

Fund-raising for film festivals in Europe

Erasmus University Rotterdam

Master of Arts in Cultural Economics and Cultural Entrepreneurship
2006/2007

Olga Bauer

Student nr 305819

Supervisor: prof. A. Klamer

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Chapter One: Introduction

1.1 Problem definition

The film festival phenomenon originated in Europe in 1930s and spread around the globe in the subsequent decades. Nowadays, different types of film festivals exist and almost all countries hold at least one international film event. The characteristics of cultural policies and the structure of financial agreements in Europe resulted in a necessity for festival organizers to be creative in their fundraising strategies. A film festival is impossible to survive without the support from its multiple stakeholders, such as central and local governments, sponsors and business community, media, filmmakers, and the host community. The film festival is a phenomenon embedded in the attention economy, event management, and the film industry, and its most important role is to translate cultural and artistic values into economic and social ones.

A range of factors (agendas) influences the financial side of the film festival: political pressures, national legislative patterns, economic conditions of a country, historical significance of the festival, cultural policies, geopolitical implications, status and type of a festival, and many others.

European cultural policies, rationale of state intervention, city marketing, and corporate sponsorship are topics that have been researched by the economists in numerous studies (e.g. Acheson & Maule, 1994, 2004; Schulze, 1997; Footer, 2001; Peacock, 1969, Abbing, 1980, Throsby, 1985, Kirchberg, 1995, Bonet, 1997, Smyth, 1994; Ashworth, 1990). However, very little research has been done on the application of the above subject matters in the film industry and the film art. Therefore this study will analyze the financing mechanisms that are applied at film festivals, considering the role which these cultural events play for the economy, society, and the arts.

The central research questions of this thesis are: 'Why do film festivals have so many stakeholders?', 'Why do they need to redirect their focus in terms of way of realizing their values?' and 'How do festivals cope with changing circumstances as far as their financing is concerned?'

Attention is an important factor driving festival organizers, sponsors and all other stakeholders. Davenport and Beck (2001) argue that today's most pressing problem is not enough attention to meet the information demands of society and business. We live in a new economy, where capital, labor, information and knowledge are in plentiful supply. What's in short supply is human attention. Therefore, these scholars state that organizations will have to find more effective ways to allocate attention toward the information and knowledge that matters, and these will focus on paying huge amount of

money to buy 'eyeballs' and get a few minutes of people's attention. Film festivals are part of the 'attention industries' as the hype, buzz and media exposure related with the event attract a lot of attention and are exploited by various festival stakeholders.

With Pierre Bourdieu's (1986) concept of convertibility of cultural capital as point of departure, I argue that a film festival as a cultural activity has to serve economic goals for its sustainability and self-preservation. The ability of cultural values to translate into economic and social ones is a prerequisite for the cultural activity to carry on. French social scientist Bourdieu distinguishes between three forms of capital: social, symbolic, and cultural. The last one is a 'power resource consisting of cultural competencies which can be used to generate economic income'. According to Kombrink (2003) cultural values can be accumulated into cultural capital, which appeals to the human inspiration and imagination and enrich the quality of life over and beyond economic and social dimensions. His position is different, therefore. Similarly to Kombrink, Klammer (2002) defines cultural capital as the capacity to inspire, be inspired and to generate meaning, and argues that cultural capital does not primarily serve economic outcomes like income and profit, and that economics is not the goal but an instrument to generate cultural values. Throsby (1999) remarks, that Bourdieu's concept of cultural capital is close to the notion of human capital in economics. Instead he defines it as the stock of cultural value embodied in an asset, in addition to whatever economic value it may have, and those values include aesthetic, spiritual, social, historic, symbolic, and authenticity values. Moreover, the stock of cultural values may in turn give rise to a flow of goods and services over time which may have both cultural and economic value. The ability of stock of values (capital) to generate flow of values, and positive externalities of cultural capital, which Kombrink (2003) calls 'unintended spillover benefits', may explain why a multiple-source financing is applied at film festivals – positive externalities can be seized by organizations both from private and public sector, and attract them to have a stake in this cultural activity.

By pursuing the economic goals film festivals face certain risks. Klammer (2003) states that when cultural goods realize their value on the market – are submitted for sale in order to realize their economic value, the goods become 'commodities' and this affects their cultural values. Therefore, maximization of economic returns may damage the cultural capital. There exists a trade-off for film festivals: how to stay away from the commercial sphere and remain feasible and solvent.

According to De Valck (2006) film festivals operate as a self-preserving network that is capable of adaptation to changing environmental circumstances. This is due to their value-adding properties, and a 'crucial role that they play in the survival of world cinema, art cinema and independent cinema'. But film festivals play multiple roles, not only for the

film art. I would argue that the festival's ability to convert its artistic value into economic and social values, facilitated by the economics of attention, and the diversity of interests that film festivals serve can justify their fund-raising mechanisms.

1.2 Methodology

Given the above theoretical argumentation and assumptions I applied literature review, secondary data analysis and personal interview methods in order to answer the main research question. These included in-depth discourse analysis of official statistics and documents concerning regulation of the audio-visual sector (MEDIA Program of the European Union, WTO data sources, European Audiovisual Observatory), directories of film festivals (British Council, International Federation of Film Producers Association), and data archives ('Sponsoring Monitor'). Personal interviews were performed with one festival organizer, and two marketing managers of the sponsoring companies.

Two case studies are included in the thesis for a comparative analysis of fundraising patterns between small and large film festivals. Those cases are: International Film Festival Rotterdam in the Netherlands, and Era New Horizons Film Festival in Poland. As these two countries vary in their cinema consumption patterns, economic conditions, historical aspects of the film industry and cultural policies, these two festivals have been chosen for the analysis. Moreover, International Film Festival Rotterdam has already had 36 editions, while Era New Horizons was initiated only seven years ago, and had changed its location twice within this period. Further distinction between the festivals refers to the number of attendants and size of the budget.

Chapter Two: Film Festivals

The first film festivals originated in Europe only 75 years ago and quickly became a global phenomenon. History and characteristics of the film event, as well as the roles it can play for the numerous stakeholders, are described in this chapter. The differences between a Hollywood system and the European film industry can explain the distinguishing features of film festivals in Europe, and furthermore, their financing patterns. Motivations of festival audiences to attend the event, and examples of film festivals, including those that succeeded and failed, are illustrated in the following paragraphs. In most of the cases film festivals pursue aesthetic agenda, however sometimes, although not explicitly declared, they may also have business or political goals. Examples of such film events are included in this chapter as well. Film festivals are ruled by economics of attention – what is the media role in attracting public attention and how festival participants compete for this attention, is described in the last paragraph of the chapter.

2.1 The film festival phenomenon

According to the definition given by the International Federation of Film Producers Association (FIAPF) a Film Festival is 'screening of quality films at a venue where film artistes, directors, producers, distributors, exhibitors, exporters and importers, film financiers, critics and film lovers congregate and discuss various aspects of cinema, aesthetic or ideological. The central focus of any film festival is to give impetus to independent films (...); They are places where unknown creators can find an opening and the good festivals are those which qualify as "discovery fests", they are indicators not of hits but of talent'.¹

Film festivals provide global exhibition opportunities and exposure for many films that would probably fail to find an audience otherwise. On the other hand, they have not resulted in the creation of stable, financially-independent industries for such films.

Traditionally, festivals emphasize that they attend to the interests of those films and film-makers that are of particular artistic, cultural, national or socio-political worth.

Film festivals have recently professionalized – they developed more initiatives that involve local companies (e.g. sponsorship) and international film industries (markets, training, funding).

Festival's special and temporal concentration generates the clustering of people at the festival site, the news value of the programs, the ritual character of performances, the pressure of deadlines, the practices of special segregation: all contribute to the special

¹ www.fiapf.org

festival atmosphere where expectations, buzz and exclusivity inevitably lead up to an implosion of the event into cultural value for films and film-makers (De Valck, 2006).

International Film Festivals generally speaking, aim at providing a common platform to filmmakers and cine-goers to witness the internationally acclaimed films, to watch new trends and techniques being adopted by different countries leading to a healthy competition for bringing about an improvement in standards of production.

Festivals are a unifying factor acquainting with historical and cultural traditions of other nations through films; they create deeper awareness and appreciation and bring about a solid base of understanding between different people.

Festival's task is to observe developments and trends, and report on contemporary film culture by showing these culturally relevant films to an international public, irrespective of distributors' interest and governmental support.

Moreover, film festivals play a crucial role in adding value to the films that are screened. This process takes place in several dimensions. The higher a work is in the cultural hierarchy, the more important is a discourse about this object to its status. And since taste in high arts is mediated by experts, their involvement with the festival plays an important role and adds value to the film-works. By traveling to various festivals and accumulating mediated attention (with or without awards) value is added to films due to a snowball effect. Opinion-makers transfer opinions into dominant topics and when these dominant topics are credited with awards (juries) or mediation (press, media) value addition is achieved. Also selection for an official award – film's nomination at a major film festival instantly adds value to the movies.

Finally, the positive buzz translates into the film's frequent recurrence in articles and reviews, which accelerates the film down the media hill like a snowball growing bigger with added values.

The practice of holding festivals started in Venice in 1932 as part of the city's traditional international Art Exhibition. The nations represented at this festival were USA, Great Britain, France, Germany, Italy and the USSR. There were no awards.

The Venice festival was followed in 1939 by the Cannes International Film Festival of France. In the course of time the film festival assumed increasing importance. Film festivals may be privately organized or Government sponsored. They can be held at State, National or International level, and may have a specific focus on one type of movies such as Children's Film Festival.

There are various types of film festivals - competitive and non-competitive, general and specialized, for world premieres, for first films, for student works, international and

regional, FIAPF approved or not. Within the FIAPF (International Federation of Film Producers Association) classification there's a distinction between "competitive feature film festivals" (accredited ones in Europe: Venice, Cannes, Berlin, Moscow, Karlovy Vary, Locarno and San Sebastian); 26 "competitive specialized feature film festivals", "non-competitive feature film festivals" (6 festivals among them Toronto International Film Festival and Viennale) and six "documentary and short film festivals". More on festivals' classification in paragraph 2.5.

In her dissertation on film festivals as the nodal points in a cinema network that originated in Europe Marijke de Valck (2006) argues that international film festival circuit operates both with and against the hegemony of Hollywood. The main differences between the European and American cinema industry are the oppositions between the art of European cinema and the pop culture of Hollywood; between high culture in Europe and mass entertainment produced by Hollywood; state (subsidy) in Europe versus the studio (box-office) in Hollywood, the European auteur versus the Hollywood stars; between the festival hit for European cinemas and Hollywood blockbusters; discoveries for European films instead of the marketing for Hollywood movies; between the international film festival circuit for European films and the Oscar night for Hollywood movies. The cinema in Europe is intertwined with Hollywood and part of a larger complexity of influences.

Film festivals play a role in multiple areas - they accommodate culture and commerce, experimentation and entertainment, geopolitical interests and global funding. They are huge media events that combine local and the global and operate as influential marketplaces with high economic impacts and may play a role in macro- and micro-politics. With the increasing importance of "experiences" in the contemporary culture, festivals are able to attract attention and solicit emotional and cognitive responses from the spectators without being caught in the high-low culture dichotomies (De Valck, 2006). Global competition, national interests and city marketing are particularly relevant to policy-makers, cultural institutions and subsidy bodies (e.g. MEDIA), national institutions for film promotion, national and regional film funds and city councils.

De Valck (2006) claims that the contemporary factors influencing the festival format are globalization, digitization and the move to knowledge societies, as well as the creation of trans-national networks of funding and financing; 'transnational interconnections plant European cinema firmly within the globalised multimedia environment, where film festivals act as complex phenomena, operating in various areas and being frequented by different participants: journalists, sales agents, distributors, filmmakers, audiences. The relation between festivals and Hollywood can be discussed as antagonism, as dependency and as reciprocal aesthetic and discursive influencing. One can predict that festival networks are

fragile and will fall apart if the interconnections (the collective network) securing the stability of the network are disrupted'. De Valck argues that film 'festival network is capable of self-preservation and of adapting to changing circumstances'. Basing on Latour's Actor-Network Theory (1999) and Van Gennep's (1977) "obligatory points of passage" she refers to film festivals as to the most powerful actors in the network, which play a crucial role in the survival of world cinema, art cinema and independent cinema. They function as gateways to cultural legitimization.

Film festivals are events indispensable for the creation of symbolic, cultural and economic value. Festival network offers opportunities for the translation of symbolic value into economic value (Bourdieu, 1983). Artworks rise to a higher cultural status in the festival networks and improve their chances of distribution and exhibition. Although film festivals are also trade fairs, tourist attractions and city marketing, the primary success-factor of the festival network is its ability to use these diverse forces to preserve a complex system that generates cultural value. Festivals compete with each other for attention and funding; and various public spheres are involved in their foundation. Because there is a hierarchy within the international film festival circuit and some festivals have higher status than others, the cultural value-adding process at film festivals is closely related to the relational status of festivals. Such factors as festival locations, cinema theatres and shifts in the festival calendar affect the festival's image and position on the international festival circuit.

2.2 Geopolitics and history

The first film festival, founded in 1932 in Venice, had strong support from the fascist government and acted as a powerful international instrument for the legitimization of the national identity of Fascism. Therefore the next film festival, in Cannes, was supposed to be a counter-festival organized by the joined forces of the French, British and Americans, however because of the war broke out in 1939 its first edition was rescheduled for September 1946. Three other film festivals were organized in this year, in Locarno, Karlovy Vary and Edinburgh. The first Berlinale was organized in 1951 as propaganda under American occupation. All of them were established for a combination of economic, political and cultural reasons.

The nations which were rebuilding their film industry after the World War II saw in festivals a chance for world recognition. As international political alliances were being reconstituted, the festivals provided an opportunity for interaction.

Therefore, the Berlin Film Festival was granted a state subsidy if it became successful in fulfilling its political objective (Fehrenbach, 1995), that is to act as a proof of Western

economic superiority and cultural dynamism (movies from socialist countries were excluded then). It was then when FIAPF introduced a classification based on hierarchy.

The historical transformation of film festivals had three stages. First phase – from the establishment of a first reoccurring film festival in Venice till the political upheavals in late 1960's disrupting the festivals in Cannes and Venice (activist interventions in the Spring of 1968); the second phase – the early 1970s when the festival format was reorganized (attention was shifted away from national concerns towards artistic criteria, independently organized festivals acted as protectors of the cinematic art and as facilitators of the film industries); and the third stage starting in 1980's when film festivals were professionalized and institutionalized and the international film festival circuit was created. Avant-garde films, experimental movies and political cinema emerged at film festivals as "specialized" and "themed" programming from the late 1960's onwards.

When in the 1980s festivals spread around the globe such events mushroomed: major international film festivals, regional film festivals, local film festivals, festivals for documentary, animation, education and many more retrospectives, film weeks, and specials. Within this network competition, distinction and emulation appeared; development and organization of each festival influences the position and versatility of others. Competition programs have become one of the main focuses of press festival coverage, and festivals without prizes are less frequently visited and reported upon by journalists. The competition is not equal for all types of festival events. Western festivals can offer more benefits in return for a premier (prestige, network opportunities, etc.) and are therefore capable of attracting the most successful and established directors and films. Institutionalization and standardization brought forth more economic opportunity for some festival films, moreover festival films were recognized as potentially profitable niche products, waiting to be exploited with specific targeting strategies (like the American distributing and producing company Miramax did).

Film festivals survived because they blended cultural agendas with geopolitical concerns and economic interests (tourism, unofficial film market activity, etc), and combined the Avant-garde model of "traditional" artisanship with Hollywood glamour (De Valck, 2006).

Considering current political pressures for film festivals, one should reflect on the Italian case: in 2004 the most politically influenced film festival – Venetian Mostra, is turned into a foundation by the Minister of Culture, Giuliano Urbani, and loses its artistic independence. Businesses like Berlusconi's media conglomerates are officially allowed to buy themselves into the Foundation's Board, whose President and another member are nominated by the Minister of Culture. Such reorganization led to attracting more Hollywood stars and glamour to Venice and was an incentive for the Italian film industry.

Increased competition and transformation of the film industry and festivals themselves, made festival 'programming' a crucial strategic management practice for festival companies. What are the indispensable components of festival programs? As De Valck argues for the major European festivals programming is about making sure there are enough established auteur participating, enough premieres of big commercial movies out of competition, and preferably a strong national presence and sustaining political awareness, artistic accomplishments, and groundbreaking quality, and reacting to current and global issues.

2.3 European film industry vs. Hollywood system

The American film market was controlled through a system of patent fees and only in 1914 the early Hollywood studios broke this monopoly with new strategies. They invented the star system, block-booking, extended marketing and vertical integration (integrating production, distribution and exhibition of films). After the World War II US gained dominance over the European cinema which was in crisis and didn't follow the analogous transformation. Moreover, American trade was promoted and supported by federal government. The only European monopoly that could fight the American film invasion was German UFA film company which was financially supported by the German Bank. Moreover, the Germans introduced the quota system for foreign film imports and the British introduced a levy on film exhibitions. Parallel to the treatment of film as economic product for export and import, the post-war European nations began to organize film festivals as events where films were exhibited as expression of national identity and culture.

Tourism, which generated substantial profit for the locations where the festivals were organized, was one of the economic interests. The other referred to the opportunities offered for the national film industries to surpass the American grip on the market at commercial movie houses. Furthermore, film festivals bypassed distribution, the bottleneck for the European film industries that were not cartelized. Film professionals discovered the value of the festivals beyond their function as showcases for national cinemas, giving them additional possibilities to meet international colleagues, compare situations and strategies across borders, and exchange ideas to improve business. Companies started seeking cooperation in co-production deals which was facilitated and officially organized by le Marché International du Cinéma in Cannes in 1959 for the first time. From that time, film festivals became central sites and meeting points for players in the film industry.

Going back to the discussion on the Hollywood system, the impacts of technological transformation of the whole film industry are critical. Cable television and video format were the first two technologies that challenged the domination of the Hollywood majors: the movie market had to transform to a multimedia entertainment industry that could generate additional revenue for each of the channels. New independent distributors entered the market, which used festivals to promote the surge of marginalized and innovative productions. For example Miramax used the high-concept approach of the Hollywood studios to conquer niche markets and make huge profits. They promoted their films with labels such as “quality” and “independent”. However, recently such independent companies were acquired by multimedia conglomerates, e.g. Miramax merged with Disney in 1993.

Alongside the turbulences of the movie industry, film festivals were transforming. They were dealing with diverse agendas by being flexible and economically sustainable alternative for the hierarchical Hollywood system. They were cultural canon-builders, exhibition sites, market places, meeting points and city attraction. Still in the 1980s the festival atmosphere enabled companies to build up the necessary portfolio for products that were not yet in production in order to pre-sell and persuade stars to sign deals. The glamour of the 1980s turned commercial – cities were lit up with billboards, advertisements, merchandize, marketing stunts and parties; and attracted massive media exposure. Different agendas (economic, political and cultural) blended and were hard to distinguish. While the European film festivals have these various agendas and multitasking and negotiations between different interests are omnipresent, Hollywood can straightforwardly pursue one clear agenda – maximizing economic profits. The Oscars Gala proves it; it's a huge media event relying on competition for awards and presence of celebrities (not only from the film world), while no films are exhibited during this event. Therefore, the Hollywood system differs greatly from the European approach towards film festivals. It must be noted that Hollywood is not synonymous with all American festivals (e.g. Sundance Film Festival adopted rather the European approach). The diversity of interests that the European film festivals must have learned to serve was a result of historical and geopolitical implications, and differences in cultural policies.

2.4 Festival audiences and their consumption patterns

A group of stakeholders which do not seize any economic benefits from a film festival is its attendants. Their interest in the event is related with other properties of a film festival, namely the ability of a film festival to generate artistic and social values that attract the audiences. Art festivals commodify and proffer sensory experience as part of a package of

strategic experiential modules, including those of sense, feeling, thinking, acting and relating (Prentice & Andersen, 2003). They are part of the cultural tourism which is defined as passive consumption of unfamiliar, sometimes in a form of a serious leisure. However, most of festival goers being 'serious tourists' actively consume the familiar: art form or socialization. Serious tourists according to Prentice & Anderson are those for whom cultural pursuits are a form of identity creation, an extension of general leisure, and a systematic (career-like) pursuit. The last form refers to the pursuit of creativity in a coherent and cumulative manner, related with one's career because frequent consumers are often employed in the film sector which, as such, are extensions of their leisure employment. Festivals are now a worldwide tourism phenomenon with various demand and supply factors explaining their expansion. The supply factors include e.g. cultural planning, tourism development and civic re-positioning; while the demand factors are serious leisure, lifestyle sampling, socialization needs and the desire for creative and 'authentic' experiences by some market segments. Creativity has emerged as an additional positioning device, following the large number of cities using culture to position themselves, for example for innovation. Film festival tourists are essentially different to mainstreamers, basically in their motivations. Art festivals are specific form of a tourism product aiming at promoting arts of the highest possible standard, reflecting both international culture to local audiences and local culture in presentation of international audiences; to bring together a program of events in an innovative way, encourage participation, and promote the educational, cultural and economic well-being of a city and country. By this, art festivals help to modify the image of a city or country.

There have been numerous studies done on event consumption and festival motivation (e.g. Pearce, 1997; Chacko & Schaffer, 1993; Getz, 1991; Crompton, 1997). The factors of motivation include: educational value, intellectual enrichment, enjoyment of company as gregariousness, sharing of experiences as a particular form of socialization. Those experiences would refer to uniqueness, quality and atmosphere of a film festival. Furthermore, there is distinction between push (individual) and pull (destination) factors; and between place-specific and place-nonspecific factors, the latter explained by the quality and variety of international festivals which make consumers not to be driven by any particular location when making their attendance choices.

Prentice & Andersen (2003) did a research on consumption styles of Edinburgh Festival-goers (where various art forms are presented: performing arts, film, music, and others) and found out that almost half of them came from abroad (outside of UK) and their main motivations were: experiencing the festival atmosphere (69,7%), socializing with friends (46,7%), seeing new experimental performances (39,2%), enjoying performances of internationally famous companies (31,8%). Those who attended the Film Festival were

included in segments of “serious consumers of international culture” and “British-drama going socializers” who aimed at consuming art forms (rather than ethnicity) and repeatedly frequented the Festival relying on previous experience, Festival programs and contemporary films. The authors found out that the Festival is the consumption of familiarity rather than difference, with the intention of multi-sensual experience by creative tourists who search for authenticity (defined as involvement rather than image) and contemporary consumption (rather than consumption of the tradition and history).

As all festival products are subject to increasing international competition, a particular festival may succeed not through its uniqueness but rather its reputation, excellence and intensity. What seems an important consumers’ loyalty pattern is that attendants may feel attached to a particular event and frequent it regularly as festival is a “site of memories” or of affective recollections for them.

Film festivals give audiences various opportunities: immerse oneself in premieres and unreleased films, the encounter with film-makers, the specialized knowledge at hand, the promise of discovering new talent, the atmosphere of expectations, the joined social experience of a popular event and its inside look ((Stringer, 2001). Two groups may be distinguished between festival audiences: film-oriented and festival-oriented. Those who come to ‘see films’ and those who appreciate ‘festival participation’ more than the films themselves.

The physical location of the festival is important for the festival’s image of cultural difference and used in festival marketing strategies to compete with other film festivals. Location, the element most central for a festival image, is usually reflected in the name. By and large, festivals are named after the city where they take place.

2.5 Festival classification and examples

Using a “Directory of International Film and Video Festivals” (British Council, 1995) and FIAPF website as data sources the following classifications were made by the author.

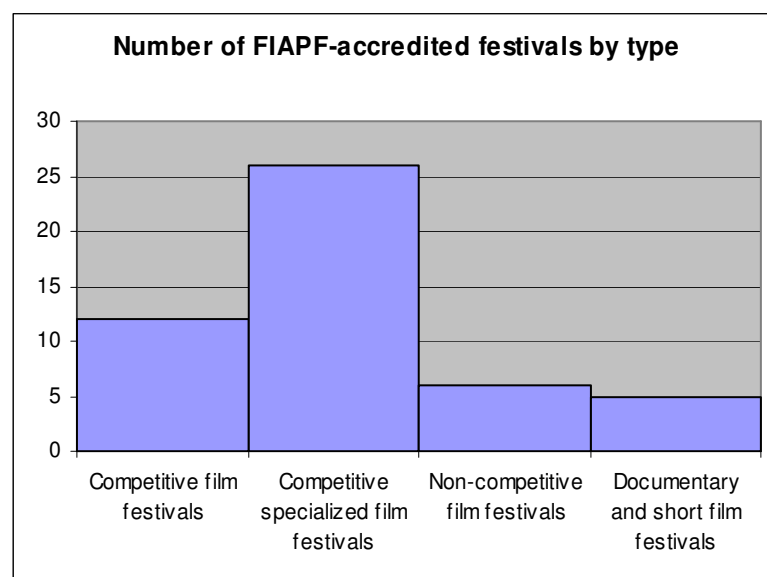
List of film festivals accredited by FIAPF (as for year 2005) by category:

- Competitive film festivals (12): Berlin International Film Festival (Berlinale), Mar del Plata International Film Festival, Cannes Film Festival, Shanghai International Film Festival, Moscow International Film Festival, Karlovy Vary International Film Festival, Locarno International Film Festival, Montreal World Film Festival, Venice International Film Festival, Donostia San Sebastian International Film Festival, Tokyo International Film Festival, Cairo International Film Festival.
- Competitive Specialized film festivals (26): Brussels International Festival of Fantastic Film, International Istanbul Film Festival, goEast – Festival of Central

and Eastern European Film, Festroia International Film Festival, Cinema Jove International Film Festival, Sarajevo Film Festival, Lucas International Children's Film Festival, International Film Festival – Eurasia, Namur International Film Festival, Bogota Film Festival, Warsaw Film Festival, Sitges - International Film Festival of Catalonia, Flanders International Film Festival Ghent, Pusan International Film Festival, Mostra of Valencia Cinema of Mediterrani, Sao Paulo International Film Festival, Kyiv International Film Festival Molodist, AFI Fest: AFI Los Angeles International Film Festival, Torino Film Festival, Stockholm International Film Festival, Thessaloniki International Film Festival, Gijon International Film Festival, Tallinn Black Nights Film Festival, International Film Festival of India, Courmayeur Noir in Festival, International Film Festival of Kerala.

