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PolyGram Filmed Entertainment and Working Title Films Part II: The Rise and Fall of a Film Studio

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POLYGRAM FILMED ENTERTAINMENT AND WORKING TITLE FILMS PART II: THE RISE AND FALL OF A FILM STUDIO

Nathan Townsend

In a recent article in this journal, I examined the early development and launch of a film studio, PolyGram Filmed Entertainment (PFE), and the integration of an independent production company, Working Title Films, into this new venture between 1988 and 1993. This article resumes that narrative by considering the evolving parent company-subsidiary dynamic at play between PFE and Working Title between 1993 and 1998. In doing so, four overlapping objectives are pursued. Firstly, I examine the structures and processes which linked PFE to Working Title by conceptualising the relationship between the two in terms of creative and commercial gatekeeping with gates at the points of development, green-lighting and distribution. Secondly, I consider the release of Working Title's first worldwide hit, Four Weddings and a Funeral (1994)*, and assess its impact upon both the production company and the studio. Thereafter, PFE's subsequent development - the expansion of its distribution and marketing network, its acquisition of various film libraries, the proliferation of its production deals – is charted, as well as its premature demise and the fate of its assets, including Working Title. Finally, I position this history within the wider context of the relationship between the film industries and cultures of Britain and Hollywood by considering PFE's unique achievements and legacy.*

In January 1992 the major record company, PolyGram, committed to a strategy of corporate diversification with the launch of a new film studio, PolyGram Filmed Entertainment (PFE). Over the course of the next seven years PFE challenged the dominance of its Hollywood counterparts by devising a version of the contemporary studio system which worked simultaneously inside and outside the established order. In doing so, PFE acquired three major production 'labels' and signed a host of third-party agreements with independents, procured major film and television libraries and established distribution and marketing operations in 14 territories worldwide. In practice, the foundations for these developments were laid over the preceding five years. Between 1987 and 1991, PFE's President and CEO, Michael Kuhn, and COO, Malcolm Ritchie, developed a prototype studio system under the auspices of PolyGram's London-based Media Division. This included making initial minority investments in two independent production companies, Working Title Films and Propaganda Films, the establishment of an international film sales company and the operation of a corporate tax structure which sheltered PolyGram's direct investment in film. During this period, Kuhn and Ritchie also developed the so-called 'control sheet', a centralised creative and commercial filter used to inform green-lighting decisions by assessing the risk and reward profile of projects in development at PFE's production labels.1

This remarkable narrative of studio-building is continued here between the years 1993 and 1998 with four overlapping objectives. Firstly, I will examine the structures and processes which linked PFE to Working Title by considering the role of the producer and thereafter conceptualising the relationship between the two businesses in terms of creative and commercial gatekeeping with gates at the points of development, green-lighting and distribution. Particular attention here will be paid to the individual and collective agency of the key personnel at both PFE and Working Title who were responsible for devising and operating

these gates. Secondly, I will consider the impact of Working Title's breakthrough hit, Four Weddings and a Funeral (1994), a film which redefined expectations about the commercial potential of British films in popular genres. Thereafter, I will outline the subsequent expansion of PFE's distribution and marketing network, the increasing ambition of its library acquisitions and the proliferation of its production deals before focussing on the studio's premature demise and the fate of its various assets, including Working Title. Finally, I will locate this history within the wider context of the relationship between the film industries and cultures of Britain and Hollywood by considering PFE's unique achievements and legacy. Before pursuing these ends, however, it is first necessary to briefly consider PolyGram's market position in the early 1990s and the configuration of its new subsidiary, PolyGram Filmed Entertainment.

Positioning PolyGram and PolyGram Filmed Entertainment

At the time of PFE's launch PolyGram was a member of the so-called 'big six' major record companies, a grouping which collectively shared 84 percent of the worldwide retail market for recorded music. In 1991 this market amounted to $23.8 billion worldwide, with $7.8 billion (33 percent) of revenue coming from the US 'domestic' market and $16 billion (67 percent) from the 'international' market which comprised the rest of the world.2 Three of the 'big six' – PolyGram, EMI and Bertelsmann Music Group (BMG) – were European corporations, while the three remaining majors - Warner Music Group, Sony Music Entertainment (formerly CBS Records) and Music Corporation of America (MCA) – were historically American, although the latter two had been acquired by the Japanese conglomerates Sony and Matsushita in 1988 and 1990 respectively. Figure 1 shows, these companies according to their respective shares of the worldwide market in 1991/1992.

Unlike their European counterparts, however, the US-based major record companies were all divisions of larger entertainment conglomerates which also included Hollywood film studios. As a PFE business review acknowledged, the worldwide market for filmed entertainment in 1991 was $51.9 billion, more than double that of the record business. In contrast, however, the ascribed market values were reversed with the US accounting for $33.2 billion (65 percent) of the worldwide filmed entertainment market and the rest of the world responsible for $18.7 billion (35 percent).3 If successful, the project of building PFE into a major film studio would transform PolyGram into an entertainment conglomerate which, like the major Hollywood studios, was capable of exploiting this vast market. Mounting such a challenge, however, required the support of both PFE's immediate parent company, PolyGram, and its ultimate parent company, the consumer electronics manufacturer, Philips. Significantly, both PolyGram's President and CEO, Alain Levy, and Philips' President and Chairman, Jan Timmer, were committed to the new venture and helped to secure the $200 million start-up capital that the strategy required from PolyGram. As Malcolm Ritchie explained, this sum was earmarked for several preliminary actions which would effectively launch the new studio:

> The $200 million figure was the initial cash flow estimate, the total net cash. Net, because obviously we were going to spend much more than $200 million but we were going to start receiving income from the projects that we were producing. It was a combination of everything … It was for the acquisitions, for the buy-out of Propaganda, for the buy-out of Working Title, for setting up US operations, for setting up US distribution … [We] envisaged buying a larger entity which ultimately became Interscope and it included, notably, the funding of the projects themselves.4

Despite its European ownership, PFE was a highly transatlantic organisation in terms of its operational management. From its inception, PFE and PolyGram Filmed Entertainment

International (PFEI) were respectively headquartered in Los Angeles and London, with Kuhn working from the former location, and assuming responsibility for English language production and 'domestic' distribution and marketing. In contrast, Stewart Till, President of PFEI, was based in London and responsible for overseeing the development of 'foreign language' (non-English) production and 'international' distribution and marketing. The transatlantic orientation of PFE's operational structure was also mirrored in the company's production agenda. Prior to PFE's launch, PolyGram's Media Division acquired 49 percent equity stakes in its first two production companies, the Los Angeles-based Propaganda Films and the London-based Working Title Films in 1988 and 1990 respectively.5

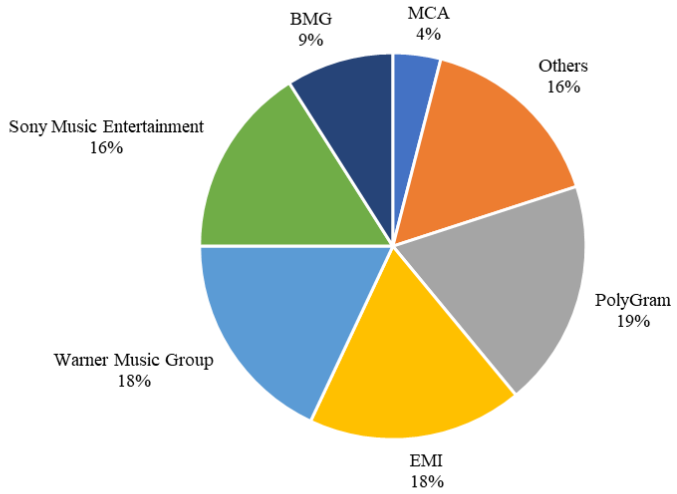


Figure 1. World music market: competitor market shares 1991/1992. Source: PolyGram, 'PolyGram Filmed Entertainment: Presentation to the Group Management Committee (31st August 1992)' (1992), PFE Archive.

