Cinema in the Digital Age:
New Financing and Distribution Models.

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Abstract

This is a practice-based dissertation that talks about Cinema in the Digital Age: New Financing and Distribution Models. To explore this topic I have researched books, articles, speeches and movies of relevant authors; I have also interviewed filmmakers and entrepreneurs related to these new models of cinema financing and distribution in the digital age. In addition I have used my own experience as a creator to produce a meta-documentary that complements this thesis.

The dissertation is divided into four parts. The first one is an introduction where I explain how the digital revolution is changing the filmmaking. The second one is focused on a new finance model attached to digital media: crowdfunding. The third part talks about the digital distribution model exploring if it could break down the Hollywood distribution and exhibition system. The fourth one concludes this thesis putting together my own experience as a filmmaker who has used a crowdfunding platform in order to get funds to produce her project, and the conclusions obtained about the explored issues. The meta-documentary *Cinema in the Digital Age. My crowdfunding experience,* enclosed in a DVD completes this dissertation.

Acknowledgements

1. The establishment of digital cinema

Cinema follows the Heraclitus maxim that says, "There is nothing permanent except change". Since the early beginning of cinema at the end of the nineteenth century, this media has experienced significant changes. The first dramatic change took place in 1920 with "the arrival of the talkies" (Jill Forbes and Sarah Street, 2000:29). Currently the industry is experiencing a transformation in its traditional models of financing, distribution and exhibition because of the explosion of the new technologies. Even we are in a transitional period that makes difficult to predict how the digital revolution will develop in the future, its importance and deepness announce it as the second most relevant change in Cinema History.

Digital devices and new media have established, relegating analogical technology and traditional media, they have also changed the way we communicate. Quoting John Palfrey and Urs Gasser, "the digital era has transformed how people live their lives and relate to one another and to the world around them" (2008:3). In which ways these changes affect on cinema? The media specialists Lev Manovich wrote in 1999 "today we are in the middle of a media revolution" (1999:43). Twelve years after these words were written we should open up the media revolution idea to a digital one. Even Brian McKernan affirmed in 2005 that it "is still in its infancy" and "its full effects yet to be determined" (2005:193), now, in 2011, we can confirm computers play the leading role of this revolution and the establishment of digital era.

Digital media "affects all stages of communication, including acquisition, manipulating, storage and distribution", but the computer media revolution "also affects all types of media -text, still images, moving images, sound, and spatial constructions" (Manovich, 2002:43). The establishment of computers as an essential tool for the society is a key factor to understand the origin and evolution of this revolution. Focusing on cinema is easy to detect we are in the middle of a transitional age; films are still turning from analogical to digital so both formats coexist together with hybrid ones. What some years was understood as an extravagance, filming a whole movie and exhibit it with digital technologies today is a common practise. But, what is digital cinema? We could say any movie that uses a computer in some part of

its creation process is digital. Following this idea, every film since the establishment of non-linear editing software during the 80s is a digital movie because from that moment on all the movies are postproduced by computer programs. Digital cameras are slowly replacing the expensive 34 mm ones; especially by indie filmmakers that have seen reduced their expenses making their small productions affordable.

On the other hand, digital technology is not always a synonymous of cheap or affordable, "digital cinema is a term that can also apply to Hollywood movies just as much as it does to indie filmmaking, and it can includes everything from relatively inexpensive productions shot with 'prosumer' camcorders to big-budget effects-laden movies made with the most advanced technology" (McKernan, 2005:preface). Some laureated filmmakers like Francis Ford Coppola, George Lucas or James Cameron have invested a large amount of money in digital technology in order to innovate the cinema's concept. Some famous examples of productions all made on digital are the George Lucas *Star Wars Episode II: Attack of the Clones* (2002), and the James Cameron *Avatar* (2009).

Digital technology approaches the art of cinema to a wider audience too because thanks to it more people can explore into the filmmaking process; McKernan goes a step further to affirm that "today's digital technology has democratized this most powerful form of storytelling, making it affordable enough for practically anyone to use" (2005:preface). But this democratization does not mean everyone is a creator just for the fact of having a reasonably priced and high quality camera like the Canon EOS 7D. The reduction in the price of technology has made it affordable and accessible for most of the people but technology is just a tool, so this democratization does not necessary mean more quality products, it just mean more products. "Pick up a camera, anyone can make a movie' just isn't reality", warns John Manulis, CEO/Producer at Visonbox Media Group, "the fact is that 'just anyone' *can't* just make a movie" (Manulis quoted in McKernan, 2005:131). The Director of Photography Mike Carporale is "thrilled at the democratization that digital filmmaking brings", but he agrees Manuli's idea affirming, "having the tools does not make everyone a good storyteller" (Carpolare cited in McKernan, 2005:144-138). Digital technology helps

cinema creators to develop their projects but there is a maxim that has not changed: "There has to be a good storytelling" (Carporale quoted in McKernan, 2005:144).

Historically, cinema was created as a medium to document reality but in the current digital age moving images are easily manipulated, "shot footage is no longer the final point but just raw material to be manipulated in a computer where the real construction of a scene will take place" (Manovich, 2002:255). One could interpret that cinema is loosing its documentary component, but is important to remember the cinema is a changing art that has redefined its own identity as many times as any new technology was launched.

Computerization transforms cinema's identity because it does not just show real images anymore but also a created and manipulated digital reality; "the cinematic realism is being displaced from being its dominant mode to become only one option among many" (Manovich, 1999:14). Following Manovich's ideas, the "most dramatic example of the new status of cinema" (1999:7) is the idea that creators are returning to the pre-cinematic practices where they used to directly paint images; right now they do the same but instead of painting them by hand they do it by computer programs creating an "elastic reality" (Manovich, 1999:47); in other words, they build a reality that can be digitally transformed. Thanks to the use of these nineteenth century practices in the filmmaking process, "film obtains the plasticity which was previously only possible in painting or animation", relegating its "visual realism unique to the photographic process" (Manovich, 2002:5). New technologies also offer "more alternatives for capturing moving images than ever before" (McKernan, 2005:65); some filmmakers like David Lynch defends that digital cinema gives artist "more room to experimentation" and "whatever you can think, you can get" (Lynch cited in Matt Hanson, 2004:81), something unthinkable before the computer age.

But we cannot forget that "digital also defines the cinema technology that's revolutionizing the way movies are made and exhibited" (McKernan, 2005:16). The transformation from analogical to digital exhibition is another important point to understand why digital revolution means such a dramatic change on cinema industry. During a century, the filmmaking process has significantly developed but "the basics

of movie projection really haven't changed at all since the days of Thomas Edison" (McKernan, 2005:161). This fact is about to change with the establishment of digital projectors on theatres that is already globally happening.

What are the differences between analogical and digital exhibition? Digital is a term "used to describe distribution and projection of films in a digital form without the need for physical film prints". There are some advantages in digital projection, first of all, it is cheaper because "instead of having to be physically transported to theatres in large, heavy film cans by fleets of trucks, digital movies can be distributed to theatres via satellite" (McKernan, 2005:185). It involves print savings too, while "the cost of conventional celluloid print production is between $5-8 million per film", the cost per digital print is about "$1200-2000" making a potential savings of "over $1 billion" (Michael Allen, 2009:67) to the industry. However, if there are so many powerful logistical and economical advantages, why there are just a few theatres changing their old analogical projectors to digital ones? Probably the main reason is "digital motion-picture distribution and exhibition is still in its early days" not to mention that "the Hollywood film industry is basically a conservative environment that adapts to change very slowly" (McKernan, 2005:94). Something similar happened with the arrival of talking films in 1920s; at that moment it was necessary the investment for the "conversion to synch sound" (Allen, 2009:68), but exhibitors were really resistant to that change and it took some years to adapt it.

Although everything points the conversion form analogical to digital exhibition is inevitable, is important to think in the economic part: "The cost of converting cinemas from celluloid to digital projection is high" (Allen, 2009:68). While "a motion-picture projector costs on average $50,000 and last 25 years (…), a theatrical digital cinema projector, however, costs $150,000 and works with a server that could be made obsolete at any time by the ever-advancing computer technologies" (McKernan, 2005:189). In addition, "there are probably at least 100,000 film projectors in theatres worldwide. They work. So why change anything?" According to McKernan "pretty much for the same reasons that vinyl long-playing phonograph records were replaced by digital compact discs" (2005:161). This is an interesting theory if we have in mind that CD sales are dramatically dropping, while vinyl's sales are recently rising up.

Beside some artist preference, the beauty, and texture of 35mm reels, digital projection offers better image quality as well as the mentioned cost savings, but there is a third main characteristic, digital projection opens up the market programming not just movies but "live or recorded HD of sporting events, rock concerts, operas, or any other program material people enjoy seeing on the larger-than-life dimensions of commercial cinema screens" (McKernan, 2005:191).

But the big question is, does the establishment of digital exhibition mean the end of celluloid? Actually, "if all cinemas were to operate with digital projectors overnight, actual movie print would become obsolete" (Angus Finney, 2010:90) but it does not necessary mean its end. Film is the "only truly global imaging standard" and it works because "it's a proven, mature medium" difficult to replace (McKernan, 2005:161). However, the "film's viability (…) doesn't mean the death of digital either" (McKernan 2005:66-67). Everything points that digital and analogical exhibition will coexist somehow; even if every commercial theatre converts their projectors to digital ones, "there's more than a century's worth of film content in the world's archives, a vital part of our modern cultural heritage" that have not been digitalized yet and they will probably do not do it, these reels will keep showed in special theatres, *filmoteques* or museums.

Cinema is experiencing some relevant ages of convergence where old and new models, digital and analogical, are forced to live together: "Cinema did not kill theatre. Television did not kill radio. Each old medium was forced to coexist with the emerging media. That's why convergence seems more plausible as a way of understanding the past several decades of media change than the old digital revolution paradigm was" (Henry Jenkins, 2006:14). This convergence is explained in the following chapters exploring the new models of financing and distribution audiovisual content.

2. Welcome to the "prosumer" age

Traditionally, if a filmmaker wanted to make a movie there were two ways of raising funds, the first one was asking public administrations and the second one was asking private companies. Thanks to the Internet now there is a third way: asking regular people. This is what is called "crowdfunding"; a concept related to previous terms like crowdsourcing and 2.0 technologies. Like social media and online communities, crowdfunding has grown so quick in just about a couple of years that currently is in everybody's lips. The music industry has some previous successful cases of crowdfunding mainly generated by their fan community, like the British rock band Marillion case that obtained funds to produce its 1997 tour thanks to its fans; however, until the launching of the American crowdfunding platform Kickstarter in 2009 it was almost an unexplored model in the cinema industry. Its novelty and its changing potential make this chapter an interpretation based on the current years' experience about the crowdfunding future and its influence in the traditional ways to finance cinema.

Crowdfunding is not just a new way of finding funds, is a new way of communication between creators and their public. The idea of asking funds to friends and family in order to produce a creative project is quite old, but the new technologies allows creators driving this idea to wider circles in a more direct and effective way. The crowdfunding model was born a couple of years ago in the United States where is working very well because in this country the State does not support culture projects; private investors support them. However, in Spain like in the rest of Europe cinema is mostly finance by public funds but these funds have been reduced and banks almost do not give loans for creative projects because of the financial crisis. This fact explains why the neoliberalism mantra "do it yourself" has penetrated in the Spanish creative community finding in crowdfunding the perfect alternative to traditional finance models.

Crowdfunding is based on the direct interaction between creators and users since the birth of the projects, something unthinkable in the traditional film industry where companies are just in between the artist and his/her public. Audience is asking for

horizontal structures where they can be part of the production in a more direct way, like in the crowdfunding model. Users also demand content in a different way, it is the media convergence era that does not only affects on user demand, filmmakers also "want to develop relationships with their audiences, whether this is linked to involving them in the filmmaking process, mobilizing world of mouth to generate publicity for the film or in mobilizing around issues" (Finney, 2010:16). Quoting Kerrigan, "the online environment allows for such social networks to be more fluid and membership is less tied to offline social interaction" (2010:117). Crowdfunding is a collaborative way of production that permits creators to test their project in a wider audience; if these projects do not success they can directly ask their audience in order to improve their original ideas, is a way to involve people in their creation's process while creators receive their feedback.

