by third-parties) Budget must be carefully prepared (will be benchmarked) Develop a 6th sense for workable stories Stars not necessary
5	Financing configurations for SA	24F doesn't really work
6	Govt policies and institutions?	DTI doing very well. Claims paid out in 3 weeks. IDC interest rates are high - some claim they are slow Rumours that NFVF have favourites, but have good expertise. Investment in film is justified (DTI requires 25% investment)
7	Distribution challlenges?	DTI rebate requires distribution agreement, BUT No commitment in the field Distributors need to have networks, be able to distribute to territories worldwide
8	Should SA export films?	Yes - SA market is too small. Coproductions such as Bang Bang Club can give film world wide appeal
9	Audience research?	We presume that its been done, a given
10	Internet opportunities?	Marketing - gut instinct tells us Internet is NB marketing tool Need to spend more on marketing Electronic is the way to go.

Respondent J

Financier

Motto: *"It's so difficult, you might as well make a good film. "*

1	SA films have been unsuccessful? Why?	Yes. 70s-80s local subsidy system encouraged local films for local markets only & Afrik. films were successful. Post '94, dominantly politically-themed films not bought overseas, nor here. Need to rebuild star system, beyond Schuster (80's we had stars)
2	Key attributes for SA producer?	Resilience Invest in companies, not films - can't compete without capital. Competing with studios requires exceptional value Focus on making brilliant little films
3	Most profitable/ sustainable business model?	Straight-to-DVD model is same as TV - for silver screen you need something extra/exceptional Make to be seen throughout the world High-quality requires min R10m. At R2.5m you can't compete on the cinema screen (not a
4	Key elements of producer's package	Presales are gone in this climate - impossible for local films. Who are your stars and directors? Make the film, then sell it overseas at markets & festivals.
5	Financing configurations for SA	Private investment viable when we can show returns Mediocrity prevails - films lack ambition Single film to slate Often soft money only available for content that is 'knowable', 'worthy' and box-office failures
6	Govt policies and institutions?	DTI rebate fantastic. Well-managed, high % NFVF has limited resources (R800K limit NB for small films) IDC has plenty money, but complex processes Need to get private equity involved (*Spud* a kickstart?) SABC have a role to play (broadcaster gives film NB cred); although they can't play it now.
7	Distribution challlenges?	We need alternative distribution, but that needs content. Need films for black youth market (14-18 year olds) Piracy eradicable if we get throughput up, drop DVD prices Filmmakers improve with practice SA has been put on the map as a setting & industry
8	Should SA export films?	Depends on film, but consumption is more globalised now Universal themes, but real, layered characters
9	Audience research?	Producers have basic instinct - but distributors don't know what works. They pull figures on genres.
10	Internet opportunities?	Uninspired by this VOD-cellphone rubbish. Movies are for cinemas. Offers marketing potential - but hype only lasts till the opening weekend

		Respondent K
		Producer
	Motto:	*"If we accept that low budget does not have to mean low quality, then low budget is the way to go for SA films"*
1	SA films have been unsuccessful? Why?	Yes - provable. Access to cinemas a problem Development of cinema culture in SA requires govt intervention (e.g. ticket subsisidation)
2	Key attributes for SA producer?	Broad substantial knowledge Ability to put together right team & delegate Avoid getting caught up production Create less hierarchical systems to uncap creativity
3	Most profitable/ sustainable business model?	Low budget - doesn't mean low quality Dogme 95 showed that great films could be shot on low budgets
4	Key elements of producer's package	Increasingly previsualisation with software (e.g. Frameforge) will reduce risk & show investors how film will look. Architecture - 3D plans & animations sell the project Innovation can be explored effectively (virtually)
5	Financing configurations for SA	Producers must cover development stage initially without cash Ethically should not take public funds before project is 'sold'
6	Govt policies and institutions?	DTI great motivation for private investors Are IDC managing to spend all their money? Why not on low budget films? NFVF should be cutting-edge portal - outdated info on website Not fulfilling their cinema-as-art mandate from DAC with focus om commercial viability Govt should use SABC to market local films
7	Distribution challlenges?	Producers need to reduce exhibitors' slice (50%) of box office Govt could make capital investment in cinema infrastructure, making exhibition cheaper Producers need to bypass high distributor % to get into DVD retail spaces, enhancing profitability
8	Should SA export films?	10 years away from competing with Australian films, Australian distribution capacity
9	Audience research?	Product placement necessitates market research Genre analysis too simplistic to be beneficial Not sure whether films are generally developed with target market in mind
10	Internet opportunities?	Film producers should avoid flashy websites - associate with alternative marketing styles (e.g. social networking sites). Cheap & accesible tool - exemplifies low cost production