Significantly, both companies had backgrounds in low-budget independent production, the results of which lay outside the mainstream film culture associated with the major Hollywood studios. Working Title had, for example, produced such films as *My Beautiful Laundrette* (1985) *Wish You Were Here* (1987) and *London Kills Me* (1991), while Propaganda were behind titles like *The Blue Iguana* (1988), *Fear, Anxiety and Depression* (1989) and *Wild at Heart* (1990). The PFE strategy, however, also involved buying a 51 percent equity stake in the Los Angeles-based Interscope Communications in August 1992 for $35 million.6 In contrast to Propaganda and Working Title, this investment was predicated on Interscope's track record of commercial success on a Hollywood scale including a number of hit films produced for Disney including *Three Men and a Baby* (1987), *Cocktail* (1988) and *The Hand that Rocks the Cradle* (1992).

PFE's decision to invest in Interscope was also based on the company's economy in production and its ongoing production deal with Disney. The average negative cost of Interscope's films, for example, was just $16 million and its contractual obligations to Disney ensured that half of its production costs were offset by the Hollywood studio, which also financed the domestic distribution and marketing of its films.7 As the project of building a studio got underway, financial discipline was expected of all PFE's production labels which consistently produced films with budgets substantially below those of the major Hollywood

studios. The average negative cost of PFE's films rose from $12 million in 1992 to $28 million in 1997/1998, for example, while the average cost of studio films increased from $28.9 million to $52.7 million in the same period.8 While the process of developing Working Title into a production company capable of making films for a worldwide audience had been initiated within the Media Division, the long-term strategy of producing British films as part of the PFE's slate presented a number of distinct challenges. As Michael Kuhn pointed out, the underlying nature of the relationship between the film industries and cultures of Britain and Hollywood placed Working Title in a unique position within PFE's nascent studio system:

> There's an enormous difference between the UK and Europe in several key respects. First of all, language, because we've got the same language as America we compete for talent in a way that European markets don't, because American talent doesn't speak French, Italian, Greek … but we have to compete with Hollywood … So that's the first difference, the second difference is that if you have a decent script in European countries you basically get your film made because they have tremendous mandatory TV buys. If you're a French broadcaster or pay TV operator you have to buy a certain number of French produced, French language films, the same in Germany, Scandinavia and all that. So, we're disadvantaged in that regard as well, but on the positive side, if you have an English language film that works, you can sell it anywhere in the world because it's English language. So, by nature we have to operate in the American world with talent, [but] we don't have the capital base the Americans have to make the films, the studios. We have to be much more inventive as producers to get our films made and we have to know the ways of Hollywood much more intimately than the Europeans do.9

In these ways, bridging the gap between the British and Hollywood industries and simultaneously developing British films that 'work' on a worldwide scale became key objectives for Working Title. Significantly, these tasks rested largely with the label's leadership, namely the company's Co-chairmen, Tim Bevan and Eric Fellner. Immediately prior to the launch of PFE, Kuhn had actively induced this partnership by recruiting Fellner from another London-based independent, Initial Film and Television. As he recalled:

> He wanted more money than we were willing to pay at the time and the argument that I used with him was that if you're an independent film producer you get one turn at bat every year to eighteen months but at Working Title he'd get three or four turns at bat every year. It was the year we got going, and if it worked he would quickly build up the most important asset, which is your name, reputation and producing skills and that would be worth far more than a short-term difference between us on whatever we could afford to pay in cash.10

As Kuhn predicted, PFE released Working Title's films at a rate of between two and four a year over the next seven years. The following section explores Bevan and Fellner's roles as producers within the emerging PFE studio-system, particularly their agency in shaping Working Title's creative and commercial agenda.

Positioning the producer

The incorporation of Working Title Ltd as a wholly owned subsidiary of PFE in October 1992 marked the final stage of the production company's transition from independent to subsidiary.11 Simultaneously, Bevan and Fellner's position within the company was

transformed. While acting as Co-Chairmen of Working Title, the producers effectively became employees of PFE secured on fixed term service contracts to the studio. In return, PFE capitalised Working Title with annual overhead and development budgets and financed the production of each film that was green-lit by the studio. In doing so, Working Title's relationship with PFE began to resemble the typical arrangement in the contemporary Hollywood industry in which a studio finances development and production in return for ownership of the resulting intellectual property and thus the right to exploit it in the marketplace. As key 'above-the-line' personnel, however, Bevan and Fellner stood to benefit from the potential success of Working Title's films through profit participation. As Bevan explained:

> In film, really, it's all about who's having the ideas, who's producing them, and then, how they're getting paid and how their profit margin works … What we realised was that there was a lot of capital required to be able to do the first parts of that, which is to develop the movies and to get to a point where you're going to produce them, and that it was worth giving away[equity] in order to have that freedom as long as … if those films were successful you've got a decent margin on it … We've had a small margin, but a proper margin, and a meaningful margin, on films that have been very successful.12

During the first few years of the PFE era, Bevan and Fellner typically took executive producer credits on the films Working Title produced, ostensibly reflecting their new roles within a large corporate entity. The situation would not, however, continue for long. 'I felt that the people who were … on the set … probably deserved the producer credit and that I should take the executive producer credit', Bevan recalled. 'We were doing all of the producing functions, but we might not be sitting on the set the whole time. There was a sort of inverted snobbery that if you didn't sit on the set you weren't a proper producer, and actually, we thought that was rubbish'.13 The producer credit would, however, typically be shared with a third-party producer brought in to help oversee a specific project. Thereafter, the labour of running the company was subject to some experimentation before Working Title's producers-in-chief settled into the working relationship which would define their partnership. As Fellner recalled:

> We thought we'd do everything together, and then it was after the first film we made called *Romeo is Bleeding*, that we decided to split it because it didn't work … He'd run some films and I'd run other films and that's how it is right up until today, and it's been far more successful … We try to work together in deciding which films we're going to make and what we're going to get behind … the big decisions, but in terms of actually making them, we run them very separately.14

Significantly, PFE's production companies operated under the same set of principles as the PolyGram 'label system' within which Artists and Repertoire (A&R) companies functioned as semi-autonomous businesses and developed distinct creative identities. In doing so, the creative and commercial sensibilities of Bevan and Fellner came to the fore when developing the company's slate. As Fellner noted, 'I will probably veer more towards mainstream material, and he will probably veer more towards intellectual [material] or material with artistic integrity but we can both cross over into those other areas'.15 Given the diversity of genres and budgets that the company has worked within, defining Working Title's house style is arguably more about an overarching approach towards commercial filmmaking. 'We've always gone for … a good story with decent characters, with emotions that we can connect to that make people jump

or thrilled or laugh, or whatever they're meant to do in terms of the genre of the movie', Bevan explained. 'And we've always been very screenplay conscious … and when we've deviated too much from that we haven't had success'.16

Achieving these aims, however, required reshaping Working Title's infrastructure. '[We] decided to build a proper business that had departments that operated properly and efficiently … and had reporting structures', Fellner confirmed. 'Most importantly, we set up the notion of building a slate for development and production, so that each year we were delivering a substantial amount of films into the distribution entity'.17 To support this drive, Working Title's headcount rose from 22 to 31 between 1993 and 1998, and was spread across six lean departments - administration, accounts, development, production, US office and legal and business affairs.18 In turn, Bevan and Fellner began to focus the majority of their time and energy on the areas of the filmmaking process which surrounded the shoot, as Fellner noted:

> The two critical areas are development and putting the film into production and then post production, marketing and distribution … Everyone focusses on the shoot, but the shoot is kind of irrelevant, because If you've done your job properly and hired the right camera man, the right director, the script is perfect, [and] you've got the actors — if you've got all those people right — they should create magic. If you've got it wrong, then they won't create magic … if you've done it right, you're just there to support it and then it's just a physical process of making sure they're on budget and on schedule and our production team are really good at doing that.19

The crucial stages of the filmmaking process identified by Fellner are interpreted here as three key points of gatekeeping: development, green-lighting and distribution. What follows considers the relationship between PFE and Working Title by examining these gates as discrete steps in the filmmaking process which were, in turn, operated and maintained by the individual and collective agency of key personnel at both Working Title and PFE.

