

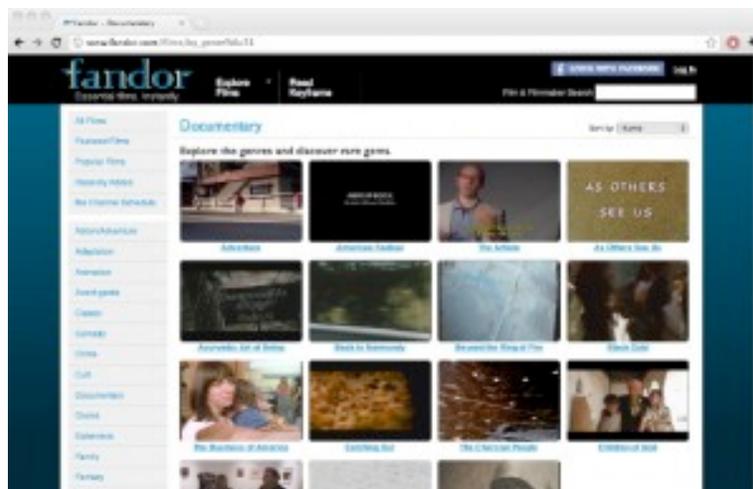
## **Fandor Launches Indie Movie Rental – Sundance Meets Netflix**

By Elise Craig  
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The inspiration for Fandor, an online movie service for independent and international films, came in late Spring of 2009, as two of its cofounders were bemoaning the fact that neither had been able to see many films lately. Dan Aronson had hardly made it to any of the films he wanted to see at the San Francisco Film Festival, and Albert Reinhardt says he “had a young child, hadn’t been to a festival info forever, and couldn’t even get to a video store.”

The casual conversation quickly evolved into a business idea—a sort of Sundance Film Festival meets Netflix, for people who don’t have the time or the money to spend days and days at film festivals. San Francisco-based Fandor launched its monthly subscription service two weeks ago at the South by Southwest festival in Austin, TX. The service lets users watch movies directly in a Web browser and also streams data to the Boxee Box, an Internet set-top video device.

The concept for Fandor gelled after Aronson chatted with Jonathan Marlow, who had recently quit his job at Vudu, a pay-per-movie online streaming service acquired by Wal-Mart in early 2010. Marlow was intrigued by the concept. He felt he hadn’t quite achieved what he’d wanted to at Vudu, or earlier at GreenCine, a DVD rental service that was an early competitor of Netflix. And one of the things he’d wanted to do was build a subscription video service with independent and international films.



“I’d noticed for many years that it’s enough of a challenge to separate people from their money for something they already have familiarity with,” Marlow says. “It’s

[even more] challenging to do that with films they might love but they just aren't aware of. [A] subscription model could be useful as a discovery pathway for much of those films."

The three founders realized they were talking about a sizable market—audiences spend about \$2 billion a year on independent and international films, a surprisingly high number considering that these films generally have limited exposure compared to big studio films. "With that, we were able to put together a scrappy little team with this common passion for good films that are underrepresented, and started working on different biz models to bring this to market," says Reinhardt, who's now Fandor's vice president of product.

For Marlow, now vice president of content development and acquisitions, the decision to sign on was all about the timing. "As Netflix moves more and more into competing directly with television, particularly with Hulu, they've left this space open for someone else," Marlow says. A year earlier or a year later, and he wouldn't have gotten involved. But given the direction Netflix was taking, and with his background in the film industry and Aronson and Reinhardt's background in tech, he felt the company was "uniquely positioned to take advantage of the space in the market," he says. "If someone is going to do this, it might as well be us."