During three years, the Catalonian artist collective *Compartir Dòna Gustet* –the English translation would be "Sharing is a pleasure"- has been exploring the "parallelism and connexions between the popular ways of distribution before the establishment of culture industry and the current digital ways of distribution via the Internet, discovering that both are decentralize ways of production", affirms Joaquim Guionavart, member of the collective (See Appendix A). The novelty of the crowdfunding phenomenon and the interest generated for the creative community made this collective to organize in February and April 2011 the First Crowdfunding Festival. There, they brought together all the Spanish crowdfunding platforms and those creators who were producing a crowdfunding project like the feature film *The Cosmonaut*, the documentary *No-Res*, and the project *Arròs Movie*, produced by this collective. "When we organized the Festival we realized it was such a new phenomenon that none of the projects were finished yet and the platforms were launched just some months ago", affirms Guinovart (See Appendix A).

During the days the Festival took place in Barcelona and Madrid the collective wrote a list of conclusions uploaded in its website where they said, "thanks to the establishment of new technologies we can recover the popular culture, we have the chance to create a more horizontal way of distributing culture". In addition, they explained, "from the point of view of the market all of us are consumers but we are

also creating another reality that gives profits too". This is the "prosumer" (Kerrigan, 2010) concept, the death of the passive audience that just consumed what the industry gave it, we live in an era where "the lines between the producer and consumer are becoming blurred", (Finola Kerrigan, 2010:193); now consumers are active, they create, produce, and share content.

Crowdfunding is also a great shuttle for new creators that just need some thousands euro to develops their first projects or maybe to complete the finance they already have. It is also a great marketing campaign because creators can promote their projects before they are finished. Another significant change that this model brings is that historically producers were people who invested big amounts of money but now anyone could be part of a film production. Following the crowdfunding's ideology, everyone who supports a project receives something back. These rewards are usually related to the project and vary depending on the amount of money the backer has invested. The most common examples are DVD copies, including the backers' names on the credits, merchandising products, and premiere tickets.

Although there is not an only crowdfunding model, I have detected three but the number could increase in the following years together with the establishment of this phenomenon. The three models are: direct crowdfunding, crowdfunding platforms, and open crowdfunding.

We call direct crowdfunding to a model where a person or an organization look for funds directly through his/her own website. This is the case of *The Cosmonaut*, a pioneer movie not just in Spain but globally. In 2009 *The Cosmonaut's* team, headed by its director Nicolás Alcalá, changed its original idea of producing a traditional short film to go further and create a transmedia project. That year they launched *The Cosmonaut* website announcing the project as a "sci-fi movie that uses crowdfunding and creative commons licenses. It will be distributed through the internet, DVD, TV and cinema at the same time, creating an experience". Three years of work make *The Cosmonaut* an innovative project that has built a new cinema business model paving the way to new creators. It is also one of the most successful crowdfunding cases as well as the best example of how hard and difficult is to produce a movie beyond the

industry. When they launched the project there was not any crowdfunding platform yet in Spain so they created their own campaign through their website being the pioneers of the direct crowdfunding in Spain. In May 2011 they run out of money for the movie shooting, at that point two of the Spanish crowdfunding platforms were already created so they launched the Save the Cosmonaut campaign via a mix system: direct crowdfunding and via one of the platform. In this campaign they asked for €40,000, in about a month they raised more than €100,000 (See Appendix B).

Following the digital open culture's ideology, *The Cosmonaut* project bets on transparency; its financial plan can be download from its website by everyone (See Appendix C), as well as follow its blog where Alcalá explains these and other topics related to the filmmaking process. However, when users watch *The Cosmonaut's* promotional videos they can think the movie is totally finance by crowdfunding but is a hybrid finance model composed by public and private funds together with crowdfunding. Their aim was achieving the 6% of its €860.000 budget via crowdfunding, instead of it they have raised the 14%, beating their initially goal (See Appendix B). Since its early beginning, *The Cosmonaut* has been a very popular project but it does not matter how low budget a production is; making movies is still too expensive to be financed just by the audience.

The Cosmonaut introduced new concepts about film business models, something very brave and wild especially in a country like Spain where most of the industry depends on public funds. In spite of it, the project was really popular receiving support from important Spanish filmmakers like Nacho Vigalando, Alex de la Iglesia (ex director of the Spanish Cinema Academy) as well as the online community and the traditional media. Another reason why this project has been so popular is because it has introduced the idea that everyone could become a film producer. From €2 on anyone could participate in the filmmaker process, being part of the experience. Quoting Kerrigan: "alongside the harnessing of social media by established media organisations, the digital natives are developing filmmaking/marketing practices which are appropriate for the digital age" (2010:209). Some of these practices are financing projects by crowdfunding, creating transmedia projects instead of traditional films, and using the creative commons licences; three concepts that relate

each other and are essential to understand the current changes in cinema industry, its models, and the consumer's habits. Another thing that makes *The Cosmonaut* different from other crowdfunding projects is that once the movie is made –currently is in the postproduction stage and will be released in 2012-, the team is willing to upload the whole footage to a server where everyone could download the material to watch, copy and remix it observing the chosen creative commons licence.

Before going deeper into the crowdfunding models is important to define what transmedia and the creative commons are. Transmedia is known as the multi-platform storytelling. In other words, the creator uses more than one media (in cinema the traditional medium is the film) in order to tell and show their project, inviting the audience to turn into active participants. "To fully experience any fictional world, consumers must assume the role of hunters and gatherers, chasing down bits of the story across media channels, comparing notes with each other via online discussion groups, and collaboration to ensure that everyone who invest time and effort will come away with a richer entertainment experience" (Jenkins, 2006:21). Some people say the transmedia storytelling's father was Orson Welles because of the *War of the Worlds* (1938) radio show. A more recent and well known example is the trilogy *The Matrix* (1999), famous by the movies but the story also inspired a Japanese series of animation videos called *Animatrix* (2003), and the video game *Enter the Matrix* (2003), just to name some examples. According to Jenkins, "if *Casablanca* exemplifies the classical cult movie, one might see *The Matrix* as emblematic of the cult movie in convergence culture" (2006:100).

Creative Commons (CC) is a nonprofit organization founded in 2001 in the United States in order to open creativity licenses to the net. Actually there are six CC licences that go from the most restrictive traditional copyright to the most open one, the copyleft. In any case the author does not lose the intellectual property of his/her work. Depending on the kind of CC licence the creator has chosen, he/she allows or does not allow users to copy, distribute and/or mix his/her work, always with the condition of quoting the author. "The CC was born as an alternative to the traditional copyright restrictive structure and its licences can be applied in any kind of format, not just in digital works", affirms Ignasi Labastida from Creative Commons Spain (See

Appendix D). This is the reason why currently there are some examples of CDs, books or even feature films licensed by CC.

Previous to *The Cosmonaut*, the British documentary *The Age of Stupid* (2009), directed by Franny Armstrong was funded by crowdfunding. The movie was filmed with a £800.000 budget obtained by private investors and donations from £500 to £35,000 (See Appendix E). This is a different way of understanding crowdfunding closer to the traditional producer's body because in this case producers where investors who will obtain a proportional amount of money depending on the movie's profits. *The Cosmonaut* included this model too but just in contributions higher than €1,000. *The Age of Stupid* and *The Cosmonaut* are different crowdfunding models because the first one was focused on big donations while the second one also gave the chance to a wider audience to become producers and being part of the filmmaking process just from €2.

These are just two globally successful examples of direct crowdfunding but there will be more in the future. During the 2011 some well-known filmmakers like Kevin Smith and David Lynch have already discussed tin their blogs and different online media, the idea of using crowdfunding to produce some of their personal projects. However, it is still too early to know if they will definitely do it.

The second crowdfunding model is the most extended and popular one: the crowdfunding platform. Here, the filmmaker who wants to raise funds to produce his/her project has to upload a video where he/she explains what is the project about together with a synopsis. As well as in the direct crowdfunding, the filmmaker needs to launch a campaign via the social networks in order to develop a community that economically support him/her.

Talking about pioneer platforms, the first one was the American IndieGoGo launched in 2008. According to its website, they decided to create this site because "there are so many people in this world, with great ideas and big dreams, who are looking for the opportunity to get funding. IndieGoGo offers *anyone* with an idea - creative, cause-

related, or entrepreneurial - the tools to effectively build a campaign and raise money". Following the same philosophy, Kickstarter was launched in 2009 becoming the most common reference of crowdfunding platforms. According to its website "Kickstarter is a way to break beyond the traditional methods — loans, investment, industry deals, grants — to discover that we can offer each other value through creation without a middleman dictating the product and terms." These pioneers have influenced all the European platforms like the British Sponsume and the Spanish Verkami and Lánzanos. A successful example of film finance by a crowdfunding platform is the American filmmaker Gary Hustwit case who used Kickstarter to partly finance *Urbanized* (2011). This documentary completes the Design Film Trilogy composed by *Helvetica* (2007), *Objectified* (2009), and *Urbanized* (2011). Hustwit asked his community via Kickstarter for $85,000. His goal was greatly beaten the 23rd March of 2011 when he obtained $118,505 from 1,814 backers. The movie will be released on cinemas in 2012.

In Spain this phenomenon is pretty new having only a year. Following the mentioned American platforms models, the designer Carlos Hervás, together with the software engineers Ignacio Arriaga and Rafael Cabanillas, founded in December 2010 the first Spanish crowdfunding platform: Lánzanos. One of the reasons they launched this project is because they liked the Kickstarter philosophy but this platform just admitted American projects so they imported its model to Spain. In the beginning the Lánzanos' team were not very optimistic about the platform success because of the financial crisis and the way the Spanish society works, very different from the Anglo-Saxon one where this model has succeed; but they followed the entrepreneur's ideology affirming, "if you don't fight for producing your own ideas many of them will never come to light" (See Appendix F).

It could be though that these kind of projects linked with new technologies, social networks, and all the 2.0 tools are always developed by "digital natives", defined as those ones who were "born after 1980, when social digital technologies, such as Usenet and bulletin board systems came online" (Palfrey and Gasser, 2008:1), but the crowdfunding platform Verkami is an example that this is not always like that. Joan Salas is a biologist in his fifties who founded Verkami in 2011 together with his two

sons Jonàs (28), a Doctor of Physics, and Adrià (23), graduated in Art History. This is the platform I have chosen to upload my project; my experience is documented in the meta-documentary that complements this written thesis. Following the Kickstarter "all or nothing" model, in Verkami and Lánzanos if a project does not reach its funding goal before the time runs out –the number of days are determined by the creator and the platform- the filmmaker does not receive anything. Thanks to it they assure the filmmaker makes an effort to build a community, communicate with his/her audience, and keep their community's rewards. For every successes project, these platforms get the 5% of its funds.

The founders of these two platforms agree that crowdfunding is not a fleeting trend but a natural response to new technologies and media globalization, a way of democratize culture and finance projects without intermediaries. It is also a great marketing campaign that allows creators to build a community and create expectation before their work is finished (See Appendix F, G, H, I).