Gate 1: development

The essential role of any development department is to convert original story ideas or existing intellectual property into films by developing them in collaboration with key creative talent. In practice, Working Title maintained creative autonomy from PFE at the point of development and divided this work between offices in London and Los Angeles, managed by Debra Hayward at the former location, and Liza Chasin at the latter. Crucially, development became a separately funded and properly resourced stage in the filmmaking process which increased in step with the studio's evolving production agenda. In 1994, for example, Working Title's development budget was $4.5 million but rose to $11 million by 1998.20 As Hayward explained, such resources allowed Working Title to create a development infrastructure which differed substantially from the typical set-up in the British independent sector:

> In America you have all those echelons in the studios and in major production companies – all those, creative, executive strata – that didn't exist here. It was very much a cottage producing industry. If you were a producer you did absolutely everything including pushing it over the final starting line to get your film made … Through the 90s … I was very privileged because our films were fully financed … When it's a one stop shop like that, when you're not, as a producer, having to go out and piece together bits of funding, it does allow you to be creative and to put all your energies into making the best film possible. I think that obviously accounts for a lot of the success of Working Title. The films were much better … because … they were

> really, really well developed … well cast [and] well attended to throughout their production.21

While Working Title created a development infrastructure in London which began to resemble that of the Hollywood film industry, it was also paramount to maintain a presence in Los Angeles. 'It became very apparent, very quickly, that everything we were doing, whether it was strictly a London-based film or not was coming through LA at some point; through the agencies for talent, or writers or directors', Chasin recalled. 'Everything was passing through, so having a presence here and having relationships with the agencies and the community here was a necessity really; we couldn't have pushed our movies into being without it'.22 Doing so as a new entrant into the Hollywood industry, however, required actively establishing a profile for Working Title which also encompassed PFE's overall vision, as Chasin acknowledged:

> We were trying to convince people that we weren't only making beautiful, arty films out of the UK, that we were looking to expand … We were doing movies that were kind of transitional films … It was really just convincing people who we were, that this new kind of studio called PolyGram was real and that all of us who were part of that – [Working Title], Propaganda and Interscope … were forging ahead, convincing the town that this new presence, which everybody only knew as a music company, was making a real foray into film … There was a lot of outgoing, a lot of outgoing calls. I like to joke that those were the years where we got a lot of scripts from the agents that had a little thin layer of dust on them, that they couldn't get made anywhere else.23

The two offices, however, remained distinct from one another in terms of their overall functions. 'I always refer to the LA office as a strictly creative outpost' Chasin explained. 'We don't house any of our business affairs, our accounting, or physical production team here'.24 Indeed, the distinction between the British and the Hollywood industries as a whole was also clearly felt in terms scale, as she went on to point out:

> When we put together those [talent] lists, ours are endless on this end versus the London list because the London pool is so much smaller. Of course, when we're talking about bigger, more studio-minded films, there's a handful of writers you'd go to in London for things like that, but there's pages worth of names you could go to here. With Debra, she and I, for twenty plus years worked together as though we were in the next room from one another. We had an incredibly close [relationship], both personally and professional[ly] … and it just meant that we could hand things back and forth easily between one another, which is what we still do now between the two offices … We could start a project there, and wind up putting a writer on it here, then it comes out of our office, then it flips back there for production. We operate the LA office of Working Title as though it's really embedded, that we're in the same place. We just have the benefit of the eight-hour time difference over here … so when everyone [in London] goes to bed, we keep going.25

Once a project in development reached the latter stages of the process, with a script and key creative talent attached, the project would migrate to the production department for the first time. As Jane Frazer, Working Title's former head of production, explained:

> You have to do the schedule first. So, you have to schedule the film and work out how long it's going to take. Which scenes [do] you do, when? Where [do] you do them? Are they day or are they night? Who's in them? Which crew do you need? Which specialists

> do you need? … Then you break it down in enormous detail, and then you just cost out that detail …There has always been a standard, what's known as a chart of accounts, which is how you cost … What I used to do then, and still do, is prepare a budget and then everyone goes 'it's too much' because it doesn't fit the control sheet figures and then you have to try and bring it down. Then you work with the script, or the producer works with the script, to see whether or not some script amendments can be made.26

Script amendments were considered with a keen eye on the 'below-the-line' costs associated with the physical production. 'The most expensive thing is time, so then you try to knock days or weeks off the schedule' Frazer confirmed. 'You try and keep it as contained as possible, you try and put two locations in one location, so you're not travelling between because that wastes time'.27 Equally, the production budget could be reduced by focussing on the 'above-the-line' costs associated with the key creative players working on the film. 'What you do to bring down costs is you pay people less, pay the actors less, pay the writers less, you pay the producers less', Frazer explained. 'People often end up deferring their fees'.28 Simultaneously, the legal and business affairs department run by Angela Morrison oiled the wheels of the development and production departments. 'Most of my work was really the heavy lifting on the production side', she recalled. 'The talent deals, the … actual production work, so all the agreements relating to locations, clearances, the talent – the actors, the director, the producers, the writers, everything that flowed from that'.29 The entire feature film development process would, however, only translate into production when a green-light decision was made.

Gate 2: greenlighting

The process for greenlighting films in place at PFE was explicitly designed to avoid top-down decision making at the studio's head office in Los Angeles, and instead spread the responsibility between a number of the studio's divisions. Once a project was in the latter stages of development at a PFE label, it would be routed through the studio's distribution, marketing and sales divisions before being considered by PFE's senior management. In doing so, the results of the creative autonomy exercised by Working Title at the point of development was examined against various forms of market forecasting, as Ritchie explained:

> It was very simple, they would be working on the development of a project and they would eventually get to the point where they've got a script, they've got talent interested, they've done a budget, they'd put the script and the talent package out to the sales company and some of the key distribution territories to see what sort of interest there might be from them and how the numbers might look: they would put together their control sheet. And then they would come to us, and we would know they were doing it, because they weren't working in isolation … There was a lot of give and take in the process and Michael would always play an important part although he wasn't nominally the studio head green-lighting films. He was the one that they'd be speaking to, saying 'we're looking at doing a deal here, with this talent, on that project, do you support [this]?'.30

In practice, the control sheet was a document which contained all of the necessary information with which to make a green-light decision.31 Based on the creative package supplied by a production label – script, cast, crew, budget – a worldwide revenue forecast, and corresponding P&A budget were compiled which indicated a range of scenarios from low to

high performance cases. The infrastructure which produced this data was effectively split between a centralised hub based in London, PolyGram Film International (PFI), and a network of operating companies or 'OP COs'. Within this binary, PFI had two essential functions. Firstly, it was responsible for producing the sales estimates for all the territories in which PFE did not have direct distribution and thereafter selling the distribution rights to PFE's films in those territories. Secondly, it produced the marketing materials for PFE's films and coordinated each theatrical release by working with the OP COs, which directly handled distribution and marketing in key territories. As Julia Short, former Head of Marketing and Publicity at PFE UK explained, input from the OP COs also directly contributed to the green-lighting process:

> We used to supply the numbers that used to get plugged into the control sheet … we would have to project what box office it would do, how much money we would need to spend to attain that box office, but those two figures would have to take into consideration our TV output deals, because our TV deal with Channel 4 was triggered based on a certain … P&A spend and our Sky deal was predicated on certain numbers as well … Because we were always in the same building and the same space as the [PFE UK] video people, we would also find out from them how strong a title it was for home entertainment … It was a question of understanding all the areas of exploitation.32

Despite the adversarial nature of the control sheet, which pitted the creative ambitions of a production label against the market forecasting of the studio's distribution, marketing and sales divisions, the overall working environment at PFE was collaborative. 'We used to refer to the PolyGram family and anyone you speak to who worked at PolyGram would probably say the same, I would think, that it was a family of people who worked very well together' Morrison explained. 'It was phone calls, it was meetings, it was daily contact, it wasn't … once every so often and only around the control sheet'.33 Crucially, the control sheet, which presented a combined creative and commercial profile for each film project in summary form, had to be accepted by all parties. 'That was the … instrument of discipline that the whole company fell in line behind', Morrison continued. 'If the control sheet was a "go" we were green-lit, if the control sheet didn't look good then we were in trouble'.34 As she went on the explain:

> It brought discipline to the company because the control sheet was revenue, cost, outgoings on third party participations. What were the deals that we were making? Were they good deals? Were they bad deals? Where should they cut in? … Part of looking at the control sheet from a cost perspective wasn't just the production budget itself and how much the film would cost to make, but also then what we would have to pay out if it was a success, at what point we were paying that out, and how much we'd have to pay out if it was a success, and what impact that had on the margin that PolyGram needed for its own investment. That, really, was the single most effective tool to bring everybody into line within the decision-making process, and lessons were learnt through that that haven't been forgotten.35

Once a green-light decision was made it would, in turn, initiate the final stage of gate keeping, distribution.

