Good timing -- or two-timing?

Releasing films in theaters and on cable and DVD simultaneously is getting a tryout. It could be good for the industry -- or it could be really bad.

By Ty Burr, Globe Staff | January 22, 2006

"Bubble," the new Steven Soderbergh film that opens at the Kendall this Friday, is an intentionally small-time affair, shot in 18 days with a six-person crew, and starring nonprofessional locals from the flyspeck Ohio town in which it was filmed.

What "Bubble" represents to Hollywood, by contrast, couldn't be bigger or more threatening. By airing on cable and arriving in video stores on DVD the same day it premieres in theaters, this unprepossessing heartland murder mystery has landed like a bomb in the middle of the raging industry controversy over entertainment "windows." What movies we see, when we see them, and -- most important -- what impact they'll make on pop culture and on the profit margins of the movie studios may never be the same.

Traditionally, a film is released first to movie theaters, then moves to DVD in four months or so; these theatrical and video "windows" are followed in turn by exposure on video-on-demand, pay cable, basic cable, broadcast TV, etc. The thinking is that each window represents a fresh chance to squeeze further revenue out of a film. Lately the thinking has been changing.

The entertainment corporations started the ball rolling in recent years when they began to shorten the lag time between a film's theatrical and DVD releases from six months to the current 129-day average. The reason was simple: greed. By being able to report DVD profits for summer blockbusters on their fourth quarter balance sheets, the studios looked like heroes to Wall Street. They could also take advantage of the promotional afterglow of a box-office release, the assumption being that you don't have to work so hard (or spend so much money) to promote a DVD of a film that's still fresh in consumers' minds.
With each day less between windows, though, the people who run America's movie theaters have grown increasingly panicked. The film exhibition business is fragile already: Profits for theater owners come from popcorn rather than ticket sales, and a 6 percent decrease in attendance during 1999 and 2000 was enough to send many theater chains into bankruptcy. Last year saw another drop, with sky-is-falling news coverage every other day and a general sense of apathy, if not contempt, among US moviegoers. Enough people are waiting for the DVD as it is, theater owners worry, and now the studios want to give it to them earlier?

"We'd love to see a yearlong window," says G. Kendrick Macdowell, general counsel for the National Organization of Theater Owners. "We're always happy with the window being as long as possible. It preserves that feel of 'going to the movies' that's an integral part of American culture." And that presumably keeps NATO members solvent.

It was with something akin to terror, then, that theater owners heard Robert Iger, the incoming head of Disney/ABC, proclaim in September that windows need to compress further. Much further. "I don't think that it's out of the question that a DVD can be released in the same window as a theatrical release," Iger told industry analysts. "I think that all the old rules should be called into question, because the rules, in terms of consumption, have changed so dramatically."

He had a point. With TV shows now available for iPods the day after airdate, the whole television schedule unmoored by the rise of TiVo, and CDs streaming down high-speed Internet connections instead of out music-store doors, the culture as a whole is moving in the direction of greater consumer freedom. And let's not even bring up piracy. Why wait to see a movie at home? Isn't that like hearing a song on the radio and having to wait five months to buy the CD?

The "Bubble" initiative was already out there by the time of Iger's broadside. In May of last year, Soderbergh had announced an alliance with 2929 Entertainment, the independent media company owned by entrepreneurs Mark Cuban and Todd Wagner: He would shoot five low-budget digital-video features, and 2929 would release them simultaneously in Cuban's Landmark Theater chain (including the Kendall Square and Waltham Embassy locally), on DVD, and on the HDNet cable service. Exhibitors bristled but dismissed the plan as the work of industry small fry. The Iger sanction upped the stakes considerably.

Off came the gloves. NATO head John Fithian immediately called the Disney executive's blue-sky proposal a "death threat" to his industry. Other studio chiefs rushed to plug the leak, with Sony president Tom Bernard thundering that "polluting the theatrical window is doom." Even filmmakers got into the act: A month after Iger's statement, "Sixth Sense" director M. Night Shyamalan told a convention of exhibitors that releasing movies to DVD the same day they hit theaters is "heartless and soulless and disrespectful."

Oh, really? Who truly stands to win and lose if -- let's talk theoretically for a moment -- the gap between theatrical and DVD is erased and movies come out on all platforms simultaneously, in a pattern the industry calls "day and date"? According to a study released in December by JPMorgan, it's pretty clear who the losers would be: Theatrical box office would be gutted by 49 percent. At the same time, the study concluded that DVD sales would increase 78 percent and rentals would go up by 64 percent, with the overall
studio revenue jumping 36 percent, from $15 billion to $20 billion.

Put that way -- which is the only way the entertainment conglomerates understand it -- day-and-date could be a historical inevitability and your local multiplex may be teetering on the brink of extinction. Or maybe not: Now that the studios and exhibitors are finally committing to the rollout of digital projection systems -- technical specifications have been hammered out and cost-sharing negotiations are underway -- the studios may be able to save some of the money they lay out for prints and advertising, which alone ran to $4.4 billion in 2004.

And who wants to give up what may be the best advertisement for a DVD invented -- the film's theatrical release? NATO's Macdowell dismisses day-and-date as improbable. "It's a bad business model as well as a bad artistic decision," he says. "What you're doing is collapsing your revenue streams into a single platform. You're not going to have people seeing it in theaters then buying it on DVD. It's going to be a one-shot deal.