The social network Goteo, launched in November 2011, is an instance of the third crowdfunding model: the open one. Its co-founder Olivier Schulbaum, defines it as "the first international collective finance social network focused in open DNA projects" (See Appendix J). When Schulbaum talks about "open DNA" it means that any project uploaded in this platform needs to give something back to the community, "something they can use in their own projects" (See Appendix J); these collective returns could be open sources, shared knowledge, resources or derived services. Apart from some differences, Goteo works in a similar way to the existing crowdfunding platforms. When the project is uploaded in the platform its creator has 40 days to obtain his/her finance goal based on the "all or nothing" idea. Once the goal is reached, the creator has 40 days more to achieve more funds further than the project's basic needs. The main differences between Goteo and others crowdfunding platforms are two. The first one is it is not a company but a foundation that has received public and private funds to develop the network and organize workshops in different Spanish cities. "Collective finance through open DNA is compatible to other ways of financing", affirms Schulbaum, "if we look for a sustainable system we need to create mixed models of public and private funds together with the civil society" (See Appendix I). The second difference is all the projects uploaded in Goteo need to be

licensed by an open licence like creative commons that allows the copy, distribution, modification and/or exploitation of part or the whole creation. In the other platforms creators have the chance to apply these measures but is not a requirement.

Following the experience of those creators I had the chance to speak with as well as my own experience, everything points that crowdfunding is a great complement to traditional finance models but not a solution "for all the culture financing problems", as Joan Sala, founder of Verkami, said (See Appendix I). It is proved the model works in small production but is very difficult to finance large productions just by the audience. A very low budget movie can be made in Spain by €1,000,000, a ridiculous figure if we compare it with the American $40,000,000 low budgets films. In spite of it, achieving a million euro just by users is almost impossible. *The Cosmonaut* is the paradigm of a successful crowdfunding case, and it did just achieve the 14% of its €860,000 budget by this model. The transmedia project *Arròs Movie* is another example of it, it achieved €8,600 via the crowdfunding platform Verkami but this project has been produced thanks to the €24,000 the *Generalitat de Catalunya* (The Government of Catalonia) gave to the collective *Compartir Dòna Gustet* (See Appendix A). Crowdfunding could be the solution to finance other ways of culture but movies are still really expensive to make so filmmakers need from traditional financing models if they want to keep producing their works.

Even large production cannot be produced through the crowdfunding model. This model great complement to traditional ones and thanks to it many small projects have the chance to be produced. There might be some exceptions of all crowdfunding finance movies in the future but just if the filmmaker is really popular and he/she has a large amount of fans around the world, but most of the filmmakers are not globally famous. In spite of it, the strongest point of crowdfunding is not based on the funds but in the community building as it was previously explained.

These significant changes in the ways of financing and producing cinema also affects on the distribution and exhibition traditional system; the Internet has created a new window and consumers have rapidly adapted to watch movies and any kind of audiovisual content via the Internet. However, audience and technology have worked

faster than the industry and for years people have used to watch free content on the net because there was not any legal platforms like the current successful online cinema platform Netflix. This phenomenon is explored in the following chapter.

3. Is the Hollywood distribution system breaking up?

Once the creator gets funds enough to produce his/her project –by means of crowdfunding, private or public funds-, what is the next step? How can he/she distribute and exhibit the movie? Until some years ago, the Hollywood vertical distribution system based on windows was the only way to do it. The arrival of the new technologies and the current digital revolution is transforming this scenario offering new ways of distribution and exhibition by means of the Internet; these models are more horizontal, eliminating the gatekeepers between the filmmakers and the audience. However, these new models are still in their early days and there are many facts that prove they will not survive without the help of the Studios. For this reason before focusing on the new distribution models is important to show why Hollywood controls the global film market and how the window system works.

For over a century, the film industry "has been dominated by the Hollywood majors" (Kerrigan, 2010:18), the reason why this oligopoly is still controlling the film industry is because its "economic characteristics" (Finney, 2010:6) are based on an effective business model. During its early days –the end of 19th century and the beginning of the 20th century-, cinema was based in Europe, especially in France and Italy. However, the World War I (1914-1918) changed the cinema scenario to Los Angeles. It was in 1920 when Hollywood and the studio system were formed. From then on, things have not changed significantly: "The industry consists pretty much of the same six firms for ninety years, minus MGM and RKO, plus Disney, all in close proximity in one metropolitan area" and these majors still control the global film market. While "on 1920, Hollywood had over 70 percent of world film revenues, in 2005, that share was still above 70 percent" (Eli Noam, 2010:60). These figures contrast with the European cinema ones that show "outside their national market, draw in other European countries only 6.3 percent of audiences, and worldwide less than 5 percent" (Noam, 2010:61).

It is usually said that the "integrity of European filmmakers" limits their popularity "in contrast to Hollywood's pandering" but the reality is "most European (or Japanese, Korean, Indian or Chinese) films are not artsy at all" (Noam, 2010:62), they just follow the Hollywood methods of productions with two big differences: the budget is significantly lower and the producer do not have the pressure of recovering all the money invested because it mostly comes from public organisms. Even if we assume European cinema is more pure, more artistic, and more creative than the American one, "a century of history should teach us some lessons (…) artistic creativity is not enough" (Noam, 2010:67) to build a powerful business model, a model that the European Film Industry does not have yet. Jean-Luc Godard said, "Who is the enemy? The audience!" (Bergfelder, 2010:62), in relation that audience prefer Hollywood blockbuster than art-house cinema. The consumers' preferences are usually influenced by the Studios' marketing campaigns. The Majors invest millions to promote their products because "each year, about 200 major films are being produced" and each of these movies "cost about $70 million to $100 million to make" (Noam, 2010:64); investing on marketing is a way of making them globally profitable. Even though, "film projects are enormously risky" and around the "eighty percent of films, even allowing for the elusiveness of the concept of profits in the industry, lose money" (Noam, 2010:63) so the industry lives thanks to that 20% hits that are globally exploited. Digital distribution gives a second chance to the remaining 80%. This point is detailed some paragraphs below.

Distribution is probably the most important stage in film industry; distributors decide which movie will be showed, when, where, how many weeks, and which will never be showed. Even the digital revolution is slowly changing the Hollywood vertical model offering digital alternatives; it is still the dominant system. The industry has always been characterized for the conservativeness of the Studios and its rigid structured forms but why is the system like that? At the start of the last century, "film industry was initially less global" and it was not until the "development of the motion picture, and the associated costs in production and marketing" when they felt the "need to expand to new markets". When it happened, they developed the theatrical windows system that "was the first to be invented for transmitting films". This system

understands movies like products, it makes the most of them assuring they do "not released onto the next form of media until the exploitation in its previous one had been exhausted" (Finney, 2010:4). The Studios control everything, from royalties to film production, marketing, exploitation and of course, distribution: "The distribution phases start with cinema exhibition (viewed from Hollywood as theatrical 'domestic' and 'foreign' windows) followed by home video and DVD, pay-TV, free-TV, syndication and possible video gaming and merchandising opportunities" (Finney, 2010:10).

In contrast to the window system, consumer demand to watch audiovisual content in a different way. Kerrigan argues that currently we live in "an on-demand world where consumers want to watch what they want when they want and the best route to this is through the Internet" (2010:197). Thanks to them, "films are distributed at different stages of the old value chain, and move on from there" (Finney, 2010:7) to video-on-demand, video up-loading, streaming platforms (legal and illegal ones), cell phones and so on. A digital exploitation value chain just with two windows -theatrically release and video-on-demand- would simplify the current value chain and satisfy the users' demand: "All previous rights and windows, including DVD, home video, pay-TV, free-TV, etc., are likely to be submerged into one set of exploitation rights – VOD through the Internet, which in turn will be downloadable within a household and a television screen, etc." (Finney, 2010:16). Even we are in a moment where everything is possible, the Studios will not allow this dramatic change so soon, and they will do anything to keep the current value chain because it still gives a lot of incomes to the industry. Audience, creators, and producers are the ones who are experiencing with these digital models but everything points that it is too early to apply the digital value chain as the only option because is not economically sustainable yet.

If "one of the reasons behind film piracy is lack of access to a wide range of film through the conventional distribution routes" (Kerrigan, 2010:197), why the Studios do not develop legal alternatives to fight against it? The $24bn a year of DVD incomes is a powerful reason. According to Finney, majors just obtain $10bn a year at the box office so it does not matter if the DVD business "is dropping by 3 per cent a

year" and "the only growth area is the net (…) any damage to the DVD window creates fear and hostility in the risk-adverse Studios ecology" (2010:124). If the digital distribution turns more profitable tan the DVD business, the industry will totally adapt to it but until it happens they will keep clinging to the traditional business model.

Even most of the digital distribution models are not highly profitable yet there are some examples of successful online platforms. The most remarkable one is Netflix, an American platform formed in 1997 based on the traditional pay-per-rental model. It introduced the monthly flat rate concept where consumers can legally watch unlimited movies in their computer or in their TV. In its early days Netflix was just an online video shop where consumers chosen a movie and that DVD was sent by mail, a service that is still working in the USA. Currently the company has more than 100,000 tiles and about 25 million subscribers in USA, Canada and Latin America (Fernando Barciela, 2011:1). Netflix buys the screening royalties to the Studios but it also bets on independent movies investing on their digital distributions. This combination of hits and indie films makes this company the paradigm of the "long tail business", named like that in 2004 by the Wired Magazine journalist Chris Anderson.

Anderson assures that there are millions of niche markets that have not been covered yet because the 20th century was the hits era but "the 21st will be equally about misses"; these misses are the alternative to the mass market's profitable products that are just the "20 percent of major studio films" (Anderson, 2004:2). This is a radical way of understanding entertainment economy, far away "from today's mass market" (2004:1). "The future of entertainment is in the millions of niche markets" (Anderson, 2004:1) and companies like Netflix, Apple or Amazon "have discovered that the misses usually make money, too" (Anderson, 2004:). The growth of the Netflix's annual turnover from $1,205 million in 2007 to $2,162 million in 2010 (Barciela, 2011:1) is a good example of it. Netflix "has made a good business out of what's unprofitable fare in movie theatres and video rental shops because it can aggregate dispersed audiences", it follows the number one Long Tail Business rule: "make everything available" (Anderson, 2004:3). Digital cinema platforms need to "combine enough nonhits on the Long Tail" (Anderson, 2004:3) because just offering hits does

not work in digital distribution; it could be the reason why Movielink, the video streaming platform launched in 2002 by the Studios, did not succeed: its content was too limited. Platforms need to have a wide catalogue, big enough to "change consumer behaviour, to become a real force in the entertainment economy" (Anderson, 2004:5); otherwise they will not be a strong alternative to traditional distribution or illegal digital models.

The arrival of Netflix to Spain could be a legal solution to fight against the high rates of piracy in this country because nowadays "you can not talk about illegal offer if there is not legal offer", pointed the filmmaker Alex de la Iglesia (Free/Libre Culture Forum, 2011). In the summer 2011, Netflix announced their expansion to the European market in January 2012 being Spain the first country to launch the platform. However, the dropping figures of subscribers in the USA based on the increase of its monthly flat rate -in July 2011 they announced its $9,99 would cost $15,98 (Barciela, 2011:2)- have forced Netflix to change that business strategy. The high prices of the Spanish movies royalties together with the piracy it also makes Spain a difficult market to implement digital distribution alternatives; Rafael Sánchez, Business Director of the online cinema platform Filmotech, points that "just the 1% of the online cinema is watched legally in Spain" (Barciela, 2011:1).

In fact, there are some Spanish legal alternatives, but really limited, and any of them follow the long tail model. The most relevant ones are Filmin, Fimotech, Wuaki TV and Youzee. Together with the piracy problem, the brutal economic crisis makes things even harder to initiatives like these ones. Jaume Ripoll, Editorial Director of Filmin, goes further affirming that one of the biggest problems linked to the Internet consume is the lack of patience and overabundance of products: "Users do not watch movies anymore they devour them", he argues, "people always want to watch the latest movie instead of thinking that every movie they have not watched yet is actually a new movie" (See Appendix K).