		Respondent L
		Producer
	Motto:	*"You have to make a film for someone, not just for your head"*
1	SA films have been unsuccessful? Why?	Yes - no audience for films made. What audience there is hasn't had films made for them Films with foreign actors, deep stories, nonsensical
2	Key attributes for SA producer?	Someone who is able to bridge finance - fill the gaps when they appear - by finding quick money Business brain - fill in a DTI form. Balanced, calm, intelligent, creative, ego-less
3	Most profitable/ sustainable business model?	All models work - personally interested in R6-10m for SA audiences. Can't see how over R10m can make money. With R6m budget, noone makes money with production - but producer can make profits if film breaks even Very low-budget films can make money - but effect on
4	Key elements of producer's package	Here you can't get money for stars Track record important
5	Financing configurations for SA	Need some public funding, money you don't have to pay back Product placement - but hard to get NFVF money - should be grant, not equity & DTI money Financially you just have to get there - people will want it if its good
6	Govt policies and institutions?	DTI are brilliant (but limit to SA films) IDC very slow - deincentivsed to invest, incentivised to not make mistakes Onerous terms - decision-making opaque NFVF very supportive - some excellent people, programmes
7	Distribution challlenges?	Producers forced to spend on prints because digital screen space too competitive Growing audiences - we are doing it Piracy - maybe we can work with them
8	Should SA export films?	Difficult to export if it hasn't done well here. R6-10m: ideally it breaks even here, makes money overseas
9	Audience research?	Completely - all decisions shaped by target audience Have to make a film for an audience (not yourself) Interested in addressing black youth audience Check audience feelings with test screenings
10	Internet opportunities?	Films without big campaigns could get lost on internet For distributors its fantastic, viral campaigns Some producers, e.g. Tim Green, could make it work Whatever independent films can do, Hollywood can do it 500 times better

APPENDIX D - SA CINEMA RELEASES (JAN-SEPT 2009)

The list is for films released by South Africa's three main exhibitors and does not include films released by independent exhibitors.

Title	Country(s) of Origin	Genre	Opening Weekend Box Office Figures	Exhibitor	Prints at Release	Release Date
Anywhere But Home	US/GER	Comedy	R 1 423 162	Nu Metro	50	09-Jan
Burn After Reading	US/UK/FR	Comedy	R 629 489	Ster-Kinekor	22	09-Jan
City of Ember	US	Adventure	R 315 625	Nu Metro	30	09-Jan
Chandi Chowk to India	US/India	Action	R 293 909	Nu Metro	13	16-Jan
Other End of the Line	US	Romance	R 262 036	Nu Metro	20	16-Jan
Saw V	US/Canada	Crime	R 395 811	Ster-Kinekor	30	16-Jan
Transporter 3	France	Action	R 1 949 823	UIP	69	16-Jan
Bride Wars	US	Comedy	R 1 827 730	Nu Metro	60	23-Jan
Igor	US/FR	Animation	R 115 484	Ster-Kinekor	20	23-Jan
Killshot	US	Action	R 208 011	Ster-Kinekor	25	23-Jan
Revolutionary Road	US/UK	Drama	R 450 207	UIP	18	23-Jan
Bedtime Stories	US	Comedy	R 1 158 295	Ster-Kinekor	55	30-Jan
Duchess, The	UK/Italy/FR	Drama	R 247 605	Ster-Kinekor	12	30-Jan
Frost/Nixon	US/UK/FR	Biography	R 94 505	UIP	10	30-Jan
Ghost Town	US	Comedy	R 53 192	UIP	10	30-Jan
Rock 'n rolla	UK	Action	R 177 905	Nu Metro	20	30-Jan
Valkyrie	US/GER	Drama	R 908 097	Nu Metro	50	30-Jan
Doubt	US	Drama	R 169 444	Ster-Kinekor	9	06-Feb
Happy-Go-Lucky	UK	Comedy	R 88 264	UIP	10	06-Feb
My Bloody Valentine (3D)	US	Crime	R 170 364	Nu Metro	9	06-Feb
Role Models	US/GER	Comedy	R 515 197	UIP	44	06-Feb
Secret Life of Bees, The	US	Adventure	R 352 314	Nu Metro	25	06-Feb
Billu Barber	India	Comedy	R 221 211	Nu Metro	5	13-Feb
Seven Pounds	US	Drama	R 818 818	Ster-Kinekor	50	13-Feb
World Unseen, The	**SA/UK**	**Drama**	**R 31 647**	**Ster-Kinekor**	**6**	13-Feb
Changeling	US	Drama	R 426 069	UIP	29	20-Feb
Inkheart	US/GER/UK	Adventure	R 491 695	Nu Metro	40	20-Feb
Notorious B.I.G.	US	Biography	R 294 911	Nu Metro	25	20-Feb
Wrestler, The	US/FR	Drama	R 162 550	UIP	13	20-Feb
Curious Case of	US	Drama	R 1 419 893	Nu Metro	51	27-Feb