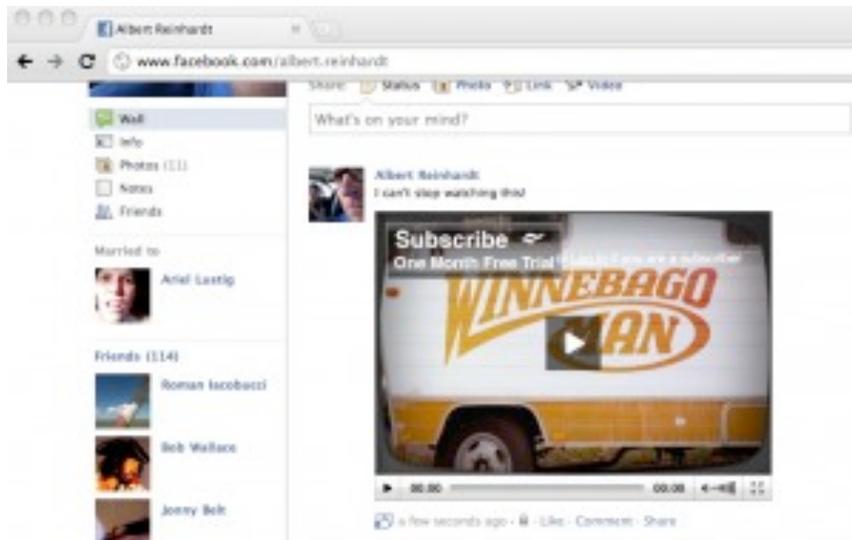
Fandor subscribers pay \$10 a month to access a library of about 2,500 film titles, a collection that Fandor's founders are proud to say is curated by real live people, and not an algorithm. "One of the issues with indie and international films is that you can't just use an algorithm to make recommendations," Reinhardt says. "It doesn't fly. There is this editorial curation needed." He believes that algorithm-based recommendations from companies like Amazon or Netflix fall flat because they are too closely tied to genre—consumers who like one big box action movie will surely like another. But whether a person likes one indie or international film or another is rarely tied strictly to genre.

Fandor relies on a number of different people to help them find out about great new films, and commissions film buffs to write about movies in their collection for its blog, Keyframe. The idea is that you don't have to be an indie freak to enjoy Fandor—the service will help guide you through different genres and recommend movies you might want to see, based in part on what you've already seen. The company has also been creative when it comes to defining film, like "dysfunctional families" and "seafaring and swashbucklers."

"By and large, the experience we're trying to recreate in the Fandor service is the experience you get in a good record store or a good movie store," Marlow says.

Social media is a part of it too—Fandor wants you to be able to chat with your friends and recommend films for each other. Users can even log into the site from Facebook. "We believe the social circles will help bring that great stuff to life," Reinhardt says.

To that end, Fandor has partnered with BlipSnips, a service that lets its users take 60-second clips from films and post them onto Facebook. Others can check out the clip and then click on the link to watch the whole movie for free, to see what the service is like. “You can have a dialogue about specific parts of the movie,” Reinhardt says. “It’s not about trailers anymore. It’s about this emotional connection to this very real scene.”



All that sharing is great for promoting the site, but it also benefits the filmmakers. Half of the total revenue that comes in goes into a communal pool for the filmmakers, which is then parceled out based on the number of clips shared, the percentage of the movie that is watched, and the percentage of Fandor viewers that watch it. It’s a particularly good deal for makers of short films, who rarely have a way to distribute them, other than bundling them together on a disc. “Because it’s subscription, we boil it right down to every minute someone is watching something, the filmmakers and the producers and distributors get paid,” Marlow says.

So far, Aronson has funded the whole operation himself. With all the buzz over Fandor at South by Southwest, there’s “a lot of interest,” Reinhardt says, but the company isn’t sharing subscriber numbers yet or talking about outside investors. The day-to-day team is still pretty small—about ten employees—and the company has managed to keep costs down by staying lean. A big part of that has been relying on outside technology and “not trying to reinvent the wheel,” Marlow says. “Some of our competitors have decided that they wanted to corner the market for social in the film space, and for Fandor I always believed that Facebook was the Facebook for film. I’m not trying to recreate social networking.”

It may seem like Netflix and other movie services are Fandor's obvious competitors, but Marlow says the bigger competition comes from the "monopoly cable companies. Folks are spending far too much of their income [on] those companies and it's difficult to make the case that a supplemental service like Fandor is something they can add on top of that," he says.

To Marlow, the real challenge for the company will be getting to subscribers outside of the obvious markets—big cities like New York, San Francisco or Seattle. People in smaller cities like Dubuque, IA, or Baton Rouge, LA, generally don't have the same access to film festivals. "That's where the opportunity really lies for us," he says.

And though it's an inevitable comparison, Reinhardt and Marlow actually take umbrage at the "indie Netflix" moniker, which Reinhardt calls "the prototypical Hollywood pitch."

"I don't necessarily find a lot of parallels between the two companies, except for the basic model of subscription," Marlow says.