In 2006 the main independent Spanish film companies funded Filmin focused on the niche market of art-house and indie cinema lovers. Following this idea, they are not fulfilling the hit content needed to achieve the successful long tail business; Filmin is

a quality distribution platform but it is just focused in a few users, actually they have just reached about 1,000 subscribers (Juan Carlos Tous cited in Barciela, 2011:1). Part of the Filmin's catalogue of 1,700 films and 400 short films is composed of movies that have not been theatrically showed or their DVDs have not been launched in Spain: "The 80% of movies showed on festivals are not distributed in Spain", explains Ripoll, "now, some of them can be watched on the Internet" (See Appendix K). The pay per view model, the most common one in the European streaming platforms, is available too but like Netflix, Filmin bet on the flat rate. It was introduced in 2010 at the same time as the well-known online music player Spotify. The price of the Filmin's flat rate is €15 per month (€10 per month if the user subscribes its services for three or more moths), and pay per view prices goes from €0,95 to €2,95. Users can watch unlimited movies on their computer, mobile, tablets or TV. This is an important fact if we have in mind that in the Netflix case, "the 89% of their users watch movies on TV" instead of computers (Barciela, 2011:2).

Filmotech is another Spanish online platform launched in 2007; it is focused in the Spanish cinema closing even more its market to a small percentage of viewers. They have a catalogue of 1,400 movies and they apply the pay per view system where users pay €1,42 per streaming and movies can just be watched on computers. Other example is Wauki TV, a new online video shop launched in July 2011 which catalogue includes about 1,000 blockbuster movies. The support of the majors Sony and Filmax has given the company some popularity, from July on they have achieved 10,000 users and 15,000 downloads (Barciela, 2011:1). Like Filmotech they applied the pay per view system, prices go from €1,99 to €3,88, but in this case movies can just be watched in LG and Samsung TVs. Like the other two examples, Wuaki TV addresses to a specific audience, in this case they have forgot about the "misses" (Anderson, 2004), because they just show commercial films. The fourth Spanish example would be Youzee, an online platform still in its beta period that has been launched to the press and to part of the online community in November 2011; it will be open to users in 2012. It has the support of Yelmo Cineplex, a powerful Spanish multiplex cinema company that has always bet on digital exhibition. It was the first cinema company in Spain that has changed all its theatres' analogical projectors to digital ones; this change started in August 2010 and has finished in August 2011 (See

Appendix L). It is still too early to predict the success of this platform but its €6,99 monthly flat rate in its varied catalogue are good starting points. Another alternative is iTunes, from September 2010 it allows Spanish users to buy and/or rent movies via iTunes Store but the movies can just be watched in an Apple device.

Digital distribution also renews the film industry economics developing new kinds of relationships between filmmakers and users that open the media to a new scenario; "whereas old Hollywood focused on cinema, the new media conglomerates have controlling interest across the entire entertainment industry" (Jenkins, 2006:16). The power of active users is a relevant key to understand these changes that are "linked with a renewed focus on commercial issues which is not about amassing great fortunes and protecting intellectual property, but about creating sustainable filmmaking, is succeeding due to its authentic nature" (Kerrigan, 2010:208-209).

4. The end of gatekeepers… But not yet

The digital revolution demands a wild and dramatic transformation of the whole culture industry. Traditionally, the European and American cinema industries have worked following the vertical Hollywood system but the Internet has opened the filmmaking process to new horizontal models beyond the established cinema industry. These models are linked with the birth of the web 2.0 in 2004 that has opened up the Internet to users' participation in a more dynamic way giving them the power to interact, share, and comment any digital content. Consumers have adapted very fast to this participatory schedule and they demand it in any media as well as in film productions. The birth of the web 2.0 is the birth of the prosumers age.

If the 20th century was the age where a passive public waited for finished products to consume them, the 21st century is the age of active users that want to get involved in the creative process. New media have given power to those users that have turned to an active audience, this horizontal ways of production beyond the industry are very attractive to prosumers because they make easier their interaction to the filmmaking process. The new financing, production, and distribution models allow this

communication. But this revolution is not based just on the change of consumers' behaviour but also on the way filmmakers produce cinema; new technologies approaches creators to their audience.

Nowadays people prefer creating than consuming. I am part of these active prosumers community that spends a lot of time producing, creating content, sharing it, and commenting others users' works. This is one of the reasons I produced a documentary to complement this practice-based thesis but not the only one. I have previous experience expressing impressions and ideas through the moving image; in addition, the idea of documenting my experience as a creator who has partly finance her project by a crowdfunding platform totally seduced me; producing a meta-documentary instead of a conventional documentary has also allowed me to be directly part of the process and experience it.

However, it was not just the prosumer need of producing why I made this movie; being this dissertation's topic a phenomenon that is currently happening it made sense to get involved into the movement further than just researching and studying it in the distance. That is why during 20 days (from 1st to 21st of November 2011) I developed a crowdfunding campaign in the platform Verkami. Those days I launched a promoting campaign getting first-hand information about the new digital models, this experience allowed me to deepen into the crowdfunding movement making it a relevant knowledge for this thesis' development.

The documentary that complements this thesis is another product that will be showed in the Youtube and Vimeo channels, together with the thousands of hundreds videos uploaded every day. The current age has developed in users the need of producing content, we are happy creating and once the content is made we want to show it to the digital world, it does not matter its quality, we have just made it because we enjoy the creative process and now we have the tools and the technology to do it. Producing audiovisual content demand a lot of time, it is a fact. All the weeks I have been working in the production of this documentary I have not been consuming the industry's products, it is the same for all of these creators who spend some time producing their own work. This is a dangerous fact for the culture and entertainment

industry that has seen how their profits have dramatically dropped in the last years because of this behaviour caused by the digital age. Prosumers are not only interested in the industry products, but also in that content produced beyond it.

Crowdfunding is a financing model but is not just based on funds, but also in the direct relation between creators and users. During my campaign I discovered that crowdfunding is in fact a great tool to build a supportive community. I was glad to discover that part of the funds raised (I asked for €300 to go to Barcelona to collect material for the documentary) came from unknown persons. From a total of 35 patrons, I did not personally know six of them; it is quite a large number having in mind that those backers just watched the video I uploaded to the platform, read the synopsis, and wanted to support the project. In the introductory video I also explained that anyone who would like to follow the documentary's evolution could add me on Facebook and Twitter. During those days few persons I did not know contacted me via these social networks to check the project's evolution. With the collected funds (in 20 days I got €570) I travelled to Barcelona where I had the chance to meet some of these people who have supported me, bringing the community building to a different level of interaction. This fact was very exciting and unexpected, it made me think crowdfunding actually works as an alternative way to finance low budget projects like mine as well as a proper way to build a community; it also made me realize people are interested in knowing more about how the culture industry is changing because of the digital revolution and supporting my project was a way of understanding these changes.

There is a need of studying these changes because they are being produced right now and this phenomenon is happening that fast that is difficult to cover all of it. The industry is slowly adapting to them but technology and users go faster creating important economic imbalances that will be balanced with the pass of the years. It is said that creators and audience are more willing to experimentation than the industry, usually characterized by its conservatives and the desire of profitable products. It explains why the independent producers and creators are the ones that mostly experiment with these new models of production, financing, distribution and

exhibition; even sometimes they are part of the industry they do not have so much to loose if the system pulls down, so they can experiment with innovation.

However, these models are so new that they need to coexist with the traditional ones in order to grow and become sustainable; at this point they are not strong enough to break down decades of an established cinema business model that in spite of the current economical losses, still works. Even they are not still significant ways of collecting money; amateurs and new creators usually use these horizontal ways of production and distribution because they are proper ways to promote their projects. They are in fact great shuttle to new creators, in the case of crowdfunding they can obtain some funds, and once the project is made they can show it via any of the digital distribution system like the Youtube or Vimeo channels, available for anyone without any cost. But if these models give something valuable to creators is the chance of building a community. There will always be some creators that do not want to be in contact with their audience, and we should respect it, but most of them wish this direct interaction without gatekeepers.

These new models are valuable tools and the industry is slowly opening to them because it cannot fight against the inevitable fact that now users are producing content and they want to consume cinema in a different way than some years ago. Even the traditional business model is still working and giving profits, the industry needs to invest in digital models if it wants to keep achieving significant incomes in the future. If the Studios do not invest in the new models there might be a bigger gap between the Hollywood blockbusters and the rest of film productions that will be produced beyond the industry. It could be the beginning of a new business model established beyond the traditional one; but it will not happen after years of hard work and the investment of big amount of money. Even the growth and establishment of a new business model seems very possible in the following years, it will not break down the Hollywood predominance, the industry will keep producing high budget movies that will keep being globally profitable. Hollywood movies will still predominate in the box office, it does not matter if it is a theatrical or a digital one, it is almost impossible to totally break down a whole industry that has been developing a strong and effective business model for decades.

We are in a convergence period where old and mew media coexist, same for old and new business models. This period of transition makes difficult to talk about the future without the risk of being wrong, however, I dare to say that in the following years, the digital will completely predominate to analogical in every scenario. In addition, these horizontal models will fuse in a more dramatic way with the traditional ones, creating effective hybrids models that will be adopted by the industry. To conclude, the establishment of the digital models will not be the end of Hollywood but it is an opportunity to build a new business model more horizontal and with fewer gatekeepers that could also be as powerful as the traditional one.

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Appendices

Please, see below the interviews realized during the researching period, and the files related to the case studies of the movies *The Cosmonaut* and *The Age of Stupid*.

Appendix A

Interview to Joaquim Guinovart
Member of the collective *Compartir Dóna Gustet*
17th November 2011, Barcelona

Compartir Dóna Gustet (Sharing is a pleasure) is an artist collective that investigates the popular culture in relationship to the digital one. They have produced the First Crowdfunding Festival and they are currently producing the transmedia project *Arròs Movie* (Rice Movie).

Question (Q): When did you start to collaborate with *Compartir Dóna Gustet* and what is the collective's ideology?

Answer (A): I have been collaborating with *Compartir Dóna Gustet* since the beginning of the collective in 2008. We knew each other quite well because we used to build others artist collectives as well as a net label.

The collective was born with the aim of investigating, dispreading, and producing Mediterranean popular culture. Then, we found a parallelism between the popular ways of distribution and the current ways of culture. We realized that the peer to peer (P2P) system was similar to the popular oral transmission. There was a connexion between the ways of distributing culture before the birth of the culture industry and the Internet ones that are also decentralize, without any industry. We have been investigating this phenomenon for three year.

Our symbol is a paella pan because we consider it shares our ideology. The paella is a community food, nobody has the copyright of its recipe, everyone has a different way of cooking it adapting and remixing it, and eating paella is a community event.

People say the third year of a company is when it needs to gives some profits but we are a non-profit making entity so we though we were mature enough to produce a big work, in this case it was a transmedia film called *Arròs Movie*.

We also have received some public funds to produce some events where we have mixed traditional music with DJs and a chef cooking paella, everything broadcasted in streaming. These are the kind of things the collective does.

Q: Why does the collective use crowdfunding and free licences in the development of its works?

A: We have previous experience in it because were worked in a net label where we produced music licensed by free licences; we liked it so we wanted to keep it.

Investigating new ways of culture production together with the idea of making a movie, we found a new financing model: crowdfunding. We were aware that other projects were using crowdfunding so we tried. We loved the idea of sharing our project to the public since the first day, allowing people to get involve.

Q: What does crowdfunding mean for you?

A: Crowdfunding is building project together with many people. Further than financing, crowdfunding is a way of approaching the project to a collaborative way of production. The most interesting part of crowdfunding is the chance of opening up the project explaining and sharing it to the public; before, movies were not showed until they were theatrically released.

Q: How do the new technologies contribute to the establishment of the new models?

A: New technologies give power to crowdfunding. Before the Internet crowdfunding already existed, Selling Christmas tickets were a way of crowdfunding very limited, now with the new technologies you open up to an unknown community and it has more power.

Q: This year (2011) you have organized the First Crowdfunding Festival, how was the experience?

A: When we decided to use crowdfunding in our project we realized we also needed to explain what crowdfunding was because many people did not know it. To do that we organized a festival where we put together the Spanish crowdfunding platforms with those projects that were using it. Then, we realized it was something so new that all the projects introduced in the festival like *The Cosmonaut*, *No-Res*, *El Activista*, *Arròs Movie* (our project) have not been finished their production yet. It was really easy to organize because everyone was happy to explain what he or she was doing.

