

DECLARATION OF INDEPENDENCE: THE TEN PRINCIPLES OF HYBRID DISTRIBUTION

We hold these truths to be self-evident, that all men are created equal, that they are endowed with certain unalienable rights, that among these are life, liberty and the pursuit of happiness.

*That whenever any form of **distribution** becomes destructive to these ends, it is the right of the people to alter or to abolish it, and to institute new **distribution** most likely to effect their livelihood and happiness.*

*When a long train of abuses and usurpations reduce them under absolute despotism, it is their right, it is their duty, to throw off such **distribution**.*

- Thomas Jefferson (liberties taken by Peter Broderick)



Hybrid distribution is the state-of-the-art model more and more filmmakers are using to succeed. It enables them to have unprecedented access to audiences, to maintain overall control of their distribution, and to receive a significantly larger share of revenues.

This article is a sequel to my report, "[Welcome to the New World of Distribution](#)," which was

published exactly a year ago in indieWIRE. Since the report appeared, the Old World of Distribution has continued to decline. Filmmakers making Old World deals (in which they give all of their distribution rights to one company for up to 25 years) are ending up dissatisfied. Producers and directors who succeeded in the Old World are now telling me that the traditional distribution system is broken and that they are determined to find a new approach.

Meanwhile it has been a banner year in the New World. Hybrid distribution has come into its own with such successes as [VALENTINO](#) and [ANVIL! THE STORY OF ANVIL](#), both of which hired service deal companies to handle their theatrical distribution. Working with Abramorama, ANVIL has grossed over \$675,000 in U.S. theaters. Through Truly Indie and Vitagraph Films, VALENTINO grossed more than \$1,755,000 theatrically. In addition to consulting on VALENTINO, I also consulted on a number of other films that successfully combined theatrical service deals and semi-theatrical runs, including [THE SINGING REVOLUTION](#) (Abramorama), [PRAY THE DEVIL BACK TO HELL](#) (theatrical: Balcony Releasing; semi-theatrical: Film Sprout), [NOTE BY NOTE](#) (Argot Pictures), and [THROW DOWN YOUR HEART](#) (Argot Pictures).

I coined the term “hybrid distribution” in 2005 to describe the innovative model I had been developing for several years alongside a handful of pioneering independents. Inspired by the example of [REVERSAL](#) (which Jimi Petulla sold so lucratively from his website), I helped design the strategy for one of the first hybrid breakthroughs—Mark Neale’s documentary [FASTER](#). Since then I’ve worked with hundreds of filmmakers to develop and implement hybrid strategies. Each film I’ve consulted on—from features such as [BALLAST](#) and [GOOD DICK](#) to documentaries like [KING CORN](#) and [THE FUTURE OF FOOD](#)—has helped me refine the hybrid distribution model.

As this model has been used more widely, the meaning of the term “hybrid distribution” has become less precise. When Thom Powers asked me to give a presentation at the 2009 Toronto Film Festival, I took the opportunity to define the core principles of hybrid distribution. My goal was to break the concept into essential components that filmmakers can use to create customized distribution strategies. This article expands on my [Toronto presentation](#).

Let’s start with a definition. Hybrid distribution combines direct sales by filmmakers with distribution by third parties (e.g. DVD distributors, TV channels, VOD companies, educational distributors). In the Old World of Distribution, Plan A was to give all your distribution rights to one company and Plan B was self-distribution. In the New World, Plan A is doing your own direct sales while splitting up the other rights; Plan B is making an all-rights deal with one company.

Today many filmmakers are as determined to retain “distribution control” as they are to maintain “creative control.” Distribution control is the power to determine the overall structure and sequence of distribution, select distribution partners, and divide up distribution rights. While single source production financing usually means the loss of some measure of creative control, single source distribution through an all-rights deal always means the loss of distribution control.

A hybrid approach enables filmmakers to choose partners with the resources and expertise to maximize distribution in different channels while allowing filmmakers themselves to do what they do best—reach core audiences directly.

The following ten principles are distilled from the experience of filmmakers I have worked with across the country and overseas. As their distribution strategist, I have been by their side as they have explored the New World of Distribution.

1. Design a customized distribution strategy.

Every film needs a customized distribution strategy. Ideally this strategy should be designed before the film is made, increasing the chances of securing financing. To create a strategy, filmmakers must clearly define their goals and priorities, identify the film’s initial core audiences, plan different versions of the film (e.g. theatrical, television, DVD, foreign, educational), determine distribution avenues and a release sequence, identify potential partners, and decide how to initially position the film

both online and off. The strategy should be flexible, implemented one stage at a time, and regularly assessed and refined.

2. Split distribution rights.

While in the Old World of Distribution all domestic rights were usually given to one company, hybrid distribution enables rights to be split more finely and effectively. Filmmakers retain direct sales rights, including the right to sell DVDs from their websites and at screenings, and the right to sell downloads and rentals from their sites. Most often filmmakers also retain theatrical and semi-theatrical rights. VOD, television, and retail DVD deals are usually made with separate distribution partners. Deals are also made with educational partners but some filmmakers are retaining these rights. Digital rights for avenues like iTunes are more complicated—they are sometimes given to the retail DVD distributor or the VOD distributor and sometimes licensed separately.

Rights can be usefully divided into eight domestic and two international categories:

DOMESTIC	INTERNATIONAL
Theatrical	Television
Semi-Theatrical & Non-theatrical	Other (Theatrical, DVD & Digital)
VOD	
Television	
Retail DVD	
Direct DVD	
Educational	
Digital Rental & Download	

While splitting up rights is complicated and time consuming, it allows each right to be exploited well, avoids cross-collateralization (where expenses from one area of distribution eat away at revenues from others), and allows a filmmaker to retain overall distribution control.