Gate 3: distribution

The development of PFE's distribution and marketing network began in 1992 with the establishment of Gramercy Pictures. Due to the size and level of competition in the domestic market, establishing operations in the US presented the greatest challenge and expense. Ultimately, Gramercy was established as a 50:50 joint venture with Universal to handle the medium to low-budget 'specialty' films of both studios. In contrast, PFE initially distributed its larger films through 'rent-a-studio' arrangements with a number of the major studios. As Kuhn explained:

> To open up distribution in America is a huge decision and many people, great people … had tried and failed dismally. It was perceived as a black hole money pit, so it was an extremely nervous-making beginning. We decided insofar as we had big pictures that we'd keep distributing through the studios … but the smaller ones we'd start on our own … I wanted to have enough product guaranteed, so I needed another supplier, so that would be cast-offs from Universal … Hopefully they'd develop some of their own … [specialty] stuff and … we'd use their expertise and whatever back office we could and just generally to spread the risk. That was the idea, gain experience of what it means to distribute in North America before you jump in 36

In practice, Russel Schwartz, President of Gramercy, was granted day-to-day operational autonomy from both parent companies. 'PolyGram made movies, financed them and put up the P&A and completely controlled their movies and Universal did the same. There were no co-productions that were done' Schwartz explained. 'It was really about the individual production companies under the PolyGram banner creating product and production execs at Universal [doing the same]'.37 While Gramercy was one of the first specialty distributors to be established or acquired by the major Hollywood studios in the 1990s, it was soon joined by the likes of Sony Pictures Classics, Miramax, Fox Searchlight and Paramount Classics. As Schwartz explained, while the specialty market was positioned outside Hollywood's core business, it was predicated on the expectation that some of these films would cross over to a wider audience:

> [There were] more individual mom and pop operations besides just a couple of art-house chains that were very dedicated to these kinds of [specialty] movies, so the competition was more amongst companies of similar size [to Gramercy] rather than amongst the studios. What would happen, though, is if one of these movies from either us [Gramercy] or anybody for that matter looked like it was breaking out, the exhibitors would be the ones who would demand it, because exhibition … tend to eat their young if they smell a success … If they had the room to do it, they [the multiplexes] would certainly play it … Certainly now in the era with so many multi-screen cinemas its even less of an issue, there's always a screen available if a movie's doing business …. and there's always another film right behind it if the movie's not.38

In 1992 PFE also established distribution and marketing operations in two major European territories, France and the UK, followed by the Netherlands in 1993. As Stewart Till, President of PFEI, pointed out, the studio empowered the OP COs to make decisions at a national level across the platforms of theatrical, home video and television:

> When we set up distribution in every territory, I felt two things. I felt the local managing director should know better than anyone at head office, and if he didn't then you didn't

> have the right person. Secondly, there was so much overlap between, particularly, theatrical and home video, that the benefits of having one boss [managing] marketing synergies, dating synergies, pricing synergies … [was that] they could make a decision … All anyone cares about is 'what's the total revenue?' and 'what's the total marketing spend?' … I'd worked for Fox Video, I'd seen the studio's departments not talking to each other, let alone not maximising synergy and revenue. To this day, the studios are still hugely horizontally segmented … It was one of the huge advantages [of PolyGram because it allowed] … our general managers to take ownership of a title because he was responsible for all the revenue in France or all the revenue in Germany, and he was accountable.39

The autonomy that the managing directors of the OP COs wielded over releasing PFE films was also extended to theatrical and home video acquisitions in each national market, as well as a central acquisitions department within PFI. Just as PFE fostered an environment of creative autonomy for its production labels, the studio also ensured that its OP COs had the autonomy to pursue distribution and marketing strategies tailored to their own market. In practice, however, the relationship between the OP COs was also collaborative as they grew in number, as Julia Short pointed out:

> An operational company used to host a four-day conference and over those four days we'd watch the next four months' films. So, we'd watch the films and then the following day we'd all have to present our marketing and distribution plans. So we'd say, 'It's not good enough, it'll have to go straight to video', and we'd look at doing a TV premiere if that was the case, or we'd say 'loved it! We think it's a 200, 300 print release, and we think this is the target audience' … The person that was doing the equivalent of my job in Germany and France and Spain and Switzerland, Australia would all be there. So, it was an incredibly collaborative and supportive environment. I've never had it again. There was not a blame culture if something didn't work, there was no blame, so you didn't feel stifled to not try something … The whole PolyGram philosophy was local knows best. So, we would say, for the UK, this is what we would to do with it and this is how we want to sell it because these are the selling points in this territory.40

The marketing notes from such conferences would, in turn, be used by PFI to develop marketing briefs from which London-based creative agencies would design the marketing materials for PFE's films. The results of this process would typically be further refined with input from the OP COs, PFI and PFE's production labels before being finalised. The ultimate stage of the process involved PFE's OP COs negotiating with exhibition on a territory-by-territory basis to agree the dating, venues and commercial terms of the theatrical release.

The impact of *Four Weddings and a Funeral*

Prior to its US theatrical release in March 1994, *Four Weddings and a Funeral*, a $4.3 million romantic comedy set in Britain and starring Hugh Grant and Andie McDowell, was not viewed by many as a potential hit. 'The perception of the movie was that it was a small British movie with an unknown British actor and a somewhat known American actress and a whole bunch of quirky British people who were well known in their native country but not very well-known in America',41 Schwartz explained. Indeed, the marketing campaign which David Livingstone, PFI President of International Marketing and Publicity, devised for the film drew inspiration from the limited pool of successful films with comparable elements:

> The only film that I remember that had been successful for some time that was British comedy was *A Fish Called Wanda*, and to a degree, there was an element of looking at the *A Fish Called Wanda* poster and campaign and me going 'look, you know, at least there'll be some recognition here, some familiarity from people that makes them go, "this could be a hit, this feels like it's in the zone of something that I've enjoyed before" … [That was] one of the things that became what was considered the Working Title look - and I wasn't really aware I was particularly creating a look, but it became the look that we did … constantly. This white poster campaign where a lot of the comedies were against white backgrounds … At the time, something I was told by people that had worked in the business a lot longer than me [was that this was something] that you shouldn't do. Apparently white posters would get dirty on the underground and nobody did white posters. The philosophy was … not knowing the rules … to a degree, but to do things differently to the way other people had done them before.42

The US release, however, proved remarkably successful. 'We decided to open the movie and got an opening date and we gave it a classic … platform release' Schwartz recalled. 'It opened up quite well, and by the second weekend we realised that the movie was going up on the same number of screens and we realised how strong the word of mouth was'.43 The initial platform locations of New York and Los Angeles showed strong per screen averages and promoted demand from other exhibitors. PFE subsequently spent three times the film's negative cost on domestic P&A as the film was rolled out to other cities. Six weeks after its release, the film reached number one at the US box office, a feat which also established a platform for the subsequent international release.44 '[*Four Weddings*] was a hit and got to the number 1 position, which was a miracle … That became a marketing element and a news story … "The British film *Four Weddings* has become the number 1 film in the US" — and it felt very exciting',45 Livingstone explained. 'It was really the moment that we got it right, the moment where we said "this is how we do it". We threw everything into it and we spent loads, which we could afford to do'.46 By the end of its worldwide theatrical run, Four Weddings had grossed over $250 million and subsequently won both Golden Globe and BAFTA awards. As Till explains, the impact upon PFE was transformative:

> In the film business, there's three types of films. There are the films that are never going to work and fail and lose lots of money, films that break even, make a little bit of money, got close to working, and there's the blow out hits … You can't make only blow out hits, the skill is only making [films in] the second two categories. It's [like] football - wins, draws and defeats – the skill is, you draw a load and occasionally you win a big game. *Four Weddings*, it was immeasurable what it did for the company. I don't know how Philips reacted, but certainly the record company went 'wow', and more importantly, in fact, the whole industry went 'wow'. Suddenly, it was easier to attract people, get attention … In the States, obviously, it did $50 million, so for Gramercy to have a hit … all the territories where we released it, it was a hit. People who bought the film from us made immeasurable money and so wanted to buy more films from us. We went from overnight being a really interesting player to a major player.47