Q: Is crowdfunding more effective in music than in cinema production?

A: Cinema is more expensive and you need more time and money to produce it. When you produce a CD you already have the songs composed and you just need to record them, you ask funds for it. On cinema is different because the process is longer so you need more money.

Q: *Arròs Movie* is a transmedia project, what does it mean?

A: Transmedia is when you build an idea's project through different media like cinema, videogames, Internet series, parties with music gigs etc. We knew we wanted to explore every single production media in *Arròs Movie*, for example we have been

uploading weekly videos called "Making-On" because is showed while the filming is talking care and not afterwards, like the traditional "Making Of". Producing a movie in the traditional way was not interesting for us, during the 20th century people were excited producing cinema but today we have so many channels of distribution that we looked for something different.

Q: Will the cinema industry be more interested in these transmedia products in the future?

A: From the industry side the changes are very slow; the changes usually come from creators and producers. We feel better and freer producing culture like that because we think is richer, the industry will move to this side in the future.

Cinema is an old media; it has more than a hundred years old so these changes are natural. From the users side not many people go to the movies, we consume audiovisual content in a different way than some years ago, we watch movies through mobile, computer… When we watch a movie we like to smoke, eat, stand up, leave and return… The exhibition model needs to change.

Q: How will the evolution of the exhibition be?

A: Our concentration's ability has been reduced, now all of us are multitasked, we do many things at the same time and we demand it in the way we produce and receive audiovisual content.

When we show the movie we will do it offering live music and the exhibition will not be just on the screens and screenings will not be just on cinemas but also in restaurants etc. In these moments of change the good thing is that you can experiment and do whatever you want. When you pull down a building you have a lot of work to do because you need to raise it again, but you can build it in the way you like.

Q: Is *Arròs Movie* entirely finance by crowdfunding?

A: We created a crowdfunding campaign in the platform Verkami, in 40 days we received 8,600€, but we also have received 24,000€ from the Culture Department of the *Generalitat* (the Government of Catalonia).

The crowdfunding is linked with the neoliberalism because these ideas support that the State should not be involve in the culture financing. We do not think public funds should disappear, what we think is the way the public administration gives the funds should be different. Now, there are some experts who decided which projects receive the funds but if you have a project with 200 people supporting you in the Internet they should consider your project because it has popular support. Maybe the way of giving the funds should be via crowdfunding, leaving people to vote through the Internet which project should receive the funds.

Q: Will crowdfunding model coexist with the public and private financing?

A: Yes, it will, especially in cinema because it is really expensive to make. Building a cinema production just with crowdfunding is not possible. It might be possible in the United States because they have a different mind, there the State does not support culture, but the Spanish State does it and we think we have a richer culture here than in the USA so we support the public funds system.

Thanks to crowdfunding your project is known and as a creator you have the chance to introduce your project to a stronger investor, a company or an institution. Crowdfunding is not just about collective financing, is building projects in a collective way.

Q: How was the relationship with the people who has supported you via crowdfunding?

A: During the crowdfunding campaign we involved the community that we have been building since the beginning of the collective, and we have been adding more people thanks to the events we have been producing.

Q: Will you licence *Arròs Movie* by Creative Commons?

A: When you licence your project with copyright all the rights are reserved, so anyone who wants to reproduce or use part of the work needs to contact the author; the creative commons is between the copyright and the public control where everyone could do whatever they want. So yeah, we will do it.

Q: How the movie will be distributed?

A: A year a go we launched the project and now we have filmed the 80% of the movie, we are editing it but we have not fixed the distribution strategy yet. We are investigating new ways of distribution because if theatrically exhibition is not working anymore is because of something and we want to change the experience of watching a movie.

Appendix B

Interview to Nicolás Alcalá

Director of *The Cosmonaut*

Madrid, 2nd August 2011; 3rd November 2011

The Cosmonaut is a transmedia sci-fi movie partly financed by crowdfunding licensed by creative commons. Currently the movie is on postproduction.

Question (Q): How did *The Cosmonaut* idea come up?

Answer (A): *The Cosmonaut* project was born as a short film. The three innovative parts of *The Cosmonaut* are crowdfunding, creative commons and transmedia.

We already knew the creative commons from previous project. The crowdfunding part came up from the need of finding funds through alternative ways. We were part of a small and young production company and do us, so it was hard to ask for public funds. We learnt what transmedia was during the process and we loved the idea of breaking up the traditional storytelling.

The challenge was putting everything together in a new model of production, financing, and distribution that is what surrounds the movie.

Q: Why did you choose crowdfunding as a way to finance the project?

A: Because crowdfunding is the best way to impulse a new project and build a community. We did not know how it would work but we knew from some indie cinema that was developing new ways of communication between the creator and the audience, we liked that idea and a way to apply it was through crowdfunding.

Q: What percentage of the movie is financed by crowdfunding?

A: In the early beginning we had in mind a 6% but when we launched the Save the Cosmonaut campaign this figure increased to 14%.

Q: This is an innovative project that has showed a new business model, is it necessary to break the traditional model?

A: In cinema, like other industries every "some" years there is a paradigm change because of a technological or political change making the old business models obsolete. At these moment is necessity to renew the business.

It happened on cinema with the arrival of the talkies, the special effects, 3D and so on. Currently we are experience one of the most dramatic technological change turning obsolete many business that were based on shortage and charging for the right of watching. Thanks to the Internet this is changing, technology gives audience the right to watch audiovisual content when, where, and how they want. This project wants to offers to the audience a product in the way they want.

Q: How *The Cosmonaut* will be distributed?

A: We live in a world where it is really easy to copy, we have tried to adapt to it offering the movie in the way people want to consume it. For this reason we are showing the movie at the same time on cinemas, DVD, the Internet, and if we are lucky on TVs too. The movie could be watched without any cost on the Internet but we will offer to the spectator the chance of paying for added value. On cinema we want to create an experience, is not the idea of going to the cinema because is the only way of watching the movie is the idea of going to the cinema because it becomes an event. We will make an international premiere on a big theatre with an afterwards party and then we will encourage people from different parts of the world to make their own premieres and share with us this experience of creating an event.

On the DVD case we will give an added value too. It will be the first movie in Spain edited on USB. We will produce a DVD edition and another one in USB.

Q: This way of distribution breaks the traditional distribution and exhibition models, doest it come up as a necessity of filmmakers to approach to their audience?

A: Further than a creator's necessity is an opportunity. Before, creators locked up to create their works; if they were lucky the distributor did a good job and these works would arrive to an audience.

At his moment we have the opportunity to contact this public, talk to them, ask them for a feedback and ask them to participate on the project. Everything has turned richer because is the user the one who helps on the production and distribution, who shares it, comment it and so on.

Q: Would the Internet and the new technologies break down the traditional distribution and exhibition models?

A: In the future, the new models will coexist with the old ones. It is not the end of theatrical exhibition, and is not the end of an established industry that would keep working in a more conservative way. There will be bigger gaps between high budget products and low budget films. It will be the end of the six million euro budget films; there will be movies made with one million euro and movies made with $50 millions like the Hollywood ones. The biggest ones will still have the market they already have because they have money for marketing, and the smalls ones will have it easier to reach to new channels and new models.

From now to ten years the exhibition model will change a lot too. Personally, I bet on smaller theatres instead of big multi screen cinemas, I bet on small theatres where you can rent the place with your friends choosing in a digital catalogue what you want to watch, from Casablanca to Transformers 5, basically a more personal model.

Q: The Cosmonaut has been partially finance through crowdfunding, how was the experience? Would be possible to finance an entire movie through crowdfunding in the future?

A: Our crowdfunding experience was really exciting, it was an adventure, it was really difficult, long and tedious, but at the same time it was truly gratifying. Every day there were more and more people supporting us. One week before the shooting an investor changed his mind and we run out of money so we launched the campaign Save the Cosmonaut. We needed €120,000 and we reached €130,000 in just four days beating any record. It was unbelievable and thanks to it we could film the movie. It was something unique and especial and we are proud of have make History. I do not know if this experience would be repeatable but I hope so.

Some American projects are achieving but it depends on many factors. I do not think it will be the only way of financing cinema, not even for low budget cinema because making movies is really expensive. Crowdfunding will be a way to start a project; especially to those independent movies that do not have another way of being showed but thanks to crowdfunding they could pave a way. It is a good shuttle for new projects.

Appendix C

The Cosmonaut Financial Plan:

* *Download from its website:* *http://www.thecosmonaut.org/*

We have planned three ROUNDS OF INVESTEMENT

1st Round. For every 1000€ we receive a 0,1% of the net benefits of the project once this has ended. Expectations of investment for the first stage: 30.500€ (3,41%)

*To this percentage we have to add up the part that is saved for the crewmembers, which have a right over the future benefits of The Cosmonaut for having differed their payment. At the end of this stage, therefore, the 19,57% of the property

of the project will have an owner..

2nd Round. For every 5000€ we receive 1% of the net benefits of the project once this has ended. Expectations of investment for the second stage: 180.000€ (55,57% of the total amount of the pro- ject)

3Rd Round. For every 13000€ we receive 1% of the net benefits of the project once this has ended.

During the first 12 months since the project was launched, we have finished with the first round of financing and we've singed a total of 23 contracts, achieving the amount of 30,000€ from our inves- tors.

● Crowdfunding.

It is completely horizontal: every producer receives the same privileges whatever they contribute with.

The minimum contribution is 2€. With this, they start receiving something back:

• A WELCOME PACk, including a badge and two stickers

• A producer CERTIFICATE

• The APPAREANCE in the web and THE CREDITS OF THE FILM

• The POSSIBILITY OF WINNING AN AUTHENTIC COSMONAUT SUIT.

If someone wants to contribute with more, he ALWAYS receives something back. Instead of a "donation" system, this is a buying system. He can buy products in our

on-line shop.

●Sponsorship.

We truly believe in a creative, non-invasive and really productive advertisement for the audience as one of the best ways of financing a project like ours..

●The Cosmonaut: An EXPERIENCE

Events with a high participation present a huge possibility for brands to get involved. As the project moves on there will be more and of larger magnitude, with live connections in different events and cities, creating a very special event the day of the film's premiere.

●Distribution Pre-Sales.

The presales that we would be able to make to televisions, VOD platforms and distributors all around the world will be subjected to our distribution model that won't allow us certain uses, but that open a wide range of possibilities.

Appendix D

Skype Interview to Ignasi Labastida

Creative Commons Spain

23rd November 2011

Creative Commons (CC) is an American company focused in open licenses; they have delegations all around the world.

Question (Q): What are the Creative Commons (CC)?

Answer (A): These licences are a legal document; there is not an only licence but six. They go from allowing the copy and any kind of exploitation of the work to just allowing the copy with the requirement of quoting the author. In between these sides there are more models like allowing derived work and the copyleft, this is the Wikipedia's case.

Q: What are the differences between the CC and the copyright?

A: Every licence is based on the copyright; these licences are made to protect the author's rights. The need of creating the licences came up when the fact of do not licensing a work meant the "all the rights reserved". It was necessary to say what the author wanted to allow and in which conditions. The difference between the traditional copyright and the CC is the author allows more uses depending on the kind of licence he/she chooses.

Q: Are the CC and the copyleft the same kind of licence?

A: The copyleft is a kind of copyright because is based on the author's rights; however, if we understand copyright as all the rights reserved then the copyleft is a different licence. The pure description of copyleft would be the author allows

everything with the condition of quoting him/her and the derived work should keep the copyleft conditions. Following this definition just one of the six CC licences is copyleft. When mass media talks about the copyleft culture they usually mix the entire open licences concept.

Q: The birth of the CC licences is strongly linked to the Internet, could an audiovisual CC work be distributed and exhibited through the traditional media?