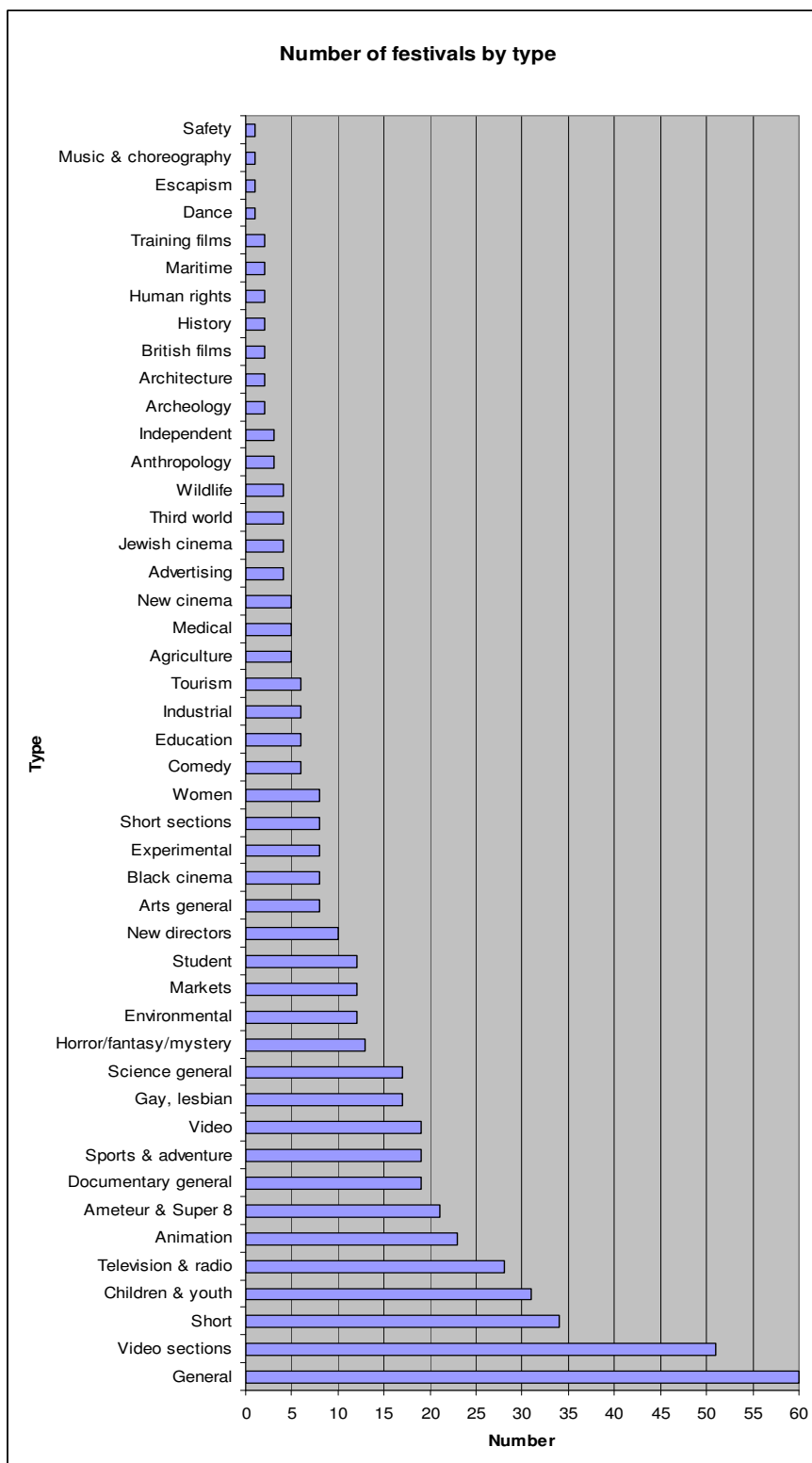
- Non-competitive film festivals (6): Sydney Film Festival, The Norwegian International Film Festival, Toronto International Film Festival, Viennale: Vienna International Film Festival, The Times bfi London Film Festival, Kolkata Film Festival.
- Documentary and short film festivals (5): Tampere International Short Film Festival, International Short Film Festival Oberhausen, Cracow Film Festival, 'Message to Man' International Film Festival, International Festival of Documentary and Short Film of Bilbao.

Table 2.1: Number of FIAPF-accredited festivals by type:



Source: www.fiapf.org

Table 2.2: Number of international film festivals by type:



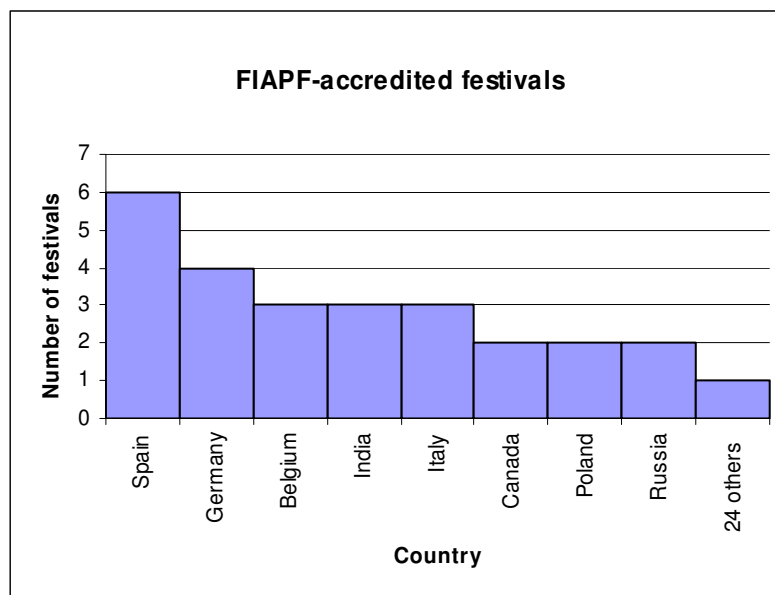
General = 134 festivals of full-length fiction

Short sections = short film competitions (major) in general festivals

Video sections = video sections or participation in festivals

Source: "Directory of international film festivals" (2005, British Council)

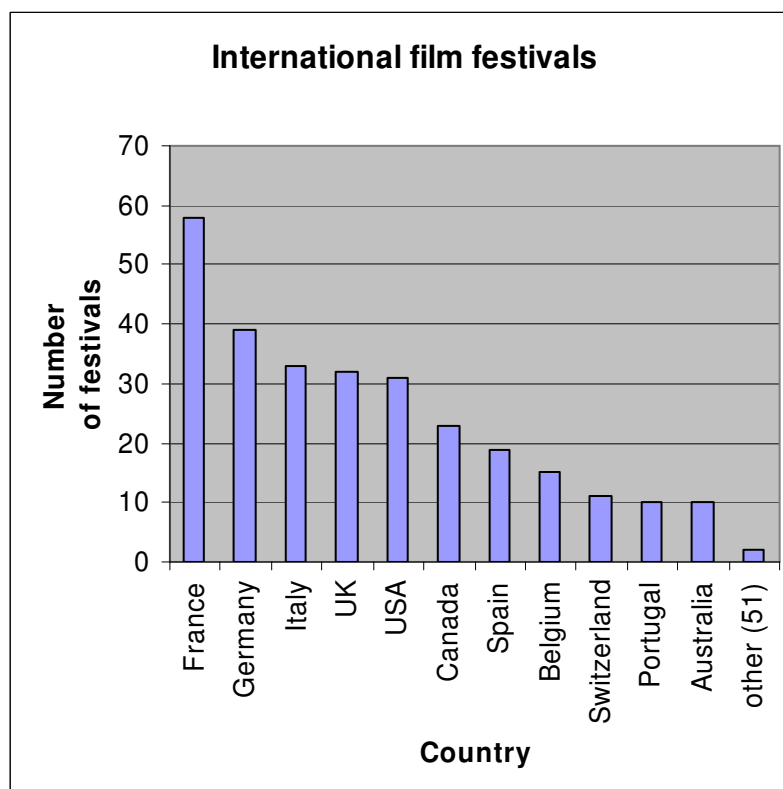
Table 2.3: Number of FIAPF-accredited film festivals by county:



24 others = Argentina, Australia, Austria, Bosnia-Herzegovina, Brazil, China, Colombia, Czech Republic, Egypt, Estonia, Finland, France, Greece, Japan, Kazakhstan, Norway, Portugal, South Korea, Sweden, Switzerland, Turkey, Ukraine, UK, USA.

Source: www.fiapf.org

Table 2.4: Number of international film festivals by country:

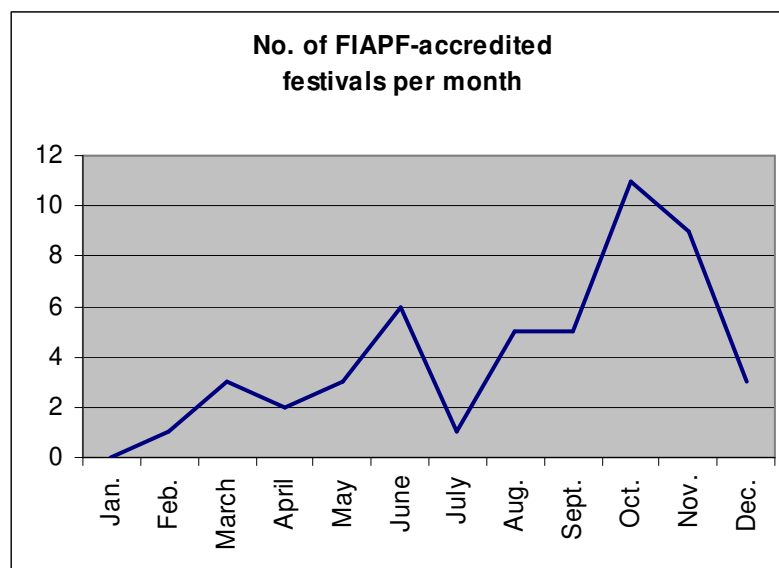


Source: "Directory of international film festivals" (2005, British Council)

From Table 2.4 it is clear that international film festivals are most frequently organized in Europe. Countries which invented the phenomenon and have the longest tradition of film festivals are leading the classification (France, Germany, Italy). United States ranks on the fifth position, while India, a country which is the world's biggest film industry in terms of the number of movies produced, has only three festivals. But all of them are FIAPF-accredited (see Table 2.3).

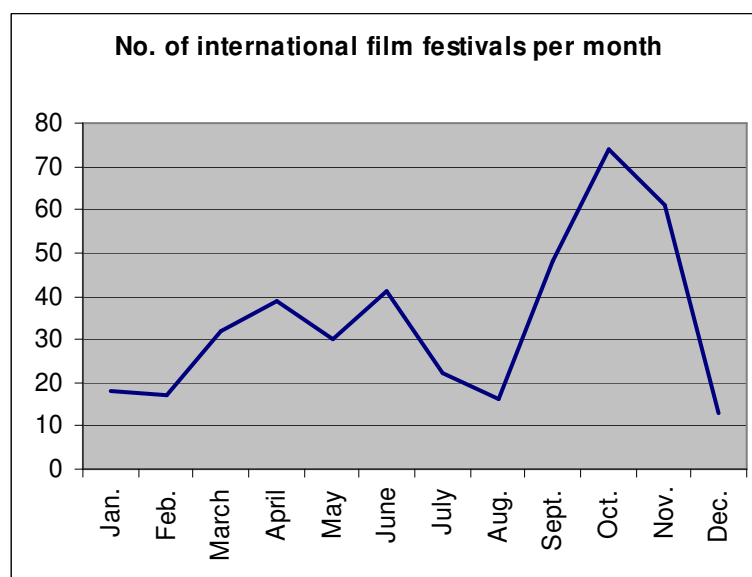
From the two data sources it is clear that most of the film festivals take place in autumn:

Table 2.5: Number of FIAPF-accredited festivals per month:



Source: www.fiapf.org

Table 2.6: Number of international film festivals per month:



Source: "Directory of international film festivals" (2005, British Council)

Turan (2002) ascertain that people are going to festivals because theatres aren't doing their jobs to show films from the rest of the world. They act as an alternative distribution network and an alternate P.R. universe, which is ruled by building buzz and creating awareness.

He classifies festivals according to the agendas they are pursuing and distinguishes between: business, geopolitical and aesthetic agenda types. These are the examples of the three kinds:

Film festivals with a business agenda:

- Cannes - Its official name is Festival International du Film (the International Film Festival), as if there were only one! This simply indicates that Cannes is big. There is a French belief that "France invented culture, and the Germans can't possibly participate" explaining the difficulties German filmmakers were always facing when trying to get in Cannes competition. Other countries, particularly Italy, use to have the same access problems. Cannes focuses on facilitating business transactions with its organized market where all film industry players can meet and discuss business deals. The festival attracts also companies from outside the film world because of its always soaring media presence.
- Sundance, USA – *sundance* means "publicity" in old Indian language, maybe it can explain why the festival has the biggest concentration of press in the country. It can attract the same corporate sponsors as a Super Bowl: Mercedes-Benz, AT&T, Apple, Blockbuster. Its audience is both young (57% are between 18 and 35 years old) and well-funded (38% earn over \$ 100,000).
- ShoWest in Las Vegas – if you want to know what's happening in mainstream movie-making and movie-going today, this is the place to be. If you're not here, you're not in business (Turan, 2002). These are several events in one; one part is educational, the other is a flashy and energizing showcase of films. ShoWest started in 1979 and the whole city can be viewed as one big show. Therefore, the synergy between location and event couldn't have been more promising. Like the Hollywood movies, Las Vegas is about money and entertainment. Since in the USA the top ten movie circuits control 60% of America's theatrical gross, studios periodically chafe at the expense of the ShoWest experience and search for alternatives. Studios value the kind of instant feedback on upcoming product that only showing it to thousands of people who have a major stake in a film's success or failure can provide.

Film festivals with geopolitical agendas:

- FESPACO, Burkina Faso – it's a celebration of African cinema and the preeminent African cultural event of any kind, which started in 1969 as a small and informal

Week of African Cinema. One of the organizers says: No people can be developed without their own culture and showing our own culture is a priority. Both the Toronto Film Festival and the British Film Institute used the FESPACO as the occasion to announce major new African film series. In fact FESPACO has gotten so big and successful that, in an unexpected parallel to the controversy that eternally swirls around America's Sundance Film Festival, participants argue whether the event has gotten too large and too commercial, whether it has lost its Africanness, its sense of direction, the purity of its spirit. Because films in Africa are made outside of an economic system, there are no producers or distributors with financial and economic clout, and the movies don't have the ability to circulate. Ninety percent of African films will never be seen by Africans themselves. One potential way to get out of these difficulties is to get financing from European entities like television networks. But accepting these money poses another problems – when one writes a script to please the European producers, he must take their expectations into consideration. Taking French money equals wondering what kind of box office results the film will get in France. 'The danger is forgetting your own people, your own fundamental vision, and presenting Africa only as Europe is prepared to receive it. The danger is we will lose our souls' (G. Kaboré, the pioneering Burkinabe director whose *Wend Kuuni* is celebrated as the first black African picture to win a César for the best Francophone film). Very often taking French government funds which are supposed to help develop African cinema, means paying French technicians, French laboratories and French post-production facilities, that all work on African films. However, the key astonishment about FESPACO remains constant: how completely unlikely it is that this desperately poor country with a literacy rate of 18%, life expectancy at 48 years, and so underdeveloped, should have become the polished host of an event of this scale.

- Festival of New Latin American Cinema in Havana – it's the biggest, most important showcase for Latin American films. The content of the festival shifted markedly since 1980s when only Latin American films were shown, now European, Asian, and even American movies form a major presence. The Cuban Revolution raised the importance of film to a level never seen before – after Castro's triumph in 1959 the new regime's first cultural act was to create a state film organization, Instituto Cubano de Arte e Industria Cinematograficos (ICAIC). Propaganda and national self-image were reason enough to found ICAIC; its first head was Alfredo Guevara, whose closeness to Castro immediately gave cinema considerable prestige. Guevara believed that institute should be run by film-makers and not

bureaucrats, therefore ICAIC gave Cuban writers and directors something unusual among state-run film systems.

- Sarajevo – while visitors to more conventional festivals like Cannes or Sundance concentrate on rooting out what is new and different, the award-winners and trend-setters, Sarajevo promised a chance to examine the uses and purposes of a film at ground zero, to get at the core of how the medium works and what it can mean to people no matter their circumstances. While the Sarajevo Festival in 1997 was noteworthy for films and film-makers from Croatia, Slovenia, and Macedonia, no films came from Serbia. With financial backing from the city, UNICEF, the Soros Foundation, and private sponsors like fashion designer Agnes B., Renault, and Swissair, the organizers put together a slate of 65 films from 27 countries. The most controversial director Emir Kusturica whose movies deal with Balkan politics received very hostile comments from his compatriots which almost led him to quit film-making. The reversal in Kusturica's fortune is a lesson in many things, from how deep the wounds of war can be to how puzzling yet intractable feelings of national identity and pride are and how central film has become to the expression of all that. Politics is fatal for cinema more often than not. Development of festival in Bosnia shows how important film as the most alive medium in the world today can be. Organizing such a festival during the war is an astonishing act but for the people engaged it simply fulfils their deeper needs and gives a sense of being normal, having ordinary life, belonging to the same reality as the rest of the world, and connecting with other people and culture of the whole globe. To host a film festival, the preeminent symbol of the cross-pollination of modern culture, is a way of removing the stigma of the bloody Balkans, a way of reminding the world that this city fought a war because it believed it had earned a place in that cosmopolitan artistic universe.
- Midnight Sun, Sodankyla, Finland – in this case it is not politics but geography that is a key agenda factor. The festival is held in a distant Lapland village a hundred miles north of the Arctic Circle, which is considered the most impractical location and “one the weirdest events in the film world” and the most informal festival, “the anti-Cannes”. In a world of carbon copy festivals, this event is unduplicatable, one of a kind, creating its own particular ambiance and spirit. The most distinguishing feature of this festival is the fact that the only place you can experience darkness is inside a movie theatre. The loyal audience making the atmosphere is what makes Midnight Sun festival.

Festivals with aesthetic agendas:

- Pordenone, Italy – It has been a festival of silent films since 1982, held exclusively in one theatre; there is no A list, no glitz, no glamour, ‘all the stars belonging to this world are dead’. It is a festival with a highly specialized programming, which discovered and filled in a niche in the festival network.
- Lone Pine Film Festival, USA – most focused movie event in the world which began in 1990. It concentrates exclusively on motion pictures shot in the harsh and craggy landscape of the unique Alabama Hills just outside of town. Alabama Hills have singular topography and are close to Hollywood, that’s why more recently, commercials and videos have monopolized the landscape; while in the past mainly westerns were shot in Lone Pine. Many films exhibited in Lone Pine go directly to a western film festival in London.
- Telluride, USA – the most respected small film festival in the world and one of the US’s most exclusive arts events. The festival combines worthy new films, in-person tributes to cinema grandees, and exclusive showings of venerable rarities. As Bill Pence, one of its co-directors says: “That is not like the festivals at Sundance or Toronto, which get all kinds of resources from the town. We pay as we go, like a taxi”. Telluride began in 1973, before Sundance and Toronto. It became known for its idiosyncrasies, like the long lines outside theatres and keeping its selections a secret until the night before screening begins. Therefore, it is faulted for its exclusivity and claustrophobia, being called precious and snobbish, and uneven between celebration and self-satisfaction for movie-makers. From a financial/logistical point of view, the Telluride festival became “a monster of its own creation” (Pence) – perennially difficult and expensive to get to. Festival prices, as noted, have also gone way up, but nothing can help it, as the money from the sale of ca. 1,300 tickets is needed to pay fully half of the event’s cost. It’s this desperate need for dollars to simply run the thing that has led to expensive and ever-increasing corporate sponsorship. The quest for funds is also behind the creation of high-end patron passes. With Telluride’s egalitarianism, Bill Pence defends these passes as essential to keeping the festival solvent and ticket prices for other attendees close to reasonable. Those buying passes are essentially subsidizing everyone else’s ticket.

There are also film festivals that have failed for various reasons. Sarasota French Film Festival in USA is a prominent example. This case shows how strong international differences between European and American approaches to the arts are.

The crisis affects film industries worldwide because non-English language share of the U.S. box office is consistently below one percent. American movies are flooding European cinemas as well, e.g. USA captures 55 percent of the French box office. In 1998 French films in France fell below 30% of the total audience. The reasons for the French fall from grace in the USA range from broad societal changes like the ever-increasing competition for Americans' leisure time to willingness of French directors to work on English-language projects. Moreover, the core audience for French films is aging and movie-going is not the passion it once was. As French cinema has changed, so has the new American movie audience, e.g. in USA they don't accept either dubbing or subtitles. The audience that traditionally went to French films in the 1960s has been cannibalized by the explosive growth of the American independent movement. For French people film is one of the most important expressions of cultural identity. Both the Americans and the French take film very seriously in terms of power. But they obviously have different kind of cinematic tradition; France is famous for personal, individualistic works known as *films d'auteur*.

Because of the remarkable French consensus about the importance of films as part of national cultural identity, financing and taxation systems are in place that ensure ample funding for everything from modern theatres to the costs of production to the overseas activities of Unifrance (the entity charged with promoting French films abroad). Especially when compared to cultural funding in France: the French largesse to film-related entities, which can amount to as much as 400 million dollars per year is more than impressive. It's a stream of revenue that flows from a series of stiff taxes. As a result France supports close to two hundred film festivals and ranks behind only India and USA in number of films made.

Moreover, France chooses to defend cinema as culture against television as commerce (Turan, 2002). Television networks must invest 3% of their gross revenue in theatrical co-productions, and, even more against the American grain, network broadcasters aren't allowed to show films on Wednesday and Saturday nights, traditional French movie-going evenings.

To help open Hollywood-dominated markets to their films, the French have started and supported thriving festivals in several nations (including Japan, Australia, Brazil, Hungary and Czech Republic) and it was this spirit that the Sarasota French Film Festival started. As the organizers argue they have never heard of public money in America being dedicated to cinema, but they had to gather pledges from business interests as well as a financial commitment from the state legislature that ended up being worth 250,000 dollars a year for the festival's first five years.

Considering absent an American tradition of public funding for the arts, most damaging criticism of residents had to do with the government money spent on the festival. And as it

was a costly festival, organizers lost the subsidy of Florida, and there was no support from anyone, and without the private sponsorship the festival would have to stop. The cultural clashes between the French and the Americans were related not only with the financing traditions but also with audiences. The French, always looking to the future, were unsatisfied with not enough young audience. Therefore, the festival had to move south, to Mexico, took advantage of government subsidies, and became Acapulco's Festival de Ciné Français, which annually plays host to journalists, distributors, and exhibitors from a potential market of South America.

Turan's (2002) one more exemplary case refers to Montreal as contrary to Toronto film festival. These two Canadian film festivals, despite being so close geographically, can be seen as representing opposite poles of today's film world. Montreal presents mainly what is being made in foreign cinemas and has noncommercial environment. Its annual attendance of ca. 400,000 allows calling it the largest publicly attended film festival in the Western world. Montreal is a bilingual metropolis in the only Canadian province with francophone majority. What sets Montreal apart from Toronto and gives it a distinctive character is that it's the only Class A competitive film festival in North America recognized by the International Federation of Film Producers Association, putting it on par with the European big four of Cannes, Berlin, Venice and Moscow.

There is an increasing number of film festivals organized worldwide. They specialize in order to differentiate from each other and compete in the international film festival network for the attention of the media and audiences. The following section will explain the role and importance of the economics of attention which rule over the festival circuit.

2.6. Economics of attention and the 'media factor'

The general "festivalisation" in the late 1990s is related with the management of "attention" towards which the Western modernity has pushed us. The recent information revolution amplified the condition of shock and perpetual sensory overload, confirming the management of "attention" as a primary concern. Because as the supply of images, sounds and words become too overwhelming in our contemporary media societies, the mediation of information flows becomes more and more important. Festivals and other events are particularly successful in attracting attention because they have concentrated their activities and present special 'spectacular' exhibitions. In this way, events are very well equipped to "guide" people through the overload of sensations they encounter in the daily life (Crary, 1999). The spectacular exhibition of film festivals is related to the unique festival atmosphere, packed rooms, buzz, Q&A with film-makers, etc. Audiences also like to visit festivals because the institution promises a certain "quality guarantee" to the

attention they will dedicate to the event, turning the visit into a worthwhile experience that can be recounted in social intercourse. It is true that festival visits are used as evidence of one's cultural capital in conversations between friends and family, the focus on "attention", "spectacle" and "experience" also offers ways of framing the popularity of contemporary festivals without being caught in high-low culture dichotomies (De Valck, 2006).

According to Davenport and Beck (2001) today's most pressing problem is not enough attention to meet the information demands of business and society. We live in a new economy, where capital, labor, information, and knowledge are all in plentiful supply. What's in short supply is human attention. Individuals are struggling with the problem of how to parcel out their attention in the face of overwhelming options. Companies have to buy our attention with money. Attention acts as a filter between outside events and our experience with them.

New technologies speed up the search for knowledge, while the older ones were used to communicate more information to more people, who then went on to create even more knowledge, which then had to be communicated to other people – this vicious circle took us where we are today. The biggest problem is the attention deficit (as an intangible asset of companies it's very scarce) and 'info-stress'. Attention has its definite limits – what is spent in one place cannot be simultaneously allocated elsewhere.

Failures of attention management are undoubtedly responsible for many business catastrophes. If you run a public company and want your stock value to rise, you've got to attract the attention of investors and analysts. Anyone who wants to sell something or persuade someone to do something has to invest in the attention markets.

In "The Entertainment Economy" M. Wolf (1999) argues that more attention is devoted to the entertainment industry now than in the past, and within that industry, the supply of attention goes to a small group of performers. Similarly, the public attention seems focused on a small number of sports figures.