Despite its enormous success, or perhaps because of it, the release of *Four Weddings* was met with criticism from some quarters for the version of Britain and Britishness it offered.48 In the years that followed, the film would be identified as the first journey into so-called 'Curtisland', a geographical and social milieu defined by white middle-class characters and idyllic rural and metropolitan locations. In this sense too, *Four Weddings* was important in

foreshadowing Working Title's repeated success in the romantic comedy genre in later 'Curtisland' films such as *Notting Hill* (1999), *Bridget Jones's Diary* (2001), *Love Actually* (2003) and *Bridget Jones: The Edge of Reason* (2004).49 For Bevan, however, the film remains culturally valid on its own terms. 'One of the things that … in terms of British film, works very well is when you're culturally specific' he argued. 'There's something honest about those films and people connect to them'.50 In particular, he singled out Curtis's films as an example of this strategy:

> People would hate to … admit this but there is cultural specificity … in Richard's movies as well, which is about a particular class, if you like, of British society that does reflect Britain. I remember reading an editorial that some Labour politician had written after the success of *Four Weddings*, being absolutely furious that this was a reflection of British culture, and you thought, 'well, actually mate, it is, and there's nothing you can do about it and $250 million worth of people around the world would agree with me on that'. It's all very well writing that in *The Guardian*, but it's sort of meaningless … It's a strand of British society, it's not British society, it is a strand, you may like it, you may hate it … but it is a strand of Britishness.51

On the one hand, the extraordinary critical and commercial success of Four Weddings and a Funeral reassured both PolyGram and Philips that PFE's strategy was working. Indeed, in an instance of direct synergy between PFE and PolyGram, the film's soundtrack included the single Love is all Around (1994) by a PolyGram act, Wet Wet Wet, which spent 15weeks at the top of the UK chart, while also taking the top position on many charts internationally. On the other hand, directly comparing the operational infrastructure of PFE to its Hollywood counterparts also served as a sobering experience. As Malcom Ritchie recalled:

> Just after we did Four Weddings Michael and I went for lunch with Tom Pollack, who was then the President of Universal, on the Universal lot. It was a nice chat and he was speaking about Four Weddings and congratulating us on the success … The worldwide box office, he knew that it was up to well over $200 million. He said 'you must have made about $120 million profit on this', and Michael said, 'well, maybe not quite as much as that'. After we came out, Michael said, 'how did he get that figure?' … The studio heads had a rough idea that if a film did 'x' at the worldwide box office, how that would translate by the time you took into account video and television, the cost of the release and the cost of the film, what he would make in his worldwide distribution system. We made a good profit on Four Weddings but it was nowhere near that, and the difference, of course, was because Universal had a worldwide distribution system. At that time we had very few territories … and the rest were pre-sold, so the upside for us was limited. It was just an interesting conversation that brought home to us why it was important to get into as much distribution as possible.52

The following section examines the subsequent expansion of PFE between 1994 and 1998. In this period, PFE's development was largely defined by two strategies which would bring the nascent studio more closely in line with its Hollywood counterparts: expanding its distribution and marketing operations, and increasing its supply line of product, both through third party production deals and the acquisition of substantial film and television libraries.

The expansion of PolyGram Filmed Entertainment (1994-1998)

PFE's expansion in the domestic market took shape with the acquisition of Universal's 50 percent stake in Gramercy in January 1996.53 Over the preceding four years, Universal had produced few 'speciality' films, leaving most of the Gramercy slate to come from PFE. 'They [Universal] just didn't feel they were good at it and didn't have a dedicated team that was doing it. Whereas … PolyGram's business model was specifically geared to making those kinds of movies' Schwartz explained. 'It takes as much effort and time commitment from a production exec to make a movie that costs $3 million as a movie that costs $200 [million]'.54 In May the following year, PFE launched PolyGram Films, a second US-based distribution company designed to handle big-budget films. For many at PFE, the launch of PolyGram Films marked the end of PFE's developmental phase and the beginning of its concerted attempt to rival the major Hollywood studios. This perception was underlined by the relocation of PFE's headquarters to an elaborate office building on North Crescent Drive. Explaining the rationale for the launch of PolyGram Films, and some of his reservations surrounding it, Schwartz recalled:

> All of the production entities … [were] wanting to make bigger movies, which is usually a sign of trouble, and PolyGram was very anxious to establish itself as a studio … The Gramercy model was quite successful at that point, and I think they felt they could take it to the next level. Now, there's many opinions as to what should have happened next versus what did happen next. It never made any sense to me to start another distribution company when you already had Gramercy that was completely established with an excellent reputation … I think when you get into making big budget movies and really starting to compete [with the studios], you've got to have a full slate of movies, ten to 12 titles a year … It's a very, very big commitment and you've got to be able to make failures … even back then [it was] 50, 75, $100 million movies.55

In step with developments in the US, increasing the number of PFEI's operating companies, and thus PFE's direct control of distribution and marketing in key national markets, was also considered a priority. From its inception, it was anticipated that the international expansion of PFE would make use of PolyGram's existing infrastructure. As Stewart Till explained, however, the reality of implementing this strategy proved to be a mixed blessing:

> When you arrived there was some infrastructure, some knowledge of the marketplace and some people who could perhaps set up meetings. That was the good news. The bad news was that Alain Levy's vision was to create integrated film and music companies. The reality was that none of the music companies, with the exception of Germany … knew anything about film but they wanted to be in film. Who doesn't? The advantage of having someone [there], which was not politically correct to say, was hugely outweighed by all the aggravation … I'd go in the territories and go 'this is the solution I want to pursue' and the local record chief executive would go 'Oh, alright, I want to come to the meeting to make sure … [of 'x'']. It varied dramatically from country-to-country but in the main you had to keep quiet about it because the record company was financing everything and, obviously, we made losses so we couldn't get too feisty, but it was a major aggravation.56

Despite such complications, the expansion of PFEI was rapid. Unsurprisingly, the company initially focussed on highly developed national markets where a strong theatrical infrastructure was also supported by substantial home video and pay television penetration. In

practice, this prioritised Western European and the international anglophone markets. As Figure 2 shows, PFEI expanded its distribution and marketing network in these areas at an average rate of almost two new territories per year, culminating in a total of ten OP COs covering 13 national markets. In practice, many of these new subsidiaries were created by acquiring independent distribution companies such as Pan Europeenne (France), Movies Film Productions (Netherlands), Independent Films (Belgium) and Monopole Pathe Films (Switzerland) or occasionally the establishment of a joint venture, as in the case of Sogepaq Distribution (Spain). In contrast, the remaining OP COs in the UK, Canada, Australia/New Zealand, Germany/Austria and Italy were set up from scratch.57

	1992	1993	1994	1995	1996	1997	1998
France	•	•	•	•	•	•	•
United Kingdom/Ireland	•	•	•	•	•	•	•
Netherlands		•	•	•	•	•	•
Spain			•	•	•	•	•
Canada				•	•	•	•
Belgium				•	•	•	•
Australia/New Zealand					•	•	•
Germany/Austria						•	•
Switzerland						•	•
Italy							•

Figure 2. The expansion of PFEI's operating companies by year. Source: PolyGram, 'Confidential Memorandum: PolyGram Filmed Entertainment' (1998), PFE Archive.

As Figure 3 illustrates, each of the new OP COs handled distribution and marketing across the platforms of theatrical, video rental and video sell through in-house, albeit with some third-party arrangements in more recently established territories like Germany/Austria, Switzerland and Italy. In contrast, the platforms of Pay TV and Free TV were typically reached through output deals with broadcasters. At the apex of its distribution operations in the summer of 1998, the studio described its capacity as follows:

> PFE has built a fully integrated worldwide distribution network through its US distribution entities, PolyGram Films and Gramercy Pictures for theatrical distribution, PolyGram Video and PolyGram Television, as well as through its operating companies which cover 13 international countries. These worldwide operations reach approximately 85% of the global entertainment market with plans to commence distribution operations in early 1999 in Latin America (Brazil, Mexico and Argentina). The company provides global distribution in every media segment, including theatrical, video rental, video sell-through, and network, pay and syndicated television. The company's control of its distribution allows it to fully maximise all distribution markets,

control the release schedule of its productions, and guarantee strategic marketing uniformity.58

Territory	Theatrical	Video Rental	Video Sell Through	Pay TV	Free TV
U.S.	PolyGram Films Gramercy	PFE	PFE	Showtime	PFE
U.K./Ireland	PFE	PFE	PFE	BSkyB Output Deal	Channel 4 Output Deal
France	PFE	PFE	PFE	Canal + Output Deal	PFE
Netherlands	PFE	PFE	PFE	Filmnet Output Deal	PFE
Belgium	PFE	PFE	PFE	Pronet Output Deal	NOS (Holland)
Spain	PFE (Warner/Sogepaq book screens)	PFE	PFE	Canal + Output Deal	Antenna 3 Output Deal
Canada	PFE	PFE	PFE	PFE	PFE
Australia/New Zealand	PFE	PFE	PFE	Australis Output Deal	Seven Output Deal
Germany/Austria	PFE (in Austria Disney books screens)	PFE (Fox Sales Force)	PFE	BetaTaurus Output Deal	TeleMunchen Output Deal
Italy	PFE (Warner books screens)	PFE (Fox Sales Force)	PFE	Telepiu Output Deal	RAI Output Deal
Switzerland	PFE	Warner	PFE	PFE	PFE

Figure 3. PFE's operating companies by platform. Source: PolyGram, 'Confidential Memorandum: PolyGram Filmed Entertainment' (1998), PFE Archive.