A: The birth of the CC is linked to the Internet but these licences can be used in any format, the Internet has given us the facility of distribute and exhibit these works. It could be understood as a problem to keep the traditional copyright structure but these licences can be applied in any work, further than digital products there are CDs, books, and films licensed in CC.

Last week was the premiere in Barcelona of the first CC film theatrically released in Spain. It means that in the future movies could be disturbed on the net in a more open way.

It is important to know the distribution model is not restricted by the use of the licences, filmmakers can ear money showing their CC movies too, in other words, when we talk about open culture we do not mean these works should actually be free. Author can ask a price to watch his/her work but once the user has acceded to it, he/she can uses this content depending on the kind of licence.

It is true that most of the CC works are in the net because most of the people who work in the digital world think that is necessary to do not restrict all the rights.

Q: Why are the traditional channels afraid of showing audiovisual CC content?

A: Basically because the traditional channels are like dinosaurs, is really difficult changing an established distribution and legal system but step by step they are changing. The Spanish TV has produced the CC documentary *¡Copiad, malditos!,* it was very difficult to make because all the system is established in the all rights reserved. We are negotiating with the Catalonian TV, TV3, to make some "experiments" too, the British BBC has already showed some TV content licensed in CC.

A high budget film production is a really expensive investment so at this moment we should think in a way of mixing the licence models as a way to open up the business model.

Another example is Al Jazeera, the have an image date base licensed in CC, and some of their videos are licensed just with the "quoting the author" condition because what they want is showing these videos without any restriction to a wider audience.

Q: What is the process to licence a work in CC?

A: The author has to be clear about what he/she wants because the CC allow people to copy works just with the condition of quoting the author. The second thing would be choosing one of the six licences. If one of my works is licensing with CC it does not mean that all my works have to be licensed like that. Once the author has chosen the licence form the CC website he/she has to mark the work with it; in a movie it would be in the credits.

Q: Does the author loose any of his/her rights licensing his/her works in CC?

A: Author maintains the intellectual property; he/she does not transfer any of his/her rights like it actually happens in a record label. The fear comes up because some

people think putting something in the net is the same as loosing the work's control but it can happen in the all reserved rights' works and in the CC's works. We need to loose the fear of losing control, learn to manage the Internet's use and its direct circulation.

Q: Do the CC mean free culture?

A: The CC give a tool to free culture, I respect other ways of culture, and there are some previous licences to the CC. Any alternative to close the licenses is positive, it does not matter its the name.

The flexibility of the CC allows people to adopt different models; this flexibility encourages people to try them but at the end the own author who needs to say how he/she wants to distribute his/her work.

Appendix E

Case Study: The Age of Stupid (Financing part)

* Source: The Film Independent Filmmaker Forum '09

Documentary Feature
Director: Franny Armstrong
Producer: Lizzie Gillett
Budget: $800,000
Financing: Private equity/donations
Production: June 2005 – June 2007
Shooting Format: HDV (Sony Z1)/HD/archival footage
Screening Format: Digital Cinema Package/HDCAM
World Premiere: 2008 International Documentary Film Festival Amsterdam

Financing
From the outset the filmmakers made a deliberate decision to fund The Age of Stupid (AoS)
through small, private donations and private equity, thereby giving them creative freedom to
make the film they wanted to make without having to answer to anyone else.

In December 2004 they organized the first of many fundraising parties. Director Franny had built
up a fan-base through her previous documentaries, and had collected people's email addresses
over the years. They reached out to this group initially inviting them to a fundraising party in
London and pitching the concept of AoS.

They asked people to invest £500 ($800) for a 0.05% share of profits, plus a credit on the
(eventual) DVD and a thank-you listing on the film's website. No amount was ever turned
down—people could still contribute a small amount, even $20, but their funds would be
considered a donation, not an investment.

Although only a small number of people turned out for the first fundraising event, the filmmakers
raised £37,000 (almost $60,000) plenty to get the project off the ground. By June 2005, they
had raised £50,000 ($80,000) from this initial offering of £500 "shares" in the film

The filmmakers dubbed their financing model "crowd-funding' and they continued to raise
money for the film with subsequent fundraising parties every six months. As word of mouth
spread, more people showed interest in investing in the film. Subsequent crowd-funding parties
had the goal of selling 40 shares of £5,000 each ($8,000) for 0.25% of profits, and then 15 shares
of 10,000 each ($16,000) for 0.1% of profits. As the cost of these "shares" increased, the return
on investment (ROI) decreased. The producers felt that the initial investors had taken the biggest
risk, investing on a mere idea, and should be rewarded with a greater ROI. Investors are paid
once a year for 10 years.

Individuals who wanted to be a part of the project, but who couldn't afford it were encouraged to
form syndicates, pooling their money with others. In the first round of investments, a hockey
team and a health care center had both put in money as syndicates.

Appendix F

Skype Interview to Carlos Hervás

Co-funder of Lánzanos

22nd September 2011

Lánzanos was the first crowdfunding platform to be launched in Spain.

Question (Q): How did the idea of launching Lánzanos come up?

Answer (A): Lánzanos was created in June 2010 and it was launched in December 2010 being the first and the only crowdfunding platform in Spain at that moment. It was launched because of the creators' need; there were many projects with the needs of being funded but because of the financial crisis banks were not giving any loan to cultural projects. We studied the American platforms and we realized they were working well so even we were not sure if this model would work well in Spain too we bet on it.

Q: Why did you think it might not work in Spain?

A: We had those pessimistic feelings because of the economical crisis, we though it would affect us but the reality is that in periods of crisis people are more creative and thanks to crowdfunding they have a way to show their projects and to involve people in their production.

Even we were eskeptical we wanted to launch this platform because if you do not fight for your own ideas many of them would never come to light. That was the fist time we did something like that so we thought "if it does not work well at least we will have the experience to apply it in other projects".

Once the platform was launched we had a lot of promotion in mass media and the online community, thanks to them we receive more and more projects.

Q: What does crowdfunding mean for you?

A: Crowdfunding is a financing model created thanks to new technology and media globalisation; it breaks down the distance between creator and its audience. Thanks to crowdfunding, projects have become more transparent because is the audience who decide what they want to watch supporting the project's productions.

Q: Why is crowdfunding being a successful model? Would it be just a fleeting trend?

A: People like this kind of initiatives because they get the chance of being part of a project, experience it. If this model is working nowadays, having in mind the current economical situation, it will work much better in a future; I am sure it will shake the traditional models.

I do not think is just a trend or a bubble, is something that is growing more and more. Before the Internet was created, everything was closed but now everything is more open and transparent.

Q: Lánzanos applies the "all of nothing", why did you choose this policy?

A: In Lánzanos if a project does not obtain its goal before the deadline it does not receive anything at all. The reason we fixed that is because is a way to motivate the creator to obtain the funds he/she needs.

Kickstarter works like that and we like it. The second most important American platform, IndieGoGo has a different policy, the creator gets the money he raised, and it does not matter how much is it. We think if a filmmaker is asking for "x" funds is because he/she needs that money and he/she cannot make the movie with less funds. This policy is a way to avoid picaresque.

In addition, the platforms works following the crowdfunding ideology where everyone who supports a project receives something back, that backer automatically belongs to the production of the project and he/she receives some reward. A project reaches better reputation if its rewards are related to the project.

In Lánzanos if you do not obtain your goal you do not have any money. This is the way we make creators to ask just for the money they need.

Q: Lánzanos has something that the others platforms do not have, The Box, how does it work?

A: Once the creator uploads the project we supervise it and if it is suitable in the next 24 hours it will appears in The Box. In here the creator needs to reach 100 votes, once is done the project goes to the front page. We think if a person cannot obtain 100 votes he/she won't be able to obtain his/her goal.

But we just offer a platform; the project's success mostly depends on the author's work. He/she needs to create a campaign using new technologies and promoting the project in his/her circles.

Q: How many days does a project can be uploaded in the platform?

A: We recommend a maximum of 90 days but is the creator who has the last word.

Q: What kinds of projects are suitable in Lánzanos?

A: We look for creative and social projects; enterprises projects are not permitted here.

Q: Does this model work in film production too? Is it the future of cinema?

A: New technologies allow creators to make films with less money and less people. New models like crowdfunding platforms are a way to forget about unnecessary intermediaries, especially to those ones who were getting rich for no reason.

The future of film industry will be the hybrid models; films will be partly funds by traditional models and partly by alternative models like crowdfunding.

Q: How is Lánzanos being financed? Is it profitable?

A: As entrepreneurs, we (Carlos Hervás, Ignacio Arriaga and Rafael Cabanillas) funded a company called Taunology. Thanks to it we obtained a reward and with that money we invested in the Lánzanos project.

In addition, we get a 5% of the projects that reach their funds. The payments are done through PayPal and they just charge the money once the projects get their goal

For us it is a profitable business because the three of us do all the work and we have found the way to make profits from that work.

Q: How is the Lánzanos's future?

A: We are optimistic because we are receiving many projects and most of them get the 100 votes required in the Box to keep in the crowdfunding process so it is a good signal.

Appendix G

Interview to Rafael Cabanillas

Co-funder of Lánzanos

Madrid, 18th October 2011

Lánzanos was the first crowdfunding platform to be launched in Spain.

Question (Q): Why did you launch Lánzanos?

Answer (A): We are entrepreneurs; crazy software engineers that wanted to create our company. We went to many places asking for funds but banks and institutions closed their door in front of us; it is not easy getting the funds if you are a young company. That is way we looked for alternative ways of financing and we discovered that in the USA something called crowdfunding was working well. The crowdfunding is asking for amounts of money to a crowd, to many small investors. In Spain there was not any platform like that so we decided to import the American model here making some changes to adapt it to the Spanish society.

Q: The American platforms like Kickstarter and IndieGoGo are the main crowdfunding references because they work pretty good, how is Lánzanos doing and why did you think the crowdfunding will succeed in Spain?

A: In the beginning we were not sure that this model could work in Spain, that is why we adapted it. Previously to the financing stage all the projects need to pass another phase called The Box. It is a selection phase where people decided which project will go to the next level and which ones will not do it.

We were afraid because everyone told us that nobody would give any money to this kind of projects through this model, but is the other way around, people is getting involved and they give a lot of money to these projects.

Q: Were you afraid that people would not be involved because of the financial crisis?

A: We were afraid but what this crisis has showed us is that there are not many public funds for culture anymore and the bank's foundations give less and less money to culture, same for institutions and investors. This reality has forced creators to look for alternative financing ways. That is why many people have come to us, to look for the denied funds in other places. A good thing about crowdfunding is you do not need to be rich; you can give just a few euros to a project and you become part of it.

Q: What does crowdfunding mean for you?

A: Crowdfunding is a way of democratizes creativity and culture, is a way of finance what people like and what people want. In crowdfunding you do not look for profitable projects, you just support those projects you like. In crowdfunding many people value projects and their feedback is listened.

Q: Crowdfunding is not a new term but currently everyone is talking about it, why is it getting so famous?

A: It is getting famous because of the social networks. Crowdfunding is not a new term, before the new technologies there were always people asking for money to their friends and family in order to obtain funds for their project.

During the 90's the singer of the Spanish band Extremoduro, Robe Iniesta, asked the neighbours of his village for money to buy his record, when people gave him the money and they asked "where is the record?" he asked "I still have not record it but I will give you a copy when I will have it". That was crowdfunding.

But now it has spread because people do not have 15 or 20 friends to ask for money, now they have 500 friends on Facebook, 400 on Twitter etc. The friends' circles have extended so much that is easier asking for help.

Q: Talking about cinema, do you think crowdfunding will break down the traditional financing models or it will be just a complement?

A: Step by step the model needs to be changed. Since the moment the crowdfunding was born the model is actually changing because creators value more opinions and creators can change their projects during the process. At this moment, filmmakers are just financing small parts of their movies through crowdfunding but I think one day it would be possible financing a whole film through crowdfunding. If it happens it will break down the model and creators would feel freer because they will no be tied to a contract, just to do not let their audience down.