In the absence of precise attention currency, we often use proxy of time (but the two aren't synonyms). Attention is a highly perishable commodity and the whole attention economy is ruled by laws of demand and supply. As the amount of information increases, the demand for attention also increases. A wealth of information creates a poverty of attention. Attention involves 'increasing returns' – the more we have of it to begin with, the easier it is to get more. If I'm a rock star, anything I do will attract attention. Those who are rich in attention seem only to get richer. Media pursue the most attention-getting topics they can find.

Individuals are forced to process the informational messages more rapidly. But we're bound to allocate attention ineffectively. We don't devote enough attention to some

messages, and we spend too much on others. And we have virtually no attention left for reflecting on what all the messages mean (Davenport & Beck, 2001).

In their “The Experience Economy” Pine & Gilmore (1999) argue persuasively that organizations need to offer rich and compelling experiences to their customers if they want to attract their attention.

So much information and so many activities, people and places are vying for our attention today, that the management of attention became an important activity.

Davenport and Beck (2001) define attention as: ‘focused mental engagement on a particular item of information’. Items come into our awareness, we attend to a particular item, and then we decide whether to act. Therefore, there’s a “narrowing phase”, in which we screen out most of the sensory inputs around us (we are aware of many things, but not paying attention to them), and a “decision phase”, in which we decide to act on the attention-getting information. A causal relationship exists between awareness, attention, and action. In psychology, attention is a selective, cognitive process through which we absorb selected information. It is both collective and individual phenomenon.

There are obvious links between advertising and attention; leaders of organizations must manage attention on several levels – they must attend to the most important buyers, suppliers and other stakeholders.

Types of attention according to Davenport and Beck (2001):

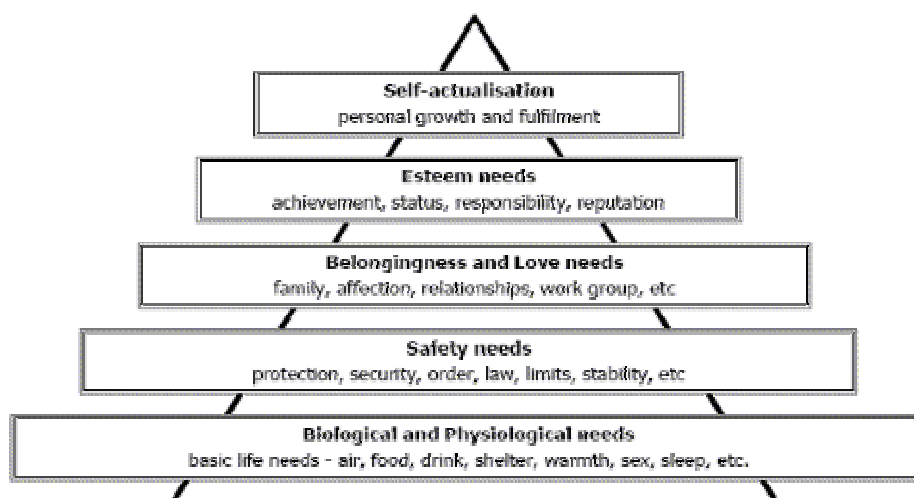
- Captive or voluntary: captive attention is forced and thrust upon us (e.g. cinema advertising), while voluntary attention is paid to what we *want* pay it to (e.g. hobbies).
- Aversive or attractive: when we pay attention to something because we wish to avoid negative experiences it’s aversive type of attention (e.g. death). Conversely, when we pay attention to certain things because we think they may bring us positive experiences it’s the attractive type of attention (e.g. thrill of victory).
- Front-of-mind or back-of-mind: Front-of-mind attention is conscious, focused, and explicit, while back-of-mid attention is paid to things that will never come into our conscious awareness unless something unexpected occurs, and it’s related with familiar tasks (these aren’t mutually exclusive e.g. attention paid to business conversation while driving a car is a combination of front- and back-of-mind attention).

Attention management is not time management, because the two resources aren’t the same thing. Time, like attention, is a limited resource and irretrievable once spent, however something to which people allot a good deal of time in practice can receive minimal attention.

The first industries engaged in measuring and monitoring attention were radio and television, followed by the movie industry. Some people revealed that when deciding which film to see captive and aversive attention played the most important role. 'Although the respondents may find one movie less attractive than others, the fear of being left out of the conversation about this movie or being shunned by peers for not seeing a particular movie seems to be a big factor in the final behavior (Davenport & Beck, 2001); and when respondents felt that the film's presence was everywhere ('I can't avoid paying attention to it') they were more likely to go see it. This is probably the combination of advertising, media, and word of mouth that makes the movie unavoidable.

First step in effective attention management is to stop insisting that people function logically. Our attention is organic, our brains have amazing receptive capacity. We observe millions of "bits" of data, with all our senses, simultaneously. The problem is that we can only perform one or two actions at a time. We have evolved a bottleneck in our ability to focus on information. The bottleneck allows very limited information to become conscious at any given moment. The most important function of attention is not taking information in, but screening it out. However, we don't control what manages to get through the attention bottleneck and into awareness. Like in the natural world big things get our attention to a much greater extent than do small things. The priority structure by which the brain determinates which information will get through the bottleneck is similar to the hierarchy of human needs described by Abraham Maslow in the 1950s. Only when physical survival needs have been met will the brain turn its attention to needs like social connection; and only after social needs have been met will attention go to abstract learning; only then will it turn to aesthetic expression; and so on (see Table 2.7).

Table 2.7: Maslow's (Attention) Hierarchy:



Source: Maslow, A. (1987), *Motivation and Personality*, New York: Harper & Row.

Most of the advertisers have understood this regularity and pursue the motto: Don't think logically, think biologically. For instance, people who have met all the needs on the low rungs of Maslow's hierarchy can focus considerable attention on purely philanthropic tasks, motivated by their ethical sensibilities and need for self-actualization.

In "The Pursuit of Attention" sociologist C. Derber (2000) argues that humans have become increasingly narcissistic in recent years and mass culture and consumer capitalism have led to an inordinate desire for individual-level attention – in order to get a person to pay attention to your information, the information has to be about that person. Therefore, one of the principles of attention management is to simulate attention by using personal experience and attaching powerful meaning to items.

Davenport and Beck (2001) distinguish between push and pull information. When information is pushed at us – even when we once thought we wanted it – we lose interest rapidly, pushed information doesn't engage attention well over the long term. On the other hand, the act of pulling information – deciding that you want it, searching for it – stimulates your attention. To spend considerable effort getting information and then to ignore it would, in social psychology terms, lead to a higher level of cognitive dissonance.

The attention industries include: advertising, movies, television, and publishing. Clearly film festivals are part of the game. Attention managers recognize that audience attention is limited and zero-sum; and generally business and society are facing battles for attention. The strongest competition for all of the attention industries comes from the Internet.

During the 20th century, Hollywood became the most powerful attention factory the world has ever seen. The motion picture industry still attracts the attention of billions, setting trends, shaping culture, and making an enormous amount of money on popular films. As the movie business proves, people actually like the captive-attention environment of the theatre – as long as they are entertained. Hollywood studio executives understand their audience before they make a play for their attention. It also shows how high the entertainment value of a message must be to capture people's focus. Films dominate our attention in part because of the setting in which they are viewed and because they simulate reality; while well-known actors grab attention through familiarity and hero worship. Compelling plots and rapid cuts keep our eyes and brains focused on screen as well. Moviemakers are great measures of attention, similarly the advertising agencies and advertising-oriented marketers in companies who have long tried to get, keep, and measure attention.

Furthermore, Davenport and Beck (2001) argue that managers of the attention industries must consider this "distributive principle": If attention cannot be significantly increased, then organizations will have to find more effective ways to allocate it toward the

information and knowledge that matters. Those who want to manage the attention successfully must assess where attention is going, ensure that information is attention getting, limit the intrusion of unnecessary information and knowledge, and try to prevent distractions.

As technology will continue to create attention deficits, we'll need some relief from the continuing stream of valuable information and info-junk. Today we already face the danger that we can't put information in perspective because of a shortage of attention.

Davenport and Beck state that in the future marketing will focus on paying huge amount of money to "buy eyeballs" and get a few minutes of people's attention.

Competing in attention markets will become a primary concern of brand management and marketing, now it's usually done by firms employing mass media – television, radio and print advertising – to extract a tiny fragment of attention from a large market.

At film festivals global value is added to films and location by means of media exposure. The media factor is the x-factor of all film systems and Cannes is a good example of a festival site where common people are transformed into media icons, where a mediocre city becomes exclusive, and where thousands of global media cameras merge into one strong spotlight that is capable of generating huge hype. Media coverage is a link between the local event of a festival and the global arena of media works.

As the role of media demonstrates, it is not only about the product - artwork itself, but all the hype that surrounds it and attracts our attention. The true value lies in being able to bring eyes (attention) to the product. Sometimes it may seem odd that usually the journalistic interest in the stars (actors, directors) exceeds their performance in a festival film? Editors of newspapers very often have grater importance and their decisions are sometimes more crucial than the evaluations of the critics. The fact that media exposure, irrespective of the nature of reviews, adds value to the films and their producers makes film festivals highly beneficial events for a variety of films, because the concentration of media representatives, films, stars and juries in segregated and prestigious locations will inevitably lead to a lot of attention in international media. Journalists process the overload of information at film festivals according to fixed markers such as newness, topicality, (popular) interest in established directors, acclaimed stars and scandals, and national accomplishments.

Attention is the core: if nobody reports on this event it is as if they did not happen. With the global spread of the film festival phenomenon and the growing competition between them in 1980-90s, the festival format goes through another important transformation – the boundaries between art and entertainment, distinction and spectacle, blur. The festival buzz and media attention are exploited by sponsoring companies – players in the festival

financing network (described in paragraph 3.5.) who have to adapt to the rules of the attention/experience economy as well. Everybody and everything competes for attention at film festivals.

2.7. Summary

Film festivals provide opportunities for artistic and independent films to be exposed to a broader audience. They add value to the films screened by: nominating them for prizes, attracting media attention to them, and by crediting them with the juries' verdicts. Film festivals not only accommodate culture and commerce, but also experimentation, entertainment, geopolitical interests, and global funding by combining 'local' with the 'global' and applying the rules of economics of attention. Their role of creating symbolic, cultural, social and economic value cannot be underrated. Cultural event can provide opportunities both for art consumption and socialization, hence visitors' motivations might be twofold, and two groups may be distinguished: film-oriented and festival-oriented audiences.

Country-specific characteristics and historical differences can explain why film festivals are organized differently in Europe and in United States, where the Hollywood system led to commercialization of the film art. The example of Sarasota French Film Festival proves that it is not possible to transfer the European model of a cultural event to United States without considering the environmental differences. Correspondingly, country-specific financing mechanisms must be recognized. This topic will be expanded in the next chapter.

Chapter Three: Financing, Management and Regulation

Film festivals require a lot of entrepreneurial creativity from their organizers. Financing of a hallmark event is complex and entails cooperation with both private and public sectors. This chapter examines various financing mechanisms and regulation of the audio-visual sector as well as organizational aspects of a festival enterprise. All festival managers must deal with problem of attracting sponsors and subsidies. The relationship between three parties involved in the financing of a festival: sponsors, governments and festival organizers, their expectations and roles will be investigated as well. What are the advantages of film festivals - huge media events, as compared to other marketing tools in accomplishing strategic goals and expectations of corporate sponsors? What are the beneficial externalities and spillovers of the festival for the city and country, and what political agendas of local and national public bodies are realized at the festivals? This chapter answers the above questions. Furthermore, accountability of festival organizers towards the host community and various stakeholders will be examined.

3.1 Financing mechanisms for culture & arts

Cultural events are basically financed by the combination of public and private money. Public sources refer to government donations and special grants (these are mainly direct ways of financing, but also indirect ones are applied - coming from the taxes), while private sources include sponsors' contributions and owner's equity. Additionally, since film festivals operate as market entities they earn revenue from the ticket sales and/or entry fees for film-makers. Organizing a festival clearly requires creative approach to financing because culture and the arts are both subject to business and political rules. Except for monetary revenues, cultural organizations like film festivals collect services, in-kind contributions and time donated by various individuals. These diverse financing partners imply managing different exchange relations. Every partnership is related with different expected returns and must be considered as a separate deal. It forces festival organizers to balance somehow economic and cultural objectives and implications of varied financing mechanisms.

As will be explained in paragraph 3.2 it is market failure in providing optimal amount of cultural goods that leads to public intervention. However, Klammer (1998) argues that even when markets for artistic work were to function perfectly, alternative financial arrangements would still prevail. International and historical differences are one of the reasons why financial agreements vary. Therefore primarily these two dimensions must be considered when analyzing variations in film festivals financing.

The structure of financial agreements in Continental Europe are the inverse of that in the USA; the share of market and gift in the support for the arts in US equals the share of government support in Continental Europe (Klamer, 1998). European cultural organizations rely on public subsidies and direct government support, while in the U.S. most of the government support is indirect and takes the form of tax-deductions on gifts to the arts. Moreover, Americans rely on business sponsoring and gifts from individuals, whereas in Europe majority of gifts come from foundations and corporations. Cultural non-profit organizations both in Europe and America compete for grants with sectors such as healthcare, education and social services. The international differences refer also to a strong state protectionism of the film industries in Europe, which takes the form of various measures (quotas, subsidies, co-production agreements, initiatives to form pan-European distribution alliances) protecting film in Europe against the American hegemony resulting from their competitive advantage (scale economies and oligopolistic market structure, prevalence of the English language). The historical differences refer to the fact that in Europe the development of the arts is largely attributed to the long-standing existence of patrons, authoritarian states and institutions responsible for the making of art: a guild-like structure, aristocratic consumers and a healthy cultural climate. North America lacks such strong and central institutions.

Klamer (1998) points out that there exists space between market transactions submitted to the price mechanism and government type of transactions determined by means of political processes and implemented by bureaucracies. That space is filled up with transactions such as gifts and donations which don't belong either to market or government spheres, but form a separate dimension - informal sector of a civil society. This distinction of the financial spheres has implications for festival organizers' accountability towards their partners. Business partners such as corporate sponsors expect economic returns on their investment. As will be explained in paragraph 3.5 they engage in festival financing in order to meet specific promotional goals and they can easily calculate returns on their investment. Except for sponsoring contracts, market operations of festival organizations include generating box-office revenues, which similarly are pure economic measures of efficiency, and lead festival managers to implement strategies for targeting and attracting numerous audiences.

Similarly, transactions in the government sphere mean that festival managers must provide objective and direct returns. As Abbing (Klamer ed., 1996) argues "the subsidies, incidentally can be treated as gifts from a selfless government, but it is more fruitful to look at them from the point of view of exchange – a market for subsidies can be said to exist. Artists offer certain performances in exchange for subsidies, but they will never say they do so. Accordingly, governments get something in return for their subsidies". As they aim

at economic growth, governments want to boost tourism, promote the city, give employment opportunities, attract investors to a culturally-attractive place, and obviously promote culture.

However, with respect to the provision of cultural goods, we observe state failure as well as market failure – any conscious intervention or support, no matter how well-intended, has side-effects (Hutter, in Klammer ed., 1996). All public money spent on art has high opportunity cost – what are the losses for education, poverty programs or healthcare? Moreover, as the studies prove state intervention may have opposite results to the intended ones. They allow low prices of cultural products so that all income groups could have open access to the arts, but actually subsidies benefit mainly wealthy individuals who mainly participate in the cultural life and not the low-income people. Certain forms of subsidies may also promote inefficient allocation of money (Hansmann, in Towse ed., 1997). For the festival company public funds mean that they're dependent, they must follow bureaucratic procedures and more often than not earn public recognition in order to obtain subsidies. Therefore, all financing mechanisms have implications both for the providers and beneficiaries. The artistic works are always affected by the pricing mechanism. Subjecting art to business rules and festivals' dependence on market solutions makes many of these events turn commercial. Furthermore, culture and money clash because the value of art is beyond measure. The third sphere of financing culture and the arts is related with individuals' contributions which are voluntary and don't entail any direct returns. Voluntary labor of individuals or in-kind contributions of services by companies from the film industry are examples. Most of them are easily identified under the "partners" headline of festivals' brochures or websites, just next to "sponsors" and "funders". These types of exchanges are personal and social relationships which give other than monetary or other explicit rewards to contributors. The diversity of financing mechanisms makes the film industry in Europe so much different than the American one and involves a lot of creativity of the organizers on how to launch the event in such a way that it will both secure solvency and intended cultural image, and stimulate ongoing interactions between parties in each of the spheres. The various financing mechanisms will be described in the following paragraphs.

3.2 Subsidies and the state intervention

As Peacock (Towse ed., 1997) argues, there are two main arguments for subsidization: market failure and welfare of future generations. Cultural activities result in certain positive "spillovers". As far as festivals are concerned, annually there is demand expansion in cities where they are organized, at the cost of reduction of demand elsewhere.

Government has to prove that cultural inputs (and technological and financial resources) are more “productive” than any alternative way of attracting visitors using the same amount of resources (Peacock, in Towse ed., 1997). It is only when we assume that given inputs to culture are the most efficient method that we arrive at the possible reason for regional government subsidization. Similarly it can be applied to the international situation. If culture attracts foreign tourists, then, given full employment of resources, prices and foreign exchange receipts rise. The second argument – “welfare of future generations”, is related with external economies of consumption derived from the arts – the positive effects of the fostering of art and learning and the preservation of culture are not restricted to those immediately prepared to pay cash but diffuse themselves to the benefit of much wider sections of community. This community derives a satisfaction which they cannot be excluded from enjoying. Similarly, present generations may derive positive satisfaction from preserving the cultural heritage and not narrowing the range of choice for future generations through allowing the art to die.

Governments subsidize culture at different levels: continental, national and regional and all of their policies must be subject to the international law of World Trade Organization.

Various scholars (Frey, 1990; Abbing, 2002; Netzer, 1997; Peacock, 1969; Throsby, 1994) argue that given the public-good characteristics of artworks and cultural products, state intervention is highly required for the optimal supply of culture and the arts. Culture cannot rely on market solutions solely; public subsidies and government regulation are needed for the most favorable and efficient provision.

National governments support cinema as cultural expression of national identity and as protection of a branch of economic activity that would not survive without financial aid. The festival network is not geared towards money-making, but does provide economic sustainability to film that fall outside of the commercial parameters. Cultural value is the main motivation for providing economic support to European cinemas.

Film festivals sometimes act as a substitute to commercial distribution. The Hollywood majors have export advantage in Europe because they have build economies of scale, it allows them to finance big-budget film making. Since European companies cannot beat such competition, European Union’s programs – MEDIA1, MEDIA 2 and Plus/3rd Generation, allotted almost half of their funding to distribution for cinema, television and video. Sufficient cultural and artistic value justified the use of taxpayers’ money to be considered eligible to receive a subsidy. The focus was on “auteur and art cinema” which generated a debate on the experts’ role in deciding which films should be developed and exported. One of the initiatives in Europe was the creation of EFDO (European Film Distribution Organization) headed by Berlinale director D. Kosslick, which supported the distribution of low-budget, independent movies and “intelligent entertainment”.

The festival site thus becomes a part of the marketing strategy laid out by a distributor to exhibit films that do not have commercial potential (yet). The global media attention allows targeting such products to audiences worldwide.

However, subsidized festival network has made it very difficult for many producers and film-makers to find creative ways to become financially independent. Since film festivals are not for-profit enterprises oriented at generating income, but organizations that pursue their economic sustainability in order to perform a specialized task for cultural goals, as well as a series of other reasons, such as tourism, support of national film industry, etc. – they cannot pay large amounts of money for the films they include in their programming. Little profit can be made from the festival exposure itself and only a couple of films manage to move on to theatrical release or other forms of distribution. However, global media attention constitutes good marketing that is believed to increase the box-office results later on (cultural value is translated into economic value thereby).

European film policies were very fragmented until the GATT negotiations of a World Trade Organization set forth some guidelines and standardized regulations. Many countries have expressed a desire to protect national identity, values and beliefs through a range of cultural policies in the face of global trade liberalization (Footer, 2001). Measures such as subsidies on the regional or national level were applied (e.g. domestic film industry funding in France), “screen quota” that limit the number of foreign films that can be shown (France, Italy, Spain); regulatory and licensing restrictions (Canada), tax measures (France, Canada), or ownership requirements (Australia, UK, USA, Canada). Official governmental support and the degree of cultural protectionism is relevant for film festivals in Europe, because it endorses the cultural function of festivals and, in doing so, justifies the subsidies granted to festivals. Film festivals contribute to the development of the transnational film market by for example supporting young film-makers (Berlinale Talent Campus, Cannes’ Cinéfondation), they mobilize expertise within the regional film industry and improve the creativity of local talent as well as the infrastructure of the industry.

The economic importance of festivals and events is now widely recognized. Events have an impact on local, state and national economies through investment, employment, and income. They also generate increased tourism and media coverage which leads to increased visitation and awareness of the host destination (Carlsen, 2004). Hallmark and mega-events have major impacts on particular sectors within the economy, including trade, transport and tourism. These sectoral impacts, when combined, can influence the total value of economic activity in a given year (which is measured by GDP). It is not only the initial expenditure in these sectors that boosts economic activity, but also the multiplier effects. Such flow-on is determined by the extent to which the economy can retain the additional event-related expenditure in the local economy. Event evaluation is a process in

which outcomes of that event are assessed by critically observing, measuring and monitoring the implementation of the event. Whilst the tourism and management aspects of festivals are widely recognized and studied (Getz, 1997) there is increasing pressure on governments to justify public spending of events in terms of economic returns. The techniques used in measuring economic impacts of festivals are: cost-benefit analysis (CBA), input-output analysis, and computable GE modeling.

- CBA – according to Dwyer (2000) both benefits and costs can be divided into tangible and intangible:

Tangible benefits and costs of events	
<i>Tangible benefits</i>	<i>Tangible costs</i>
<ul style="list-style-type: none"> • New facilities and venues • Employment for event employees and entertainers • Increased tourism expenditure before, during and after the event • Positive media coverage and images 	<ul style="list-style-type: none"> • Capital and construction costs • Wages plus other employment costs (workers' compensation, insurance, etc.) • Costs of additional essential services (police, road maintenance, cleaning and sanitation) • Long-term maintenance of event facilities

Intangible benefits and costs of events	
<i>Intangible benefits</i>	<i>Intangible costs</i>
<ul style="list-style-type: none"> • Enhanced community pride • Cultural renewal • Increased interest and investment in host destination • Enhanced commercial and residential property values 	<ul style="list-style-type: none"> • Crowding and inconvenience • Noise and visual pollution • Personal crime and property damage • Resident exodus and tourist avoidance of event area

Source: Dwyer, L. (2000) A framework for evaluating and forecasting the impacts of special events. In Allen, J. Events Beyond 2000: Setting the Agenda, Sydney: Australian Centre for Event Management, University of Technology.

The main advantage of cost-benefit analysis except that it can include tangible and intangible costs, is the fact that it includes opportunity costs and externalities (such as crime and pollution). However, CBA is data intensive, does not consider distribution of costs and benefits and counts costs as benefits and vice versa. Therefore, it has some disadvantages.

- Input-output analysis – it is a method of estimating the total economic impact across a range of industry sectors that flows from an increase in demand for the output of those sectors, in the form of investment, tourism expenditure or other income into the economy. The economic effects can be direct (from increased sales revenue to firms that cater for event visitors), indirect (on the suppliers to

firms which cater for event visitors), and induced – when the increased incomes of owners and employees of firms across all sectors of the economy are spent. The advantages of input-output analysis:

- models of national and regional economies are widely available
- it captures initial and flow-on effects on production and consumption
- it estimates the value-added, income, output and employment multipliers

The main disadvantages are:

- it is based on historical data
- it doesn't consider exchange rate, labor market and price effects
- it may have unrealistic assumptions about surplus capacity in the economy

- Computable General Equilibrium (CGE) models – they assess the effects of 'shocks' in the form of new investment or exchange rate effects in shifting the economy from one level of equilibrium to another, and acknowledge that growth effects of events may be offset by contradictions in other parts of the economy. This applies particularly to mega-events which can distort or 'crowd-out' the market for labor, land and capital, having a negative effect on other non-tourism-related sectors of the economy (price inflationary effects, taxation, import and exchange rate effects). Therefore, CGE models have more realistic assumptions, but require complex and extensive data manipulation as they are based on a range of different economic scenarios.

Using the above techniques for the evaluation of a film festival is necessary for measuring their economic impacts and for the policy-making.

3.3 European legislation on the audiovisual sector in the global context

Regulation of the audiovisual sector, which film festivals are part of, takes the form of international and domestic legislative patterns. Such regulation is related with both monetary and non-financial support for the festivals. The fact that new countries become members of a particular international organization has impact on their cultural policies and on organization of cultural events thereby. However, different laws are often contradictory, as national interests are conflicting with those of the global regulatory bodies. Moreover, due to the on-going debates on various levels, the audiovisual sector's legislation is in a constant flux, which increases the risk and uncertainty with which film festivals have to deal.

In this paragraph two international organizations will be described: World Trade Organization as the global regulatory body and FIAPF as the international foundation

operating in the film industry. Later on, the European Union framework on the audiovisual sector, that is the MEDIA Program, will be explained.

Global

The World Trade Organization regulate both economic and non-economic activities within the territory of its Members, in order to guarantee the achievement of trade liberalization, aimed at increased welfare, and other public objectives simultaneously. The European Union and its Member States maintain the possibility to preserve and develop the capacity to define and implement their cultural and audio-visual policies for the purpose of preserving their cultural diversity (Herold, 2003). Culture issues fall into the framework of WTO international trade laws, including the trade in services (GATS), trade in goods contexts of international trade law, including the trade in goods (GATT), the protection of intellectual property (TRIPS), the protection of investment (MAI) and the regulation of subsidies (SCM Agreement). Feature film as both a very influential and the most vulnerable of the media is a primary preoccupation of European cultural policies - cultural concerns represent, however, a potential source of legal conflict with international trade law as WTO and EU policy objectives are often exclusive. The general GATT rules on non-discrimination conflict with national and EU's film support systems which imply privileging certain (domestic) films and therefore discrimination against foreign works. Article III GATT 1947, prohibits all discriminatory measures directed towards imported products, cinematographic works in the form of recorded film copies included. There is a lot of ambiguity as far as the application of subsidy rules is concerned – subsidies granted exclusively to domestic producers and subsidies effected through governmental purchases of domestic products are permitted, but contracting parties always shall notify the other parties of a subsidy, when its effect is to increase exports or to reduce imports of the product in question. There are inherent contradictions between domestic film policies and the principle of national treatment. The differentiation between permissible internal subsidies and prohibited - in principle – export subsidies is very difficult to maintain in practical terms. The existence of direct subsidies to the film industry has not been challenged so far under the national treatment principle (Herold, 2003).

