'Bubble' Vision

With His New Movie, Steven Soderbergh and Co. Hope to Launch A Sweeping Change in the Way Audiences Get to See Films

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PARKERSBURG, W.Va. One in an occasional series

It's somehow appropriate that "Bubble" is having its world premiere in this tiny village, once a thriving oil-and-gas boomtown. The murder mystery by Steven Soderbergh is an experiment both aesthetically -- the movie was shot here, on high-definition digital video, using amateur actors and only the bare bones of a script -- and as a business venture.

On Friday, Soderbergh and his producing partners, Internet entrepreneurs Mark Cuban and Todd Wagner, will release "Bubble" simultaneously in theaters, on cable and satellite television and on DVD, the most visible example of an emerging model that could seismicly shift the way Hollywood does business. If the graceful Victorian mansions of Parkersburg stand as somber reminders of the energy industrys past, today, at least, the city just may be playing a small symbolic part in the movie industry's future.

"Well see," says Soderbergh, settling into an armchair in the lobby of Parkersburg's neo-gothic Blennerhassett Hotel. "We're as curious as anybody about what will happen. The good news is that in a couple of weeks we'll have some real information about how people make these decisions, which I think would be helpful.

"If you're selling something, it's really helpful to know why people choose what they choose."

Soderbergh, who since bursting on the scene in 1989 with the film "sex, lies, and videotape" and in 2001 winning an Oscar for "Traffic" has become one of the most prolific and well-regarded filmmakers in Hollywood, speaks in his signature measured, common-sense cadence. But when he announced last year that he would make six digital films with Cuban and Wagner's 2929 Entertainment company, releasing all of them "day-and-date" in theaters, on TV and DVD, the news sent ripples of concern throughout the film industry, especially among theater owners, who suffered a 5 percent decline in box office last year. There are also some naysayers to be found among Soderbergh's fellow directors.

M. Night Shyamalan ("The Sixth Sense," "Signs"), at an exhibitor convention in October, railed against the day-and-date strategy, telling theater owners, "If this thing happens, you know the majority of your theaters are closing. It's going to crush you guys." Shyamalan also said he objected to the plan as an artist. "When I sit down next to you in a movie theater... we become part of a collective soul," he said. "That's the magic in the movies."

Soderbergh, obviously, doesn't share Shyamalan's anxieties. "If he doesn't want to do it, then he doesn't have
to do it," Soderbergh says. "I know Night and we've talked about this, and he was very upfront about saying, 'You're killing the business, why are you doing this?' And I don't see it that way. I really don't care how people see my movies, as long as they see them. I'm just not interested in controlling how somebody experiences one of my films."

As the first prominent Hollywood director to cede such control, Soderbergh is clearly casting his lot with the digital-technology industry, whose decentralized, models of information gathering and delivery have revolutionized nearly every business they've touched. Now, with dot-com billionaires getting into the movie business, their influence is being felt in an industry whose practices in many ways haven't changed since its beginnings at the turn of the last century.

Wagner, who with Cuban sold their streaming-video site Broadcast.com to Yahoo in 1999 for $5.7 billion, says that when he started to explore making movies in 2001, he discovered a business that worked on principles completely the opposite of where he came from, where "those who put in the riskiest money get paid back first." In Hollywood, he says, "I put in the riskiest money, meaning the development dollars, but I get paid back last. First is all the actors and whatever salaries they're able to negotiate, the studios and all the advertising dollars they put behind the movie, along with a fee for doing that, along with a fee for distributing it internationally, along with a fee for distributing a DVD," he says. "Is it any wonder that financiers run out of town after two years? If Mark and Todd were going to be able to be in this business, we needed a new mousetrap."

In 2001, Cuban -- who is most famous as the outspoken owner of the Dallas Mavericks -- launched the high-definition cable and satellite channels HD Net and HD Net Movies, and two years later Cuban and Wagner bought Landmark Theatres, a chain of 59 art-house cinemas in 23 markets. The team also acquired Magnolia Pictures and launched HD Net Films, a distribution and production company, respectively. All the companies exist under the umbrella of 2929 Entertainment, a Dallas-based vertically integrated entertainment conglomerate with capacities in development, production, distribution and exhibition.

