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LA Firm Taps Into Data And Analysis To Adapt For Film, TV Clients

Keeping up with change is tough enough. Staying ahead of it is even more difficult.

Accounting professionals are evolving, and their role is changing from historians to futurists, from once-a-year visitors to year-round advisors, and from compliance checkers to problem-solvers. At the same time, technology is impacting every industry and businesses are forced to transform.

Ilan Haimoff

The motion picture and TV industry is not unique, but few industries are changing quite so quickly. *New York Times* reporter Kyle Buchanan, in a June 20 article, writes, "I convened a virtual think tank of key Hollywood figures, and their message to the movie industry was clear: Adapt or die." Sound familiar? The headline reads, "How Will the Movies (As We Know Them) Survive the Next 10 Years?" Substitute "accounting firms" for "the movies" and you get the question MPs are asking themselves.

Deep specialization and a shift to advisory services are enabling many firms to help their clients adapt. At **Green Hasson Janks** of Los Angeles (FY18 net revenue of $32 million), professionals within the highly specialized royalty licensing and forensics practice are mining their own experience and analyzing thousands of data points to quickly understand changes in the industry and help clients stay ahead. The firm has one of the largest film and TV industry royalty licensing and forensics practices in the country.

Partner **Ilan Haimoff** says the firm analyzed data on key performance indicators (KPIs) of hundreds of films over the past five to seven years. The firm's first study of its type, the *Theatrical Motion Picture Guide on Film Distribution Analysis*, provides his firm the ability to sound warnings about challenges ahead and make suggestions for new opportunities to clients.

"Along with the changes, there are significant opportunities to provide more consulting services, acting as strategic advisor, assisting our clients with planning and positioning clients for future success in a variety of areas we haven't in the past," Haimoff says.

Like Green Hasson Janks, many firms are increasingly using research, assisted by data analytics in some cases, to better serve clients in fast-changing industries. Haimoff notes just a few of the significant changes, many of which are a result of technology and changes in consumer preferences:

- In just a few years, Netflix, Amazon Prime and Hulu upended the industry with streaming video-on-demand services, and now Apple, Disney, Warner Bros. and Comcast are jumping in, and there's more to come.
- Continued consolidation in the motion picture and television industry is a major concern for content creators and investors as well as other stakeholders, such as theatre chains, which potentially have less and less bargaining leverage on new deals. Only recently, CBS and Viacom have reached a merger agreement, and Disney's $71.3 billion deal for 21st Century Fox earlier this year created the biggest motion picture studio in the history of Hollywood.
- The motion picture and television business is shifting outside the U.S. and Canada, with China, South Korea, Russia and others becoming more important from a distribution standpoint.
- A new disrupter on its way in 2020 is Quibi, a mobile-only, high-quality streaming service, which will tell two-hour stories in chapters that are 10 minutes long, or less.

The various players are competing aggressively for subscriptions and investors are scrambling to pay for new content to satisfy market demand. Determining compensation for everyone involved is more complicated than ever. As actor Elizabeth Banks told *The New York Times*, "It's interesting, because there's a lot more work, but it's a lot harder to make money on anything."

The days of being paid on a percentage of gross receipts on motion picture deals are long past, and now the adjusted gross receipts must hit specific dollar amounts, or breakpoints, before actors and directors get certain percentages. Disney is looking for more of a bonus structure on TV series as opposed to a share of profits, Haimoff says.

Through the firm's profit participation forensic accounting services, the firm checks the accuracy of the distribution revenues (from TV licensing, sales, home video, streaming video and video games, merchandizing products, etc.) and the costs (too many to list) to make sure the client's contingent compensation is properly reported and paid.

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The firm is leveraging data in the *Theatrical Motion Picture Guide on Film Distribution Analysis* to help producers and investors project motion picture revenues and costs, which is critical to understand when negotiating the next deal.

The study, which took a year to complete, showed that films with small production budgets (less than $20 million) or very large production budgets ($70 million or more) are making money, while those in the middle ($20 million to $70 million) are not breaking even. Those films are less likely to be made as compared to decades ago, evidenced by the exit or default of studios such as Relativity, the Weinstein Co. and Open Road, among others.

Another finding is that the international box office, while not as profitable as in the U.S. and Canada, has become the majority of worldwide box office, at about 70%. "As a result, the industry is becoming more complicated and requires a better understanding of the financial relationship between revenues and costs by territory," Haimoff says.

"While the results of our study, in many ways, affirmed what industry leaders already knew, the more data that is collected and analyzed, the more informed you are and the more valuable the information is to clients," he says. "Deepening expertise is critical to survive in the long run in the rapidly changing industries we service, wherever you are and whatever you do." ■**IPA**