Film Industry – From Structural Perspective and Regulatory Objectives

Submitted by: Ton Duc Thang University
FILM INDUSTRY—FROM STRUCTURAL PERSPECTIVE AND REGULATORY OBJECTIVES

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MARKET DETERMINANTS

• Socialization – Management policies or competition
  – Socialization policies to remove State monopoly;
  – Create opportunities for entities of all ownership types to participate in film industry (competitive environment)
    • Production: environment to facilitate diverse producers
    • Distribution: many participants: (1) domestic enterprises (BHD); Foreign-invested firms (Galaxy, CGV, Lotte…)
    • Cinemas: State, domestic private, foreign-invested enterprises.
Film distribution

State (decreasing)

Foreign-invested

Domestic private
Cinemas

Foreign-invested (Galaxy, BHD, Lotte)

Domestic private (BHD, Golden line, Starcine…)

State (over 70 suppliers)
MARKET DETERMINANTS

• Law on Film industry: *film distributor must own cinemas for distribution activities*:
  - *Create two types of enterprises*

**Film distributors**
- Distribution
- Film-showing activities

**Pure film-showing cinemas**
- Only film-showing activities
MARKET DETERMINANTS

• Law on film industry: film distributors must own cinemas for distribution activities:
  - Induce dependences and competition between the above groups of enterprises:
    - Film distributors: Own the sources of firms for cinemas and act as competitors of cinemas
    - Film-showing enterprises: competitors of film distributors and must depend on film sources of distributor for operations.
Sources of films for distribution

• From imports:
  - From major international distributors: held by Galaxy and CGV;
  - From retailers: in Hong Kong, Cannes… (Galaxy, CGV, BHD, Lotte..)…

• Locally produced films: Saigon Movie, Galaxy, BHD, Lotte, CGV…

• Share by source:
  – Imported films (over 70% of total revenues)
  – Locally produced film (nearly 30% of total revenues).
Competition in distribution

• Sources of films are concentrated and competitive:
  – Concentrated in 4 major enterprises: Galaxy, CGV, BHD, Lotte: These enterprises are holding the majority of films in Vietnam;
  – Other enterprises may participate in distribution, albeit with limited number and influence: Platinum, Skyline, Sai Gon Movie…

• Big enterprises are holding majority of films for the market.
Film-showing at cinemas

- Difference in competition among two groups of enterprises;
- Film distributors that own cinemas:
  - No dependence on film sources as they own film sources;
  - Showing films in 1\textsuperscript{st} round and 2\textsuperscript{nd} round (from 1\textsuperscript{st} to 5\textsuperscript{th} weeks of films);
  - Competition in two market segments (film-showing and distribution).
Film-showing at cinemas

• Enterprises that do not distribute films:
  – Enterprises that can show films in 1\(^{\text{st}}\) round and 2\(^{\text{nd}}\) round: NCC, GoldenLine, Cinebox,….
  – Those unable to show films in first two rounds: more than 60 units and largely provincial cinemas.

• Unequal distribution and investment:
  – Largely concentrated in major cities such as Hanoi, HCMC and Danang, etc.
  – Other provinces: limited investment: CGV….
Competition and market developments

• Market competition is now localized:
  – In areas where films distributors that own enterprises operate: concentration in 4 enterprises, namely CGV, Lotte, Galaxy, BHD.
  – Competition cases in recent years: largely caused by these enterprises;
  – Competition from identify film sources and cinemas;
  – Increase in investment and market under development.
Competition and market developments

- Observations:
  - Competition is not affected by dependence between film distribution and film-showing since these enterprises all control their film sources;
  - Almost all revenues of film-showing industry are captured by these enterprises;
  - Operations mainly in major cities;
  - Competition still take prices in terms of dominance in each region (number of cinemas in each region).
Provincial cinemas – market issues

• Characteristics of provincial cinemas:
  – Operations in “poor” market segment;
  – No film sources and complete dependence on film distributors for films;
  – No investment and no sources for investment/maintenance;
  – Using inadequate technical capacity compared to major enterprises;
  – Large number of potential customers.
Provincial cinemas – market issues

- Actual situation
  - No film-showing activities in 1st and 2nd rounds;
  - Scarcity of film sources due to less-than-positive cooperation of film distributors (except for CGV distributing films and supporting to Vinafilm);
  - Minimal operations.
Provincial cinemas – market issues

• **Reason for no supply of films:**
  – Poor revenues: low fares as consumers belong to “poor” clienteles;
  – Small number of cinema;
  – Many limitations in film negotiation: technical/governance…..
Provincial cinemas – market issues

• Poor film sources:
  – Direct supply from local producers: low-ratings films in 1st and 2nd rounds;
  – Distributors refuses to supply film: Galaxy…
  – Film distributors with cooperation: BHD, CGV…
  – Poor access to blockbusters: story of “Yellow flowers on the green grasses”.

Provincial cinemas – market issues

• New barriers
  – Rapid outdatedness of technology and technical capacity in these units;
  – Scarcity of film sources due to exclusive post-showing agreements between film producers/distributors with those in televisions or network industries.
Consequences of competition issues

• Raising “sharks” in the market: market dominance switched from State entities to private ones;

• Lack of cooperation and support to common market development among domestic entities;

• Lack of consumer-centric approach: majority of activities are concentrated in major cities. The majority of people in other provinces have limited accessibility to films.
Consequences of competition issues

• Competition is still among a few big enterprises;

• Small enterprises and units are almost dependent on and cannot exclude themselves from competition among big enterprises;
Some perspectives

• Changes from specific laws are needed: Law on Film Industry and policies over film industry

• To avoid: restrain the development of one “shark” to develop “another shark”;

• Identify alternatives to link provincial cinemas in common business activities – collective power.