Q: Do platforms like Lánzanos create new opportunities to young creators?

A: Absolutely. Lánzanos offers an easy platform where just in a few clicks the project is uploaded, the chance of receiving support form people all around the world, it is a way of strength the creator's projects thanks to other's feedback, and promoting the project before it is done, it is a great marketing campaign too.

Q: In your opinion, what is the future of crowdfunding and the platforms like yours?

A: All the good ideas are copied. We were the first one but now there are quite a few platforms in Spain, in the future many of them will disappear and they will survive a couple.

I think in three or four years crowdfunding platforms would be stronger and the 50% or 60% of the creative projects will be finance through this method, if it happens it will change the existing model.

Appendix H

Interview to Jonàs Sala

Co-Founder of Verkami

Barcelona, 17th November 2011

Verkami is a Spanish crowdfunding platform created for creative creators.

Question (Q): How did the idea of creating Verkami come up?

Answer (A): My brother Adriá and me make short films, when we looked for public funds to produce them we experienced a lot of difficulties. Then, my father discovered Kickstarter that is the pioneer of crowdfunding platforms and he loved the idea to finance projects of new creators as well as the chance to have a direct interaction between the artist and the audience. To promote your project on Kickstarter you need to be American or having an American bank account, this fact made us think on creating Verkami and give to chance to Spanish artists to use this system.

Q: The idea of crowdfunding linked with new technologies is something really new in Spain; did you expect a good reception?

A: It was an uncovered need so we were sure about its good reception; we also think that in the current cultural situation this platform gives a lot of solutions to creators. Audience were also looking for a different relationship with the artists and the crowdfunding is the solution for it.

Q: What does crowdfunding mean for you and which advantages have for creators and backers?

A: For audience, one of the main advantages is the direct relationship with the creator, it goes further than just buy a CD of a band, the crowdfunding offers the chance of supporting those projects your like being involved in their production.

For creators it is an advantage working directly with the audience because they can work and receive feedback from them. If you produce a project via crowdfunding you create a community around the project where you share the creative process.

Q: Do the new technologies facilitate the introduction of new creative models?

A: During the 60s there were in the United States some creative communities like the Beat Generation that followed the "do it yourself" philosophy, they were self-managed thanks to the money received by their community. What new technologies allow to these communities is organizing on the net, having a direct relationship with their audience and having the chance of finance their works thanks to their public.

Singers have been the first artists that have had a public profile on Facebook and Twitter, thanks to it they have a more direct relationship with their audience, but there are not many writers or painters with Facebook profiles and it makes more difficult for them to finance their works by crowdfunding.

Q: Like in other crowdfunding platforms, Verkami applies the "all or nothing" policy so if the creator does not achieve his/her goal does not get any fund, why did you choose this policy?

A: When we accept a project in Verkami we look for its viability and its rewards, so if the creator just achieve half of the goal but he receives the money anyway it does not guarantee the viability of the project.

Q: What kinds of projects are uploaded in Verkami?

A: When there is a success project from a certain field the platform receives more projects from that field. Firstly we received a lot of audiovisual projects but then there were a successful project form a musician and from that moment on we received many music projects. They are trends.

Q: How is the crowdfunding future?

A: There is a creator's need so the crowdfunding platforms will keep running. We created Verkami because we liked to be in touch with creativity and culture and we do not think this an exclusive model; what we do is to explain how crowdfunding works, we want people to use the model in any way, in other platforms, in their own website or inventing a new model.

Q: Will crowdfunding break down the traditional financing models?

A: It will coexist with traditional models, especially in audiovisual models. If we talk about investors then an entire movie could finance a movie, but it is a different model.

For other kind of production like music or books is more likely to produce their products thought crowdfunding. But there will always be those creators who have chosen traditional models because the crowdfunding has many advantages but it is an additional work too, the creator needs to work as a producer, distributor and promoter of his/her project.

Q: Is Verkami a profitable company?

A: This is not a big business. We charge the 5% of those successful projects and thanks to it we can pay the platform maintenance but is not profitable yet.

Skype Interview to Joan Sala

Founder of Verkami

2nd September 2011

Verkami is a Spanish crowdfunding platform created for creative creators.

Question (Q): What is Verkami and when was it launched?

Answer (A): Verkami is a platform created to arise creative and innovators projects; we do not help to finance traditional business. The platform was launched in December 2010 and we have been developing the site for more than a year. Our references are the American platforms IndieGoGo and Kickstarter. We already knew them and liked them so we thought that a platform like those ones might work in Spain.

Q: How many days has the creator have to achieve his/her goal?

A: The creator has a maximum of 40 days to achieve his/her goal. On Kickstarter creators have until 90 days but we thought it was too much. However, it is not a time issue but a campaign issue.

Once the goal is achieved the patron's money is charged, not before, and once the project is made the people obtain their rewards.

Q: Does Spain already have a crowdfunding culture of is it still in its early days?

A: In Spain there is not a crowdfunding culture yet so we advice people about how they should create a campaign and build a community in order to achieve their goal.

We are very happy with the welcome of Verkami, at this moment the platform has around 9,000 users. The platform has succeed in just some months because it is an alternative to traditional models and many creators like to be in contact to their public, others do not like it, so is just an alternative.

Q: What kinds of projects are uploaded in the platform?

A: In the beginning there were more amateurs projects but at this moment projects are becoming more professional. It proves that the model works. We accept any kind of creative and cultural projects; in all the cases the creator preserves the 100% of his/her rights.

Q: What crowdfunding means for you?

A: Crowdfunding is not just a new financing model, is an alternative way of facing culture consume, a different way of how creators approach to their audience. However, crowdfunding platforms are not the solution of the cultural industry's problems, are just an alternative.

Q: Why did you to apply the "all or nothing" philosophy?

A: We think that if a creator asks for an amount of money is because he/she really needs that figure in order to do his/her project and we understand that the project would not be done with less than that. If you upload a project in Verkami and does not obtain your goal is a good way of knowing that your idea might not be good enough yet and you need to work more on it.

Q: What does Verkami obtain from any project?

A: If the project does not raise its goal we do not charge anything but if it reached it we charge a 5% commission.

Appendix J

Interview to Olivier Schulbaum

Co-founder of Goteo

Madrid, 3rd November 2011

Goteo is a crowdfunding platform developed by the Foundation Open Sources and the organization Platoniq.

Question (Q): What is Goteo?

Answer (A): Goteo is a social network of collective financing and distributed collaboration focused on promoting projects that have something that we called "open DNA", it means that this projects need to give something back to the community. In its process they should leave a digital trace that allows other people to learn from this experience creating an economy around free license. These licenses guarantee the authorship of the creator.

If we talk about new finance models, we truly believe that in the future they will come from this open DNA. An organization that is not open, like a NGO, and is not transparent it will turn obsolete very quick. It is the same for closed companies and the cultural industry. All of them should be conscience that they need to open up and create communities. We are not talking about a new financing model but a way of creating community thought financing.

Q: What is the difference between Goteo and the existing crowdfunding platforms?

A: The main difference is the open DNA that influences in the way the platform is developed and in the way of creating community, starting from the workshops that we

organized to explain people in an analogical way how this digital platform based on collective finance works. In Spain it is something very new.

The second point is we are not a company but a foundation, the existing platforms are companies that offer a service, we have a different philosophy. What make us different are the collective benefits.

What we were missing from the other platforms is actually that the benefits are no collective and this is what we were looking for in Goteo. We go further than receiving a DVD once you have supported a project; the creator needs to give something that the community could use in their own projects like open sources, didactic guides… We want to change the world through the collective finance.

Q: Does every kind of project have an open DNA?

A: We encourage the creator to find the open DNA of his/her project and promote it. At the same time we teach and promote the collective financing's ideas to people in order to obtain more common's benefits. The only way to make Goteo sustainable is involving community and making them to understand the benefits of free licenses.

Q: What is the Geteo's financial plan?

A: The collective financing is compatible with other ways of financing; that is why companies and public funds are involved in this social investment. From civilian society we need to create sustainable models involving public and private funds.

If we want a sustainable model we need to build bridges between public and private financing models, collective financing, and civilian society. There is responsibility from both sides. If the civilian society does not support these kinds of projects, private and public entities will neither support them. Both sides know what they want but before Goteo was launched there were no tools to provide a "fair play".

We are educated to think that when we receive public funds is money that we need to spend, justifying it like expenses. It should be the other way around, we should learn from the business world because we invest this money in community, we do not spend that money; we invest it in share capital, in culture.

Q: How do the new technologies change our sharing habits?

Thanks to the establishment of social networks we are changing old sharing habits but we want to make them more human further than their algorithms. It is very human to support a project and wait for something back. One drop and one drop do not make two but more drops, and this is the equation that we want to put in practise.

We are making a lot of analogical workshops because is in these face to face, peer to peer, encounters where we realize how people work and which kind of projects they want to support. If those people that currently are supporters decide to turn to creators we would be succeed.

Appendix K

Skype Interview and Face-to-Face Interview to Jaume Ripoll

Chief Editor of Filmim

23rd September 2011; Barcelona 18th November 2011

Filmin.es is an online cinema platform created on 2006 by the most important Spanish indie film companies: Alta Films, Avalón Distribución, El Deseo, Golem, Tornasol, Vértigo Films, Versus Entertainment, Wanda Vision, Cameo.

Question (Q): When was Filmin launched?

Answer (A): Five years ago Juan Carlos Tous, Cameo Executive Director; Juan Antonio de Luna, Commercial Director; and me, Editorial Director, talked about the idea of creating a site where we could watch those movies that we were launching on DVD via Internet.

We did that because we know the Internet is not the enemy of cinema but an allied media, another window of distribution that we should not be scared of but learn from the new language. For four years we were developing the project, sometimes we were right and another ones we were wrong. Finally, on May 2010 we developed the current Filmin where users do not need to wait to watch streaming movies and we adopted a flat rate.

From then to 2010, Filmin was redesigned until we get the current look. The peculiarities of the current version are the flat rate, the devices and the design. We were the first ones to apply a flat rate in Spain and Europe and we did at the same time as the online music player Spotify. We did that because we felt the need of making the service easier to consumers.

About devices, the movies can be watched not just on computer but also on TV, Iphone, Ipod, PS3 etc. We wanted to convert Filmin on a platform where people could go to inform about independent cinema creating a community.

Q: What kind of movies includes the Filmin's catalogue?

A: The Filmin's catalogue includes a varied selection of indie movies in V.O. From movies that have not been theatrically showed in Spain to movies that are being shown in Filmin before its DVD launch, others ones that have not been showed on theatres or their DVD have not been launched neither, and some simultaneous premiere on theatre and Fimin.

The catalogue is changing all the time. At this moment we have about 1,700 films and 400 short movies and we also have some agreements with some national companies, some are Filmin partners like El Deseo, Alta Films, Golem, Wanda, TornaSol, Vertigo, Avalon and Versus. We also have about 200 agreements with international companies like the BBC and Channel 4 to import films to Spain.

Q: What is the profile of Filmin's users?

A: There are different profiles. In the beginning there were people from small cities that did not have access to V.O. movies on theatres. Step by step young people have started to sue Filmin, especially graduated cinema lovers from 25 to 30 years old; and currently, thanks the iPad application, we are adding a more mature public which is a technological profile. More than the 70% of consumers use the flat rate, the rest 30% left pay per movie view.

Q: What are the advantages and disadvantages of new technologies related to online distribution?

A: The greatest victim of the Internet is patience; we have become impatient persons. There are so many movies that it is impossible to watch all of them so when we want

to watch a film we usually choose the latest one. We are penalizing those movies that are not new when the reality is that every movie that we have not watched yet is actually a new one.

The 80% of the movies showed on festivals are not distributed in Spain. Thanks to new technologies currently some of them can be watches on the Internet. We pay film's rights for one, three, or five years so the catalogue is always changing. Distributors do not earn so much money with online distribution but at least we lose less.