Benjamin Button						
Longshots	US	Comedy	R 149 069	Ster-Kinekor	17	27-Feb
Pink Panther 2	US	Adventure	R 1 553 039	Ster-Kinekor	75	27-Feb
Jonas Brothers Concert 3D	US	Music	R 85 503	Ster-Kinekor	9	06-Mar
New in Town (Chilled in Miami)	US	Comedy	R 519 992	Nu Metro	50	06-Mar
Slumdog Millionaire	UK	Crime	R 1 411 578	Ster-Kinekor	20	06-Mar
Then she found me	US	Comedy			1	06-Mar
Watchmen	US	Action	R 1 157 433	UIP	62	06-Mar
Confessions of a Shopaholic	US	Comedy	R 1 071 227	Ster-Kinekor	50	13-Mar
Friday the 13th	US	Horror	R 133 054	UIP	10	13-Mar
Passengers	US/Canada	Drama	R 103 518	Nu Metro	10	13-Mar
Paul Blart: Mall Cop	US	Action	R 360 972	Ster-Kinekor	25	13-Mar
Rachel Getting Married	US	Drama	R 170 338	Ster-Kinekor	10	13-Mar
Defiance	US	Action	R 127 246	UIP	10	20-Mar
Hond Se Dinges	**SA**	**Comedy**	**R 189 643**	**Ster-Kinekor**	**32**	20-Mar
Marley and Me	US	Comedy	R 2 278 784	Nu Metro	64	20-Mar
AA Dekhen Zara	India	Sci-Fiction	R 54 614	Nu Metro	3	27-Mar
Gran Torino	US/AUST	Crime	R 422 520	Nu Metro	40	27-Mar
Race to Witch Mountain	US	Adventure	R 1 052 149	Ster-Kinekor	55	27-Mar
Reader, The	US/GER	Drama	R 280 560	Ster-Kinekor	10	27-Mar
Underworld: Rise of the Lycans	US/NZ	Action	R 531 456	Ster-Kinekor	35	27-Mar
12 Rounds	US	Action	R 309 784	Nu Metro	24	03-Apr
Baader Meinhof	GER/FR/Czech	Action	R 48 068	UIP	8	03-Apr
Finding Lenny	**SA**	**Comedy**	**R 221 130**	**Nu Metro**	**43**	03-Apr
He's Just Not That Into You	US/GER	Comedy	R 1 769 335	Nu Metro	50	03-Apr
Monsters vs Aliens	US	Animation	R 2 231 177	UIP	97	03-Apr
Soul Men	US	Comedy	R 113 195	Ster-Kinekor	16	03-Apr
Dragonball	US/Hong Kong	Action	R 983 229	Nu Metro	35	09-Apr
Fast and Furious	US	Action	R 4 785 269	UIP	63	09-Apr
Tornado and the Kalahari horse Whisperer	**SA**	**Drama**	**R 345 245**	**Ster-Kinekor**	**42**	**09-Apr**
17 Again	US	Comedy	R 2 337 153	Nu Metro	55	17-Apr
Hotel for Dogs	US/GER	Comedy	R 472 694	UIP	43	17-Apr
Spirit	US	Action	R 62 076	Ster-Kinekor	10	17-Apr
Tasveer 8 x 10	India	Mystery	R 36 336	Nu Metro	4	17-Apr
I Love You Man	US	Comedy	R 672 278	UIP	50	24-Apr
International, The	US/GER/UK	Crime	R 477 499	Ster-Kinekor	19	24-Apr
Milk	US	Biography	R 266 817	Ster-	10	24-Apr

