

Film Marketing in Europe - Policy and Practice

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Abstract

Concerns with US domination of European cinema screens and the apparent lack of success of policymakers to support sustainable development of the film industry has meant that these issues have remained topical for policy makers and researchers. This is also evidenced by both media attention and an increased research focus on the film industry, particularly from a marketing perspective (D'Astous and Colbert, 2002; Kerrigan and Özbilgin, 2002a; Kerrigan and Özbilgin, 2002b; Elberse, 1999; Neelamegham, and Chintagunta, 1999; Eliashberg and Shugan, 1997; Eliashberg, and Sawhney, 1994;). To date, neither policy nor empirical research has had a significant impact on the development and understanding of the industry. This paper seeks to bridge the perceived gap between policy and the practice of film marketing in Europe.

The interface between film marketing policy and practice in Europe offers an interesting venue to explore. While the macro environment is invariably emphasised in terms of its impact on marketing, many marketing academics and indeed neglect the role which policy plays in shaping the practice of marketing.

This paper undertakes an historical analysis of protectionism in the US film industry from its inception and highlights the likely impact of similar protectionism in the European context. It also reveals some of the reasons why Hollywood Studios were able to establish the stranglehold that they maintain over domestic and international markets. This historical overview also highlights the importance of vertical integration- ownership of production, distribution and exhibition functions by one overarching company- in formulating a successful marketing campaign. An exploration of the debate focusing on the call for liberalisation of the global audiovisual market is also undertaken from an industrial and cultural perspective to assess the possible impact, which this will have upon film marketing in Europe, in addition to the implications for European cultural identity.

Introduction

The US domination of cinema screens in Europe (Kerrigan and Culkin, 1999; Kerrigan and Özbilgin, 2002a) combined with the apparent lack of success of policy makers to support the sustainable development of the film industry (Kerrigan and Özbilgin, 2002b) has meant that these issues have remained unresolved for policy makers and researchers. This is also evidenced by both media attention and an increased research focus on the film industry, particularly from a marketing perspective (D'Astous and Colbert, 2002; Kerrigan and Özbilgin, 2002a; Kerrigan and Özbilgin, 2002b; Elberse, 1999; Neelamegham, and Chintagunta, 1999; Eliashberg and Shugan, 1997; Eliashberg, and Sawhney, 1994). To date, neither policy nor empirical research has had a significant impact on the development and understanding of the industry. The aim of this paper is to bridge the perceived gap between policy and the practice of film marketing in Europe. This is achieved by exploring the skewed development of theory and practice of film marketing in Europe, identifying commonly occurring research themes, problematising the double disadvantage facing non-English language independent European films and refers to the failure of academic research and policy development to offer a mechanism for change in approaches to the marketing of films in Europe. Drawing on these themes, we offer a number of suggestions for practitioners and policy makers alike.

Key terms and concepts

Durie (1993:13) stresses, “*The goal of film marketing is to maximise the audience for a film and, by extension, its earning potential.*” In this paper, marketing in the film industry is used to refer to the entire process of marketing, starting from the emergence of a film idea (new product development), through the production phase right to the final exhibition phase¹. Often the focus is placed on the “marketing campaign” rather than the marketing process. Although the marketing campaign refers to the final stages in bringing a film to the public’s attention, this is often conflated with the marketing process. Part of the failure in relation to the marketing of independent European films is derived from a less holistic approach to marketing, with marketing activities seen as occurring in the final stages of the process, rather than a necessary consideration throughout the film’s life.

Failure of academic research

As already mentioned, little academic research into marketing in the film industry exists and much of it only deals with the ideal scenario with an overemphasis on predicting audience success and understanding expressed audience preferences for particular films (Eliashberg and Shugan, 1997; Eliashberg, and Sawhney, 1994; Elberse, 1999; Neelamegham, and Chintagunta, 1999, Austin, 1981a, 1981b, 1982), rather than exploring the industrial reasons underlying failure and looking at how audience tastes have been formed. Such studies assume a level playing field with equal access to P&A (Prints and Advertising) finance and the ability to fully control the release pattern.

¹ For a full explanation of the structure of the film industry and the activities involved, see Kerrigan, 2002

What relevant literature exists falls into various categories; firstly, there is a body of literature which has focussed upon the prediction of success of films in relation to a number of variables which they possess (Elberse, 1999; Eliashberg, and Sawhney, 1994; Austin, 1989; Litman, 1983; Kindem, 1982; Simonet, 1977). The variables considered include previous box office earnings of the cast, the genre, the director, and the release pattern employed by the film's distributor.