Over the same period, PFE also began to invest heavily in expanding its supply line of product. As Figure 4 shows, PFE had acquired film and television libraries with increasing ambition since its establishment, including the back catalogues of independent production and distribution companies such as Palace, Virgin, Island/ Altantic and Abbey as well as the substantially larger ITC and Epic libraries. Perhaps PFE's most telling foray into acquisition, however, was the one that failed. In 1996 PolyGram attempted to buy the ailing Hollywood studio, MGM/UA, from Credit Lyonnais. Despite being reported as the front runner, PolyGram ultimately lost to a successful $1.3 billion bid orchestrated by the studio's management. 59 Following PFE's demise, Ritchie looked back on PFE's failure to acquire MGM/UA as a significant turning point in the history of the company. 'Had we been successful, and we came very, very close … we may still have been sold but we would have been self-contained in terms of the whole operation: distribution [and a] …massive catalogue' he explained. 'It would have been a completely different deal. It wouldn't have been a fracturing of the operations which ultimately happened'.60

Library	Acquisition Year	Acquisition Price	Assets	Highlights
Palace	1992	-	10 titles	*The Crying Game, The Pope Must Die, Big Man*
Virgin	1993	-	225 titles	*Drugstore Cowboy, Sex, Lies and Videotape*
Island/Atlantic	1994	$10 million	-	*The Basketball Diaries, Kiss of the Spider Woman, Bagdad Café*
ITC	1995	$156 million	200 films / 9,000 hours of TV	*On Golden Pond, Sophie's Choice, Thunderbirds, The Saint*
Abbey	1995	-	55 TV titles	*Enchanted Lands, Bump*
Epic	1998	$225 million	1,051 films	*The Graduate, Terminator, When Harry Met Sally*

Figure 4. PFE's film and television library acquisitions. Source: PolyGram, 'Confidential Memorandum: PolyGram Filmed Entertainment' (1998), PFE Archive.

To support PFE's increasing investment in film production, two separate 'off balance sheet' film lease agreements were secured in 1994 and 1996 with a consortium led by the Sumitomo and ING investment banks. The deals respectively provided PFE with $200 million and $300 million of capital which financed the studio's ongoing production slate. Over this period, PFE also began to substantially expand its range of third-party production deals by assiduously courting established talent. As Figure 5 shows, all of these deals were with independents, rather than directly owned subsidiaries, and operated on a 'first look' basis. In addition, PFE also supplemented its slate with a range of acquisitions which were typically mediated through either Gramercy or PFI. Notably, PFI was particularly adept at working with the independent sector and acquired distribution rights to some of the most critically and/or commercially successful British films of the 1990s including *Shallow Grave* (1994), *Trainspotting* (1996), *Spice World: The Movie* (1997) and *Lock, Stock and Two Smoking Barrels* (1998).

In keeping with PFE's established transatlantic orientation, five of these production companies – Dirty Hands Productions, Thejonescompany, Revolution Films, Specific Films and DNA Films – were based in the UK, while four – Scott Free Productions, Havoc Inc, Fincher Films Inc and Egg Pictures – were in the US. While the exception, Big Shell Films, was based in Australia, all of these relationships underlined PFE's commitment to English-language production. This tendency was further entrenched in January 1998 when PFE raised a further $200 million off balance sheet with Warner Brothers to co-finance the slate of Castle Rock Entertainment, which would be jointly distributed by the two studios over a three-year period.61 In contrast, PFE's investment in foreign-language production remained limited. Most of this activity was Francophone and mediated through the PFE subsidiary, Pan Europeenne Productions (France), and first look deals with Noe (France), Mark Lumbruso (France) and Cinemaginaire (Canada). As Till observed:

Producer/Director	Film Credits	Company	Country	Deal
Tony Scott, Ridley Scott	*Beverly Hills Cop II, Top Gun, Crimson Tide, Blade Runner, Thelma & Louise, G.I Jane*	Scott Free Productions	US	First Look
Alan Parker	*Evita, The Commitments*	Dirty Hands Productions	UK	First Look
Tim Robbins	*Dead Man Walking, Bob Roberts*	Havoc, Inc.	US	First Look (two picture commitment)
David Fincher	*The Game, Seven*	Fincher Films, Inc.	US	First Look (two picture commitment)
Jane Campion	*The Portrait of a Lady, The Piano*	Big Shell Films	Australia	First Look (one picture commitment)
Jodie Foster	*Home from the Holidays, Nell*	Egg Pictures	US	First Look
Philip Noyce	*Clear and Present Danger, Patriot Games*	Rumbalara Films	US	First Look
Robert Jones	*The Usual Suspects, Sirens*	Thejonescompany	UK	First Look
Andrew Eaton, Michael Winterbottom	*Resurrection Man, Jude, Welcome to Sarajevo, Go Now*	Revolution Films	UK	First Look
Michael Hamlyn	*Priscilla: Queen of the Desert, U2: Rattle and Hum*	Specific Films	UK	First Look
Duncan Kenworthy, Andrew McDonald	*Lawn Dogs, Four Weddings and a Funeral, A Life Less Ordinary, Shallow Grave.*	DNA Films	UK	First Look

Figure 5. PFE third-party English language production deals (1998). Source: PolyGram, 'Confidential Memorandum: PolyGram Filmed Entertainment' (1998), PFE Archive.

The only films that travel, really, are Hollywood or American films and British films … English language [films] … The great irony is, if you make a film in France, when

you take it to Germany, it's dubbed into German from the French. If you take a film from London, it's dubbed into German, so they're both dubbed into German. So, it's not about the language, it's more about the culture and the storytelling and the filmmaking … We had some success in France, particularly with a project called Le Huiti_eme Jour, but in the main we didn't spend a lot of time and money on local language films because they didn't travel.62

Over the course of the decade Working Title became by far the most commercially successful PFE label. As Figure 6 shows, eight of the top 15 PFE films were produced by Working Title, and collectively contributed $896.1 million of the worldwide box office revenue, over half of the $1.58 billion total.63 Within this grouping, Working Title's British films – *Four Weddings and a Funeral*, *Bean* (1997), *Elizabeth* (1998) and *The Borrowers* (1998) – collectively contributed $616.5 million (68.8 percent), while its American films – *French Kiss* (1995), *Dead Man Walking* (1996), *Fargo* (1996) and *The Big Lebowski* (1998) – accumulated $279.6 million (31.2 percent). Significantly, when considered collectively, these eight films drew $269.2 million (30 percent) of their gross box-office receipts from the domestic market and $626.9 million (70 percent) from the international market.