In the 1940s, this kind of vertical integration was declared illegal by the federal government, and movie studios were ordered to divest themselves of the theaters they owned; since deregulation in the 1980s those stricutures have largely disappeared. In today's media climate, Wagner insists, it's the only way to make a buck. "We need the ability to have all the different pieces in one place," he says, to reflect "the realities of technology and the way consumers want things." As for critics who bemoan the demise of traditional moviegoing, Wagner says, "Let's not be shook up over whether DVDs are in Best Buy. Let's be shook up about how we treat people, and whether they want to come to the movie theater. Don't yell at me for trying to get technology out to people and making product available to consumers in a way they want it." Wagner makes the comparison to the music industry: "If I hear a song on the radio they don't say, 'Hope you enjoyed it; in five months we'll sell you the CD.' But that's exactly what [the movie] industry has done."

When "Bubble" comes out on Friday, it will be shown in Landmark theaters as well as HD Net TV (available only to owners of high definition televisions). "Bubble" DVDs will be available for sale through the usual retail outlets, as well as in theater lobbies including the E-Street cinema. (Wagner says he hopes in the future to have all of Soderbergh's DVDs for sale when one of his HD Net films is shown.) The filmmakers also say that "Bubble," set in an Ohio Valley doll factory, will be shown in non-Landmark theaters, which will receive 1 percent of the DVD earnings.

That 1-percent agreement, says Wagner, reflects his and Cuban's desire to rewrite the rules for exhibitors who have been subject to usurious terms on the part of distributors. "To me, we're being good partners,"
saying Wagner, "which exhibitors have never had."

Historically, exhibitors have split box-office receipts with movie studios: The studios receive the lion's share of revenues during the beginning of a film's run, with the theaters' share increasing as the engagement lengthens. With that kind of ratio in place, theater owners understandably want to keep the theatrical window open as long as possible. That window has already begun to close; according to the National Association of Theatre Owners, the average length of time between a movie's theatrical and home video release has gone from 5 months and 22 days in 1997 to 4 months and 14 days in 2005.

"We don't think [the day-and-date strategy] is a good idea for studios, exhibitors or patrons," says Kendrick Macdowell, NATO's general counsel and director of government affairs. "Once you collapse windows, you're basically talking about a movie of the week."

"I can understand why they're [angry] about this," Soderbergh says. "But nobody's sitting down and looking at it from a macro point of view. We need to rethink the economics of the entire business from top to bottom. How we compensate talent, how we deal with exhibitors, how we deal with ancillary revenue, all that stuff, in my opinion, has to be rethought. How do you do that? How do you get all these people at the table and get them to stick to something that smells like a salary cap, or revenue sharing, in a free-market system where you have different people with different economic incentives?"

None of those questions will be answered when "Bubble" hits big and small screens next weekend. And the true test of the model will come when a mainstream movie with big stars is released day-and-date, a prospect Soderbergh says he would welcome with one of his "Ocean's Eleven" sequels.

But clearly things are beginning to shift.

In just the last six months, Disney CEO Robert Iger has said he could foresee a collapsed theatrical-DVD window, ABC and ESPN have announced plans for downloadable programs, and Peter Chernin, chief operating officer of 20th Century Fox's parent company News Corp., recently announced plans for the studio to release high definition DVDs of its movies a mere 60 days after their theatrical release.

In other words, the industry is changing. And unless filmmakers, distributors and exhibitors manage that change together, Soderbergh says, "it's going to be bloody."

"If things keep going the way they're going, you're going to see a more glamorous and sexy version of what's happening in the automotive industry in this country." As he speaks, the faded elegance of the Rust Belt town outside making his observations particularly poignant. "You know, people are stuck in this old way of thinking and the consumer is just going to pass them by."

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