Secondly, there is scholarly work which focuses upon the motivational issues influencing cinema attendance and film selection including the relationship between film critics and audience film selection (D'Astous and Colbert, 2002; Austin, 1991; Austin, 1981a; Austin 1981b; Litman, 1989). This literature highlights the impact of film critics on audience choice in both informing audience and shaping their tastes and consumption behaviour.

Finally, a body of academic work focuses on the structure of the film industry (Blackstone and Bowman, 2002; Blair and Kerrigan, 2002; Kerrigan and Culkin, 1999; Litman, 1998). The fragmented nature of the UK and similarly the European cinema was problematised as a major reason for their continued commercial failure in competition against the US cinema. Many commentators have accepted this domination as *fait accompli* rather than a starting point from which to build a sustainable European film industry in its totality i.e. production, distribution and exhibition.

Policy Initiatives

There is now a need to unify these emergent approaches as the industry operates in an environment and with industrial constraints imposed by this environment. While there is a value in "pure" academic investigation into film performance and audience preferences, there is a need to recognise that the usefulness of this type of research to the industry and policy makers is limited if it is not grounded in the industrial reality of the global film industry. No industry operates in ideal conditions so practitioner and policy makers must be aware of the dynamics of competition which exist in order to survive and flourish.

In the UK, in line with many other European countries, national film policy and support structures focused upon providing finance for production while the other considerations of filmmakers, such as protection of cultural expression or sustainability, were ignored (Kerrigan and Özbilgin, 2002a; Kerrigan and Özbilgin, 2002b). In the past, discourse surrounding support for the film industry was polarised between those arguing for protection of this form of cultural expression and the commercial view (Kerrigan and Culkin, 1999). The debate has now converged and while it is often convenient to couch the argument against liberalising the film market in Europe in the terms of cultural expression, European film industry professionals and policy makers have begun to see the logic in combining these approaches. The film industry is necessarily commercial but also provides a venue for the enhancement of cultural identity. As the film industry becomes more and more globalised in terms of ownership and finance, such national or regional identities are becoming blurred.

Identifying the national identity or identities of particular films is increasingly difficult to ascertain and some might say, pointless. Taking *Lord of the Rings* as an example; this film was predominantly financed by American companies, shot in New Zealand, based on a British novel and with a cast of leading actors from countries such as Ireland, the UK and the US. What is the national identity of this film, and does that really matter?

What really matters is that the blurring of the national identities simply conceals the domination by the US Hollywood majors in Europe. Why is it that people all over the world can understand street language from New York or LA but when faced with a subtitled film from a neighbouring country, their familiarity with the cultural context diminishes? Film as a medium may provide us with an enviable insight into the distinct and various cultures of the world and in doing so, illustrate the many similarities and differences which exist. However the choice of films that reflect such diversity remains highly constrained (Kerrigan and Özbilgin, 2002a; Kerrigan and Özbilgin, 2002b).

Double disadvantage for European films

In terms of the marketing European films, there is a double disadvantage. Firstly, there is often the perception that films in languages other than English are by definition “art films” and therefore are targeting a certain audience. Often this audience is totally different to the target in the film’s country of origin and this may result in negative word of mouth as those watching the film are not the intended audience. A recent example is *Y tu Mama Tambien*, a Mexican road movie suitable for a young, off beat audience. While this message slowly filtered through, such an audience is averse to subtitled films and therefore the film failed to reach its natural target audience. In addition, due to it playing in the UK as a foreign language film, it was pitched to an older, art loving audience, many of whom were shocked by its sexually explicit content. This is in contrast to the American film *Traffic*, which had similarly shocking scenes and was also subtitled for the scenes which took place in Mexico. As this film was marketed as a mainstream film appealing to a young audience and the fact that a substantial proportion of the dialogue was in Spanish with subtitles was underplayed, the film successfully reached its target audience. The second disadvantage experienced by non-English language films is their usual lack of access to mainstream distributors. As the Hollywood majors control the majority of distribution and exhibition outlets in Europe, smaller independent films have great difficulty in securing screen space in cinemas (PACT/MMC, 1994). While income from cinema exhibition is not seen as a very profitable revenue stream, this is the major showcase for films, “theatres are the goose, even if pay-per-view is the golden egg (Wasko, 1994: 4). According to Taylor (1976) and Litman (1979), box office earnings can be used as accurate predictors for subsequent earnings from television. Currently, the number of potential revenue streams is even greater with free and pay TV, video and DVD rental and sales markets to be considered.

