



CROWDFUNDING IN THE EU

A POSITION PAPER

As the organisation representing film directors in Europe, FERA welcomes the Commission's Consultation on Crowdfunding in the EU, and the opportunity to comment upon it.

The Federation of European Film Directors (FERA - ID 29280842236-21) is a European organisation that represents 41 directors' associations and approximately 20,000 film and television directors from 28 countries, speaking in the European arena for their economic, cultural and creative rights.

As a community, filmmakers have been one of the first groups to embrace crowdfunding as a means to raise production finance outside of traditional avenues. For example on leading crowdfunding platform Kickstarter (www.kickstarter.com), a quarter of all projects are films and over 11,000 films have successfully met their targets.¹ We would like to see crowdfunding continue to develop as a source of finance. As a European-wide community of directors, FERA embraces the new emerging paradigm of digital distribution in which, from funding right through to distribution, filmmakers can have a direct relationship with audiences unmediated by traditional gatekeepers.

Crowdfunding provides an opportunity for filmmakers to reach out directly to audiences for support, bypassing traditional structures. They may launch successive appeals (eg during development, production and post production), and generally the cash flow back to the filmmaker is quick, with campaigns of just 30 days typical. This direct and speedy approach stands in contrast to the sluggish response of traditional funding bureaucracies and is highly appealing.

This direct approach is not just favoured for its speed, however. For filmmakers it is a chance to reach out and mobilise audiences and fans directly rather than through channels mediated by traditional gatekeepers (state funders, distributors, sales agents, exhibitors etc), part of a new emerging paradigm in the digital era. These supporters can follow the project right through to release, becoming advocates for the film, directly engaged in the marketing push behind the release for the film via social media. Supporters can also follow the filmmakers from project to project, a fan base that can grow progressively over the term of a director's career. As the digital film marketing and publicity specialist Sheri Candler (who spoke at FERA's 2012 Assembly in Copenhagen) has written, *Crowdfunding is not only about raising money, but also raising a profile,*

¹ <http://stephenfollows.com/the-statistics-on-improving-your-crowd-funding-campaign/>

creating attention, building mutually beneficial partnerships and gathering an audience for a project that may just be starting.

Survey evidence from Kickstarter suggests that in general, crowdfunding is at best a modest source of finance. The average film and video project asks for \$4,466 and only 13% have raised more than \$20,000; failure levels also run high. At the same time, geographic location and the shape of the campaign (marketing strategy) can have an effect on success, suggesting there is still some way to go in making crowdfunding a level playing field for applicants².

Given these modest levels of funds, it follows that for all the growing interest in crowdfunding, it cannot be an alternative to a properly funded European film industry to support a European cultural space. While welcome at a time of austerity and cut backs in traditional sources of funding (state subsidies, private equity), the evidence above shows that at best crowdfunding can only be a modest complement to properly financed film budgets.

With over three hundred crowdfunding sites worldwide³, crowdfunding is open to everyone and it is the low barriers to entry which form one of its major appeals, particularly to new or emerging filmmakers or those doing minority interest work away from the mainstream. However evidence from film appeals suggests it is those projects who are most likely to be able to mobilise a particular niche or demographic that are most successful. For example, Jennifer Fox, the Director of MY REINCARNATION, an American film about a Tibetan Buddhist master, believes a strong reachable core audience is essential to a successful campaign.⁴ There is a danger with this however that voices who are unable to mobilise a particular demographic (for example 'artistic' or experimental films) could suffer. Equally there is already evidence from the US of 'donor fatigue' as larger, celebrity-driven projects "crowd out" smaller campaigns by virtue of their marketing noise and mass audience appeal. While these trends should not be overstated, it demonstrates why crowdfunding can only ever be one part of a flourishing financial ecology for European film.

In line with this, it is clear that the shape of a campaign strategy – the targeting of particular audiences, the content of appeal communications, the length of the campaign etc are all factors in influencing success.⁵ If crowdfunding is to continue as a source of funds, and raising those funds needs to become part of the filmmakers entrepreneurial toolkit, then training must be provided to promulgate best practice.

Crowdfunding is currently unregulated and there are wide discrepancies in the level of fees and commission charged.⁶ FERA would like to see competition and ease of access to platforms pushed so that fees can be kept as reasonable as possible. At the same time, as the market continues to evolve and the current model evolves towards a more equity-based model where in some case supporters might expect some return on their investment, a corresponding legal framework needs to evolve. Safeguards need to improve to protect against fraud, money laundering and criminal practices so that both filmmakers and donors are protected.

² <http://stephenfollows.com/the-statistics-on-improving-your-crowd-funding-campaign/>

³ <http://venturebeat.com/2013/04/08/crowdfunding-nearly-doubled-last-year-with-1m-successful-campaigns/>

⁴ <http://trulyfreefilm.hopeforfilm.com/2011/12/maximizing-distribution-through-crowdfunding.html>

⁵ <http://stephenfollows.com/the-statistics-on-improving-your-crowd-funding-campaign/>

⁶ See for example <http://dailycrowdsource.com/crowdsourcing-help/case-studies/1004-understanding-crowdfunding-fees>

In conclusion, FERA embraces crowdfunding as one among several means of raising finance, and welcomes the opportunity it provides for filmmakers to form a direct relationship with audiences over the longer term, part of a new emerging digital paradigm of production and distribution in film. However to succeed in this, it is clear that in a rapidly-changing world, filmmakers and creators generally must be given the tools to make the best of these new opportunities, through training and the provision of a regulated market to protect both creators and funders from abuses. As Ted Hope, the leading American independent film producer and advocate of the new emerging paradigm said in his recent speech to FERA's 2013 London Assembly, "The EU has the chance to truly lead the world into an era of media and creative democracy".

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