3. Choose effective distribution partners.

In the Old World where all domestic distribution rights were usually lumped together, certain rights were often poorly utilized or completely overlooked. In the New World, it is important to determine how best to exploit every right without neglecting any of them. Filmmakers can handle some rights most successfully on their own. In other areas, the goal is to find the distribution partner with the skills and experience to be most effective. Ideally this partner has an impressive track record with similar films or particular niche audiences. Before signing any deal with a distribution partner, it is essential to speak with other filmmakers currently or recently in business with the company.

4. Circumscribe rights.

Grant each distribution partner only the specific rights they can handle well. For example, if a company is strong in retail DVD and digital, give them these rights, but do not also give them VOD if they have no experience with VOD.

Carefully limit the rights (scope, term, exclusivity) granted to each partner. Make sure the rights given to different distributors complement each other without conflicting. Make as many deals as possible at the same time so the rights given in one area do not subsequently prevent you from making deals in other areas.

5. Craft win-win deals.

Design deals that will work well for both your distribution partner and you. Divide revenues fairly and define responsibilities clearly. Build in guarantees (e.g. minimum number of cities and marketing spend, performance guarantee), approvals (e.g. of deals, marketing, editing), and safeguards (e.g. escape clauses, expense cap, bankruptcy protection, limits on assignment, dispute resolution).

6. Retain direct sales rights.

Retain the domestic and international rights to sell DVDs (from your website and at screenings) and downloads and streams (from your website). Also retain the rights to screen the film theatrically and semi-theatrically.

Direct sales are the lynchpin of a hybrid distribution strategy. They have four significant advantages over third-party sales:

- *Higher profit margins* – A DVD sold directly from a filmmaker's website can easily yield profit margins 7-8 times as high as DVDs sold in retail.
- *Faster payment* – Filmmakers usually receive payments faster from PayPal or a fulfillment company than they would from a distributor.
- *Revenues aren't split with middlemen* – Filmmakers receive all of the revenues and must only pay manufacturing and fulfillment costs.
- *Customer information* – Filmmakers receive data on all customers who make purchases from their websites, but do not get any information on consumers who buy through third-party retailers. This data enables filmmakers to stay in touch with purchasers and offer them other products.

7. Assemble a distribution team.

It is as important to have a distribution team as it is to have a production team. This team includes some or all of the following: strategist, producer's rep, foreign sales agent, webmaster, outreach coordinator, theatrical and semi-theatrical bookers, print and online publicists, and fulfillment company.

8. Partner with nonprofits and online communities.

Nonprofits can be indispensable distribution partners. They can build awareness among key core audiences by hosting screenings at national conventions and local chapters, by co-sponsoring house parties, and by promoting films through their publications and websites. Online communities can also increase buzz, audience, and sales (through affiliate marketing), potentially helping your film go viral.

9. Maximize direct revenues.

In addition to selling DVDs directly from their websites, filmmakers can also sell other products they produce (e.g. soundtrack albums, companion books, posters, hats, and t-shirts). Filmmakers can also purchase related products from third parties (e.g. books, DVDs, CDs) that will be of particular interest to their audiences. As online retailers, they can buy these products at wholesale and resell them from their sites at retail.

10. Grow and nurture audiences.

Independents can expand their films' audiences by building mailing lists, communicating effectively and developing ongoing relationships with subscribers. They should provide them with valuable and engaging content, while keeping sales pitches to a minimum. They should also create a content-rich, dynamic, and interactive website that encourages participation. Their ultimate goal is to develop a core personal audience that can support future projects through contributions and purchases.

While hybrid distribution is the state-of-the-art model for the New World, it is not the best approach for all independent films. Some movies are better served by an Old World all-rights deal with an experienced distributor. The best distributors have resources, relationships, and expertise, which can be essential to a wide theatrical release. They may also have advantageous deals in place for VOD, DVD, and digital rights. If filmmakers do due diligence (by speaking with other filmmakers involved with the distributor they are considering) and are able to negotiate a fair deal, their best choice may be an all-rights deal. Higher budget, more mainstream features are better suited for an Old World approach.

Hybrid strategies are ideal for most documentaries. Lower budget, more distinctive features, like GOOD DICK, may also be better off using a hybrid model. Features with strong core audiences can also do well splitting up their rights in the New World. MY BIG FAT GREEK WEDDING used a theatrical service deal to gross over \$241 million domestically.

Just as the development of digital filmmaking tools in the '90s meant that no one could stop determined independents from making movies, the evolution of hybrid distribution in this decade means that no one can stop tenacious filmmakers from bringing their films into the world.

As the New World of Distribution continues to expand, hybrid distribution will become the optimal model for a wider array of films. It offers three major advantages over an all-rights deal. By enabling filmmakers to retain “distribution control,” it allows them to use strategies that are much more customized and better targeted. Hybrid distribution gives filmmakers a significantly larger share of revenues through direct sales and fairer terms in third-party deals. By providing filmmakers direct access to viewers, it also lets independents develop supportive audiences around films and build personal fan bases that can help sustain them over time. Hybrid distribution can make the difference between being a dependent filmmaker in the Old World or an independent filmmaker in the New World.



FEEDBACK WELCOME: These principles of hybrid distribution emerged from the experiences of hundreds of filmmakers. They will continue to evolve as more and more independents use these strategies. I'd welcome any thoughts, techniques, or case studies you want to send my way (peter@peterbroderick.com). My goal is to create a living document that evolves with the latest hybrid experiences and empowers filmmakers to realize their full potential. Visit www.peterbroderick.com to sign up for the DISTRIBUTION BULLETIN, featuring the latest in independent film distribution and marketing.