Considering the significant role that the integrated nature of its film industry and film lobby play in the success of the US cinema, this criticism can without doubt be levelled at the film industry in Europe, which is fragmented, and without a strong identifiable political lobby. Although this observation is made of Europe in general, France can be seen as providing an exception in having a cohesive approach to participating in the formation of national policy, which protects the indigenous film industry, and was pivotal in safeguarding the cultural exception granted to the European Film Industry during the Uruguay Round of the GATT negotiations (Puttnam, 1997). Therefore, it is also educational to highlight cross-national divergences in the European context. It is indicated that the film lobby in the US has played an important role in the successful development of the industry. This paper seeks to illustrate the need for such a lobby in Europe both by drawing comparisons with the US cinema and with reference to the experience of the European film industry during the Uruguay Round.

Historical explanation of policy context

In support of the above, an historical analysis of protectionism in the US film industry from its inception (Chanana, 1980; Kerrigan and Culkin, 1999; Robinson, 1996) highlights the likely impact of similar protectionism in the European context. It also reveals some of the reasons why Hollywood Studios were able to establish the stranglehold that they maintain over domestic and international markets. This historical overview also highlights the importance of vertical integration- ownership of production, distribution and exhibition functions by one overarching company- within the film industry in formulating a successful marketing campaign. References to empirical research focusing on the success of vertically integrated film companies in terms of providing a cohesive marketing message are provided (Kerrigan, 2002; Kerrigan, 2001). As shown by Blackstone and Bowman (2002:81) "the production of films is competitive and yields low profit on average; yet each film is unique" and therefore marketing plays a key role in the film industry in terms of increasing profit margins.

Structural concerns

The basic industrial structures of the European industry are disjointed in comparison to the more cohesive, vertically integrated American structures. The US majors control the major worldwide distribution networks and have a major foothold in the exhibition sector. In this way, they dominate the global film industry. "The integration of the US majors, combined with their massive share of the exhibition and distribution markets, places insuperable obstacles in the way of new entrants to those markets" (PACT/MMC Report, 1994:49).

The power of the majors over exhibitors emerged in PACT submission to the Mergers and Monopolies Commission (MMC) in 1994. As the majors control the distribution of the overwhelming majority of films in the international market, it is imperative that exhibitors co-operate with them in order to secure a constant flow of product. This is another example of the American majors dominating the market. Although

investigations by the MMC in the UK, the Antitrust authorities in the United States and the European Commission's Directorate General for Competition (DG IV), to date there has been no proof that this domination is taking place unfairly. It will be interesting to note how this develops with the continued growth of the multiplex sector and their specific arrangements with their parent companies.

Technology

There are a number of reasons why the US gained control of the global film industry from an early stage. Firstly, the control of the technology necessary to project film was in the hands of the Americans. Edison's influence in creating the structured industry that exists today has been acknowledged. By patenting his inventions, Edison went on to control production and exhibition in the early film industry using lawsuits as a means of protecting his patents in the US (Robinson, 1996). As can be seen from the recent merger activity, and as emerged in the Uruguay Round of the GATT negotiations, control of technology is still a very important factor in dictating who controls the global film industry (Blair and Kerrigan, 2002).

The Trust

In addition to their control over the technology necessary to make and exhibit films, the Americans also benefited from early organisation. The Trust -the name given to the Motion Picture Patents Company which began to operate in 1909 and consisted of film industry personnel determined to gain exclusive control over production and distribution channels in the industry- can be identified as the first monopoly to exist in the film industry. In opposition to the Trust, the then independent companies formed a cohesive opposition (Robinson, 1996). It is from this opposition that today's Majors emerged, and they have remained in control of the global film market ever since.

GATT

The film industry has been governed by trade rules since the establishment of the General Agreement on Tariffs and Trade (GATT) in 1947. From its inception, GATT acknowledged the special characteristics of the industry and subsequently awarded it special protective measures in recognition of the difficulties faced by the industry in the aftermath of WWII. During the Uruguay Round (1986-1994) of the GATT negotiations, there was much controversy over whether or not the European Film Industries should be forced to liberalise (Chantan, 1994).

Although on the surface, the debate focused on the mediums of film and television, there were bigger stakes involved. The debate arose out of the American desire to change the methods of regulation relating to intellectual property in order to safeguard the interests of corporate bodies dealing with the information society as well as the entertainment industry (Chantan, 1994). The importance of these negotiations was due to the expansion of the audiovisual industries predicted for the future.