International trade law contains specific rules concerning state aid, namely the Agreement on Subsidies and Countervailing Measures (SCM). This agreement constitutes a central element of international “competition” law of the WTO and aims at the creation and protection of a “level playing field” for international competition. Subsidies, or more broadly state aid, can have serious distortive effects not only on intra-state and intra-community trade (in the case of economic integration areas), but equally on international competition, as they privilege, through selective criteria, some economic actors and penalize the others. National and the European Union's aid to film production is covered by the SCM

Agreement because, as mentioned, cinematographic works are principally considered “goods” within the WTO framework and therefore fall within the scope of the GATT and the EU’s MEDIA Program is subject to SCM Agreement. As film festivals fall rather into the “services” category, and not “goods”, it’s the GATS that must be applied, but this agreement contains no specific binding rules on the regulation of subsidies. As long as they don’t have distortive effects on trade in services, they’re enforceable. It concerns other cinematographic services as well – distribution and exhibition. GATT and SCM set funding thresholds for films as “goods”. The threshold of an actionable subsidy is attained as soon as the support measure has adverse effects on the competitor. Since even a 5 % ceiling can indicate such a negative impact, it could be argued that also measures adopted in small markets with high “cultural discount” in order to protect their linguistic or cultural specificity, would be questionable in such a framework. The financial support directed at the promotion of films in the international market would have immediate distortive effects on world trade, whereas the subsidization of cinematographic works originating from small linguistic and cultural territories would not interfere with international competition and would not have any direct distortive effect. However, it could still have an indirect distortive effect on competition since it would automatically reduce the number of recipients of other cinematographic services.

There is one more WTO’s principle such that making the film support dimension conditional on its commercial success on international markets is deemed unacceptable since it would presuppose export subsidization, which is generally prohibited by the GATT (Herold, 2003).

The ongoing WTO negotiations are constant battles between nations aiming at cultural protectionism and those aiming at trade liberalization. They still fail to provide coherent and binding legislation on the global level that would be a dominant framework for all its member states.

International Federation of Film Producers Association (FIAPF) – it’s a non-profit organization, located in Paris, France, operating since 1933. With 31 member associations from 25 of the leading audiovisual production countries, FIAPF is the only organization of film and television producers with a global reach. FIAPF's mandate is to represent the economic, legal and regulatory interests which film and TV production industries in four continents have in common. As an advocate for producers, FIAPF helps formulate policies and coordinate political action in these key areas:

- Copyright and related intellectual property rights' (IPR) legislation
- Enforcement of IPR legislation and anti-piracy action
- Deployment of digital technologies and their impact on the audiovisual value chain

- Technology standardization process
- Media regulation
- Private and public sector film financing mechanisms
- Trade-related issues

FIAPF is also a regulator of international film festivals, including some of the world's most significant ones. FIAPF' International Film Festivals' Regulations are a trust contract between the film business and the festivals which depend on their cooperation for their prestige and economic impact. FIAPF's governance is provided by its General Assembly, which sits twice-yearly, in May and December. General Assembly members are elected from the membership. The General Assembly also appoints the 12-strong FIAPF Executive Committee, which meets as often as strategic and policy planning needs may require.

FIAPF's role as a regulator of international film festivals is to facilitate the job of the producers, sales agents and distributors in the management of their relationships with the festivals. The FIAPF International Film Festivals Regulations constitute a trust contract between those festivals and the film industry at large. Accredited festivals are expected to implement quality and reliability standards that meet industry expectations. These standards include:

- Good year-round organizational resources
- Genuinely international selections of films and competition juries
- Good facilities for servicing international press correspondents
- Stringent measures to prevent theft or illegal copying of films
- Evidence of support from the local film industry
- Insurance of all film copies against loss, theft or damage
- High standards for official publications and information management (catalogue, programs, fliers).

FIAPF's role is also to support some festivals' efforts in achieving higher standards over time, despite economic or programming challenges which often stem from a combination of unfavorable geopolitical location, budgets, and a difficult place in the annual festivals' calendar. This is particularly relevant in the context of the unequal levels of resources and opportunities between film festivals in the Southern and Northern hemispheres².

FIAPF's remit is to represent and promote film and television producers' economic and legal interests in all international forums whose decisions may affect the current equilibrium and future prospects of the sector. In particular, FIAPF is active in the promotion and defense of copyright and economic exploitation rights in the context of

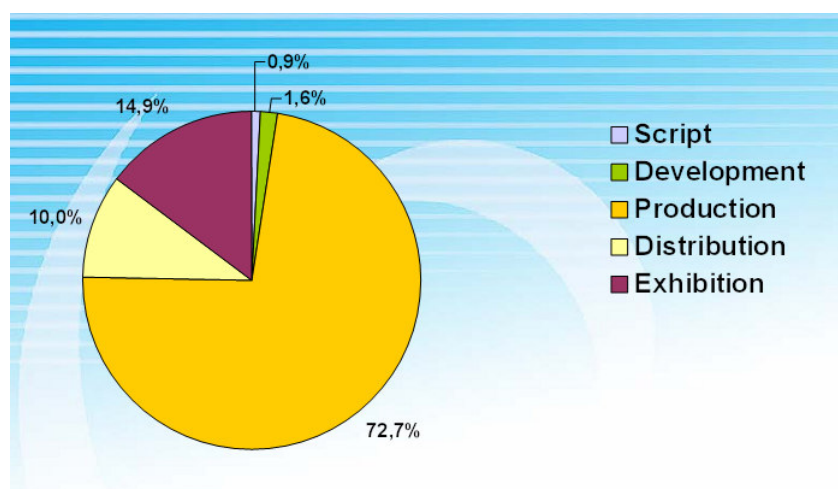
² www.fiapf.org

international negotiations on copyright and related-rights' legislation (e.g. introducing ISAN - a unique identification number for an audiovisual work), participation in the global struggle against piracy, advocacy for the adoption of secure broadband technologies that meet consumer expectations whilst also discouraging hacking and illegal copying, advocacy for the development of market-led and public sector financing solutions for film and television production. As the chairman of FIAPF, Andrés Vicente Gomez says: the work we do through FIAPF is all about laying the foundations of a healthy future for our industry. It is about addressing the global challenges in international law, technology and financing, to ensure that the interests of content producers remain a high priority on the institutional agenda everywhere³.

European

European Audiovisual Observatory announced on the European Film Funding Conference in November 2003 that there are 56 national organizations which provide direct financial support to the film sector and 105 regional (or local/community) funding bodies in 31 member states of the European Union. The 15 "old" EU members account for 90% of the whole European funding. The sources vary across countries. Italian and Spanish funding bodies are state-run and 100% of their resources come from the government; in United Kingdom national funds are financed by the national lotteries; 70 % of French funds come from TV levy, and the remaining 30% from cinema and video levies, and from the government; in Denmark financing comes from various sources: cinema and video levies, TV contributions, repayments and other taxes. On the whole, in 31 EU countries market contributes more than a state (which accounts to 40% of funding only). Two thirds of funding bodies' support goes to production (see Table 3.1).

Table 3.1 Breakdown of funding in 31 States (2002):



Source: www.obs.coe.int

³ www.fiapf.org

There is a distinction between automatic and selective support. This distinction revolves around whether a film receives support simply on the basis of certain objective (definable) criteria (automatic funding) or whether aid is only granted in individual cases at the discretion of the responsible authority or person (selective funding).

European commission points out that, in order for the State funding to be legal, each grant must guarantee the cultural content of the film concerned, while the producer should be allowed to spend 20% of the film budget in other Member States. Grants, which must not exceed 50% of the production cost, should also be neutral in respect of the subsidized activities.

Pan-European initiative:

MEDIA Program of the European Union is aimed at strengthening the competitiveness of the European audiovisual industry with a number of support measures to train professionals, develop production projects, distribute and promote cinematographic works and audiovisual programs. Support for the promotion of European film and audiovisual works is aimed at facilitating European producers and distributors' access and participation to major European and international events. MEDIA has provided financial support since 1993 to European organizations which promote the participation of European films and professionals in major international film festivals organized outside Europe and/or facilitate their local distribution afterwards. MEDIA helps develop the dialogue between European and non-European professionals, it facilitates the access of European films to new markets and on a larger scale it encourages economic partnership and creative exchanges with the audiovisual sector of non EU countries⁴. MEDIA's promotional support is organized through two main programs:

- measures to support promotion and market access – the objective is to facilitate and encourage the promotion and circulation of European audiovisual and cinematographic works at trade shows, fairs and audiovisual festivals in Europe and around the globe, insofar as such events may play an important role in the promotion of European works and the networking of professionals. Moreover, the objective of these measures is to encourage the networking of European operators, by supporting joint activities on the European and international markets by national public or private promotion bodies
- measures to support the participation of European works and professionals in film festivals organized in countries, which are not members of the MEDIA program.

⁴ www.ec.europa.eu

European Union allocated EUR 9.5 million for both of these programs for the period of 2006 (De Turégano, 2006).

Except for these promotional programs, MEDIA also provides support for festivals – since 1992, the EU has published an annual call for proposals for the support of film festivals and events, organized in partnership with audiovisual sector, in order to promote European films and encourage their distribution throughout the 15 member states. EUR 2.2 million was allocated to this program for the period of April 2006 to June 2007.

Among the various projects that MEDIA supports within its program for the promotion of cinema are: European Film Promotion, the European Coordination of Film Festivals (ECFF), Europa Cinemas, MEDIA Salles (De Turégano, 2006).

- European Film Promotion – established in 1997 it's a network of 26 European national export and promotion organizations, their aim is to increase the visibility of European films at key international festivals and markets via the presentation of high-profile press, industry and public events; design initiatives at selected festivals and markets which offer European film-makers greater access to the international marketplace. EFP provides extensive services to European companies through the sharing of resources. It focuses its attention on the international appeal and marketability of young European cinema. EFP is supported financially by 27 member countries, sponsors and MEDIA program; and its budget for 2004 was EUR 1.2 million, (half of which came from the MEDIA program). EFP has a direct support scheme for European sales agents promoting European films at international non-European film festivals, its mission is to increase the visibility of European film and propel cultural diversity.
- ECFF – it's a network of 250 audiovisual festivals in Europe. Member festivals are committed to promoting the diversity of the European moving image. The ECFF mission is to develop all forms of services and joint projects that strengthen the ability of the members to promote and circulate the diversity of films. It develops exchanges, cooperation and the transfer of good practices between festivals; encourages transnational partnerships between members; seek global solution to common problems; increases the collective impact of festivals on the promotion and circulation of the European moving image; promotes the cultural dimension and socio-economic roles of festivals. MEDIA awarded EUR 250 000 to the ECFF for year 2006.
- Europa Cinemas – since 1992 it's the first international film theatre network for the circulation of European films. It's active in film exhibition sector of 25 states of EU. Its aim is to increase the programming of films from Europe and raise the number of people attending these films. They particularly promote initiatives aimed at

young audiences. In 2004 the MEDIA program, which is the principal funder, contributed EUR 6.1 million to Europa Cinemas.

- MEDIA Salles – it aims at fostering theatrical distribution of European movies, and has a triple focus of training, promotion, and information. The project operates within the framework of MEDIA program, with the support of the Italian Government.

MEDIA 2007 program (for the years 2007-2013) is the fourth multi-annual program and has a budget of EUR 755 million. Its objectives, similarly to the previous programs, are:

- to strive for a stronger European audiovisual sector, reflecting and respecting Europe's cultural identity and heritage
- to increase the circulation of European audiovisual works inside and outside the EU
- to strengthen the competitiveness of the European audiovisual sector by facilitating access to financing – in particular SMEs and the use of digital technologies.

MEDIA 2007 is divided into five action lines: the training of professionals; the development of production projects and companies; the distribution of cinematographic works and audiovisual programs; the promotion of them, including the support for cinematographic festivals; and horizontal actions/pilot projects.

The MEDIA Program's 'Festival scheme' aims to support innovative European audiovisual festivals that take place in countries of the EU. These festivals promote and publicize significant proportions of European works to European audiovisual professionals as well as to the general public and work in partnership with other European audiovisual festivals. Film festivals eligible for the MEDIA funding have to meet certain requirements. They must be "European organizations": private companies, non-profit organizations, associations, charities, foundations, municipalities/Town Councils, etc., registered in an eligible country and detained directly or by majority participation, by nationals from such countries. They must be audiovisual festivals devoting a minimum of 70% of their entire festival program to European films.

Examples of public financing on a national level in Europe include:

France – Unifrance, Centre de la Cinématographie (CNC)

Germany – German Films + Marketing GmbH

Italy – AIP Filmitalia

Spain – Instituto de la Cinematografía y de las Artes Audiovisuales (ICAA)

UK – Trade Partners UK (TPUK), the British Council – Department of Film and Literature,
UK Film Council International Department

Denmark – Danish Film Institute (DFI)

The Netherlands – Holland Film

Switzerland – SWISS FILMS

To summarize, the audiovisual sector is ruled by the laws that are often contradictory as national interests are conflicting with those of the global regulatory bodies. Due to the on-going debates on various levels, the audiovisual sector's legislation is in a constant flux. The following section moves from the state cultural protectionism and global safeguarding of the free-trade, and focuses on the local level and the cities' perspective.

3.4 Destination marketing

Film festivals being hallmark events of a region can act as destination marketing tool for the local authorities. Nowadays, places have become products that must be strategically designed and marketed, and those that fail, face the risk of economic decline.

'Hallmark event' is defined as a major one-time or recurring event of limited duration, developed primarily to enhance the awareness, appeal and profitability of a tourism destination in the short and/or long term. Such events rely for their success on uniqueness, status, or timely significance to create interest and attract attention' (Ritchie, 1984). Film festivals are annually recurring events which develop their character and reputation over a number of years; they can lengthen tourist season, extend peak season or introduce a new season into a life of a community.

Destination (or 'place') marketing relates to strategic planning and the conscious use of publicity and marketing to promote business investment, visitation, or in-migration to a particular country, state, region or town as well as using it to increase exports. Often seen as purely economically driven, the health of a destination must also be measured against other goals such as community well-being and lifestyle which while closely linked with economic fortune, are also quite separate. Therefore, destination marketing (unlike business marketing) ideally requires cooperation and input from all sectors of the community – the government, businesses, interest groups, residents, and even visitors (Beeton, 2005). Therefore, both private and public sector must take strategic approach towards destination marketing, leaving aside individual concerns.

The goals of destination marketing are to:

- attract tourism expenditure
- generate tourism employment
- provide positive images for potential investors
- attract professional and creative workers to the area

In the global space economy international film festivals market both conceptual similarity and cultural difference (De Valck, 2006). Film festivals use marketing strategies to secure a “festival image” for themselves that will effectively position them both globally and locally. The physical location – the city, is crucial to the festival’s image of cultural difference. Festivals can be deployed as city marketing “tools” because they function as powerful media hubs, and by being technologically-advanced gateways to alternative film culture they control the power of exposure in global media. For cities that want to compete in the global arena, construct a positive image, attract investment and tourism, film festivals are key elements in the promotional strategies. The concept of city marketing can explain the contemporary popularity of festivals with local authorities and their spread in 1980-90s. The first European festivals are good examples of city marketing - one of the reasons behind Venice festival in 1932 was tourism.

There is a trend of choosing a small leisure resort instead of the capital as festival location: Cannes, Venice, Karlovy Vary. The smallness of the festival site and the absence of distractions are beneficial to the efficiency of the market. The positive effect of glamour of Cannes is not limited to the festival, but extends to the city as a whole. Festival remains the city’s most important annual promotion. The global coverage of the celebrities walking the red carpet is priceless in marketing the whole region (De Valck, 2006).

Cultural tourism is ‘the movement of person to cultural attractions away from their normal place of residence with the intention to gather new information and experiences to satisfy their cultural needs’ (Bonet, 2003). Cultural tourism has impact on the whole economy but the number of people involved in businesses associated with the practice of cultural tourism is not easy to quantify. Cultural tourism has potential as a strategic factor in developing the local economy and generating jobs, therefore, the phenomenon has grown in the last decades. It can reduce tourist congestion and rigid seasonal cycles while expanding the positive effects of tourist development on a regional basis. The large-scale development of cultural tourism has positive effect not only on the financial outlook of the cultural entities themselves, but on the local economy as a whole. Film festivals have ‘impact effects’ that is the multiplier effects on the regional economic activity (Frey, 2003). Festivals enjoy lower cost of hiring personnel as they can be run with a small number of permanently employed staff, hired at a relatively low cost.

The development and marketing of tourism destinations relies on a wide range of facilities and attractions which enable each destination to establish a unique, competitive appeal. Some destinations can rely on natural resources to attract tourism, while others have to develop man-made facilities to enhance the attractiveness of destinations (Ritchie, 1984).

Although economic impacts receive the most attention of municipal policy makers, there are other types of multiplier-effects that a festival can have. According to Ritchie (1984) they include: tourism and commercial impacts, physical impacts, socio-cultural impacts, psychological impacts, and political impacts.

Economic impacts can be positive, such as increased revenues and employment created by the event, and those are mainly stressed by the policy-makers and entrepreneurs involved with festival staging. However, festivals can also have negative economic impacts such as commodity price increases and real estate speculation. Increased awareness of a city (region) as a travel destination is a positive tourism impact, while inadequate facilities, poor infrastructure, and improper practices can have negative impact in terms of tourism. Commercial impacts of festivals relate to increased knowledge concerning the potential for investment and commercial activity in the region. However, the festival may turn harmful for existing enterprises due to the possibility of new competition for local manpower and government assistance. The physical impacts of festivals refer to the new facilities constructed and improvement of the local infrastructure (which increase the quality of life in the long-term perspective). On the other hand, many mega events lead to environmental damages and uncontrolled overcrowding of facilities.

Other types of impacts are rather underestimated – events may serve a vehicle for the development of social interactions and participation in the cultural life of a community, they boost local pride and community spirit, as well as increase the awareness of non-local perceptions. Festivals contain elements of symbolic meaning and social function, often reflecting a community's view of its place in the global world (Ritchie, 1984). Yet, there are also negative socio-cultural and psychological impacts of events related with the problem of commercialization of cultural activities, and modification of the nature of the event to accommodate tourism. Hallmark events sometimes lead to defensive attitudes among the host community and visitor hostility. This is the case when the event contributes to social dissension and charges of cultural elitism if care is not taken to ensure that activities are compatible with values of community residents, and when access and participation in the event are not facilitated. Similarly, large number of city visitors may not be enthusiastically perceived by some residents. As Yeoman (2004) stresses community acceptance for an event increases if event is emerging from within a community rather than is imposed on them.

Political impacts of film festivals may be positive, such as enhanced international recognition of a city and its region, propagation of political values held by the local government, and as was the case with e.g. the early Berlinale editions. The event may in reality reflect a desire of a small elite to pursue its interests in the name of community development or distortion of the true nature of the festival to reflect values of political

system of the day. Certain individuals may utilize the visibility offered by involvement with the event to enhance their careers in both political and non-political arenas (Ritchie, 1984). Obviously, there is no desire to explicitly acknowledge such political interests.

According to Whitson and Macintosh (1996) cities engage in organizing and hosting hallmark events in order to re-position themselves as service and entertainment centers, or to enhance their 'destination image'. Considering both positive and negative effects that festivals have on a host community leads to a conclusion that benefits of mega-events are far from evenly spread, and careful evaluation shall consider both pros and cons.

The events require more sophisticated facilities, and the costs of hosting hallmark events have risen exponentially. Substantial investment in transportation infrastructure, security, and hotel network is required; these refer to public as well as private spending. The challenge is to sustain increased levels of tourism after the event, for without this neither public nor private investment in facilities is likely to be repaid.

The revenue generated during the major event may not actually benefit the local community as tourism has become one of the most globally integrated industries, characterized by large international hotel chains, tour operators, and car rental agencies.

Moreover, jobs created in tourism services are mostly part-time or temporary, semiskilled, and poorly paid (Whitson & Macintosh, 1996). These factors must be taken into account when evaluating impact of events on the local economy and how many local firms and local workers share in whatever wealth is generated.

Even though tourist firms and developers have an obvious stake in the commodification of place, place promotion is an activity in which governments typically take the lead role. One reason is that the promotion of place identity or destination image is necessarily more generic than promotion of products offered by a particular firm. Thus, although firms may join in contributing to place promotion campaigns, they are reluctant to devote much of their marketing budget to promotions that might as easily bring business to rivals and to firms that do not contribute. The competition among cities to attract tourism and sustain varied cultural attractions is fierce in Europe. But as Harvey (1989) argues: 'it is worth remarking that the effort to sell cities on the basis of place identity has had the effect of standardizing urban leisure environments. The commodification of place begins by seeking to produce distinction. However, as the standards of what constitutes spectacle and novelty constantly escalate, the extraordinary becomes ordinary. And as each successful architectural or technical innovation is quickly copied elsewhere, our urban leisure environments have come to look remarkably similar'. The place shall not only be seen as a product to be sold on the tourism market, as a location in which to invest money, and a 'marketplace', but also as a community of people whose social needs cannot be subordinated in the quest for economic growth and globalization.

Festival organizers must realize that they are accountable towards the host community similarly as to other stakeholders: governmental agencies, spectators and visitors, sponsors and business community, employees, suppliers, and media. Recognizing the impact of a hallmark event on each of these micro-environments and tailoring city-marketing policies to the needs and expectations of various parties involved determine the success of a festival project.

3.5 Corporate sponsorship

Film festivals are getting more and more professionalized by turning into competent business entities, which operate in turbulent environments ruled by business practices. Building partnerships is a common trend among cultural organizations and corporate world. Also for film festivals partnering deals with private corporations have critical importance. Although it has been long debated that clashes of interest exist between culture and commerce, organizations operating in these two spheres had to learn how to cooperate and seize the opportunities which they offer to each other.

Therefore, what is sponsorship and why companies engage in it? How to build successful partnerships between commercial and cultural organizations? And how to evaluate the returns on a sponsorship investment? This section answers the above questions.

V. Kirchberg (2003) argues that corporate contributions to the arts are a mutually beneficial interaction, whereby companies give money, goods, services or expertise in exchange for a promotional or image transfer from the supported institution. There should be equal benefits for both parties in this two-way exchange. There are huge differences between countries on arts financing, for example in the USA direct governmental funds account for only 15 to 25 percent of the revenues of major arts organizations while in Germany such financing constitutes 75 percent of revenues (Kirchberg, 2003). Very often public subsidies could not keep up with the increasing financial demand from arts institutions to meet the increasing public demand for culture. Moreover, there is competition for public funds with sectors such as education, healthcare or environment. That's why arts institutions turned to corporate support.

Kirchberg (2003) states that the support by a prestigious corporation is relevant for the reputation and for attracting more funds from other organizations. Corporate sponsorship plays a role in fostering innovation and delivering new attractive cultural products; as well as being a rescuer in financial difficulties.

There's also a claim that "special events" (such as film festivals or blockbuster exhibitions) attract sponsorship easier than other cultural forms because companies expect high

visibility. Moreover, J.Wolpert (1993) states that generosity is higher where larger corporations are prominent, income is greater, unemployment is lower and the welfare ideology is more liberal; he also argues that corporate art support is higher in metropolitan areas where the population is better educated and the local service sector generates more income than the local manufacturing sector.

Kirchberg (1995) follows with a statement that manufacturing industries are more reluctant in sponsoring than highly qualified service sector.

In their article on incentives of companies sponsoring arts events O'Hagan and Harvey (2000) suggest that their motivations can be reduced to four: promotion of image/name, supply chain cohesion, rent-seeking and non-monetary benefits to managers/owners.

They define sponsorship as a two-way commercial exchange between a company and an organization whereby the company gives resources (primarily money but also donations in-kind or voluntary labor) to the sponsored event. In return, the company receives promotional or other benefits of having its name associated with the event.

Similar definition is given by Abratt et al. (1987) who define sponsorship as an agreement in terms of which a sponsor provides some aid to a beneficiary, which maybe an association, a team, or an individual, to enable the latter to pursue some activity and thereby derives the benefits contemplated in terms of its promotion strategy. It distinguishes between sponsorship and other types of corporate giving such as charitable donations, endorsements and patronage.

Sponsorship is an important component of the promotion mix. Other tools used in promotion are advertising, personal selling, public relations, and sales promotion. Sponsorship is linked with PR but very often confused with advertising. Another point of misunderstanding is a distinction between corporate sponsorship and corporate philanthropy. When companies give money to nonprofit, charitable organizations and there's no connection between the contribution and any activity of the company we talk about corporate philanthropy. However, corporate sponsorship links clearly with activities such as explicit promotion of the company or its products. There are overlaps between the two phenomena though. Both may aim at improving employee morale, community relations or public image. The 'altruistic model' of Young & Burlingame (1996) assumes that corporations and societies are very interdependent and culture of social responsibility and ethical behavior that comes with the power over resources leads companies to philanthropy and pursuit of charitable objectives. Companies engaged in philanthropy may also aim at promoting the image of a company as a one that behaves responsibly as a public citizen, and protect their economic power (O'Hagan & Harvey, 2000).

Several scholars have studied the motivations for corporate sponsorship, amongst them Meenaghan & Flood (1983) list five categories: corporate motivations (to increase public awareness of a company, to change public perception of a company, to suggest a particular public image, to build goodwill among opinion-former and decision-makers, to assist staff relations, etc.), product-related motivations (promotion of a specific product, together with the achievement of media coverage), guest hospitality, personal and sales motivations. Colbert's (2000) study ranked importance of motivations in such order: better corporate image, increase in sales, greater visibility, social role. Kotler & Scheff (1997) argue that sponsorship promotions reach people in an environment that matches their lifestyle, rather than intruding on them; and that sponsorship responds to the consumer demand that companies give something back to their communities. Moreover, sponsorship opens up more direct and involving lines of access to customer groups and responds to people's need for live contact and shared social experiences.