Q: Some of the movies showed in Filmin have not been theatrically released or launched in DVD in Spain, are digital platforms like yours the solution to these movies' exhibition?

A: One of the reason we launched Filmin is because we wanted to show those unpublished movies in Spain. There are fewer theatres focused on alternative cinema, and not all the movies are launched on DVD so the Internet is the answer and the solution to exhibit those movies. We do it through online festivals and agreements with international companies.

What we want to do is to give prestige to the Internet window. Currently the Internet is still discredited and people usually think if your movie has been showed on the Internet is because is not good, because you did not have the chance of showing it on theatres. Is the own filmmaker who needs to change his/her mind and understand that the Internet is a window where he/she can show his/her work to a wider audience. Some years ago those filmmakers who made TV movies had a bad prestige, nowadays Gus Van Sant and Michael Mann make TV movies and is consider correct.

Q: If users are demanding to watch video on demand, why there are so little legal alternatives in Spain?

A: I do not think there are little alternatives in Spain. However, people have idealized some models that have not come to Spain yet. Filmin offers 1,700 films, short films, and series and there are more sites like ours, user also have the iTunes choice where they can find all the novelties on HD paying a reasonable price. We should stop regretting about the lack of online cinema choices in Spain, the problem starts when people want to have everything for today, they want the Spotify model but on cinema and this is not possible because of the author' rights and basically because music industry is very different from cinema.

Q: Are the Spanish online cinema sites more focus on indie cinema than blockbusters?

A: Users can rent the Hollywood movies via iTunes but if people expect to have the newest movie on an iTunes flat rate they are wrong, this will not happen because making movies is insanely expensive, it is impossible to recover 200 millions offering that movie on a flat rate. People who assure this is possible should think what is happening in Spotify, if a musician wants to earn $1,200 his/her song must be played four millions times. It is just unsustainable; we should start to learn what is the cinema business model, there are exploitation windows that should be respected: theatres, video on demand, flat rate on online cinema, free streaming, TVs… There are thousand ways of exhibition and all of them will coexist, the windows system will not disappear. It is not viable showing a movie two months after its releases on a flat rate. Netflix, that is the paradigm of online cinema sites, does not do it.

Q: Do you think the digital distribution is opening the gap between small and big productions?

A: I do not like to simplify but we can say this is the 2.0 neoliberalism, if the society opens the gap between rich and poor there will also be less middle class, if that

happens in society it will happen on cinema too. But I do not think middle budget cinema will disappear, it is true that there will be less but the industry will not cross from the "do it yourself" films finance through crowdfunding to the Steven Spielberg's movies. The market is very big, Spanish filmmakers may need to think in a global market instead of a national one.

Q: Is the Internet the responsible of these changes in consumer's habits?

A: The Internet has crated chronically impatient people, they want to have everything right now without any cost, people do not watch movies anymore they devour them, when users do not pay for the movies they do not give them any value. We cannot change consumer's habits, we need to understand them and work with them in somehow but the public needs to understand that cinema needs profits in order to keep producing. TV series like *Downton Abbey, Mad Men* or *Sherlock* are not produced just with 100,000€, they need some resources and the Internet at this point is not the solution for it, it is a complement that in some years will grow being an essential part of the cinema industry but is not the alternative and definitely it will not kill the current system. At this moment we are in a transitional process but in the future it will be normalised.

Q: The traditional system is opening up to new models, how do you understand the future of cinema distribution and exhibition?

A: I do not know how the cinema industry will turn in following 20 years; it is really difficult to say. If the State stops giving public funds as well as the TV channels it will be radically different. What I know the future will be worst than the present. I do not believe that the lack of resources wakes up the imagination, the creativity needs some resources, and this is a fact. For example, if you want some special effects in your movie you need a lot of money to do it.

The Cosmonaut, that is the paradigm of this "new cinema", is a great project but is a unique one. They were working in the project for three years do not earning a euro for their work. We cannot build an industry like this.

It is possible to make brilliant low budget projects but it has always happened, the low budget cinema has not born with digital cinema. What has born with digital age is the overabundance of films, people create more than they watch and write more than they read so we are saturating the market.

Which will be the exploitation model in the future? We do not know yet, we just know that we are changing. What people expect form the Internet is to replace the DVD market but the fact is even the market is decreasing is not dead, we are experiencing a brutal financial crisis in Spain and even though 120 millions of DVD were sold. In ten yeas the figure will be dramatically reduced and we know that but today is an important part of producers and exhibition companies' profits. Internet gurus insist to say that the future is today but is not like that, the future will come but is not here yet.

We need to be optimistic because users understand that is necessary to pay to watch films so we need to negotiate which is the best figure to do it. Cinema industry also understands that their products need to be distributed in the Internet too, not just exhibited on theatres, DVDs or TVs. We need to respect people who believe on free screening or in the creative commons, but they also need to respect those creators who puts a price for their works because is the artist's decision.

Q: Would we experience an increase of simultaneous premieres?

A: The simultaneous premiers on theatres and online platforms are not possible on commercial movies because the big studios collect most of the money from the box office. However, this model is possible for those small movies that are just showed in a few theatres in big cities.

Q: Do you think online cinema platforms should produce own audiovisual content in order to offer added value to its users?

A: Filmin is not just an online video shop but we did not think of producing any content because we have so many movies already made that we just do not see the point. Netflix announced the production of some series as a business strategy, but most of our partners are producers so we just distribute their movies.

Q: How is the Filmin evolution?

A: Filmin is growing each month but we would like to grow even more. However, we know the key years have not come yet, in a year or a year and half we will notice a change. In addition we cannot forget the current situation, during the crisis periods people reduce costs but in the future most of users who do not pay for watching movies they will do it as an artist reward.

Appendix L – Interview to Virginia Nevado

Interview to Virginia Nevado
Programming Department of Yelmo Cineplex
6 December, Email

Yelmo Cineplex is one of the largest multi screen cinema exhibition companies in Spain as well as the first one to change all the analogical projectors of its theatres to digital ones.

Question (Q): How does the incorporation of digital cinema affect on the theatres' programming?

Answer (A): There are some advantages like more programming flexibility and more models of cinema exploitation in the theatres. There are also some disadvantages like the control of the keys to activate the movies, the control to download content from the cinema's servers and so on.

Q: How does the idea of introducing different kind of audiovisual content further than movies come up?

A: The theatres are leisure spaces and we know that cinema is just a piece of the leisure alternative. We show that content for several years and the benefits are evaluated after the screenings.

Q: Is the exhibition of alternative content to films previous to the incorporation of digital projection?

A: Yes, it is. We programmed this content before the establishment of digitalization.

Q: Will the future of cinema exhibition be in these new markets?

A: They are a complement but the cinema exhibition will always be based on the exhibition of movies.

Q: When the Yelmo's theatres started to digitally project cinema?

A: It started in August 2010; in August 2011 all the Yelmo's theatres are 100% digital.

Q: Have you noticed an important decrease of the theatres' audience during the last couple of years?

A: The box office has been affected because of the national financial crisis, like in every industry.

Interview to Gregory Vincent

Founder of Sponsume

13 October 2011, London

Sponsume was the first British and European crowdfunding platform.

Question (Q): Why did you create Sponsume?

Answer (A): The reason I created Sponsume is because I think there are little institutions that financially support creators with new ideas; I though technology could solve this problem giving a tool to those people who enjoy what these innovators were doing, this tool gives them the chance to support these projects.

Q: Why is crowdfunding important in terms of communication between the audience and the artist?

A: People are usually attracted to crowdfunding because of the word "funding" but the main benefit of crowdfunding is not the funding, is the ability of creating your own public, creating you own project in a different way. While you develop your project, people support your work.

Q: Does the new technologies help to the establishment of crowdfunding?

A: Crowdfunding is really beating up because of the new technologies. Some years ago we did not have the resources to coordinate and put people in touch to creators. With the Internet it has become very easy. Crowdfunding is a great resource for creative sector.

Q: How does crowdfunding affect on culture industry?

A: Crowdfunding affects on culture industry in the way artists relate to their public. It contrasts with the 20th century models where the creators' involvement with the public was really limited. Crowdfunding encourages the artist to have a more direct and straightforward relationship with the people. Another element is crowdfunding breaks down the pyramidal Hollywood structure where the company was the intermediary between the artist and the public. Thanks to new technologies is the audience who choose what they want to watch supporting it, without intermediaries. It is basically a way of involving the public to creative processes as well as having a more direct relationship between the public and the artist.

Q: Does crowdfunding give power the audience?

A: Absolutely. Crowdfunding gives power to the people, is the audience who decide what they want to watch and what they want to listen to.

Q: What makes Sponsume different from other crowdfunding platforms?

A: First of all, Sponsume was the first crowdfunding platform to be launched in the UK and Europe. It is really open to sort kind of projects as long as they got an innovative and creative component. We also offer variety if currencies so it has an international mind.

Appendix N

Interview to Raúl Deamo

Audiovisual creator, producer of *Deconstruint el vi català* (Deconstruct the Catalonian wine)
Barcelona, 17[8h] November 2011

Deconstruint el vi català is a documentary about wine culture in Catalonia, it is partly finance through crowdfunding.

Question (Q): How did the idea of creating this documentary come up and why did you decide to use crowdfunding to partly finance it?

Answer (A): The idea came from Manel Capdevilla and me; we wanted to create a project about wine culture in Catalonia. We were sure about the idea of using crowdfunding because we knew other projects' result and we like the idea of having a direct interaction with the public. We heard about crowdfunding thanks to other projects like *Arròs Movie* or *No-Res* that were finance through the crowdfunding platform Verkami.

Q: Why have you focused on the Catalonian wine as the documentary's topic?

A: There are many reports and documentaries that explain how the wine is produced in determined areas, but there was not any documentary about Catalonian wine, there just were some reports about some kind of wine in some areas. There are also some videos in the Internet about different wineries but we wanted to produce a more global vision document.

Q: What are the crowdfunding benefits further than the funds?

A: In our case, the rewards offered to the project's backers are linked to the own idea of the documentary, for example you can go to one of the wineries or wine cellars that the main character of the documentary goes during the year he is travelling through Catalonia.

Another benefit is the people know the project since its beginning and they have the chance of getting involved on it so when the documentary is finish and the audience could watch it on TV or in the Internet they will already know what is the documentary about and who are their authors. You have created a previous work building a community, if you do not do that your documentary could be showed on TV but you may do not have so much impact. It is also a way of building a relationship between audiovisual creator and the audience.

Q: Is it possible to finance an audiovisual project just with crowdfunding?

A: In our case is not possible because we already were working on it for a year and we still need six more shooting months. The ideal is to finance a whole project through crowdfunding but movies are too expensive to achieve that.

Q: Will the crowdfunding model be a consolidated model in the future?

A: I think so because there are more creators who bet on this model. However I do not think crowdfunding will break down the traditional models like public and private funds. Crowdfunding is and will be a complement and there will be just the small projects the ones that could be entirely finance by crowdfunding.

Q: Once the project is finish, how are you distributing it?

A: We will licence it on creative commons, we want people to watch the documentary so we will not use a restrictive copyright. We like open licences like that because we want our project to be showed in non-profit making public spaces too. We will like to show it on TV but we also want to exhibit it on wine festivals.

If we do not show the entirely documentary on the Internet we will partially do it, we also want to show the entire interviews because in the documentary they will be edited and cut.

Q: The traditional system is opening up really slowly to these new models, is the system afraid of them?

A: TV channels are already opening up. I think the problem is that there are many people who do not really know what the open licences are and they try to avoid the issue, but currently there are many people interested in the topic. For this reason, TV and festivals are slowly opening to these new licences.

Q: Is the online exhibition model profitable for the creator?

A: If you show your project on the Internet it arrives to a wider audience but currently the pay per view model is not very extended as part of the consumer's habits. Maybe with the introduction of a flat rate to watch films and documentaries, things could be different.