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Film Industry – From Structural Perspective and Regulatory Objectives

Submitted by: Ton Duc Thang University



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for Improved Market Efficiency in Viet Nam
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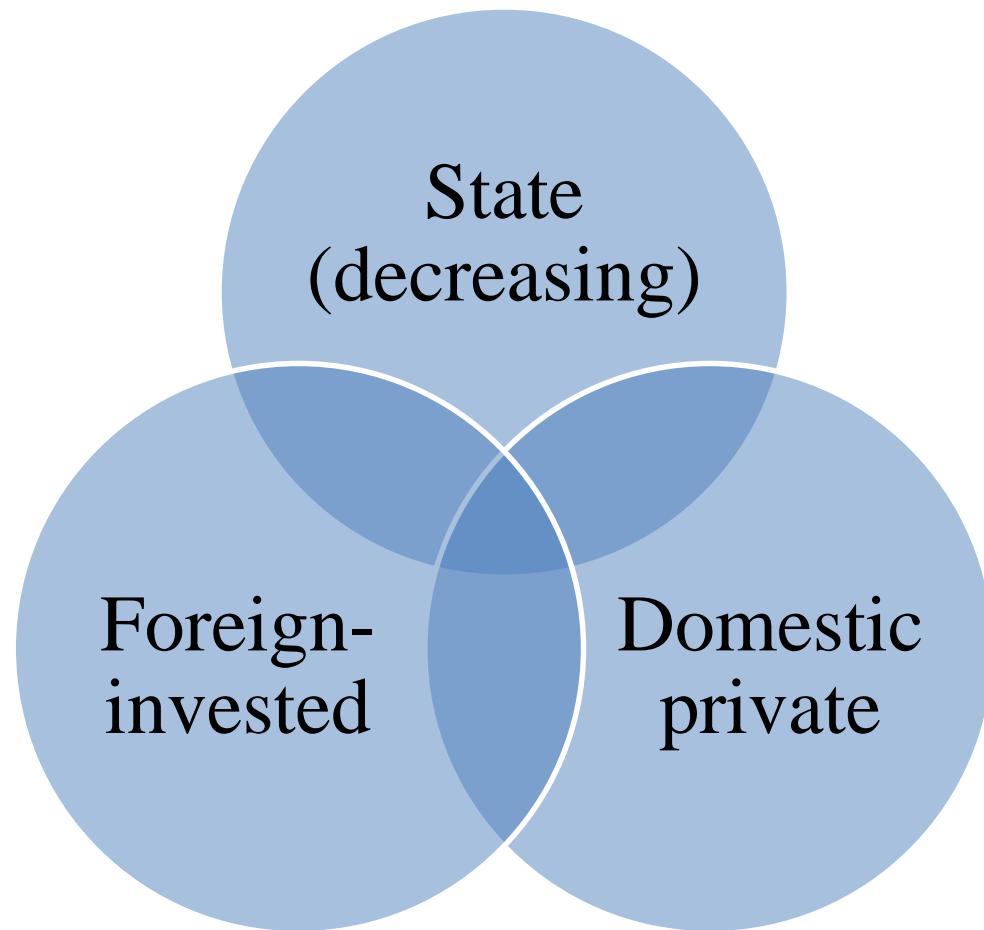
FILM INDUSTRY– FROM STRUCTURAL PERSPECTIVE AND REGULATORY OBJECTIVES

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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



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 1st round and 2nd round (from 1st to 5th 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 1st round and 2nd 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” clientele;
 - 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.

Thank You!