Increased media coverage which festivals and other events attract is a perfect opportunity to promote corporate/brand image and name. The various reasons for sponsorship are not independent but often operate together (O'Hagan & Harvey, 2000). However, they may be separately analyzed.

- Promotion of Image/Name

Important distinction must be made between promotion that occurs when a company funds an event with an explicit link to a product it produces and when no such link exists. The first case allows promoting the brand directly and involves the actual usage of a brand product.

Sponsorship enables the company to obtain publicity that is not sold on the marketplace, such as access to media coverage. It's different from advertising in the media in away that it allows articles or news time to be devoted to the event. Therefore, it may be considered a subtle and indirect way of advertising, which can be more credible for the company.

Here comes the great advantage of arts events over sports ones. The latter events entail much greater risk. For example media coverage of a doping scandal or stadium riots can have adverse effects for the sponsor than those intended.

'Attendance at the arts events should be broadly correlated with the demand for the film's products. A film selling on a national market would wish to sponsor a national event or an event of a national significance (...) that would be capable of attracting considerable media attention, so that they would tend to be high profile or prestigious events at the relevant level' (O'Hagan & Harvey, 2000).

- Supply-chain cohesion

The incentive of sponsoring companies may be to improve the goodwill of its own employees or its suppliers towards the company. It's related with improving the production

(internally and/or externally) and lowering the costs by avoiding industrial relations tensions and enhancing synergies in the supply chain. Participation of the employees in the sponsored event may stand for corporate entertainment.

- Rent Seeking

A company may engage in arts event sponsorship in order to enhance demand (e.g. by restrictions on competition) or to reduce costs. There is direct (narrow) rent-seeking consisting of lobbying the decision-makers, for example corporate entertainment of politicians or civil servants would classify here; and the indirect (broad) rent-seeking referring to the altering of the environment in which the decisions affecting the firm are made.

A monopolist company with a poor public image which wants to lobby for the protection from competition may sponsor high-profile arts event in order to show that it has some positive benefits to society – its rent is not totally appropriated by the company but flows back to the community.

However, rent-seeking kind of motivation is not likely to be disclosed by corporate sponsors.

- Non-Monetary Benefit to Managers or Owners

If sponsoring gives other than economic gains to the individual in a company, he or she may prefer to sponsor the event via the company rather than personally if the tax position favors corporate giving. This qualifies as an individual philanthropic motive in business sponsorship.

When investigating the incentives of companies one should consider that large organizations tend to sponsor several events, and those with the most favorable experience of sponsorship reply more eagerly; moreover, companies may have some hidden motives which they will conceal (such as rent-seeking).

As to what kind of companies engage in festival sponsorship O'Hagan & Harvey (2000) notice that large corporations dominate in sponsoring international and national festivals, whereas small/medium sized companies tend to sponsor local events. Most of festivals' sponsors operate in specific sector: food and drink (brewing companies particularly), financial services (banks), IT companies and automotive sector.

Their study of 69 companies that had sponsored 129 arts events in Ireland proves that promotion of corporate image is the most important reason, followed by promotion of corporate name (those companies with well-known names would be primarily involved in promoting corporate image, e.g. BMW in Germany), promoting brand name and brand image as well as promoting the image of a company at a local level. The most important opportunities offered by sponsorship are: media coverage, corporate hospitality, employee

motivation, increased sales and sampling. Such results are not surprising as media coverage links to the image promotion objective.

The rent-seeking motivation can be concluded from factors mentioned by companies, such as: corporate hospitality, enhancing goodwill, corporate responsibility and community relations. These are all mentioned as motives for sponsoring by various companies. For example in Hitters' (1996) study on motivations of 154 corporate sponsors in Rotterdam area such factors rank the highest: "marketing/PR", "enhance relations", "community relations", "corporate responsibility", "personal commitment", "enhance brand recognition" and "employee benefits".

Sponsorship is one of the fastest growing marketing industries in many countries. In 1990's in the USA 70% of spending on sponsorship went to sports while the remaining 30% to the arts, of which 10% were festivals and one-time events (Turgeon & Colbert, 1992).

As arts sponsorship is expanding across countries, together with increased spending companies increase their expectations about the returns on their sponsorship investment. Firstly, festival organization has to acquire the right sponsor through target marketing, and then develop an ongoing bond with it in the process of relationship marketing. The first step in targeting sponsors is an identification of the types of people that attend the event and a clear understanding of the market segmentation process. This can be done using audience surveys which disclose nature and characteristics of the event attendees: their demographic, socio-economic and geographic profile, lifestyle, buying behavior and consumption patterns.

The second step is to understand the requirements sought by sponsors. International Marketing Reports (2002) gives the following: development of sales, customer loyalty, brand awareness, new markets, internal communications, business-to-business, relationships, new products, community relations, product knowledge, financial sector confidence, post-merger identity, and the revitalization of brand image. Only after festival managers had understood sponsor's objectives, can they develop measures by which the requirements will be evaluated and a package of event rights and benefits for the sponsor that meet mutual requirements. In the end, payment and conditions of service provision must be agreed.

One of the key elements of relationship marketing is to maintain sustainability, keep the relationship going for the period longer than the event only. Festival managers shall treat their sponsors in a similar manner as companies treat their customers, therefore, the rules of Customer Relationship Management (CRM) are applicable in a sense that mutual

trust between the organization and its sponsor must be developed through effective communication of information.

Companies' investment in sponsorship doesn't boil down to relying on the event rights alone. Reaching the target market may require significant support with other activities that will cost over and above the outlay for those event rights. There is a need for exploitation across all sectors by sponsors in order that they achieve their sponsoring objectives. Such exploitation can bring exposure, promotion and sales for the event even though it is not the event that funds those activities. For example a sponsor may have to invest in pre-event promotion.

To evaluate return on the investment, three key questions must be addressed (Masterman, 2004):

- Visibility – How clear was the sponsorship?
- Sightings – Who took notice?
- Objectivity – Did it achieve what it was supposed to?

Table 3.2: Evaluation methods:

Event Sponsorship Evaluation Research	
Media Related	Customer Related
<ul style="list-style-type: none"> • Media value & equivalent advertising costs • Audience levels – printed media circulation, TV viewing, radio listening or Internet hits • Impact value – quality values applied to media types and coverage • Frequency of media reports • Opportunities to see – coverage statistics 	<ul style="list-style-type: none"> • Sales figures and enquires figures • Audience spectator numbers • Merchandise sales figures • Shifts in awareness assessments – of brands, image • Quality of awareness studies • Tracking awareness over time • Market share improvement and speed of improvement • Promotional response numbers – distribution of samples, redeemed coupons

Source: Masterman, G. (2004) in Yeoman, I. *Festival and Events Management: an international arts & culture perspective*, Oxford: Elsevier Butterworth-Heinemann.

Sponsorship awareness is a difficult area to evaluate accurately, and effective evaluation can be expensive. Therefore, not many organizations undertake it. From the above listed evaluation methods, media value method is deemed unreliable - amount of brand visibility as being worth the amount it would cost to buy the equivalent in advertising space, but there is no proof the brand has been seen (Masterman, 2004). Customer-related research identifies the quality of awareness through focus groups, surveys and interviews. Sales

objectives are quite easy to evaluate – sales results before and after an event and over a tracked period must be compared. The most effective approach implies multiple-technique evaluation.

Corporate sponsorship has its drawbacks though. Most frequently ethical issues arise when entering a sponsoring deal. The problematic and controversial question is to what extent, if at all, should an event sell itself off into the hands of product or service endorsement. There are always concerns over artistic integrity and who controls artistic content.

3.6 Project management and fundraising

Project management in the arts and culture is applied at festivals, large scale events, and by small pioneers. When small enterprises are set up, project management is often replaced by improvisation and structuring of the working process (Byrnes, 2003). When managing a project several basic factors must be considered: size of the project, its time span, costs, risk, quality of the project, and stakeholders involved. The project management has four stages:

- conceptualization / decision
- planning
- execution
- evaluation

In the *Conceptualization* stage five project result requirements (time, location, producers, consumers, quality), five project elements (content of the activities, time required per item, cost to be made, logistics, calculated risks) and five project procedures (information about risks, authority, autonomy, project control, sponsorship) must be considered.

The decision to hold a special event must be preceded by the clear definition of aims and objectives: economic, political, social and cultural. Establishing management board and outlining feasibility study (market research, financial study) are part of the decision-making process.

In the *Planning* stage all the elements of the project must be worked out in detail: elaborated and brought in the best order possible. When elaborating the elements a project manager must define activities, determine the amount of hours needed, and labor risks. Instead, putting all the activities in the right order means that mutual dependency of these activities must be determined, they must be tuned to each other, and throughput-time of the project must be agreed on. Event-scheduling, HR management, marketing, venue planning, operations management, financial study and a precise event definition are included in this stage of project management.

In the *Execution* stage the project is being implemented. Managers must deal with contingencies and monitor progress during the whole execution phase, so that the event can be successfully shut down.

Outcome of the event and its whole process are evaluated in the last stage of the project management. *Evaluation* encompasses feedback from: sponsors, community, event organizers, customers, environment, and staff (Yeoman, 2004).

Yeoman suggests that objectives of the project must be 'SMART': Specific to the event, Measurable, Agreed, Realistic, given resources available, and Timed. Moreover, objectives must be related with income, ticket sales, advertising revenue, merchandising sales, sponsorship, donations, subsidies, number of visitors, and level of investment.

Event marketing principles are applied when staging a film festival. Therefore, it can be analyzed in terms of marketing-mix components: product, price, place, and promotion.

Product – According to Kotler (1984), a product is defined as “anything that can be offered to a market for attention, acquisition, use or consumption; it includes physical objects, services, personalities, places, organization services and ideas”. Successful products have to be produced based on client's perceptions and needs. A festival company offers unique blend of activities: core products: film screenings, and secondary attractions ('spin-offs'): conferences, discussion panels, art exhibitions and performances, music concerts, workshops, promotional items, etc. Festivals are themed events, therefore multiple elements must fit with it: festival name, logo, venue decoration, staff uniforms, activities, entertainment, music, food & beverage, merchandize, etc.

Film is a specialty product, for which customers put considerable effort to get it: devote time, travel long distance, etc. and a complex product which require consumer's knowledge about various concepts. Like other products festivals have their life-cycle, consisting of such development stages: introduction, growth, maturity, and decline.

Price – the price festival-goers pay is not only the cinema ticket (or a festival pass) but also related expenses and effort expended. In the cultural sector external authorities may regulate the prices, therefore price setting involves different players; not only government, but also consumers (market demand), competitors (impact on price adjustments), suppliers (distributors who rent films), and sponsors. As demand for cultural goods is inelastic, festival-goers are not price-sensitive. Colbert (2000) states that there exist product elasticity of visitors towards product-mix offered at the festival; promotion elasticity (e.g. increase in advertising increases demand); and distribution elasticity (convenient screening locations, ticket selling techniques, number of points of sale all influence the demand). As festivals may target several segments, price discrimination is a popular

pricing strategy. Other strategies may be: cost-oriented pricing, competition-oriented pricing, or prestige pricing (when high demand is guaranteed).

Place – refers to the physical distribution of festival products: city, number of venues; and commercial location: points of sale, ticket distribution. As festival ‘consumption’ takes a few days service infrastructure is a key element. Access to the festival location (public transport, airport), or board and lodging facilities are parts of the ‘place’ variable. When selecting a festival venue such factors must be taken into account: size and capacity of the venue, facilities available, its visibility, centrality and clustering, venue cost, history (positive or negative reputation of a venue), safety, political situation, and personal preferences (Yeoman, 2004).

Promotion – it aims at informing, persuading, reminding, creating awareness of a product or improving image with the use of communication channels on different levels (national, international) through advertising in media channels: TV, press, radio, Internet; poster; publicity (press releases, press conferences, interviews, articles, brochures), PR, or direct marketing. In case of film festivals also mouth-to-mouth promotion and buzz marketing play an important role.

Fundraising is an everyday activity for an arts organization. Whether it is called fundraising, development, advancement, or community relations, the basic objective is the same. The quest to build, maintain, and enlarge an organization’s base of donors who routinely support and believe in the organization is a full-time challenge. Perhaps no area of managing an arts organization comes under closer scrutiny or is subject to more pressure than fundraising. For many organizations, 40 percent or more of the yearly operating budget may come from gifts or grants by individuals, foundations, art councils, and corporations (Renz, 1990). Changes in the external environment have impact on the organization’s fundraising efforts. These include: political, economic, legal cultural and social, demographic, educational, technological changes (Byrnes, 2003). Cause-and-effect relationship between external environments and donations are very unpredictable and require careful attention. Because the funding arena is volatile, it is very risky for arts groups to be dependent on only one source of funds. As fundraising is a growth industry, there is a constant high demand for people who can organize and effectively manage the fundraising activities of a nonprofit corporation.

Most fundraising activity starts with research, background work, writing, and social interactions with potential sponsors and donors. Fundraising plan is dependent on the overall strategy of an organization – if it pursues ‘stability strategy’ fundraising will

concentrate on the current donor base, while a 'growth strategy' requires finding new sources of financing for the expanding company.

Activity areas in fundraising planning and process (Byrnes, 2003) include:

1. Organization profile and audit – consider mission of a company, its programs, current fundraising activities and financial condition
2. Needs assessment – determine the amount needed for programs, assess the giving potential or current donor base, company's potential for attracting new donors, and capabilities of carrying out plan
3. Plan development – establish overall and specific objectives, design campaign strategies per program needs, prepare the resources – data gathering system, train staff and volunteers, calculate the budget, establish a detailed timetable, do the donor research
4. Implementation – individual giving programs, corporate giving programs, foundation giving programs, grants and subsidies are implemented usually with the aim to build long-term relationships necessary for future campaigns
5. Processing and evaluation – monitor giving, acknowledgments, adjust objectives and strategies as needed, assess outcomes and adjust as required, adjust data gathering systems

Identifying possible funding sources, evaluating their giving potential, ranking them according to importance and suitability, and finding the right contact person may take a long time. Similarly, evaluation and adjustment are the ongoing processes. Finding a close match between the donor and the funding need is crucial. The exchange process should make contributors feel that the money, goods, or services they are donating will help solve a specific problem (Byrnes, 2003).

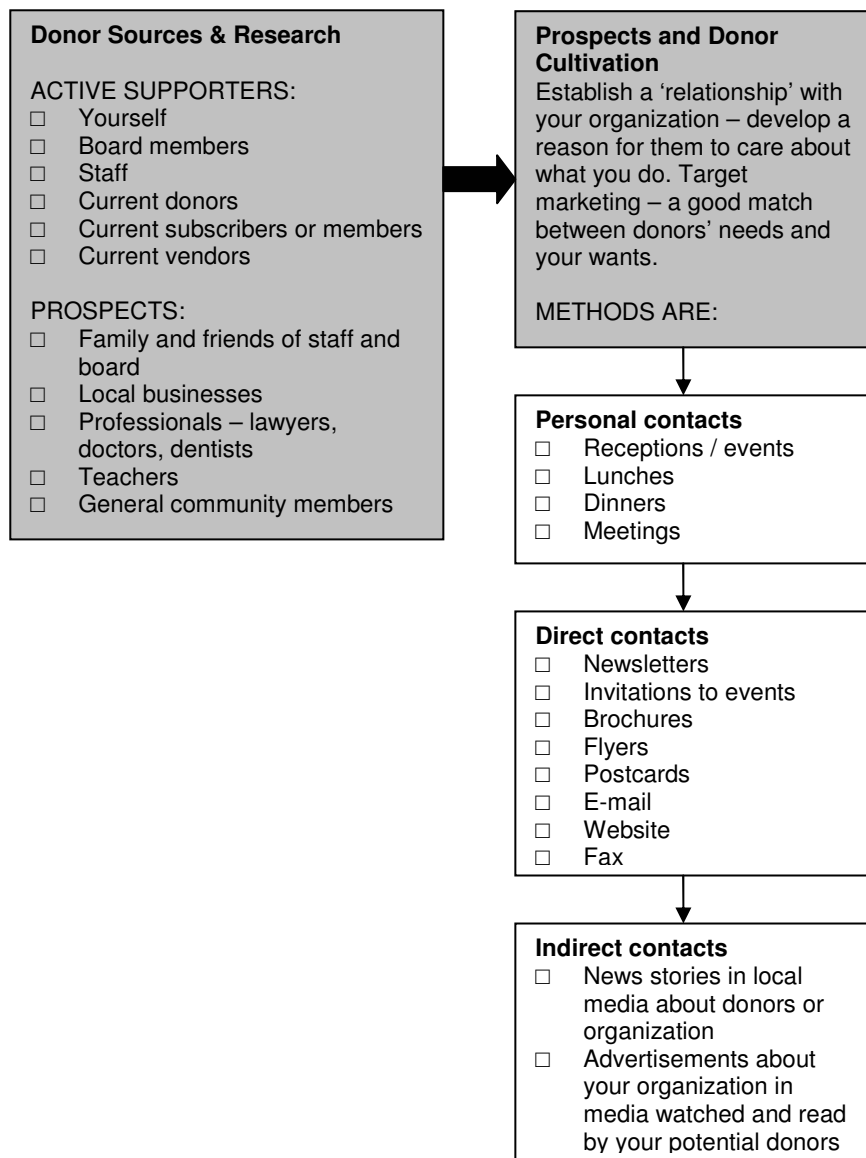
The fundraising management involves a lot of aspects of project management: budgets, schedules, timetables, problem solving, and group leadership techniques. An individual with excellent group and project management skills is required for a campaign to succeed. All donors have the right to be informed of the organization's mission, the way organizations intends to use the resources contributed, of the capacity to use donations effectively. They are allowed to know who is governing the organization, and may have access to the organization's most recent financial statements. Moreover, donors shall be assured that information about their donation is handled with confidentiality.

Fundraising activity has its costs, and these shall be kept under 10% of the total amount raised for the organization to be viewed favorably by donors (Byrnes, 2003). Therefore, effective budget control system must be in place and legal requirements of a specific country must be met.

Similarly to other cultural organizations, film festivals have fundraising campaigns that never end. Funds are sought on a continuous basis for the organization to survive financially and guarantee that the next festival edition is feasible.

The steps required to target the sponsor and sustain a relationship with them are shown in a table below.

Table 3.3: Donor cultivation and solicitation:



Source: Byrnes, W. (2003), *Management and the arts*, Focal Press: New York

Financial management effectively controls growth and should be carried out by event organizations for the protection of creditors and shareholders and generally keeping the company in business. Financial management and budgeting are vital components of event management. It is important for event managers to develop skills and strategies that

cultivate and maintain effective control over the income and expenditure of the event, regardless of the size of the event. Budgets must not be used only as a tool to develop the revenue and control the expenditure but also to include the behavioral aspects. Budgeting must also be considered to increase the staff morale in order to achieve the budget's goals set by the event organizer (Raj, 2004). Generally, making plans for the future, implementing and monitoring them is all considered budgeting activities. Budgeting is a part of financial management process and it operates within an organization environment to improve the effective decision-making process. Festival companies need to produce a budget as a benchmark to provide a guideline to potential donors and sponsors. The budget is the most important part of financial management that the event organization will use to make effective decisions (Raj, 2004). It contains fixed, variable and semi-fixed costs. Cash budgets are the most important tools because they give early indication of whether the event is going to make a profit or loss, and because cash is the most liquid asset a festival organization can hold.

Examples of fixed costs for a festival company include: staff wages, rent, and rates, insurance, light and heat standing charges; while variable costs (which change with the level of activity and are hard to control) may include: cost of advertising, printing, speakers, and hiring of venue.

The most problematic issues related to corporate support is the conditions (some direct, some implied) that may be attached to a gift, and ethical considerations. Seeking funds from companies that produce products thought to be harmful to the environment or to people. Or from companies that have holdings in politically repressive countries, could be detrimental to the community perception of the arts organization.

In certain countries (mostly in USA) corporations establish foundations to distribute their gifts. Foundation is defined as a 'nonprofit, non-governmental organization with a principal fund or endowment of its own that maintains or aids charitable, educational, religious, or other activities serving the public good, primarily by making grants to other organizations' (Byrnes, 2003). They may be grant-making foundations, community foundations, or direct corporate-giving programs. Foundations typically fund specific types of activities.

Fiscal planning and control are the activities on which arts manager spends a large portion of time. Financial management is at the center of attention because expectations about the amount of money that can be generated through sales and donations are often unrealistic. At the same time, prices, labor, and operating costs increase higher than anticipated. Budget cuts lead to quality reduction, because fewer resources are available. To summarize, fiscal management strategies to be effective must include:

- realistic budget planning procedures for revenue first, then expenses
- organizational attitudes and values that stress that budget are not to be exceeded
- very tight control and oversight systems for expenditures
- a clear picture of the cash flow needs of the organization

How the financial management and project realization are organized within a festival company depends on its organization structure.

3.7 Organizational structure of a festival company

Organizational structure is the 'formal system of working relationships among people and the tasks they must do to meet the defined objectives' (Schermerhorn, 1986). Festival companies usually are organic organizations with a less centralized structure, fewer detailed rules and regulations, often ambiguous divisions of labor, wide spans of control or multiple job titles, and more informal and personal forms of coordination.

They are managed by a few individuals, each responsible for one area of work. Thus, horizontal hierarchy does not exist in such a company. Before the festival takes place hundreds of volunteers are hired and trained; each has to complete a specific task. As these people are unfamiliar with the organization and don't know the managers, and tasks have to be performed smoothly, the key issue is to have professional problem-solving system. Team management is applied – all volunteers are grouped by functions and their supervisors /coordinators are selected. Everybody knows who to report to and organizational chart is kept very flat or even is non-existent, with horizontal coordination. Scholars (Cameron & Quinn, 1999; Morgan, 2006) termed such an organization an 'adhocracy'. Adhocracy is an organization that is temporary by design. A major goal of an adhocracy is to foster adaptability, flexibility, and creativity where uncertainty, ambiguity and/or information overload are typical (Cameron & Quinn, 1999). This type of organizational culture entails no centralized power or authority relationships, but temporary organizational design and individuality instead. As there is no organizational chart, both physical space and staff roles are only temporary. Adhocracy culture is characterized by a dynamic, entrepreneurial, and creative workplace. The organization's long-term emphasis is on rapid growth and acquiring new resources.

The festival workers who are their fixed staff (the ones preparing the event in the months preceding a festival) tend to be highly motivated individuals committed to the successful launch of the event.

Festival companies are 'open systems' because they are highly integrated with their environment and must achieve an appropriate relation with that environment if they are to survive (Morgan, 2006). This refers to interactions with audiences, suppliers, sponsors,

government agencies and competitors, scanning changes in these environments, and developing appropriate operational and strategic responses. Only then, can the relations with all parties be built successfully. Morgan also stresses that 'living systems' have flexible patterns of organization that allow the achievement of specific results from different starting points with different resources in different ways. The amounts of raised funds, or people who will volunteer are uncertain contingencies that must be dealt with. Because the festival company doesn't run business operations on a year-round basis and only during ca.10 days it obviously cannot earn enough sales income to fully finance the project it undertakes. Hence, the adhocracy organizational structure has clear implications for the financing of a company.

3.8 Summary

Both state and market failure in the provision of cultural goods led European cultural organizations to apply strategies which combine different financing mechanisms. Market operations merge with the state intervention. Festival's market operations refer to earning profit from the ticket sales and to business transactions with the sponsors. Instead, state intervention takes the form of international, national or regional funding policy and regulation of the whole audio-visual sector. Cooperation between the cultural, market, and government spheres may turn beneficial to all the parties involved as long as they realize their partners' expectations and accountability towards each other.

Film festivals have clear multiplier effects on the local economy, the impacts can be tangible and implicit, positive and negative; therefore, efficient evaluation mechanisms are required. Similarly, transactions between festivals and business corporations may benefit both parties as they allow private organizations to target their customers with below-the-line marketing and reach other objectives, and provide financial support to festivals; but their leverage could be negative as well. So as not to attribute a commercial image to a film festival, its managers must carefully plan their fundraising strategy. Organizational structure of a festival company fosters creativity and flexibility that is required in managing the event, however, the size of workforce impedes financial management, which is very complex and risky.

Chapter Four: International Film Festival Rotterdam

The International Film Festival Rotterdam offers a quality selection of worldwide independent, innovative and experimental cinema and visual arts. Devoted to actively supporting independent filmmaking from around the globe, IFFR is the essential hub in Holland for discovering film talent, for catching premieres, and for exploring its competitions, main sections of recent feature films, short films and documentaries, visual arts exhibitions, theme sections and debates⁵.

During twelve festival days, hundreds of filmmakers and other artists present their work to a large and devoted audience in 24 screening venues located within central Rotterdam. Up to 3,000 press and film industry representatives visit the festival to report and catch the buzz on its premieres or to take part in CineMart, the largest co-production market for film projects.

The main program sections of IFFR include:

- Tiger Awards Competition for first or second feature films
- Tiger Awards Competition for Short Films
- Cinema of the Future: Sturm und Drang (innovative films by upcoming talent)
- Cinema of the World: Time & Tide (socially and culturally committed filmmaking including a rich harvest of new films supported by the festival's Hubert Bals Fund)
- Maestros: Kings & Aces (films by the accomplished maestros of auteur cinema)
- Cinema Regained (independent or avant-garde film classics, documentaries on film)
- Short: As Long As It Takes (short film section)
- Filmmakers and Artist in Focus
- Exploding Cinema (exhibitions of film-related arts installations)

In addition, during each edition of IFFR special theme sections are presented.

The International Film Festival Rotterdam actively supports, on an international level, the realization of auteur cinema, the expertise of independent filmmakers, producers and film criticism. To these goals, the festival organizes its international co-production outfit CineMart, its Hubert Bals Fund giving financial support to film projects from developing or southern countries, trainee projects (Rotterdam Lab and IFFR Trainee Project for Young Film Critics, Passions and Promises) and debates.