Hannah Montana	US	Comedy	R 2 345 951	Kinekor Ster-Kinekor	66	29-Apr
White Wedding	**SA**	**Comedy**	**R 1 117 844**	**Ster-Kinekor**	**39**	**29-Apr**
X-Men Origins: Wolverine	US	Action	R 4 346 784	Nu Metro	79	29-Apr
Two Lovers	US	Drama	R 149 544	UIP	10	01-May
Zack & Miri Make A Porno	US	Comedy	R 152 672	Ster-Kinekor	22	08-May
Coraline	US	Animation	R 289 041	UIP	23	08-May
Star Trek	US/GER	Action	R 787 343	UIP	43	08-May
Streetfighter	Canada/India/USA | Japan	Action	R 216 238	Nu Metro	30	08-May
Angels and Demons	US	Crime	2 358 426	Ster-Kinekor	80	13-May
Ghosts of Girlfriend's Past	US	Comedy	1 526 498	Nu Metro	46	13-May
Unborn	US	Horror	R 126 114	UIP	15	15-May
Blindness	Canada/Brazil/Japan	Drama	R 65 327	Ster-Kinekor	10	22-May
Last House On the Left	US	Crime	R 219 957	UIP	25	22-May
Night At the Museum 2	US/Canada	Action	R 2 097 973	Nu Metro	80	22-May
Asterix At the Olympic Games	France	Adventure	R 62 872	Ster-Kinekor	12	29-May
Duplicity	US/GER	Crime	R 972 442	UIP	43	29-May
Miss March	US	Comedy	R 36 696	Nu Metro	5	29-May
Uninvited, the	US/Canada	Drama	R 86 313	UIP	10	29-May
Terminator: Salvation	US/GER/UK	Action	R 2 083 518	Ster-Kinekor	79	05-Jun
The Burning Plain	US/Argentina	Drama	R 134 163	UIP	10	05-Jun
Adventureland	US	Comedy	R 87 969	Ster-Kinekor	10	12-Jun
Drag Me To Hell	US	Horror	R 564 996	Nu Metro	40	12-Jun
State of Play	US/UK/France	Drama	R 587 257	UIP	31	12-Jun
Sunshine Cleaning	US	Comedy	R 133 689	UIP	10	12-Jun
Hangover	US	Comedy	R 1 834 770	Nu Metro	55	19-Jun
Obsessed	US	Crime	R 327 807	Ster-Kinekor	24	19-Jun
Transformers 2	US	Action	R 5 684 699	UIP	97	24-Jun
Young Victoria	US/UK	Drama	R 176 177	Nu Metro	10	26-Jun
New York	India		R 152 194	Nu Metro	5	26-Jun
Welcome To the Sticks	France	Comedy	R 61 460	Ster-Kinekor	4	26-Jun
Ice Age 3: Dawn of the Dinosaurs	US	Animation	R 7 471 380	Nu Metro	90	01-Jul
Knowing	US/UK	Action	R 1 536 498	UIP	73	01-Jul
Brothers Bloom, The	US	Adventure	R 93 362	Ster-Kinekor	10	03-Jul
Kambakkt Ishq	India	Action	R 230 757	Nu Metro	6	03-Jul
Next Day Air	US	Action	R 148 108	Nu Metro	15	03-Jul
Bruno	US	Comedy	R 781 817	UIP	43	10-Jul

