

MOVIE BUSINESS

Making a film is often thought of as a very creative process – which it is! But behind the scenes are lots of people who understand why business principles are important in the film industry. A film needs to make a profit so that more films can be financed. It's important to remember that although a film may have earned lots of money at the box office, that doesn't necessarily mean it has made a profit.

How do we work out profit?

The formula for working out profit is: total revenue (i.e. how much money the film made at the box office) minus total expenditure (i.e. how much it cost to make the film)

If a film cost £150 million to make, and made £500 million at the box office, we minus the expenditure - £150 million – from the revenue - £500 million – to get a profit of £350 million

How much profit did these films make?

1. Box office takings: £600 million Budget: £200 million

Profit: £_____

2. Box office takings: £100 million Budget: £50 million

Profit: £______

3. Box office takings: £350 million Budget: £60 million

Profit: £_____

We can also express this as a **profit margin**. This is a percentage, worked out by dividing the revenue by the profit. Using our example above, the film had a revenue of £500 million and a profit of £350 million. So we **divide** £350 million by £500 million, giving us 0.7 – or 70%. The film had a profit margin of 70%.

However – the actual cost of making the film (the film's budget) is not the only cost a film studio will incur. Marketing a film – making sure people know about the film and will go and watch it – can sometimes cost just as much as the film's budget. Other costs may include physically getting the film to cinemas or giving cast and crew a share of the profits.

Because of these other costs, a film might not be considered a commercial success until it has taken at the box office four times the film's budget. Using this model, would any of the films above be considered successful?



ACTIVITY

NOW YOU CAN PUT YOURSELF INTO THE SHOES OF A FILM INDUSTRY BUSINESS EXECUTIVE.

First, you need to decide on a budget for your film.

Budgets will often	vary by genre. For example, action films and fantasy films wi	Il tend to have higher
budgets, whereas ho	error films tend to have lower budgets. Why do you think t	he budget would vary
	by genre?	
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- 10		
Have a think about	which genre might have the most chance of making a profit,	and then set a budget
	My genre is:	
* [I think this genre will make a profit because:	*

My budget is: £

Now that you've decided a budget for your film, you need to divide it up between the many different departments that work on the film. How much will you pay your actors? Will you buy costumes or make them – which would need more budget? Can you combine any areas to save costs?

The head of each department will divide their section of the budget down further, working out how much to pay each member of their department and the cost of materials they'll be using. This process is completed before a film starts shooting. It's very important that each department sticks to their budget so that the film doesn't go over budget, but it's also important that they do use all of their budget and don't have any leftover, which could have been allocated to a different department.

Use the budget template below to map out how your budget will be split. The budget is split into three sections – above-the-line, meaning the creatives involved in the development of the film; production, meaning the period where the film is actually made; and editing, meaning getting the film ready to go into cinemas.

If there are any other terms you haven't come across before, research them to find out what they mean.



Description	Notes	Total
Story and Other Rights		· · · ·
Producer		
Director		
Cast		
Travel and Living		
Miscellaneous		
Fringe Benefits		
Total above-the-line		£
Production Staff		
Casting		
Extra Talent		· . \
Art Direction		
Set Construction		\sim 1
Set Striking		
Set Operations		
Special Effects		
Set Dressing		•
Property		
Wardrobe		
Hair & Make-Up		
Electrical, Rigging and Operations		
Camera Operations		
Sound Operations		9
Transportation		
Location		
Production Film and Lab		2
Stage Facilities		() /
Process and Rear Projection		~ /
Second Unit		/ / /
Total production period	£	
Editing		/ / / /
Music		
Post Production Sound	1 /	
Post Production Film and Lab	/ /	
Main and End Titles		
Total editing period	£	
Publicity		/
Insurance		
General Overhead		(10) X
Fees, Charger and Misc.		
TOTAL OTHER CHARGES		
TOTAL ABOVE-THE-LINE	A	
TOTAL BELOW-THE-LINE (production)		
ABOVE AND BELOW-THE-LINE		(0) / _
Contingency		
Overhead	W ^	
Completion Bond		X
Grand total		£
GIMIND TOTAL		L