On a national level, the festival promotes the distribution and knowledge of independent cinema in collaboration with Dutch art-house film theatres (Tigers on Tour) and Dutch public television networks NPS and VPRO, as well as the festival's DVD label Tiger

⁵ www.iffir.nl

Releases. Since January 2005, the festival hosts Tigeronline.nl, a video on demand website. On a national, regional and local level, the festival organizes educational activities for university and college students (Rotterdam Film Course, Meet the Maestro and Filmblik Rotterdam).

The International Film Festival Rotterdam is subsidized by the national and local government. For theme sections, collaborations with other Rotterdam cultural institutions and special projects, the festival receives donations from private funds. Ultimately, the festival would not be possible without its large festival audience, hundreds of volunteers and support from its festival sponsors.

History of the festival and its initiatives that go beyond film projections are described in the first part of this chapter. How the festival deals with its fundraising activities, and what kind of audiences visit the festival each year will be investigated in the following paragraphs.

4.1 History

Since the first staging in 1970s International Film Festival Rotterdam has always followed the aesthetic agenda. It wasn't founded in the context of pre/post war Europe and is not rooted in a project for national or geopolitical interests. Inversely, it has put itself on the map of the international film festival circuit as an important and prestigious event that is specialized in what could be summarized as a “triple-A” niche of “art, avant-garde and auteurs” (De Valck, 2006). Specialized festivals originated in 1970s, as a result of: (1) historical transformations of the late 1960s, and more specifically, the French New Wave (2) technological transformations and (3) the rise of the experience and attention economy. Pesaro Film Festival in Italy had substituted the conventional festival format of international juries and prizes for a practice of roundtable discussions, lengthy publications and audience participation. For the specialized festivals programming was the core business. Film festivals took upon themselves the task of selecting films for the festival screenings, instead of national film institutes and funds.

The 1970s was a special time for festivals as they were not restrained either by national politics or economic interests - programming did not depend on audience expectations or the financial side of event management. All these started playing an important role from 1980s onwards (De Valck, 2006). The first IFFR's director and programmer was Huub Bals (1937-1988) who started his festival experience by organizing Cinemanifestatie in Utrecht in 1966. In the beginning Cinemanifestatie was criticized that its main objective was promoting commercial cinema theatres and screening only those films that fitted their profit-making policy. Moreover, as far as programming was concerned, Bals was dependent on the Dutch and international distributors who controlled the acquisition of

films for the Netherlands. In 1972 he became the managing director of the new cultural centre “t’Hoogt” and shifted his interests from the promotion of cinemas towards the programming of art and avant-garde films. He decided to organize a festival that would be independent from commercial theatres but instead, would improve the film culture in the Netherlands. This is how the project of Rotterdam film festival set out. During the first edition of IFFR in 1972 Huub Bals was promoting artistic, engaged and stylistically innovative films; facilitating discussions with the audience and stimulating their active participation⁶.

Culture became a municipal concern in Rotterdam in the late 1960s as the Dutch capital - Amsterdam already was attracting constant streams of tourists by its cultural heritage and various forms of art, while Rotterdam didn’t have historical ingredients for an obvious urban self-image at its disposal (De Valck, 2006). Rotterdam’s strategy was to concentrate on different art forms, like architecture, film and poetry. The municipality guaranteed to make all financial requirements available that would lead to the desired improvement of the film situation and in the long run, make Rotterdam the second capital of culture in Holland. The first step was to establish Film International – an organization distributing artistic films and organizing a film festival each year, with financial support flowing from Rotterdam’s cultural positioning project. The project provided for the establishment of an alternative distribution network of art houses screening artistic films all year round. Such a local policy breaks the national monopolization of the film world, brings film closer to the local community, and eliminates pure profit intent of film as the most important cultural form of entertainment.

Film International would also purchase the films for the film festival. The idea behind this double distribution focus (both permanent, art-house, and temporary film festival exhibition) was to secure enough return on investment to continue the non-profit activities. As the local public interest was difficult to predict, subsidizing the acquisition of films for the new festival alone was deemed too risky. All this was supposed to turn Rotterdam into a film capital of Holland and to centralize the city. Having financial support from the Ministry of Culture and the municipality, Film International succeeded in launching the most prestigious cultural event in the Netherlands.

Like IFFR in its beginning, following the French New Wave, film festivals appropriated the notions of auteur and new waves as strategic discourse. Their aim was to present the current condition of the cinema to the world. Film festivals have the right to actively select films that will be screened and nominated for awards and thereby they can mobilize public

⁶ www.iff.nl

attention for diverse issues; participate in the film culture and even make a political difference.

The independent format of festival programming led to the phenomenon of the “festival film” – a one which succeeds on international film festivals, but fails outside the festival circuit (De Valck, 2006).

The management of IFFR admits that through media films may be presented to the international public via festival exposure, and film-makers earn recognition via favorable film criticism and festival awards to reach the cultural status of true auteurs.

Why festivals, including IFFR, have turned to specialized and themed programming? As mentioned before, global political turmoil that initiated the process was an inspiration for socially and politically committed filmmakers worldwide. Starting in Pesaro political cinema was shown also in Locarno, Edinburgh and special sections of Cannes and Berlinale. Then, there were seminars, conferences and retrospectives organized first in Pesaro and quickly at other film festivals. Festivals turned to specialized programming also in order to differentiate from one another. The need for distinction was particularly important for newcomers in the festival network in order to be competitive.

In Rotterdam the specialization of the festival was not strategically planned, but the direct result of the taste preferences and cinephile passions of festival director Bals (De Valck, 2006). Rotterdam gained its competitive position by concentrating on new talent and auteurs from the art cinema and avant-garde, and displayed special attention for films from “the Third World”, “the South” and “developing countries” – Bals himself favored films from Russia and Asia. However, in 1987 Bals had to resign as director of Film International, when the Ministry of Culture decided to discontinue its structural subsidy. He was re-appointed as director of the foundation “Film Festival Rotterdam” and was advising the new distributing organization “International Art Film”. He died unexpectedly in July 1988 but before that he founded a special fund, called ‘Hubert Bals Fund’ (HBF), to support talented film-makers from developing countries. The fund allots financial grants twice a year to innovative, high-quality movies at different stages of production and various areas: script or project development, post-production and distribution, as “support in these areas has proven to be of the most effective kind” (Ockhuysen, 2004). Such festival-related funds provide financial help (€ 10 000 for script development, € 30 000 for post-production, and € 15 000 for distribution in the country of origin), and officially recognize the films’ artistic value. Therefore, cultural value is added to projects which have been selected by film experts. In 2003 Balkan Fund was launched, and in 2004 World Cinema Fund in Berlin, following the Hubert Bals Fund example. By supporting certain projects these funds decide which films will be realized and available for festival-programmers to select from.

The Hubert Bals Fund is designed to bring ‘remarkable or urgent feature films and feature-length creative documentaries by innovative and talented filmmakers from developing countries closer to completion’⁷. The HBF provides grants that often turn out to play a crucial role in enabling these filmmakers to realize their projects. Although the Fund looks closely at the financial aspects of a project, the decisive factors remain its content and artistic value. Since the Fund started in 1988, close to 600 projects from independent filmmakers in Asia, the Middle East, Eastern Europe, Africa and Latin America have received support. Approximately 80% of these projects have been realised or are currently in production. Every year, the IFFR screens completed films supported by the Fund.

Annually, the Hubert Bals Fund has close to €1.2 million at its disposal.

Additionally, in order to offer Dutch producers the possibility to get involved more often in international productions, and to support the ‘Hubert Bals Fund projects’ in the stage of actual production, the Hubert Bals Fund Plus has been set up by the Dutch Film Fund and IFFR. In 2006 the Dutch Film Fund has made € 200.000 available for this project.

HBF also supports special projects, such as training initiatives for filmmakers in developing countries. At the Hong Kong, Manilla, Sarajevo, Carthage and Jakarta film festivals or markets, the Hubert Bals Fund participates in script workshops.

Each edition, the International Film Festival Rotterdam screens a large part of the year's harvest of completed films supported by the fund. Hubert Bals Fund supported films may be selected in Competition or the Sturm und Drang, Time and Tide or other sections.

Over the years, the interest for HBF supported films steadily increased. Many international film festivals keep a close eye on completed HBF supported films and select them for their programs. Those festivals include: Cannes, Venice, Locarno, Toronto and Pusan.

The Hubert Bals Fund is supported by the Dutch Ministry of Foreign Affairs, Dutch non-governmental development organizations Hivos and NCDO, the DOEN Foundation and Dutch public broadcasting network NPS.

As Hubert Bals said: “The future of cinematography is not to be expected from Europe or the United States, but all the more from lesser known film cultures”, and it stays the motto of IFFR’s fund. In 2006 twenty five films made with the support from the Fund were screened during the festival. A large number of titles were also selected for prestigious international festivals.

4.2 Festival’s initiatives

There are projects initiated by IFFR that go beyond mere film screenings. These refer to the educational mission of a festival, conception of a film market which facilitates

⁷ www.iffir.nl

transactions between various players in the film industry, and the platform for the business community.

Complying with its educational mission, in 2005 the festival introduced three new sections which familiarize new visitors with the film art. These are “Maestros: Kings and Aces” where films of established directors and great auteurs are presented, “Cinema of the World: Time and Tide” – films with a critical look, and “Cinema of the Future: Sturm and Drang” – screenings of young and innovative cinema.

Technology and digitization made film festivals to continuously respond to changes and adapt accordingly. They need to protect or reposition themselves within the expanding and dynamic festival circuit in order to compete and survive. “Exploding Cinema” is IFFR’s program that responds to the emergence of a multimedia environment and investigates the blurred borders between cinema and other arts. By these IFFR was able to offer commodified “experiences” that exist in the present-day culture economy. In 1997 the ambitious “Exploding Cinema” program received extra funding from the Fund for Dutch Cultural Television Productions. This section included: installations, games, music/media events and exhibitions in other arts institutions in Rotterdam, and was a proof of the festival’s interactive participation with cinema culture at large.

In order to compete on equal terms with other international film festivals, IRFF director Emile Fallaux introduced the VPRO Tiger Awards Competition in 1995.

Competition programs attract the most of media attention; festivals in turn need this media attention to attract film-makers and sponsors.

The festival places great emphasis on devoting attention to young film-makers and this is reflected in the annual VPRO Tiger Awards Competition, for which only debut or second films from a director are eligible. Each of the three winners of VPRO Tiger Awards is awarded a sum of 10,000 €. In addition, to ensure that the winning films reach as broad an audience as possible, the awards also consist of broadcast of the winning films on television by Dutch broadcaster VPRO, and the three winning films are screened in more than 25 cinemas throughout the Netherlands in the Tigers on Tour program (Ockhuysen, 2004). This results from the fact that festival has for many years been dedicated to securing theatrical or other releases (DVDs and online platform) for valuable festival films. The International Film Festival Rotterdam launched CineMart 24 years ago as a regular film market. However, it quickly became apparent that there was a greater need for a new kind of platform to present projects looking for additional financing. With that in mind, the IFFR remodelled CineMart as an effective co-production market. Throughout its history, CineMart has proven to be an integral part of the film industry, providing an indispensable platform to support the realization of new film projects and heralding the start of each new ‘film year.’ The formula of introducing projects to potential co-producers, sales agents,

television buyers, distributors and financiers in one-to-one meetings has proven to be so effective that many festivals have used the same blueprint to create their own co-production markets. CineMart is pleased to be working together with many of them, including Cannes, Berlin, Pusan, Hong Kong, Buenos Aires, Independent Features Project (IFP), Sithengi Film and Television Market, Paris Cinema and CineLink.

CineMart was the first platform of its kind to offer filmmakers the opportunity to launch their ideas to the international film industry and to find the right connections to get their projects financed. Every year, the CineMart invites a selected number of directors/producers to present their film projects to co-producers, bankers, funds, sales agents, distributors, TV stations and other potential financiers. One of CineMart's trademarks is the highly productive, yet informal atmosphere. In order to maintain such an environment, the number of projects is kept to around 45 and the invitation process is selective. The five-day event takes place concurrent with the IFFR and shares its location with the festival centre, De Doelen, in the center of Rotterdam. CineMart is an invitation only market. The list of industry delegates attending CineMart is carefully reviewed every year in order to ensure that the attending industry can contribute to the projects in the CineMart selection. The CineMart staff also organizes The Rotterdam Lab, a 5-day training workshop for young and emerging producers designed to build up their international network and their experience at an international festival and market. Participation in the Rotterdam Lab provides young producers with the confidence and skills to navigate the festival circuit and meet the professionals who can help finance their projects.

CineMart 2007 is supported by the MEDIA Program of the European Commission, Rotterdam's City Development Corporation, Dutch Film Fund, ARTE France Cinéma, and Prince Claus Fund for Culture and Development. Moreover, over the past years, CineMart has built up many strategic alliances with training organizations, film agencies, festivals and markets in order to be able to support the selected CineMart projects throughout the year and not just for the five days in Rotterdam.

CineMart has always had a focus on producers who are in the beginning of their careers. Several years ago, the CineMart staff realized that many new producers lack the knowledge on how to operate in an international film festival or market setting. Therefore, in 2001, based on the belief that these skills are vital for any producer, and to provide young professionals the means to develop an international network, CineMart organised the first CineMart International Trainee Project, later renamed the Rotterdam Lab⁸.

⁸ www.iffir.nl

The participants of the Rotterdam Lab are starting producers, who are 'nominated' by several international training bodies, festivals and funding agencies with which the CineMart has partnerships. Traditionally, panel discussions are organised on different topics such as production, sales, financing, distribution, press & promotion and television. These panels take place in an informal setting and are organised to illustrate the process by which a project in need of financing is completed and brought to its audience. In these panels, experts from the industry give the producers tools on how to present their project and how to build up an international network. In addition to the organised programme, it is important that the producers take the chance to participate in all other CineMart events, such as networking lunches, cocktails and other panels. They are encouraged to take advantage of their time in Rotterdam as much as possible by strengthening their network. Above all, consultants are available during the entire CineMart schedule in order to advise the Rotterdam Lab participants on the financing structures and approaches of their projects. Over the past few years, the Rotterdam Lab has expanded steadily, with more producers from more regions participating every year. The Lab has already resulted in many producers returning to CineMart, and films by producers who have attended the Lab have been screened in the official Festival programme. By bringing together a mix of producers from around Europe and the rest of the world, the Rotterdam Lab has also generated many alluring international co-productions.

The CineMart is known as an informal market, where international film professionals take a look at the new film projects, project representatives and potential financiers gather on one-to-one meetings, and do business in a relaxed atmosphere.

In order to retain this friendly, accessible character, it was decided not to further increase the number of guests. In 2006 CineMart received 816 professionals (2005: 901). In cooperation with a range of (inter)national partner organizations, a five-day 'workshop' for 45 new producers was organized.

Combining within its organization a festival, a fund and a co-production market, the IFFR offers a launching pad and supportive platform for innovative and talented independent film-makers. CineMart is a financing matchmaker while Hubert Bals Fund offers script development-, or post-production-grants to independent film-makers in southern or developing countries. One more project has been launched at IFFR, that is a business platform called the 'Tiger Business Lounge'.

TBL was initiated by the International Film Festival Rotterdam and is supported by the City Development Corporation (OntwikkelingsBedrijf Rotterdam, OBR). The TBL creates a

platform for cooperation within the business community in Rotterdam and beyond. Membership of the TBL is an excellent way to create a sustainable relationship with IFFR.

Tiger Business Lounge members include:

3PO, ABN AMRO Bank NV, Aon Nederland, Argos Groep, ART Hotel, de Bok Roijers, Gasseling Advocaten, Brotherhood Holding, Dura Vermeer Bouw Rotterdam BV, Ernst & Young, Freeland Corporate Advisors, Hogeschool INHOLLAND Rotterdam, Holland Casino Rotterdam, Houthoff Buruma, ING Bank, Intermax, JVR Audiovisual, Labora Service Management, Matrans Holding BV, Nassau verzekeringen, NautaDutilh, Nedspice Holding bv, Ontwerpwerk, Ontwikkelingsbedrijf Rotterdam, PriceWaterhouseCoopers, RET, Robeco, Rotterdams Fonds voor de Film en audiovisuele media, Veenman Drukkers, and Vestia Groep.

The International Film Festival Rotterdam is – in terms of paying visitors – the biggest cultural event in The Netherlands. By becoming a member, companies show their support for the festival and their actual interest. By showing this, members may use the festival to present themselves and organize activities at the festival locations to support their image and marketing position and positively influence corporate communication.

The Tiger Business Lounge has a joint objective. It promotes public support for the festival by making the (Rotterdam) business community more involved. In addition, the TBL generates extra income for the festival. The annual membership fee for the Tiger Business Lounge is € 2500.

The Tiger Business Lounge targets companies in the Rotterdam region, and at the numerous private organizations that take an economic interest in Rotterdam. Privileges for members of the Tiger Business Lounge Members can enjoy the extensive package of services tailored to their specific wishes, if required. Members enjoy the following advantages⁹:

- The opportunity to exclusively receive local or foreign contacts and organize hospitality activities during the festival (receptions and meetings)
- Invitations for the official opening of the festival
- Invitations for the closing film and closing party
- Admission to personally selected films
- Presence of company information in various festival productions or publications
- Admission to special reservations services to easily obtain free tickets
- A selection of recommended films, including brief introductions to the films Preview of a festival film, or a film from a previous edition, in the non-festival period.

⁹ www.iffir.nl

4.3 Audiences of specialized festivals

IFFR is the second largest audience film festival in the world with an attendance of 355,000 in 2006 (the only larger one is the German Berlinale) and is popular with a diverse and devoted audience. This number indicates that IFFR is an important national and international event and therefore, allows applying for huge amounts of public funding and attracting sponsorship. Certain people, however, are concerned about the size of the festival. As a Dutch film critic Dana Linssen says 'it would be better for the culture of wayward, pronounced and artistic films in general if these same people would once in a while go to the cinema during the rest of the year as well (...) The IFFR would be smaller, more explicit and more accessible'. That's why in 2006 program was considerably reduced, the principal aim of which was to raise the profile of the individual films and various festival sections. This in turn meant fewer public screenings, but an increase in the number of debates, talk shows and one-off presentations.

According to a research done by the festival management team '62 percent of IFFR visitors belong to the higher social classes, 26 percent to the middle social class, and six percent to the lower social classes. However, only 17 percent of these consider the festival to be elitist'. The profile of IFFR's audience can be further developed: 33 percent of festival-goers are below 30 years old. Half of the audience is between 17 and 39 years old. As for the place of residence 43 percent are Rotterdam inhabitants, 52% come from the rest of the Netherlands, and only 5 percent from abroad¹⁰.

Cinephilia as 'the state of being haunted or excessively preoccupied with images, themes, dialogue and personalities in cinema'¹¹ characterizes all movie lovers and make them form groups that are bound together by shared taste preferences. The phenomenon has been transformed by new technologies – video and Internet, and many fear that technology threatens cinema, but as Thomas Elsaesser (1998) says: "When we speak of the cinema today, we speak of cinema *after* television and *after* the video game, *after* the CD-ROM and the theme park", it is cultivated by consumers, producers, and academics on multiple media channels who not only use new home technologies, but also meet at international forums such as film festivals, so cinephilia nowadays has global reach and character – it is popularized worldwide. It doesn't matter if film buffs live in remote rural areas, towns or world cities because video, DVD, Internet and festival phenomenon all have made the specific object of desire readily available for consumption.

Specialization of film festivals has contributed to the diversification and multiplication of film lovers worldwide. They have now access to a wide array of new, old and forgotten

¹⁰ www.iffrr.nl

¹¹ www.areyouacinephile.org

works at festivals. Films shown gain cultural value by festival selection and programming (similarly to artworks exhibited in galleries), which is the evidence of quality.

For corporate organizations in the copyright industry helping in the organization of retrospectives commercial motives are important – they reclassify old and forgotten movies as must-see classics for entrepreneurial profits rather than cultural motives. State film archives and institutes, on the other hand, have their own agendas. The growing market for DVD is a strong incentive for corporate, private and state archives alike to re-examine the capital on their shelves. Film festivals are part of this cultural copyright industry because they are main events to legitimize re-framed artworks with necessary cultural value.

Bigger festivals, like Cannes, Berlin, and Toronto are susceptible to market forces and must balance their independent programming with tastes of mass audiences and the need for global gala-premiers. However, International Film Festival Rotterdam and other specialized festivals tend to be more cautious and avoid evident commercial exploitation of their format as a huge media event. Sandra den Hamer, who was the festival director till April 2007, says that consistent quality of the festival program underlies the festival's successful growth. After having closed its first major sponsorship deal with a national quality newspaper, *de Volkskrant* (in 1982), the festival proudly set a record in visitors' attendance the year after. Since then, attendance has risen gradually and reached 355,000 in 2006. Together with visitor figures, the number of films screened has increased, arriving at 774 titles in 2005. It was then when film lovers became concerned that transformation of film culture and new festival audiences would influence programming while festival organizers would rather find films for the audience than audience for the film. It would devalue festivals' original cinephile standards and popularize festival programming, because of different (more popular) taste preferences.

Hagener (2005) classified festival-goers of IFFR into 6 types:

- the lone list-maker
- the highlight seeker
- the specialist
- the leisure visitor
- the social tourist
- the volunteer

Festival event itself is of the main interest of the last three archetypes, while the first three types of visitors are motivated to attend IFFR because of the films screened. In recent years audiences are more numerous and more varied. For them festival may be about many things, such as the opportunity to immerse oneself in premieres and unreleased

films, the encounter with film-makers, the specialized knowledge at hand, the opportunity to discover new talent, the atmosphere of expectations, the joined social experience of a popular event.

The search for new and broader audience was in line with the ideology to “find an audience for the film” – independent and niche cinema was exposed to the general public. They have the chance to assign special award in an audience poll which made one sponsoring company to finance this prize each year. Popular taste of mass audiences is a selection criterion for this award. Therefore, IFFR can be both niche and popular. The strength of IFFR compared to the major festivals is the co-existence of cutting edge and uncompromised film programs with an open-minded mass audience. As opposed to Cannes, Berlin and Venice film lovers visit IFFR to meet in familiar settings and not to enjoy big festivals’ glamour.

For the new types of festival-goers, context of the festival is important the same as, or even more than, the films screened. Since we live in the experience economy visiting (cultural) events is a popular leisure activity – people want experiences, diversion and intellectual challenge. Cities are more than willing to accommodate such needs with diverse exhibitions, events, and festivals that provide a consistent flow of new and up-to-date information (Hagener, 2005).

As a film critic R. Ockhuysen (2002) says: ‘there is a broad, cinephile public in the Netherlands, which is overlooked in the remaining year’. It’s one of the problems of IFFR, and probably other festivals as well.

4.4 Fundraising and budget

International Film Festival Rotterdam has long depended on the structural subsidies from the Rotterdam municipality and Dutch government (the Ministry of Education, Culture and Science). Additional sponsoring was only paid in kind (for instance by putting cars at the festival disposal or taking care of printed material) until a newspaper “De Volkskrant” became the festival’s main sponsor in 1982, receiving exposure in return. When the festival expanded in number of visitors and program size in the 1990s and the structural subsidies were not raised accordingly, fundraising and sponsoring activities needed to be intensified. Cooperation between festival and its sponsors must be beneficial to both parties in order to succeed. But since it more often than not revolves around content, conflicts are unavoidable.

Newspaper “De Volkskrant” offers extensive film services, such as agenda, reviews, interviews and background articles; television and radio network VPRO – the second main

sponsor, also offers film-related services, while a new sponsor Tiscali – Internet provider, offers Tiger Releases via streaming video on the Internet to its broadband subscribers.

IFFR Director of Fundraising Hester Barkey-Wolf says: ‘the process of acquisitions is dependent on the dynamics of the business world and decision to close a deal has to be made for each case individually’. She admits that the clash of interests between culture and advertising is a recurring point of consideration for the festival.

Commercials on the cinema screen are one of the main problems in negotiations. The other one is related with the sponsors’ exposure at the festival – the more companies are visible, the less effective the individual campaigns will be.

Because of these reasons, managers of IFFR must refuse to a potential sponsor now and then. It is all about negotiations and mutual benefits that must be ensured for the sponsoring deal to be effective.

One well-known producer of crisps had suggested a swap: visibility during the festival in return for exposure in their media campaign. Despite the high value of the media exposure, IFFR refused to sign the deal, as it already had enough exposure among a large public (De Valck, 2006).

International Film Festival Rotterdam is getting professionalized as are other organizations in the cultural sector. The festival has stimulated its fundraising and sponsoring activities by adapting to the business rules and by making clear to potential sponsors what services it can offer.

In the past the business community associated IFFR with such images: “dusty, alternative and smoky, remote projection rooms” as Barkey-Wolf discloses. In order to improve this image, festival managers went on to become visible in financial and business press, intensified networking, approached potential business partners, and festival director Den Hamer joined the Economic Development Board Rotterdam.

The festival has positive effect on the perception of the city by its citizens as well as those coming from outside. The event brings diversion and tourism to the city in the low season of late January, therefore creates economic spin-off for the municipality.

There was time when local arts institutions and cultural workers feared that subsidies would be reduced and the financing of culture left to private charity and corporate sponsorship alone. Nationally, the political shift did ratify the international trend towards favoring “cultural entrepreneurs” over autonomous artists. Cultural organizations in Holland are more and more responsible for generating revenues and acquiring funding, and have to justify their cultural relevance with public attendance figures and innovative products or programs. There were huge cuts on the financial support for the cultural sector, however, IFFR has been exempted from them, and even received a small rise of

support from the Ministry of Culture¹². It clearly means that both cultural and economic relevance of the festival is recognized. The festival promotes Rotterdam as cinema capital of the Netherlands. In 2004 the municipality even subsidized a new initiative – the Tiger Business Lounge – a program which aim is to involve local corporations and businessmen with the festival and help the two parties to cooperate and build new partnerships.

Nationally, the festival survived by appealing to new audiences and complying with professional standards in projection facilities, fundraising and sponsoring, as well as marketing and communication (De Valck, 2006).