Rank	Title	Source	Year	Domestic	%	International	%	Worldwide
1	*Four Weddings and a Funeral*	Working Title	1994	$ 52,584,880	20.4	$205,124,445	79.6	$257,709,325
2	*Bean*	Working Title	1997	$ 42,483,393	18.1	$191,962,131	81.9	$234,445,524
3	*Sleepers*	Propaganda	1996	$ 53,300,852	29.4	$127,699,697	70.6	$181,000,549
4	*The Game*	Propaganda	1997	$ 46,447,395	41.7	$ 64,857,046	58.3	$111,304,441
5	*Nell*	Egg	1994	$33,587,335	31.4	$73,320,106	68.6	$106,907,441
6	*Mr Holland's Opus*	Interscope	1995	$82,569,971	77.3	$24,296,846	22.7	$106,866,817
7	*What Dreams May Come*	Interscope	1998	$53,283,740	53.6	$46,107,595	46.4	$99,391,335
8	*French Kiss*	Working Title	1995	$38,896,854	39.6	$59,382,330	60.4	$98,279,184
9	*Dead Man Walking*	Working Title	1995	$42,871,880	49.8	$43,242,730	50.2	$86,114,610
10	*Elizabeth*	Working Title	1998	$28,859,063	39.4	$44,398,362	60.6	$73,257,425
11	*The Borrowers*	Working Title	1997	$22,025,261	43.1	$29,098,225	56.9	$51,123,486
12	*Fargo*	Working Title	1996	$24,466,137	48.0	$26,487,239	52.0	$50,953,376
13	*The Big Lebowski*	Working Title	1998	$16,996,817	38.4	$27,250,130	61.6	$44,246,947
14	*The Adventures of Priscilla, Queen of the Desert*	Specific Films	1994	$11,220,670	28.0	$28,898,853	72.0	$40,119,523
15	*Le Huitième Jour*	Pan Europeenne	1996	$490,794	1.3	$37,924,255	98.7	$38,415,049
	Total			**$550,085,042**	**37.3**	**$1,030,049,990**	**62.7**	**$1,580,135,032**

Figure 6. Top 15 PFE titles 1993–1998 (excluding acquisitions). Source: PolyGram, 'International Box Office Report' (1999), PFE Archive.

Despite the domestic-centric leaning of Interscope's titles, PFE's top films attained a worldwide box office gross of $1.58 billion, of which $550 million (37.3 percent) came from the domestic market and just over $1 billion (62.7 percent) from international. Notably, this situation proved a substantial point of contrast with the market profile of the Hollywood studios in the same period. In 1992, for example, the worldwide gross box office revenue of the major Hollywood studios was $2.14 billion (62 percent) from the domestic market and $1.30 billion (38 percent) from international, a situation that reached parity by 2001 when domestic gross revenue reached $8.1 billion (49 percent) international hit $8.6 billion (51 percent).64 For Till, the market profile of PFE's films was the result of a combination of factors which included the studio's production agenda and distribution and marketing infrastructure, both of which made the domestic market more of a challenge:

> It's uphill. America is a very inward-looking culture – notwithstanding Miami and LA and New York and Chicago – but mainstream America. The number of successful foreign films you can count on one hand. Every now and again something breaks out, like a Slumdog [Millionaire], and pushes through … British films are on a gradient, it's not so much a ceiling, but they're trying to run uphill … In the US the studios conspired to stop us. They would say to exhibitors at one stage, that if you give PolyGram screens you won't get our next film, so they really tried to stop us … It was illegal, so they couldn't do it … in the open and therefore not so effectively … Internationally we didn't have that resistance at all … It was harder domestically. It's harder because there's huge P&A budgets … Obviously it's the biggest market, but even pro rata they'll spend two or three times the marketing money domestically, so it's a much scarier marketplace65

Despite the increasing commercial success of PFE's films and its remarkable expansion, the studio's demise came swiftly. By the end of 1997, the senior management at both PolyGram and PFE felt a growing sense of disjuncture between their ongoing efforts to build an entertainment conglomerate and the long-term strategic vision of Philips. The change in outlook was largely due to a change in management. Philips' President and Chairman, Jan Timmer, had retired the previous October and his replacement, Cornelius 'Cor' Boonstra, who was recruited from the food and beverage company, Sara Lee, had no experience working in the entertainment industry. The senior management of PolyGram and PFE scheduled a meeting with their opposite numbers at Philips only to have their suspicions confirmed: the hardware company wanted to sell its software subsidiaries.

Dismantling PFE and integrating Working Title into Universal

Following Philips' decision to sell PolyGram, the two parties agreed to collectively explore various scenarios under which PolyGram could be extricated from Philips and continue as a going concern. Thus, when it was announced in the trade press that PolyGram was on the market in May 1998, it came as something of a surprise to the company's management. In reality, Philips had been in sale negotiations for some time and had found a buyer in the form of Seagram. Seagram's Chairman and CEO, Edgar Bronfman Jr., had initiated the diversification of his family's beverage business with the 1995 acquisition MCA. MCA was subsequently reincorporated as Universal Studios, matching the branding of its major entertainment divisions: Universal Music Group, Universal Parks & Resorts and Universal

Pictures. Seagram and Philips subsequently agreed a $10.6 billion deal which involved an 80 percent cash and 20 percent stock transaction. Significantly, this situation both weakened the Bronfman family's equity position in Seagram to just 29 percent and increased the company's debt load to $8.5-9billion, placing pressure on the parent company to sell other assets.66

The enormous price of the deal primarily represented the value of PolyGram, the assets of which were promptly merged into Universal Music Group. In contrast, the fate of PFE proved to be more protracted and complicated. PFE's management negotiated with PolyGram and Seagram to form a divestiture committee which would allow PFE to continue as a going concern if a buyer could be found. If successful, the plan would also help Seagram's cash position in its acquisition of PolyGram. Over the next six months, PFE's bid for survival was carried out in an ungainly and public fashion. After two rounds of bidding, the shortlisted contenders were entitled to review PFE's books, an exercise which demonstrated the risks of acquiring a company which had yet to reach profitability in its own right. Despite fielding increasing successful releases, the costs involved in simultaneously building a film studio from scratch ensured that PFE recorded operating losses of $55.5 million in 1995, $38.8 million in 1996 and $78.5 million in 1997. According to PFE's projected income, however, this figure would fall to $62.3 million in 1998 before steadily rising operating incomes were predicted that ranged from $13.9 million in 1999 to $250.9 million in 2002.67 Significantly, such optimism was based on a range of projections over the 1998-2002 period which included the generation of free cash flow of $314 million from the PFE library, $342 million from PFE's immediate release slate and a further $232 million from the distribution of 14 subsequently scheduled films.68

Initial speculation in the trade press suggested Seagram would seek a sale price of $1 billion for PFE, but the figure quickly dropped to $750 million. It was later reported that the US independent, Artisan Entertainment, and the French media conglomerate, Canal Plus, offered a joint bid of $500 million. The British-based ITV company, Carlton Communications, also offered $500 million, while MGM offered just $300 million for the PFE catalogue.69 Ultimately, such low bids prompted the division of the company's assets which were auctioned off in a second round of bidding. In October MGM acquired PFE's pre-1996 film library of over 1,300 titles for $235 million.70 Canal Plus re-entered negotiations for the purchase of PFEI and Working Title for a combined price of $280 million. By November, however, the talks ended with Seagram holding out for a price closer to $400 million.71 The following month, Michael Kuhn stood down as President and CEO of PFE as Seagram completed its acquisition of PolyGram for the revised figure of $10.4 billion and effectively closed the company.72 Shortly thereafter Carlton paid $150 million for PFE's ITC film and television catalogue of 300 films and over 5,000 hours of television.73 The remaining PFE assets, including Working Title, were subsequently retained by Universal while their long-term future was considered. Contemplating the demise of PFE, Kuhn reflected:

> On the one hand it's not given to many people to have the opportunity to effectively start up a studio from scratch and it was a bloody good ride for ten years. We're all grown up and we know that these things happen in big companies, and you have to go with the flow. It doesn't stop it being annoying at the time, which it was, particularly in those circumstances, when it wasn't as though the management at PolyGram were opposed to letting Philips get out or cashing in, or any of those things. It was done behind our backs for no good reason. There could have been a whole other story. We could have disassembled them from PolyGram in a nice way that would have allowed all those things to continue, and more importantly … the next step would have been the building up of a European media group, a merger with a Studio Canal or something like

> that, which would have made a fantastic powerhouse which there has never been in Europe.74

The break-up of PFE continued the following year with the sale or integration of PFE's production, distribution and marketing assets. Without a film library, the value of PFE's production labels was determined by their track record and development slate, factors which suggested the future value of the companies. Working Title's remarkable success in the expanding international market, combined with its economy in production, made it a stand-out asset. As Stewart Till argued, Working Title's unique strength is also based on the company's successful positioning between the film industries and cultures of Britain and Hollywood and, in turn, the domestic and international markets:

> They are the only production company outside the US that has consistently made successful films. They're not intimidated by America and they understand international and there aren't many people that's true [of]. Most of the European producers are intimidated by America and a lot of the American producers don't understand international … They have lots of little skills, or not so little. They work very hard, they're very smart, they get this industry, they've got good contacts, they've formed very important relationships with Richard Curtis, the Coen brothers and [other] people. There is probably a shopping list of 20 things they do well, but the one thing that's made them successful is that they've not been intimidated by America and getting international.75