Short Kut The Con Is On	India		R 32 143	Ster-Kinekor	5	10-Jul
Song of Sparrows	Iran		R 44 118	Ster-Kinekor	3	10-Jul
Surviving Evil	**SA/UK**	**Horror**		**Ster-Kinekor**	**1**	**10-Jul**
The Proposal	US	Comedy	R 3 174 269	Ster-Kinekor	65	10-Jul
Umalusi	**SA**	**Drama**	**R 26 533**	**Ster-Kinekor**	**14**	**10-Jul**
Harry Potter 6	US/UK	Adventure	R 6 390 351	Nu Metro	87	15-Jul
Crossing Over	US	Drama	R 124 974	Ster-Kinekor	10	17-Jul
Haunting In Conneticut	US	Drama	R 268 235	UIP	25	17-Jul
Fighting	US	Action	R 454 914	UIP	30	24-Jul
I Love You Beth Cooper	US/Canada	Comedy	R 100 619	Nu Metro	10	24-Jul
Luck	US/India	Drama	R 26 838	Ster-Kinekor	3	24-Jul
Management	US	Comedy	R 134 694	Nu Metro	10	24-Jul
G-Force	US	Action	R 1 662 447	Ster-Kinekor	65	31-Jul
My Life In Ruins	US/SPAIN	Comedy	R 608 995	Ster-Kinekor	35	31-Jul
Love Aaj Kal	India	Drama	R 248 050	Nu Metro	7	31-Jul
Heaven On Earth	Canada	Drama	R 41 565	UIP	5	31-Jul
Fired UP	US	Comedy	R 534 813	Ster-Kinekor	37	07-Aug
Genova	UK	Drama	R 106 975	UIP	10	07-Aug
Virgin Territory	Italy/UK/France	Drama	R 109 479	Nu Metro	10	07-Aug
Disgrace (UIP)	**SA/Australia**	**Drama**	**R 104 388**	**UIP**	**10**	**14-Aug**
G.I. Joe (UIP)	US	Action	R 2 582 186	UIP	74	14-Aug
Kaminey (NMD)	India	Action	R 89 251	Nu Metro	5	14-Aug
My Sister's Keeper (NMD)	US	Drama	R 1 419 155	Nu Metro	45	14-Aug
Izulu Lami	**SA**	**Drama**	**R 87 520**	**Ster-Kinekor**	**23**	21-Aug
Not Easily Broken	US	Drama	R 187 407	Nu Metro	20	21-Aug
Orphan	US/Canada/GER/FR	Drama	R 208 319	Nu Metro	25	21-Aug
Year One	US	Adventure	R 327 870	Ster-Kinekor	20	21-Aug
District 9	**SA/NZ**	**Sci-Fiction**	**R 2 113 001**	**Ster-Kinekor**	**81**	**28-Aug**
Coco Avant Chanel	France	Biography	R 235 649	Nu Metro	9	28-Aug
Adam	US	Comedy	R 69 070	Nu Metro	9	04-Sep
Public Enemies	US	Crime	R 751 387	UIP	63	04-Sep
Up (incl 3D)	US	Animation	R 2 130 393	Ster-Kinekor	73	11-Sep
The Time Traveller's Wife	US	Drama	R 702 243	Nu Metro	40	11-Sep
Crank: High Voltage	US	Action	R 212 610	Ster-Kinekor	25	11-Sep

Dance Flick	US	Action	R 93 490	UIP	10	11-Sep
I Hate Valentine's Day	US	Comedy	R 184 802	Ster-Kinekor	14	18-Sep
Easy Virtue	UK/Canada	Comedy	R 150 896	Ster-Kinekor	7	18-Sep
Dil Bole Hadippa	India	Comedy	R 126 195	Nu Metro	7	18-Sep
Adoration	Canada	Drama	R 16 082	UIP	5	18-Sep
Karate Kallie	**SA**	**Comedy**	**R 173 778**	**Ster-Kinekor**	**35**	**18-Sep**
The Taking of Pelham 1-2-3	US/UK	Crime	R 1 823 231	Ster-Kinekor	66	23-Sep
Fame	US	Comedy	R 1 676 058	Nu Metro	61	23-Sep
Imagine That	US/GER	Comedy	R 993 315	UIP	42	23-Sep
What's Your Rashee	India	Comedy	R 88 218	Nu Metro	7	23-Sep