As 'IFFR Jaarverslag' reports in 2006 International Film Festival Rotterdam achieved a net loss of € 437,667. Growth took place in both income and costs on the Profit & Loss account. In spite of the festival's reduced program, income from box-office receipts also increased. During the 35th festival edition, and for the first time in a long while, the festival had four main sponsors: Tiscali, VPRO, de Volkskrant and Robeco; and the Tiger Business Lounge had 28 members by the end of the festival.

Table 4.1: Budget in 2006

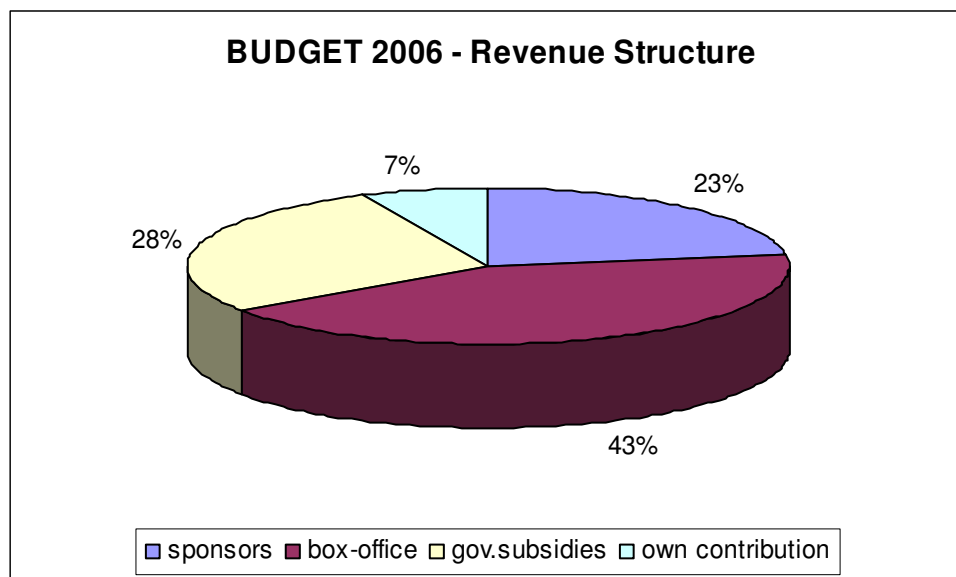
P&L Account (in €)			
Revenues		Expenses	
Direct turnover	3 406 951	<i>Management:</i>	
HBF direct turnover	1 168 073	Staff	876 482
Total turnover	4 575 024	Material	582 009
<i>Contributions</i>		<i>Activities:</i>	
Gov. subsidy	951 533	Staff	1 333 648
City subsidy	867 000	Material	2 770 648
Other subsidies	172 756	<i>HBF activities:</i>	
Total contributions	1 991 289	Staff	76 149
		Material	1 365 044
Total revenue	6 566 313	Total expenses	7 003 980
Profit/Loss	-437 667		

Source: IFFR Jaarverslag 2005/06

As Table 4.1 shows the total budget of IFFR 2006 was € 7 million and 66 percent (that is €4.6 m.) came from the market operations, which include both ticket revenues and contributions of the sponsors. Government and public bodies donated €2 million which accounts for 28 percent of the budget, the remaining €400.000 represents a loss that was covered by own contribution of the organizers. The revenue structure is depicted in Table 4.2.

¹² www.iffir.nl

Table 4.2: Revenue structure in 2006 (in %)



Source: own calculations, based on 'IFFR Jaarverslag 2005/06'

The festival is run by seven managers and 24 fixed-term employees. Each year additional 36 workers are employed on a part-time basis and 750 volunteers.

4.5 Summary

International Film Festival Rotterdam is a significant hallmark event in the Netherlands. Its cultural and economic relevance has been recognized by the industry participants, business community of the region and the local government. For the festival company it is not feasible to rely on one source of financing only. Dependence on single type of financial resources is too risky; as the Dutch cultural policy changes it cannot be assumed that subsidies from the government will never be reduced. They represent 28 percent of the revenue stream nowadays. Ticket sales and business deals with corporate sponsors represent 66 percent of budget income. But if the organization was dependent on market operations only, the festival would turn commercial and its artistic value would be threatened.

The festival's mission is to add value to innovative, experimental, and artistic films, facilitating co-production of such movies, and supporting them financially, as well as educating audiences on the film art. Therefore, IFFR took an initiative to launch projects such as Hubert Bals Fund, CineMart and Rotterdam Lab in order to fulfill its mission. Festival audiences are motivated to attend the event because of the cultural and social values the festival provides. Such values explain also why so many people volunteer to work at the festival or support the event with contributions that are outside of the market

sphere. The festival acts as a city marketing tool by attracting both tourists and media attention to the city of Rotterdam.

Different parties contribute to the festival because all of them may benefit from the opportunities the cultural event provides. Corporate sponsors seek visibility and promotion; local authorities recognize the economic impacts of the festival for the region. However, cultural organizations in Holland are increasingly responsible for generating revenues and acquiring funding, and have to justify their cultural relevance with public attendance figures and innovative programs. This explains why IFFR is growing so big (attracting over 350.000 attendants) and why it constantly undertakes new initiatives. The newest fundraising practice was to create Tiger Business Lounge, a platform facilitating cooperation and partnership-building between the festival and the business community of Rotterdam.

Chapter Five: Era New Horizons Film Festival

Cultural development of a community is determined by the shape of a cultural infrastructure: mass media (television, press, radio, publishing) and cultural institutions. Differences between cultural sector and the State are highly visible in these three cases: France, where cultural sector is centralized, governed entirely by the Ministry of Education and Culture; United Kingdom, where the sector is decentralized, composed of regional cultural organizations and representatives of various institutions e.g. British Film Institute; and the Netherlands, where a relationship between public administration (at different levels), cultural organizations and private sector exists, and takes the form of special funds. All countries in Europe have systems similar to one of these three cases. Poland is somewhere in between; after 1989 cultural policy has been decentralized but not in the same degree as the British model assumes; cooperation between the arts and private entities has never taken the form of the Dutch fund network either (Ostrowski, 2006). Cinema-going in Poland is not as popular as in the Netherlands. It is interesting to look at the cinema-attendance figures (Table 5.1) which show that the number of tickets sold per person in Poland is almost twice lower than amount of tickets sold in the Netherlands.

Table 5.1 Poland vs. Holland (data in millions):

	The Netherlands	Poland
No. of inhabitants	16	38
Cinema tickets sold:		
2003	25	<i>n.a.</i>
2004	23	33,4
2005	20,5	23,6
2006	<i>n.a.</i>	32
Average (tickets per person)	1,42	0,78

Source: own calculations, based on www.obs.coe.int

Given the above characteristics combined with historical and geopolitical differences of Poland, as compared to the Netherlands, it will be examined in this chapter how a film festival that had only six editions so far, is struggling with fundraising problems. Particularly, two issues will be highlighted: problems with the media and city marketing aspects.

5.1 Overview

Era New Horizons is the most prestigious and ambitious movie event in Poland and a mandatory stop on the summer festival road-trip. The Era New Horizons Film Festival has

become the biggest film event in Poland and it is a permanent entry in a cinephile's schedule. Roman Gutek, the festival's president, has been always attracting directors who don't conform to current trends. No other film festival currently taking place in Poland enjoys the amount of popularity Era New Horizons does.

Roman Gutek is the person who organized Warsaw Film Festival and was its director till 1990. He's one of the founders of Film Art Foundation and since 1994 he's been an owner of GUTEK FILM, company distributing independent films in Poland (with a very modest market share of ca. 3.3%). Gutek owns a cinema in Warsaw; he was a member of the managing board of a festival "Summer of Films" in Kazimierz Dolny in Poland. In 2001 he organized New Horizons Film Festivals in Sanok. The festival has changed location twice: in 2002 to Cieszyn and in 2006 to Wrocław.

R. Gutek was the first person who distributed movies of directors such as Almodovar, Greenaway, Jarmusch, von Trier, and Leigh in Poland. In 2002 he received the Passport of Polityka – a prestigious prize for promoting culture and the arts, awarded by a weekly paper "Polityka". In 2003 the French Minister of Culture nominated Gutek a Knight of Fine Arts and Literature for promoting French cinema in Poland and reinforcing Polish-French contacts.

The motivation for Roman Gutek in organizing the festival was to acquaint Polish audiences with films shown on other film festivals which cannot be bought and distributed by Gutek Film. As the director says demand for these movies is low and his company can afford to distribute only 15 titles per year. Hence, a film festival is the best alternative for traditional distribution and the only chance to see artistic movies which (for economic reasons) cannot be screened in cinemas.

Roman Gutek realizes that festival goers are film enthusiasts who would like to watch movies of a similar quality and artistic importance throughout the year, and not only during ten summer days. Therefore he took the initiative of organizing a 'Traveling Festival'. Seven out of 18 films presented to the FENH audience are being screened in the cinemas across Poland (audience poll is considered decisive in the selection of these movies). Firstly all films were screened together as one series, but since 2004 Traveling Festival program has transformed and each film is distributed and screened separately with a monthly interval.

Era New Horizons is a form of promotion of R. Gutek's company and its films.

One of the key principles of FENH is to allow festival-goers to meet as often as possible and discuss the movies. That is why the Festival Club was opened in Cieszyn – it's a place where discussion panels, music concerts and evening meetings are organized. Festival organizers and invited guests integrate with the audiences and chat with them about the movies screened earlier that day.

The name “Gutek” is a famous brand name and synonym of quality already – most of the visitors trust Gutek and buy festival passes on spec, even before the programming is set and published. Despite being associated with high quality artistic products, Gutek Film has kept image of a friendly company, having close relation with its ‘customers’. Following his CRM strategy, Roman Gutek keeps in touch with festival audiences throughout the year – he sends Christmas cards to all those who bought festival passes for previous festival editions (additionally, such a card always promotes one new film that will be distributed by Gutek Film) and is active on the festival Internet forum.

As festival’s president argues ‘Era New Horizons is a festival of films that go beyond the limits of conventional cinema. Deciding about the formula of our festival, especially of its competition part, we asked ourselves a question: is there in the 21st century cinema (shaped by the mass audience and its tastes) a place for directors who go against the current, for individualists who use their own style, their own inimitable language. Such haughty artists still exist in different parts of the world, although they find it ever harder to realize their projects. And yet their art does have its lovers - it is for those lovers that the festival is organized¹³.

Guided by our own taste, from among hundreds of films that are screened yearly at festivals all over the world, we choose those that due to their unusual form and force of expression will not let the audience forget them. All over the world, they give rise to polemics and discussions, praise and protest. And yet it is such films that usually set the newest trends in world cinema art. Era New Horizons is a festival of film visionaries, of uncompromising artists who have the courage to follow a path of their choice against the current trend and to tell about the most important things using their own unique language’ (Gutek, 2007).

Era NH is called a festival made by enthusiasts for enthusiasts, connoisseurs, and everyone who loves good cinema. Polish press praises the event at numerous occasions. Particularly the biggest national daily newspaper – Gazeta Wyborcza:

‘Even though there are at least several notable film festivals in Poland, it is New Horizons which have become the most important film event in the country’, ‘Era New Horizons is not only a movie review, but also a festival which creates the mood reminiscent of a meeting of cinema lovers’. ‘The ENH Festival has an exceptional atmosphere, an excellent audience, and a splendid programme’ (Felis, 2006).

Roman Gutek consequently tries to broaden the horizons of the more ambitious lovers of film art. Apart from regular distribution, for six years he has organized a great celebration of arthouse cinema - the Era New Horizons festival. As the creator of the festival, he

¹³ www.eranowehoryzonty.pl

searched the world's film festivals for unusual titles, with ambitions of broadening the horizons of contemporary cinema, sometimes causing controversy and leading to new questions regarding art, philosophy and psychology.

Just as during the world's biggest film festivals, in July 2006 the spectator had over a dozen films screened simultaneously in 14 screening rooms - a total of 522 titles in 11 days - to choose from¹⁴. The Wrocław festival has become a meeting place for all possible forms and traditions of cinema. As the press noted afterwards, 'New Horizons is the top-ranking event. It attracts critics from the most serious periodicals. Within a variety of series, Roman Gutek presents distant cinemas, the famous prize winners from Cannes or Venice along with films unknown to broader audiences, whose authors seek their own paths, experiment and take risks. (...) The event has an unusual and excellent audience of people who want to experience art together' (Barbara Hollender for Rzeczpospolita, 2006) and that 'original repertoire is the domain of the Era New Horizons Festival. (...) Its name, "New Horizons" obliges not only the organizers but also the audience to open themselves to the other and extraordinary, "new world", even if its "braveness" sometimes makes us shiver with anxiety' (Iwona Cegielska for Kino, 2006).

When Roman Gutek was organizing FENH in Cieszyn, a city that is half Polish, half Czech, he motivated such a location choice by the fact that its smallness allows visitors not to be distracted by any other events or attractions. The festival doesn't have to compete with other events for attention. It was organized during summer vacation in order to increase the number of festival-goers. The screenings were held in 600-seat old theatre, 500-seat university hall, two smaller cinemas, open-air on the Town Square, and in cinemas just behind the border – in the Czech part of the city where a huge cinema for an audience of 1200 was opened in 2004. The organizers argue that the choice of a location wasn't accidental; they highlighted cultural heritage and town's contribution to the film art by organizing a retrospective of Kurt Weber, cameraman born in Cieszyn.

During the second New Horizons' edition one-third of festival financing came from corporate sponsorship and government subsidies, one-third from box-office revenues, and the rest from the festival director's distributing company - Gutek Film. The festival is an opportunity to promote films which Gutek Film is distributing, to educate, and to influence tastes of festival audiences (Gutek, 2003). However, the film festival is not a lucrative enterprise and requires a lot of effort of its financial managers to break even.

Now, after 4 years, ticket revenue still represents one-third of the budget, but sponsoring (41%) and subsidies (20%) account for 61% - hence, they combined increased almost

¹⁴ www.erahowehoryzonty.pl

twice and represent now two-thirds of the budget. Such transformation of the financial structure was easily noticeable as the name of the main sponsor – a telecommunication company “Era” was added to the festival name. Since 2003 the festival has been called Era New Horizons. The festival had to smoothly combine its independent and non-commercial spirit with very market-ruled financing structure.

5.2 Programming

Similarly to the past editions, the most important part of the festival in 2007 will be the ‘*New Horizons International Competition*’ covering 18 films that have not yet been presented in Poland, and which are carefully selected from among hundreds of titles shown at international festivals and film markets.

The appreciation given each year to the proposals and the positive opinions of the general public convince the organizers that the audience awaits such cinema. The films shown during the competition always arouse extreme emotions, admiration, or protests - they do not let themselves to be forgotten. They are the ones that are most talked about on festival’s Internet forum and at the festival’s discussion panels.

Every year one of the films participating in the competition receives a GRAND PRIX – the festival’s main prize awarded by the public. Gutek says that festival’s public is just as unpredictable as the films themselves. So far sublime pictures of renown directors (Dolls by Takeshi Kitano in 2003), as well as brilliant and rebellious débuts (La sagrada familia by Sebastian Campos in the last edition) have been winning so far; as well as private dramas (Brodeuses by Eléonore Faucher in 2004), and independent extravagancies (Tarnation by Jonathan Caouette in 2005)¹⁵.

The second edition of the ‘*New Polish Film Competition*’ presents premieres of Polish feature as well as documentary films. In this competition prizes are awarded by an international jury comprised of filmmakers and critics from around the world. The winner receives the Wrocław Film Award funded by the President of the city of Wrocław worth €25,000 (€15,000 for the director, €10,000 for the producer). Full-length feature and documentary films, including films made abroad by Polish producers, are invited to participate in the competition. Films made by young and independent producers are an important part of the selection.

Another section: ‘*The Polish Short Film Competition*’ allows the audience to follow the Polish production of short and medium-length films on an on-going basis. This section gives young filmmakers an opportunity - frequently the first one - to confront their visions of reality with a young but already experienced audience. The Polish Short Film

¹⁵ www.eranowehoryzonty.pl

Competition always gave a new and fresh look at the cinema – apart from the films of mature and renowned directors the visions of debutants, i.e. students of film and art academies were shown here. This project is being organized in co-operation with The Association of Polish Filmmakers – the benefactor of the prizes for distinguished producers.

'Panorama of Contemporary Cinema, Masters, and Discoveries' is a selection of films awarded during the most important international film festivals. The festival's organizers, observing the trends taking place during film festivals in Cannes, Venice, Berlin, Toronto, or Rotterdam, are trying to show the audience what is most interesting, what sets out the trends, what delights the world critics. The Panorama is divided into two parts. The masters part is devoted to films produced by renown filmmakers - the audience is thus able to follow the latest works of famous directors such as Pedro Almodovar, François Ozon, Lars von Trier, Peter Greenaway, Emir Kusturica, Alexander Sokurov, Ken Loach, Carlos Saura or Tony Gatlif. In the discoveries part new talents, events of the season and brilliant débuts, which electrified the international audience, can be found.

Special Screenings will also be an important part of this section – i.e. presentations of the most interesting phenomena from international film events as well as domestic productions.

During the upcoming 2007 edition Screenings in the Town Square will take place; similarly as in Cieszyn, they are supposed to offer the participants as well as the people of Wrocław an opportunity to admire film art in picturesque scenery of the old town. In this section the organizers decided to show more intelligible films addressed to a broader audience on a huge screen installed in the Town Square.

'Midnight Madness' are films made with a “wink of an eye” and playing with conventions. During crowded night shows the audience has the opportunity to see controversial works, experimental films, or the most interesting proposals from Asia and Bollywood - the Indian film capital.

'Documentaries/Essays' is a selection of films where the authors talk about the reality surrounding them using a unique language, pictures on the verge of careful observance of reality and poetic impression. Every year this section is devoted to films showing realities in different countries, on different continents through a prism of artistic personality of the director.

'Retrospectives' of at least five Polish and foreign film-makers are also included in the program because the festival's mission is to educate young people about the history of the film art.

'2006/2007 Season' is a selection of the most interesting titles presented by Polish cinemas during the 2006/2007 season. While making the selection the organizers do not

intend to guide themselves by the ratings, but by offers that were most interesting from the artistic perspective. Some of them were or will be shown at Polish cinemas for brief periods of time and mainly in larger cities. This section poses one of the last opportunities for the audience to make up the film arrears and see this year's hits on a large screen.

The '*Dance Cinema*' section will present the most interesting works of filmmakers, choreographers and dancers - dance films from all over the world: etudes, features, and documentaries given prizes at the most important dance film and dance video festivals. In addition to the main program a panorama of young Polish dance cinema will be presented, and presentations of the contemporary dance theatre will take place as part of the Dance Stage.

'*The Children and Youth Program*' consists of carefully selected films for the youngest ones, accompanied by get-togethers with the creators and by art workshops.

There are also numerous accompanying events organized during the festival, mostly music concerts.

5.3 History of film festivals in Poland

FIAPF-accredited Krakow Film Festival is the oldest film festival in Poland. It's a documentary and short film festival created in 1961. The biggest one, however, is Polish Film Festival in Gdynia formed in 1974, but only national feature films are screened and participating in the competition. These two festivals and a couple of small specialized ones (in a form of film reviews) were organized in Poland before 1989. They were managed, controlled and financed by the State, and only after the Communism fall private entities entered the film market.

It was members of Debating Film Societies (DKF – Dyskusyjny Klub Filmowy) organized at universities, who firstly took the initiative of organizing film reviews and later in the 90s film festivals. In the 1980s there were 500 of such societies. Therefore, from their origin independent film festivals in Poland were associated with students and even now, after 50 years, it is still evident when examining the audience structure.

Roman Gutek organized his first film review in 1985 and it was called Warsaw Film Week, which transformed into Warsaw Film Festival in 1991. In the 90's State support was decreasing in a fast pace, and organizations were being privatized. By turning to corporate sponsors festival organizers improved quality of film projections. The programming wasn't controlled by the State any longer. It has been just fifteen years now that independent film festivals are organized in Poland and only recently had business community understood the benefits of art and market cooperation. Stefan Laudyn, the director of Warsaw Film Festival, complained ten years ago that his first corporate

sponsors required him to “calculate how much money they would spend on targeting each movie-goer” when negotiating the sponsoring agreements. Now, he says, they rather aim at enhancing their corporate image and goodwill.

After WW II Polish cultural policy was centralized, bureaucratic, and shaped by ideological postulates imposed by the State. Propaganda and censorship were limiting artistic freedom and independence. No films from Western democratic countries were allowed to enter Polish market, therefore, the monotonous repertoire, together with expensive tickets, and bad technical condition of the projections led to a decrease in cinema attendance rates. Similarly, the number of cinemas was falling between '89 and '94:

1989 – 1792 cinemas

1990 – 1435 cinemas

1991 – 1195 cinemas

1992 – 993 cinemas

1993 – 755 cinemas¹⁶

Moreover, in 1989 and 1990 exhibitors were receiving donations covering 50 percent of costs for Polish films projections, and only 30 percent for foreign films screenings.

After 1989 cultural economics were transformed, and institutions had to adapt to the rules of a free market. Consumers' needs must have been taken into consideration. However, considering special role that culture and the arts are playing, this re-orientation didn't imply conforming to market laws completely.

First private distributors in the 1990s were buying licenses just for commercial American movies, which were the soundest investment for these new-born companies. There were 14 private distributing companies in 1991-95, but 60 percent of the market share was concentrated in the hands of the two biggest ones. In 1996-98 this number fell, ten distributing companies operated with two of them covering 65 percent of the market. It was then when Gutek Film was created (with a share of only 1.6% of the market it got 8th position among these ten companies).

When Gutek organized his first film festival (Warsaw Film Week) he aimed at 'filling a repertoire niche by importing artistic films for demanding audiences and presenting interesting phenomena of the world cinema' (Zarębski, 1989). Promoting foreign distributors in Poland and encouraging the distribution activity were other objectives of this festival. For the purpose of the festival Gutek was renting one copy of a film from a foreign distributor, then he could screen it once or twice. He was very concerned about the Polish distributing market which he aspired to open for artistic and non-commercial cinema.

¹⁶ www.filmpolski.pl

'Roman Gutek has built in Warsaw a festival which was an oasis of valuable artistic cinema, surrounded by a desert of highly commercial film productions' (Zarębski, 1990).

Film Art Foundation, formed in 1990, was a co-producer of the Warsaw Film Festival. It initiated the creation of studio-cinema network in 1991. Fifteen movie theatres were (re)opened in 12 cities, but because artistic films' projections were unprofitable, the Foundation subsidized such screenings. When multiplexes expanded on the market in the following years, the studio system was the only alternative for film-goers.

Before 1991 ten per cent of total State's cultural expenses were spent on organization of festival and cultural events, institutions and foundations, national heritage protection and 'foreign exchange'. In 1996 from the total budget of a country only 0.76 percent was spent on culture (0.49 % in 2005), while regions spend 2.75 percent of their budget revenue on culture and the arts (3.3% in 2005)¹⁷. Private foundations in the European Union support the arts because of favorable fiscal policy (tax exemptions) and because of State initiatives encouraging cooperation between cultural organizations and market entities (Ostrowski, 2006). United Kingdom for example has long tradition of such programs – Association for British Sponsorship for the Arts was created in 1976, and in 1984 Business Sponsorship Incentive Scheme was launched. The aim of the latter is to provide legal framework and aid for cultural organizations, e.g. by enforcing the rule of artistic independence of the sponsored.

It was only in 1994 when the 'foundation' was reactivated in Poland, and 4.000 of such institutions were created, among which 770 were cultural foundations. Favorable fiscal policy was supporting the initiative (Ostrowski, 2006).

Before Poland joined the EU it was very difficult to obtain a movie from abroad (the agreement with EFDO on subsidizing film distribution in Poland sign in 1992 was quickly terminated), while before 1989 there was only one state-owned distributing company.

Still struggling with the financial problems, Polish independent distributors are more eager to buy films which win the audience poll or get prizes, as they will attract more audiences to the cinemas. Due to lower costs a lot of films are released on DVDs instead of being exhibited in cinemas.

Usually distributors have no decision-making powers as to the festival programming (only organizers choose among films available), however, with Era New Horizons the situation is different.

¹⁷ www.mkidn.gov.pl

5.4 Relocation

For four years the festival was hosted by the mountain town of Cieszyn (36.000 inhabitants) on the Polish-Czech border. In 2006, that is for its 6th edition, the festival moved to the city of Wrocław (636.000 inhabitants). Roman Gutek motivates this change by the inadequate infrastructure of Cieszyn – small number of cinema theatres and their poor standard, which didn't meet the quality expectations of the growing number of festival visitors. From the very beginning FENH managers understood that Cieszyn lacks high quality screening facilities and cannot provide enough accommodation for the guest, but they hoped that these problems could be solved. Within a few years Gutek Film, the Municipality, and New Horizons Foundation invested a lot in the festival, and therefore the situation has improved. However, the festival itself was developing much faster than the changes in the infrastructure.

Similarly the budget available for the organization of the festival was much lower than the festival's dynamic growth required. Thus, financial matters were the second reason for the location change.

Organizing a film festival which is expanding as fast as FENH requires year-round preparations – a festival office and financial support are needed. But with a small budget available to FENH organizers, not only office was unfeasible to run, but even film-makers could not be hosted.

Subsidies offered by the local authorities were not enough either to carry out renovations of the existing cinemas or to build new theatres. Financial support from the City did not help finance the festival. It was only if these subsidies rose that the festival could take place and safely expand (Gutek, 2005). That is why FENH decided to accept the offer of Mr. Dudkiewicz, the Mayor of Wrocław, to relocate the festival. As Gutek says Era New Horizons will not change its formula but with the benevolence and aid from the new city it will develop and strengthen its reputation. As a capital of Lower Silesia region (and the second largest financial center in Poland) Wrocław has great infrastructure of cinemas, concert halls, and hotels. Festival managers will not bother with these kind of organizational problems any more, and they can concentrate all resources on the programming and the artistic side of the festival. Festival attendants can meet film-makers and other artists as more of them can be invited to Wrocław than it was possible in Cieszyn. Festival director calls Wrocław a bewitching, lively, full of a peculiar climate, and modern city.