While ownership of Working Title had already transferred to Universal following the studio's acquisition of PolyGram, the continuing commitment of the company's key staff also had to be secured. In March 1999 Bevan and Fellner committed to a five-year deal with Universal. The agreement permitted the producers to green-light up to five films a year with individual production budgets of up to $25 million without approval from Universal.76 Two months later, Canal Plus returned to the frame and agreed to co-finance the operational, development and production costs of Working Title on a 50:50 basis with Universal in return for various distribution rights to the company's films in continental Europe.77. As Fellner explains, this unprecedented level of autonomy amounted to a unique position within the studio which was based upon Working Title's track record of producing commercially successful films which differed from Universal's typical output:

> We were very fortunate because our service contracts had expired and so Tim and I were free agents. Working Title had no value outside Tim and I running it, so we were lucky and able to steer the company to where we wanted it to go, regardless of its asset value, whatever that was perceived to be. Wherever we went, the Working Title name and brand would have gone. We did a separate negotiation with Universal, it just so happened that it was the same place as where the PolyGram assets had ended up … There were a lot of reasons to do it at Universal but primarily it was the relationship with staff there and the promise that Edgar Bronfman, who owned Seagram and the studio then made us, which was he wanted to set up a company that was additional to the slate, to the core slate, and that additionality meant that he was making films that the studio wouldn't normally have made, and that's what he wanted us to do. Everyone else would have tried to subsume us into the main slate and we'd never have got any films made.78

Of all the remaining opportunities for integration, PFE's US-based assets represented the poorest fit. Universal had a long-established distribution company in the US to which Gramercy and PolyGram Films could add little. PolyGram Films was closed and Gramercy, along with Universal's speciality US distributor, October Films, was sold to USA Networks for $300 million. Gramercy and October were subsequently merged to form a short lived mini-major studio, USA Films, into which Propaganda and Interscope were also folded.79 The final piece of PFE jigsaw to be considered was PolyGram Filmed Entertainment International. Universal distributed its films in international territories through United International Pictures (UIP), a joint venture between MGM, Paramount and Universal, which was headquartered in London but operated directly in 35 international markets. In addition, Universal and Paramount also shared an international home entertainment distribution company, Cinema International Corporation (CIC). Crucially, however, Universal's contractual commitment to UIP was scheduled for renewal in 2001 with MGM leaving the partnership.80

The prospect of operating a stand-alone international distribution company by integrating PFEI into Universal represented a unique and attractive prospect for the studio's senior management. PFEI was renamed Universal Pictures International (UPI) in February 1999 and given the remit of distributing the remaining films which the PFE labels had completed. Simultaneously, Universal left the CIC partnership and transferred its home entertainment distribution to PFEI's former video operations.81 In May UPI released *Notting Hill* which became Working Title's greatest commercial success of the 1990s, making over $300 million worldwide upon theatrical release. In practice, however, Universal's new distribution company was in operation for less than a year. The change in strategy was, once again, due to a change in management. Universal's President and COO, Chris McGurk, was replaced by Brian Mulligan in April. Unlike McGurk, Mulligan was not convinced by the UPI plan. By October Universal negotiated an extension of the UIP partnership until 2006 and put its plans for expanding UPI in reverse. Ultimately UPI's theatrical distribution operations were wound down until the end of the year, and finally closed in January 200082

Conclusion: positioning PolyGram Filmed Entertainment

The Rise and fall of PolyGram Filmed Entertainment raises questions about how this remarkable narrative of studio-building should be positioned within film history. One answer to this question is provided under the 'Key Investment Considerations' section of PFE's final asset portfolio which described the studio as follows:

> PFE is the only fully integrated film production and worldwide distribution company to have succeeded in establishing a firm foothold both inside and outside the U.S. in the last 50 years. Its success is unique given that PFE was established lessthan seven years ago. One of the key factors in this success has been the systematic development of both production and distribution activities on a worldwide basis. This strategy has distinguished PFE from many of its predecessors, which were able to succeed in only one or two of these competencies and eventually failed in successfully challenging the major studios.83

As I suggested at the beginning of this article, the nature of PFE's 'challenge' was characterised by working simultaneously inside and outside the established structures of the Hollywood industry. On the one hand, PFE was headquartered in Los Angeles and, directly collaborated with the Hollywood studios in the financing of some of its films and establishing domestic distribution and marketing operations. Equally, two of its three major production labels, Propaganda and Interscope, and several of its third-party production deals, were with

Los Angeles based companies which made American films. On the other hand, the studio also invested heavily in British-based production, not only through Working Title but also via a range of third-party production deals and several significant acquisitions from the independent sector. Highlighting the transatlantic nature of PFE's operational management and production agenda, however, risks underplaying the ways in which the studio also acted as an increasingly global business in terms of its distribution and marketing capacity. In its later stages of development PFE began to compete directly with the Hollywood studios in most key international territories.

In doing so, the studio achieved proportionally greater levels of success in this expanding market than its Hollywood counterparts. Contemplating PFE's position within these various national and international contexts, Till argued 'We cheated. We tried very hard to be American when we were in America, and European when we were in Europe and British in Britain'.84 This sense of fluidity was, however, ultimately subsumed beneath a more cohesive sense of national identity. 'Obviously, this is very self-serving, the two most … senior executives were British, Michael and I, and our most successful production company was British and lots of key executives [were British]' Till continued. 'We were absolutely British because I think you … take it from your management, not your ownership'.85 As if to underline this sentiment, Kuhn was presented with the Outstanding British Contribution to Cinema Award at the BAFTA ceremony in May 1999 to mark PFE's contribution to the national industry. Yet more unequivocal, he also ascribed a British identity to the studio:

> What's a British picture? I think so much fuss is made about that and it's just rubbish. No one asks whether ICI or something like that is a British company because most of the share-holders are in America, it never occurs to people. If their heart and soul and mind and everything is here, who owns them is irrelevant … All the time through PolyGram we had this – 'are we British?' – and it's rubbish. There was a door in London you could go and knock on and get an answer about whether you could make your film, any budget up to $70 million … In my mind that was a British operation and the fact of who owned it, Philips or their shareholders, or who knows, was irrelevant.86

Arguably PFE's greatest legacy, however, is the expansion of a creative space for the production of both British and American films which is at once oriented towards the worldwide commercial market, and yet lays outside the mainstream film culture of the major Hollywood studios. The roots of this legacy are the sum of several overlapping developments which are characterised by a combination of circumstance, design and necessity. Significantly, most of PFE's senior management, and two of its major production labels, Propaganda and Working Title, entered the film industry via the independent sector and were thus not hidebound by the creative and commercial precepts of the studio system. On the one hand, PFE's status as a Hollywood outsider was sustained by the creative autonomy that these labels maintained at the point of development and by the studio's commitment to a production agenda which remained low-budget by studio standards. On the other hand, the development of the control sheet and the expansion of PFE's marketing and distribution network ensured that the results of this autonomy were, in the first instance, constantly informed by assessments of the worldwide marketplace, and in the second, capable of effectively exploiting these markets.

Nowhere is PFE's legacy more evident than in the continuing success of Working Title. In the decade following PFE's demise, the company produced a series of hit British films including the rom-coms *Bridget Jones's Diary* and *Love Actually*; period dramas such as *Pride & Prejudice* (2005) and *Elizabeth: The Golden Age* (2007) and comedies like *Johnny English* (2003) and *Mr Bean's Holiday* (2007). It was, however, Working Title's years as a PFE label that first demonstrated that British films in popular genres could consistently attain worldwide

revenues on a Hollywood scale. Equally, Working Title's PFE-era collaborations with a range of American auteurs, most notably the Coen Brothers, continued with hits such as *O Brother, Where Art Thou?* (2000), *The Man Who Wasn't There* (2001) and *Burn After Reading* (2008), illustrating the critical and commercial rewards of regularly backing such filmmakers. Ironically, the Hollywood industry which PFE once challenged became the beneficiary of these breakthroughs. Working Title's continuing success as subsidiary of Universal is simultaneously the most enduring example of what PFE achieved, yet also a salutary reminder of what it did not. Ultimately, PFE also 'failed in successfully challenging the major studios' long-term. Its attempt to do so, however, remains one of the most remarkable in film history.

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