Primarily due to the organisation of the French and the role played by David Puttnam, a "cultural exception" was granted to European Community filmmakers. This was agreed with the proviso that they would begin liberalising before the Millennium Round of the World Trade Organisation (WTO) (Kerrigan, 1999). Talks on liberalisation were due to take place from the 31st of January 2000. Due to disruptions during the Millennium Round, there has been no advancement on this position since the end of the Uruguay Round.

Cultural protection

During the GATT negotiations, the need to protect European language and culture through the medium of film was acknowledged. Global recognition and acceptance of American language and cultural references gives American film an automatic advantage over European films in the marketplace. This lies at the heart of European attempts to safeguard their industry from a cultural perspective.

This need to protect their industries has resulted in the various European countries introducing systems of subsidy and support through tax incentives, lottery awards and so on. Systems of subsidy for films originated in Germany and Russia in the 1930's (Dale, 1997) as an attempt to promote National Socialism and are now established and accepted throughout Europe. Whether these initiatives have been beneficial is questionable with industry opinion divided over the issue. Some believe that such incentives allow vast numbers of unworthy films to be produced rather than concentrating on improving the industry. There are various methods of support available within many of the member states, most notably France, Germany, Italy, Ireland and the United Kingdom (Dale, 1997). Until recently, the main focus of such schemes was upon financing production, neglecting the important area of distribution and training.

The European Commission's MEDIA Programme was established in order to "improve the quality and competitiveness of the film industry and increase the distribution of European films throughout Europe" (MEDIA Programme, 1992:5). The fragmented structure of MEDIA I resulted in criticism of its inadequacy to address the needs of the film sector. MEDIA II replaced MEDIA I in 1995 in an attempt to concentrate on the areas of distribution, training and development. Due to the stipulation for co-production in order to receive funding from MEDIA II (and its successor, MEDIA Plus), European filmmakers are being encouraged to foster links across Europe.

European filmmakers are divided over the benefits which subsidies have for developing the film industry, but there is recognition that there is a need to "protect European cinema against complete annihilation" by the United States (Puttnam, 1997). This inherent belief, despite doubts about the shortcomings of existing systems of support, was reflected in a joint letter released by successful European filmmakers in reply to a scathing attack by Spielberg and Scorsese on the European attempt to exclude the film industry from the remit of the GATT.

European policy relating to film industry has concentrated on supporting production and largely neglected distribution, exhibition and development activities. Latterly, many European countries including Britain, France, Germany and Denmark have started engaging with these neglected aspects by revising their national policies. Development activities were also neglected by independent European film makers. This was due to the fact that in order to develop a film finance must be available to support the script writer to finance right acquisition if a novel is to be adopted and to pay a producer to look into the viability of a film.

The film industry, like other industries, does not operate in an ideal scenario vacuum. Many film industry professionals are aware of the possibilities available to them if resources were unlimited, but must be realistic in compiling marketing activities which are appropriate to the film in question, its target audience and most importantly, the support received from the distributor in terms of the P&A budget. Film industry researchers are now recognising the importance of these issues in contributing to the creation of a sustainable film industry (Kerrigan and Özbilgin, 2002a; Kerrigan and Özbilgin, 2002b). It is also now widely recognised that with increasing calls to liberalise the audiovisual markets, it is important to create mechanisms other than mainstream protectionism in order to safeguard a future for the film industries in Europe. Due to the issues outlined here, the interface between policy and practice of film marketing in Europe offers an interesting venue to explore. While the macro environment is invariably emphasised in terms of its impact on marketing, many marketing academics and indeed practitioners, neglect the role which policy plays in shaping the practice of marketing.

Conclusion

The European policy on film marketing has been transforming since the late 1980s. This transformation was characterised by moving away from a production led emphasis towards tackling the shortcomings in the areas of development, training and distribution. However, it is still hard to claim that this transformation was an adequate response to the ills of practice of film marketing in Europe.

The film marketing experience at the European level has been marred with American domination and growing opposition to the European protectionism in this field since the Uruguay round of the GATT negotiations. The European level good practice has filtered down to national level and this has had a limited but positive impact. The difficulty faced by national policy makers is meeting the needs of national film makers while recognising that the film industry is an international industry, subject to high levels of competition and necessitating an international outlook. These tensions are often acknowledged and often intensified by negative press which opposes the national or policy support mechanisms in place.

The impact of policy on distribution and exhibition sector has been extremely limited to date. What remains to be considered in terms of bridging the gap between policy and practice of film marketing is the discourse that is used to identify the problems facing the industry. Rather than referring to cultural protection, issues of

identity and artistic licence which emphasise the cottage nature of the industry, policy makers should concentrate on the business case for supporting the distribution and exhibition of European films.

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