WW Hodkinson and the Nexus Between Financing and Distribution

By Rodney C. Parnther

Not too long ago, I read a post on Shadow and Act, a popular blog covering media of the African Diaspora. In it, blogger Tambay Obenson, an independent filmmaker, blogger and film critic lamented the lack of quality independently-produced African American content available for distribution. Obenson had a brief flirtation with independent distribution with the Voyager Film Company and, more recently, programmed the New Voices in Black Cinema screening series at New York's Brooklyn Academy of Music. In bemoaning the scarcity of quality films to distribute or screen, he awakened an age-old debate that often lays the blame for such conditions at the foot of the filmmaker or the audience.

Pondering a response, I thought back to a book I read about one William Wadsworth Hodkinson. Hodkinson was a motion picture entrepreneur in the early twentieth century. He owned a regional film exchange based in Utah. Film exchanges were wholesalers that purchased silent short films from producers and then rented them out to nickelodeons, the primary exhibition outlets for film at the time. As an exchange operator, Hodkinson was licensed by Thomas Edison's Motion Picture Patents Company, a trust that controlled all facets of the industry through its exclusive patents over the motion picture camera and projector. Unlike most other trust men, Hodkinson was astute enough to see how unlicensed independents like Adolph Zukor and Jesse L. Lasky produced and marketed feature-length silent films that attracted a middle class audience. Such an audience legitimized the industry in a way that shorts playing in nickelodeons never could.

The problem with features however were that they cost a lot of money upfront to make and there were no exhibition outlets specifically for them. Nickelodeons were too small. Their low seating capacity required a high number of short programs to maximize audience turnover. In addition to their size, the working class and largely immigrant audience they served couldn't afford the higher ticket prices producers had to charge for the more expensive features. So feature producers would either four-wall local stage theaters to screen their films in each market or just sold the film to local entrepreneurs that bought the rights for their local territory at a fixed price and took over the four-walling in that market. These methods were costly, time-consuming and offered no sustainable business model for feature film producers.

In 1914, Hodkinson solved the problem by merging 11 film exchanges around the country to create a national network. Pooling the resources of his network of exchanges, he was able to advance financing to the top feature film producers of the day, thereby guaranteeing a reliable supply of quality feature films for exhibition. His new company was christened Paramount Pictures. Not long after his concept of distributor-financed features was proven successful, motion picture theaters were constructed in mass to accommodate the now burgeoning flow of features into the marketplace. The shift to feature-length filmmaking hastened the demise of the Edison Trust, the short film and nickelodeons and enabled the outlaw independents to evolve into the major studios we know today.

Under current marketing theory, the more complex and specialized the product being offered through a given marketing channel (i.e., a distribution chain), the more channel functions tend to be concentrated with a single channel member, usually the manufacturer. Conversely, the more commoditized the product, the greater the dispersion of key functions among various channel members that are further down the distribution chain. That's why canned goods share retail space with hundreds of other commodities in a supermarket, while a Boeing 757 jet has a very dedicated marketing channel that is dominated by a single channel member, in this case the manufacturer. Complex and specialized products tend to be financed by the channel member that has concentrated most of the channel functions. Feature length films are complex and specialized and require a dedicated marketing channel. Under Hodkinson's system, the distributor assumed the financing function in the marketing channel for feature films and they continue to do so today.

In responding to the Shadow and Act blog post, I wrote that a distributor needed to provide the financial support for the very quality product it sought. Long-term, I think African-American filmmakers and consumers need those distribution companies that specialize in black films to step up and finance production. Like Hodkinson's simple yet important innovation, such a step will promote stability and go a long way to creating a viable black film industry. Today, there are so-called independent distribution companies that specialize in black film, but they generally don't finance the product. Its mostly because the companies themselves have poor business models, are asset-poor and, therefore, not very financeable to begin with. I have hope that what they lack on their balance sheets will be more than made up with insight and vision on the part of their leaders. We'll see.