The relocation poses certain threats for the festival. It can lose its atmosphere of a small but important event, it can get more commercial, and lose part of the audience. When FENH was held in Cieszyn the amount of visitors outnumbered total of town's inhabitants

by three to one. Hosting all these festival-goers was a problem, but people coming to Cieszyn enjoyed the friendly and informal atmosphere and during four years when Festival was organized in Cieszyn they could handle the accommodation problem. It was a festival for real enthusiasts then, and was blending smallness of a location with the greatness of the event. It was the most important event in the region, huge tourist attraction and a competitive advantage for the town. Era New Horizons could have a comparable impact for Cieszyn to a role the film festival played for Cannes – also a small holiday resort.

Moving FENH to Wrocław is a huge loss and unseized opportunity for Cieszyn in terms of festival's economic, commercial, tourism, and social impacts. It is also a loss for the movie-lovers who were coming to Cieszyn not only to enjoy the films but also the specific atmosphere of the festival. FENH may lose its uniqueness in Wrocław by getting lost in the bulk of other cultural events that are organized on a regular basis in Wrocław. Therefore attention, for which everybody fights at a festival, may get easily distracted by the competitive events. The festival risks abandoning its important social values (e.g. community spirit) of 96.000 of festival-goers who now have to mix with tourists and 636.000 of Wrocław's inhabitants.

Has Era New Horizons acquired strong enough reputation during its six years that Roman Gutek doesn't have to worry about audiences turning their back on him? Felis (2006) reports on the festival's 6th edition that in the new location the audience stood up to the task and once again young and focused cinema buffs filled Gutek's theatres.

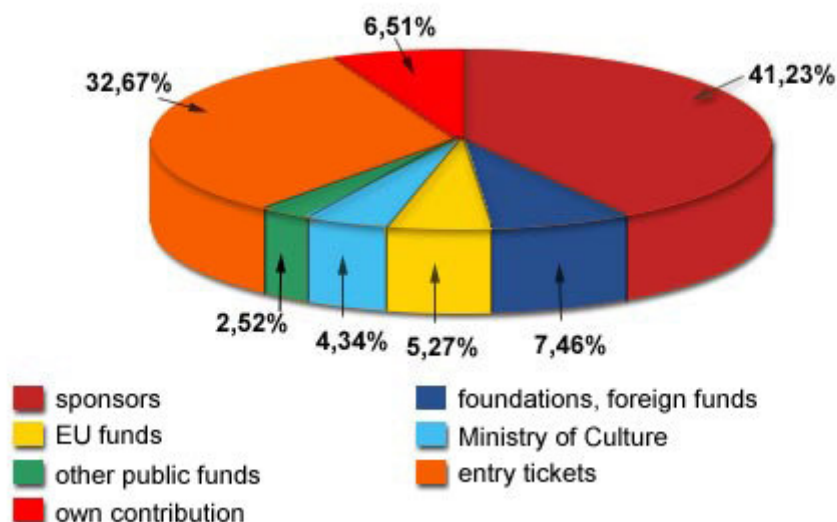
5.5 Budget and audiences

The main tasks of Era's organizers were to train workers on fundraising and sponsoring methods, promotion of the festival; and inviting famous film-makers to draw media attention. The main expenses of the festival relate to: salaries (of juries and workers), awards, promotional activities (e.g. posters, leaflets, invitations, website, billboards), rent, projection facilities, transportation, board and lodging for guests, accompanying events (numerous music concerts), services (cleaning, security), and film-renting.

The budget of Era New Horizons in 2005 (Cieszyn) was approximately € 600.000 and seems very modest compared to International Film Festival Rotterdam, which was over eleven times larger. The revenue streams at FENH were distributed as follows:

Table 5.2 Era New Horizons' budget in 2005:

BUDGET 2005 - REVENUE STRUCTURE



Source: www.eranowehoryzonty.pl

Box-office revenue amounts to almost 33 percent of the budget (with 96.400 tickets sold), sponsors supplied over 41 percent of the total revenue. Therefore, market operations generated 74 percent of the funds that is € 440.000. Public bodies donated 20 percent of the revenue stream, € 120.000 came from subsidies. Similarly to International Film Festival Rotterdam own contributions of the organizers comprised 6.51 percent.

Table 5.3 illustrates differences in the revenue streams of the two film festivals in percentage.

Table 5.3 Budget in (%) - Comparison Chart:

	Era New Horizons	International Film Festival Rotterdam
Year	2005	2006
Total budget	€ 600.000	€ 7.000.000
No. of tickets sold	96 408	358 000
Box-office	33 %	43 %
Sponsors	41 %	23 %
Market total	74 %	66 %
Subsidies	20 %	28 %
Own contribution	6 %	6 %
Total	100 %	100 %

Sources: own calculations, based on www.iffr.nl, www.eranowehoryzonty.pl

It is clear from the chart that Era New Horizons relies much more on corporate sponsorship than IFFR. There are 3.7 times less people attending Era New Horizons and

the budget is more modest but it is obvious that cooperation with the private sector for FENH and market operations for IFFR are the most important aspects of their financial management.

Table 5.2 contains only monetary revenue streams, but the festival relies also on non-financial and intangible contributions, such as voluntary work, provision of services, media patronage, or in-kind contributions. Most of them do not entail any direct returns. The size of such aid is impossible to estimate but its significance for the festival is enormous and never underrated by the organizers.

A list of Era's sponsors and partners is as follows¹⁸:

Main sponsor: Era GSM

Sponsors: Carlsberg - Piast, TVP, UPC, Canal +, AleKino!, Camile, Subaru.

Media patrons: RMF, Przekroj, TVP, Gazeta Wyborcza, AMS, Kino, TV5Monde, Ultramaryna, DlaStudenta, Stopklatka, Empik.

Partners: Mediateka, Skrivanek, AudioBiel, EuroFilmFest, Polski Instytut Sztuki Filmowej, Ministry of Culture and National Heritage, Instituto Cervantes, Embassy of Belgium, MEDIA EU.

Co-organizers: City of Wroclaw, Helios, Polish Filmmakers Association, Manana, Warsaw Film Academy, Arcana Studio, Odra-Film, "Future of the Media" International Association.

Organizers: Gutek Film, New Horizons Foundation.

Gutek's festivals attract young people. According to a survey research performed by Kijanek & Korczewska at the 7th "Summer of Films" festival in 2001 60% of audiences were between 19 and 23 years old, only 3,5% are over 30 years old, 60% are university students, 21% high school students, and only 16% of festival-goers worked.

Table 5.4 Attendance at Gutek-initiated festivals in period 1999-2005

	Warsaw Film Festival	'Summer of Films', Kazimierz Dolny	New Horizons Film Festival, Sanok	(Era) New Horizons Film Festival, Cieszyn
1999	48 000	40 000	X	X
2000	53 000	50 000	X	X
2001	61 500	65 000	24 000	X
2002	71 000	<i>n.a.</i>	X	38 900
2003	70 000	75 000	X	56 179
2004	73 000	80 000	X	93 600
2005	80 000	X	X	96 408

Source: www.eranowehoryzonty.pl, www.wff.pl, www.latofilmow.pl

¹⁸ www.eranowehoryzonty.pl

5.6 Media patronage and corporate sponsorship

There is an obligation to enter sponsoring agreements in writing. The elements of such contracts must include (Świątek, 2000):

- names of the two parties signing the contract
- type and size of the services provided by the two parties
- termination of the agreement and dates of specific benefits

Companies which specialize in finding a right sponsor for the right enterprise are called fundraising organizations, and they are often hired by festival companies; however, no such organizations exist in Poland. Moreover, festivals' budgets are too modest to afford outsourcing fundraising services.

As already mentioned, before 1989 corporate sponsorship was nonexistent, cultural events were State-run and private sector didn't participate in festivals which would have been "sold" in that case.

Sponsors-suppliers, that is, those providing in-kind contributions and services are easier to find than those contributing money. 'Ministry of Culture and National Heritage has modest financial means to support culture, subsidies may account for maximum 30 percent of cultural institutions needs' (Mierżyńska, 2000).

Factors influencing the dynamics of corporate sponsorship development in Poland, according to Kujawa (1994):

- increase in the advertising prices, similarity and repetitive character of traditional adds
- target audience's interest in traditional advertising has fallen, low-key and not aggressive promotion is needed to target young audiences
- some social groups are opposing the practices of television and radio to use media explicitly for the advertising goals
- legal restrictions on advertising of alcohol and tobacco brands
- fall in the size of public subsidies for culture and the arts
- competition between media e.g. for the rights to broadcast the most interesting events financed by private sponsors
- growth of private television, which gives opportunities for new forms of sponsoring
- the need to be innovative in customer communication strategy
- positive correlation between leisure time and advertising
- exploiting leisure time (e.g. cultural events) to promote corporate image

The main challenge in making corporate sponsorship effective is to ensure that targets - festival audience and customers of a company, are two compatible groups.

The sponsors of a festival may be promoted by the media in the following ways:

- in a media patronage form
- by paying for a promotion campaign in the media
- in a journalist report

Media patronage includes bilateral promotion services. The event obtains media coverage while the television, radio station, Internet site or press title promotes itself at the event in return.

As the relationship between media and festival companies takes the form of a barter agreement – a form of exchange that doesn't involve money, the services are being swapped. Therefore, media companies in Poland will never call themselves “sponsors” as this term is associated with paid promotion and has negative overtones. Nonetheless, media patrons obtain similar services as regular corporate sponsors: publicity, corporate hospitality programs, and free tickets. This can be deduced from the following example of a written proposal sent by a festival (Krakow Film Festival) to the media company (Canal+) in year 2000:

'In return for your financial support of ca. 25.000 PLN (€ 7.000) we offer advertising services. Our offer:

- exposition of Canal+ billboard in all festival venues
- Canal+ logo in all printed material of the festival (leaflets, programs, catalogues, invitations, ticket passes)
- Canal+ stand during a film faire in Hotel Cracovia, free of charge
- Banner in 'Kijow' cinema
- Accreditations for fixed number of Canal+ employees (free entrance to film screenings, shows, banquets, film faire)
- Accommodation in hotels for a fixed number of persons, free of charge
- Opportunity to fund a prize (Canal+ Award), information on the prize will be enclosed in the catalogue and the verdict of the Jury' (Świątek, 2000).

Except from refraining from being called a 'sponsor', media neither want to mention corporate sponsors of the event in the journalistic coverage of the festival, nor to show logo of their brands (in case of television report), because they consider it as free promotion or crypto-advertising. The latter is unjustified though. Therefore, corporate sponsors desiring to obtain media attention and indirect publicity (that festivals provide) have to pay for it similarly as for regular advertising.

Three of the companies sponsoring Era New Horizons have been investigated: Era GSM - the main sponsor, National Post Poland, and Carlsberg. The three cases represent various sectors: mobile telecommunications, national services, and breweries –

companies engaged in the sponsoring the most intensively. Table 5.5 illustrates the research done in 2005 by a company monitoring Polish market activities:

Table 5.5: *Survey on a random sample, 2004: "Which companies according to you are engaged in sponsorship of cultural events the most?"*

1. TVP SA (*national television channel*): 11,9%
2. Era GSM (*mobile telecommunications*) : 7,8%
3. TP SA (*telecommunications*) : 6,3%
4. PZU (*insurance company*): 5,8%
5. Idea (*now Orange, mobile telecommunications*): 5,7%
6. Polsat (*television*): 5,5%
7. RMF FM (*radio*): 5,3%
8. PKO Bank Polski (*banking*): 5,3%
9. Gazeta Wyborcza (*newspaper*): 5,0%
10. Lotto (*national lottery*): 4,6%
11. Plus GSM (*mobile telecommunications*) : 3,4%
12. Radio Zet (*radio*): 3,3%
13. TVN (*television*): 3,1%
14. Bank PeKaO SA (*banking*): 2,6%
15. Coca-Cola (*beverages*): 2,6%

Source: ARC Rynek i Opinia, *Sponsoring Monitor 2004/2005, Raport generalny z VI fali syndykowanych badań ilościowych.*

Era's second top position indicates that the company's sponsoring activities are intensified and therefore, highly visible.

Era GSM

The strategic objective of Era is to provide such products and services that will be unique on the telecommunication market, and simultaneously, fulfilling the needs of customers. The company attempts to meet these expectations also by sponsoring activities which are of consumers' interest, so that it can reach easily their targeted customer group. Sponsoring helps Era in building good corporate image and increasing the size of customer base, which in turn enhances significance of the company and its market value¹⁹. Brand image is one of the key factors influencing marketing goals achievement. Brand awareness allows Era to win new clients, therefore, it sponsors mainly events getting massive media attention so that numerous potential customer groups can be targeted. Being one of the 'Big Three' mobile telecommunication providers Era GSM

¹⁹ www.era.pl

considers New Horizons Film Festival as a superstar event. Except for supporting cultural events Era is engaged in charity, educational and social activities.

Among all companies supporting culture and the arts Era is distinguished by closely connecting its brand name with the events co-organized. This approach confirms high degree of commitment to brand promotion.

Except for Era New Horizons film festival, Era co-organizes such events: 'Era of Love' (a series of music concerts in various cities) and 'Era Jazzu' (jazz music festival in Warsaw). Era's sponsoring activity in the cultural field hasn't been honored by any awards so far.

National Post Poland is a leader company on the postal service market, with competition coming from the specialized (express delivery) service providers like DHL, TNT or UPS courier firms.

National Post is a company from the service sector with a national customer base. It has 1000.000 employees and is an official sponsor of Era New Horizons. Company's main reason for sponsoring the festivals is to promote its corporate image. The other motives are promotion of local image and promotion of corporate name. The opportunities that festival sponsorship offers National Post Poland are:

1. enhancing goodwill
2. media coverage
3. corporate hospitality
4. improving community relations
5. employee motivation
6. increased sales
7. fulfilling corporate and/or social responsibility

The company has procedures for evaluating the returns from sponsorship and marketing manager Mr. Hercig (2007) argues that all the objectives of the sponsoring strategy were successfully met in previous years. Except for Era New Horizons, National Post Poland is engaged in sponsoring other events: cultural, sports, charity. However, the company specifically sought out this event to meet the objectives of the sponsoring strategy and the project brought success. Sponsoring Era New Horizons offers the company the best way to target the customer group called 'sophisticated and intellectually discerning people' (Hercig, 2007) that is highly educated individuals from the 'middle class'.

The decision was undertaken by a chief executive of National Post after the organizers of the film festival had sent a 'sponsoring offer' to the company. Company's involvement in staging the event was to finance part of its operations. National Post's annual expenditure on sponsorship in general is € 500.000, and out of this amount € 125.000 is allocated to arts sponsorship (data for year 2005).

The company has financed the event three times and plans to continue sponsoring it, together with other art forms, in the future. Mr. Hercig admits that there is peer-company pressure to get involved in the sponsoring, but not particularly in cultural events sponsorship.

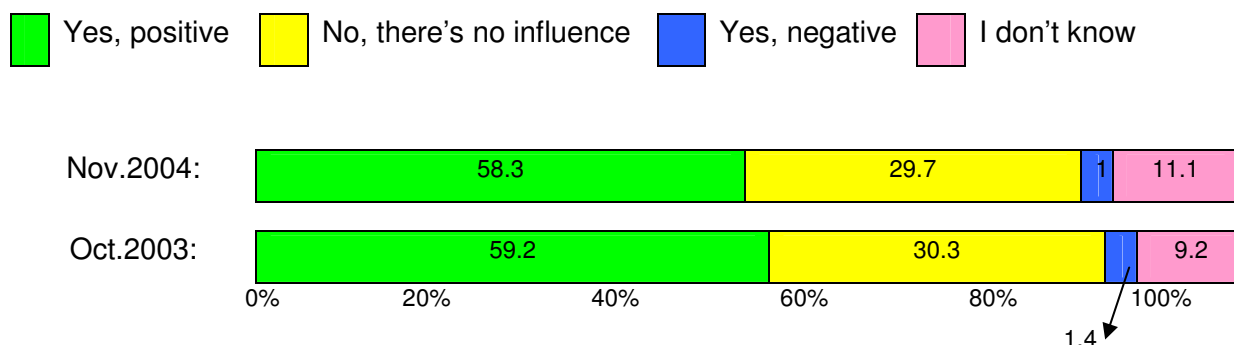
Carlsberg Poland is a branch of an international brewery. The company has 1.500 employees and its brand 'Piaśt' was an official sponsor of Era New Horizons in 2006, that is, when the festival was relocated to Wrocław. Jagoda Jastrzębska from the Communications Department lists the reasons for sponsoring FENH as 'promotion of the brand image and name' being the most important. Local image promotion was a significant motive as well. Instead 'promotion of corporate image' and 'promotion of corporate name' are ranked the lowest. There is high customer awareness of a group 'Carlsberg', but much lower of their brand 'Piaśt'. Carlsberg is engaged in sponsoring various cultural and sports events, heritage patronage and supporting charitable organizations. As Jastrzębska says there is no superiority of cultural events sponsorship over other types of sponsoring, because they target different customer segments. Therefore Carlsberg considers them complementary sponsoring projects. Sports clubs have supporters who identify with their teams; therefore local patriotism principle plays a key role in this case. Cinema and the film art develop people emotionally, educate them and provide entertainment in the leisure time. 'Piaśt' is Wrocław's local brand which engages in the life of a region by being present always where its customers spend their leisure time. Hence, 'Piaśt' supports both local sport events and cultural events.

People aged 20-35 were the audience targeted with FENH sponsoring initiative. Knowing that Carlsberg engages in multiple cultural projects in Wrocław, the organizers sent a sponsoring proposal to the brewery when considering relocation to Wrocław for the 2006 festival edition. The decision to become an official sponsor was approved by the Marketing Director of Carlsberg Poland.

The company supported the festival financially and also provided in-kind contributions. Because the cooperation with Era New Horizons proved successful in 2006, the brewery will sponsor the festival also in 2007 and in further editions. Sponsoring the film festival offered Carlsberg media coverage, product sampling, improving their community relations, and has ultimately led to increased sales. Jastrzębska asserts that there are procedures for evaluating the returns from the sponsorship, but company's expenditures on sponsoring and returns from thereof are Carlsberg's confidential data.

Similarly to National Post and the service sector, Carlsberg feels there is peer-company pressure to get involved in the sponsoring in their sector.

Table 5.6: Does sponsoring have influence on company's sales increase?



Source: ARC Rynek i Opinia, Sponsoring Monitor 2004/2005, Raport generalny z VI fali syndykowanych badań ilościowych.

Private organizations engaged in cultural sponsorship do not rank 'sales increase' high among the opportunities which sponsoring offers them. Whether it is their hidden objective or not, these organizations should realize that there is a common belief that sponsoring has a positive effect on companies' sales (see Table 5.6).

Cooperation between the private sector and non-profit cultural organizations is a 'must' nowadays. Both parties realize that the value of a partnership follows an *inequality*: $1+1>2$ and that there is value-added of cooperation, such as flow of knowledge and ideas, more efficient resource-allocation, and new communication networks.

Nonetheless, cultural sponsorship has several obstacles, particularly in Poland.

The fear of commercialization is one of the difficulties. Although sponsors rarely have influence on the artistic content, festival organizers fear that the cultural product will gain a commercial image when associated with a company pursuing market goals. The second obstacle refers to the lack of professionalism in attracting sponsors. Cultural organizations cannot outsource fundraising activities and still lack the knowledge about effective sponsoring approaches. Additionally, the Polish government is not encouraging sponsoring activities: fiscal policy is unfavorable, and there once happened that a festival company received a certain amount of money from a sponsor, and then local authorities cut their subsidy by this amount. The biggest corporations engaged in sponsoring have evaluation methods in place, but the rest lacks procedures evaluating the effectiveness and profitability of sponsoring activity.

Attitude of the media is another important obstacle in event sponsorship – sponsors are never mentioned in the media free of charge. The last two barriers in cultural sponsorship are posed by little interest in high culture in Poland and the fact that corporate social responsibility still doesn't exist in Poland. It is a new phenomenon that started five years ago in United States and certain companies feel social responsibility towards their

environments and communities as can be read from their mission statements. But whether corporate social responsibility is a reality or just an excuse for marketing? This can be investigated further, but it's not a scope of my research. Nevertheless, the phenomenon, after ingraining in Poland, may promote cultural sponsoring among private companies.

5.7 Summary

Era New Horizons is run by a cultural entrepreneur who organized three film festivals in Poland. Moreover, he owns a small company distributing independent and artistic films. Although the festival acts as a promotional tool for Gutek's films, the size and market position of the distributing company doesn't allow him to treat the film event as one of Gutek Film's businesses. Therefore he set up a foundation 'New Horizons' and together with Gutek Film they are co-organizers of the festival. Era New Horizons has very modest budget of € 600.000; nonetheless, collecting revenues for the event require a lot of creativity from the organizers. This is due to the Polish cultural policy which does not provide for supportive financing apparatus. The share of festival's budgetary revenue that subsidies represent has fallen from 33 to 20 percent in the last four years. It also seems that economic relevance of the festival for the local economy was underrated. City marketing proved inefficient for the two cities which hosted the festival – Sanok (one edition) and Cieszyn (4 editions), therefore, in 2006 the festival was relocated to Wrocław. It had clear implications for the financing and for the image of the festival. Dealing with the uncertainty and political contingencies, Era New Horizons had to turn to market-oriented financing agreements. Budget of the fifth edition of ENH (2005) depended in 41 percent on the contributions of corporate sponsors. The proportion seems impressive compared to International Film Festival Rotterdam (where sponsors supply 23% of the financial means). Event sponsorship works as an alternative marketing tool for traditional advertising, and may work well in targeting young customer segments, which are main attendants of Era New Horizons Film Festival. As the event is growing rapidly and attracts increasing number of audiences, the opportunities offered thereby are seized by the current sponsors (Era GSM, National Post, and Carlsberg) and potentially will be furthered seized by a well-developed business community of Wrocław. Corporate sponsorship has its obstacles and disadvantages though. The main one refers to threat of commercialization of Era New Horizons – a festival whose cultural relevance and independent spirit are its main underlying assumptions.

Chapter Six: Conclusions

Organizing and financing a film festival in Europe requires cooperation between different groups. Stakeholders involved are private sector participants and public organizations. Basically, they include: central and local governments, (inter)national film foundations and institutes, as the non-for-profit sphere; as well as for-profit organizations: media and business corporations. However, the list of festival stakeholders is longer, and includes also the host community, visitors, film-makers and other film industry players. Considering that film festivals are ruled by the economics of attention, most of the parties exploit the opportunities for visibility that hallmark events provide. By attracting media attention film festival adds value the cultural product – the films that are screened, and act as a city marketing tool having a multiplier effect on the local economy and community. Festival's ability to create artistic, social and economic values by accommodating culture, commerce, innovation, entertainment, geopolitical interests, and global funding explains why so many parties have a stake in this type of cultural event. Moreover, characteristics of the European cultural policy explain the financing mechanisms that are applied at film festivals on this continent.

Cooperation between the cultural, market, and government spheres may turn beneficial to all the parties involved as long as they realize their partners' expectations and accountability towards each other. Relying on one source of financing is too risky for the festival organization, and has implications for the artistic content of the event; therefore cultural entrepreneurs running the festival must carefully craft their fundraising portfolios.

The case studies of International Film Festival Rotterdam and Era New Horizons demonstrate that public support to the arts is decreasing, therefore given the uncertainty and fluctuations of cultural policies, the two festivals must have developed skills in attracting corporate sponsorship and building long-terms partnerships with their supporters. Fulfilling such mission led IFFR to create the Tiger Business Lounge, and this fundraising practice can be recommended to the managers of Era New Horizons. Moreover, in order to obtain subsidies from the government a film festival has to justify its cultural relevance. IFFR defends such significance with its audience size (which is one of the biggest in the world), educational programs, and innovative projects facilitating co-production of artistic films (CineMart), and supporting them financially (Hubert Bals Fund). Both the Netherlands and Poland are members of the European Union, therefore, the same legislative patterns and regulation of the audio-visual sector apply for the two film festivals. However, the Polish fiscal policy and unsupportive approach towards cultural sector explains why Era New Horizons must rely on foreign subsidies and support from

international organizations mainly. Furthermore, the early development stage at which Era New Horizons is now as compared to IFFR, explains why the festival is much smaller in terms of the budget and number of attendants; and festival's status on the international festival circuit is lower than the Rotterdam's event. Moreover, the image of the festival is not stable, as ENH was relocated twice during its short functioning. This resulted from the inefficient adaptation of the two cities to the expansion of the festival - local authorities, although realizing the positive economic, commercial and socio-cultural impacts of the festival, didn't invest in facilities and infrastructure required. Roman Gutek, festival's president, has moved the event to Wrocław (a city of a comparable size to Rotterdam) not only in quest for a better infrastructure but also for more generous sponsors. Era New Horizons depends on corporate sponsorship for generating 41 percent of its revenue, while IFFR – for generating only 23 percent. Considering the obstacles in cultural sponsoring, such as attitude of the media companies in Poland, and disadvantages of this financing mechanism, festival's organizers must balance the conflicting objectives of generating revenue and preserving independent spirit of their film festivals. Because of the uncertainty and instability of the environment film festivals must learn how to shift the focus from pure cultural perspective towards realizing their economic values. Festival organizations are in favorable position in converting cultural capital into social and economic ones because of the economics of attention. It is surprising how fast Era New Horizons adapted to the rules of the attention economy and is able to seize all its benefits while maintaining the independent spirit of the festival. Given the necessity for creative financing and cultural, political and economic relevance of film festivals these events will continue to attract increasing number of stakeholders in the future.

Since the film industry structure is changing, and vertically integrated media conglomerates concentrate production, distribution and exhibition, it poses difficulties for independent movies to reach broader audiences. Film festivals act as alternative distributing and exhibiting networks for them. Furthermore, some festivals (e.g. IFFR) mediate between artists and business companies in finding financial support for the former. Hence, further research is recommended on the role of film festivals in supporting film-makers, and the accountability of film festivals towards such stakeholders. Moreover, festivals' fundraising patterns in countries outside of Europe could be further studied.

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Personal interviews (April-May 2007): Jagoda Jastrzębska, Roman Gutek, Klaudiusz Hercig.