"The other negative," Macdowell continues, "is that you strip movies of the panache of the original theatrical release -- you collapse it into a television movie-of-the-week. Preservation of the windows makes good business sense because it separates out different revenue streams to different consumer preferences and maintains the appeal of movies as special events."

Try telling that to Todd Wagner. "This is not meant to be an attack on theatrical," insists the CEO of 2929 Entertainment. "This is meant to try to increase DVD sales. Five to 10 percent of Americans are frequent moviegoers; that means 90 percent of Americans rarely go to the movies. We want to reach more of those people and still not harm exhibitors. The goal here is to raise all boats."

And what if the boats sink?

"If we're wrong, we'll stop doing it," insists Wagner. "We're not kamikaze pilots. We know that consumers like [getting movies when they want in the format they want] -- that's a given. And we know that it protect costs -- that's a given. Now the argument is what it does to the revenue. And I'm sorry, nobody knows for sure."

To be fair, the "Bubble" plan is a far cry from jamming the new "Harry Potter" out there in all formats at once. It's an intentionally small-potatoes project mean to dip a toe in the waters of day-and-date: 2929 and its distribution subsidiary Magnolia Pictures are hedging their bets by releasing the film to approximately 40 art house theaters in the Landmark and other indie chains while airing it only twice on the HDNet cable channel, which services customers with high-definition television sets only. After those two premiere-day airings, "Bubble" will disappear from TV for the duration of the theatrical run. The film will also be released on DVD by the company's brand new home-video arm, Magnolia Home Entertainment.

In essence, the cable window will act as an extended word-of-mouth advertisement for the DVD and big-screen versions -- a practice 2929 found worked well when it day-and-dated the documentary "Enron: The Smartest Guys in the Room" and the terrorism drama "The War Within" on HDNet and in theaters last year. It will also, not coincidentally, serve as high-end bait to lure more customers to the HDNet service. "By having first-run theatrical movies, we want to get more subscribers," admits Wagner freely.
One incentive Wagner and Cuban are holding out to theater owners is a cash-back guarantee of 1 percent of a film's DVD sales. "Theaters feel they market movies but never share in the downstream revenues," says Wagner. "We're saying, let's try to make them a partner in all this." The early-bird DVDs will also be priced at a slightly higher premium than a standard-release disc.

A similar endeavor is underway over at Cablevision subsidiary Rainbow Media, which produces and distributes indie films and runs the Independent Film Channel cable channel and Rainbow Video-on-Demand, among other services. In March, Rainbow will introduce what it calls IFC-in-Theaters to cable subscribers: small movies fresh off the festival circuit that will screen in the company's IFC Center theater in New York City while being available simultaneously to video-on-demand customers as part of a subscription package or a la carte.

The first releases in what Rainbow CEO Josh Sapan is calling a "national art-film house" will be "Sorry, Haters," starring Robin Wright Penn, and "American Gun," with Donald Sutherland and Forest Whitaker. Says Sapan about IFC-in-Theaters, "The name is the promise: We will have movies on the service that you can purchase individually, and they will premiere there the very same day they premiere in theaters. You can go out to a Chinese restaurant and see the movie or order Chinese food in and watch it."

Far from cannibalizing profits for mainstream movies, the 2929 and Rainbow plans could stand to benefit fans of independent film. "It really creates the equivalent of an electronic art house: Viewers outside of New York and Boston will be able to see Lars von Trier's 'Manderlay' and not have to wait three or four months. Someone in Tallahassee will read about it online and say, 'I want to see that.' It'll open up access to viewers, and that access will translate to consumption and money, and that money will find its way back to filmmakers."

Sapan even thinks his strategy may help theater owners. "The story's not yet told," he says. "I think it's possible that what we're doing will have a neutral or beneficial effect on box office. For many independent films the first challenge is to get any attention at all. I'm not sure that audience word-of-mouth doesn't result in greater aggregate consumption going not just to the TV screen. Those who have affection for independent film have affection for the theatrical experience. It's possible it won't have a Draconian eroding effect."

And if it does? "Well, then, so goes the world. If the pattern alters over time, it alters." Exhibitors aren't holding their breath; the major multiplex chains have adopted a corporate policy of not booking films released on other platforms during the theatrical window, a fiat Wagner hopes they'll come to reconsider "if we can illustrate that over time they're better off sharing revenues. And if you're a moviegoer, I think you'll continue to be one. It's still one of the entertainment options that's affordable."

NATO's Macdowell isn't receptive to such promises but for the time being professes not to care that much about Soderbergh's and Sapan's experiments. "We wish them well," he says dismissively. "'Bubble' is not a movie that would have box-office traction. It's really kind of a win-win for us. If they do well, great, but it's not relevant. If they don't do well, that's a pretty bad sign for day-and-date."

Even if "Bubble" bursts without impact, though, the studios will be
watching audience traffic patterns extremely closely. It may be only a matter of time before more mainstream fare -- a midbudget action film, a drama with appeal to older audiences -- takes the day-and-date plunge and shows up on a TV or at a Blockbuster near you. The great experiment is about to begin -- let a thousand release patterns bloom. And let's hope movie theaters are still standing when they're done.

Ty Burr can be reached at tburr@globe.com.

© Copyright 2006 Globe Newspaper Company.