WHERE IS THE MONEY GOING?
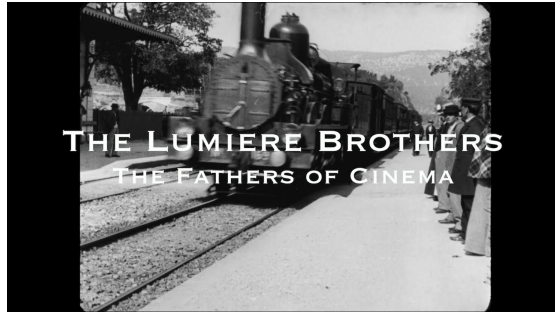
By Vanitah Nakidde | January 19th, 2019

THE GROWTH OF THE FILM INDUSTRY

The film industry is said to have begun in Paris in 1895 with the Lumiere

brothers' first commercial public screening at the Grand Café,[1] in December of that year. Initially the audience was small but interest spread rapidly through word of mouth and today, 123 years later, the industry has grown to ticket sales of several billion and revenues of more than US$80bn[2].

This huge growth has largely been due to the constant improvements and technological developments within the film industry over the years, which have increased viewer immersion and enjoyment of film watching. Such developments include camera quality, the introduction of sound, colour, increasingly sophisticated means of distribution, editing techniques and more recently the introduction of 3-D (3-dimensional) and Virtual Reality (VR).

Right from the start, when people paid to watch the first film ever produced in the Grand Café- Paris, filmmaking proved that it could be a lucrative business. Just a few years later, in 1897, the first studio dedicated to producing only films was built by George Mélies[3], and many more followed. Competition amongst studios led to many developments in a very short time period in order to win over the audience.

As audience interest and participation increased, so did the size and number of venues. After a good number of years of films being screened in performing theatres, cinemas devoted to showing only films were built, the first one being the *Nickleodeon* in Pittsburgh, USA in 1905[4]. Cinema going became a social activity or pastime, which it remains to this day.

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[1] Thompson, K. (2018) *Film History, An Introduction*. 4TH edition
[2] Conservatively assumes Global cinema ($40.6bn, MPAA) is 50% of total revenues
[3] Thompson, K. (2018) *Film History, An Introduction*. 4TH edition
[4] Bailo, T. (1985) *The American Film Industry*

At this point, there was no doubt that the people were interested in films, the only question was how to maintain viewers interest in order to maximise revenues. Studio and viewer demand for better films propelled the invention of new technologies. However, not all new innovations were commercially viable due to large investments that were required.

The initial improvements were ones that studios could make without new technology. Films that were one minute long became several minutes long and later on feature films. The feature films began to tell more and more complicated stories, which meant that editing of *actual physical film* had to be done. Editing techniques were employed to make the story interesting as well as meaningful. Communicating a narrative visually was also improved by new camera techniques such as the introduction of the close-up, dream sequences, use of different camera positions to film the same scene, subjective and objective point of views and use of reversing - all which was pioneered by George Albert Smith and all came to be used in his film *Mary Jane's Mishap* in 1903[5].

As film production and distribution transformed, so did its social, cultural and economic impact. Due to the popularity of longer films, the way films were made also changed. This led to the birth of film genres, with comedy and drama being the first. This in turn, meant that studios had to employ writers to create scripts from books and plays. Films were no longer a sequence of shots of just people and exotic places but were becoming an art form that needed to employ increasing amounts of specialist skills. Also, the audience evolved from fascination with films as a novelty to appreciation of films as a means of telling a story. However, it was technological innovations in the equipment needed to produce and show films that had the most dramatic impact on studios' ability to tell a story[6].

While reliable data for cinema going does not exist pre-1935[7], we can see that it grew from virtually nothing in 1900 to nearly one billions visits in the UK by 1935, equivalent to 19.5 visits per person per year. Over the next 13 years this increased to more than 30 visits per person per year in 1948.

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[5] Thompson, K. (2018) *Film History, An Introduction*. 4TH edition

[6] Cousins, M. (2011*) The Story of Film*.

[7] www.cinemauk.org

UK Cinema going vs population 1935-2016
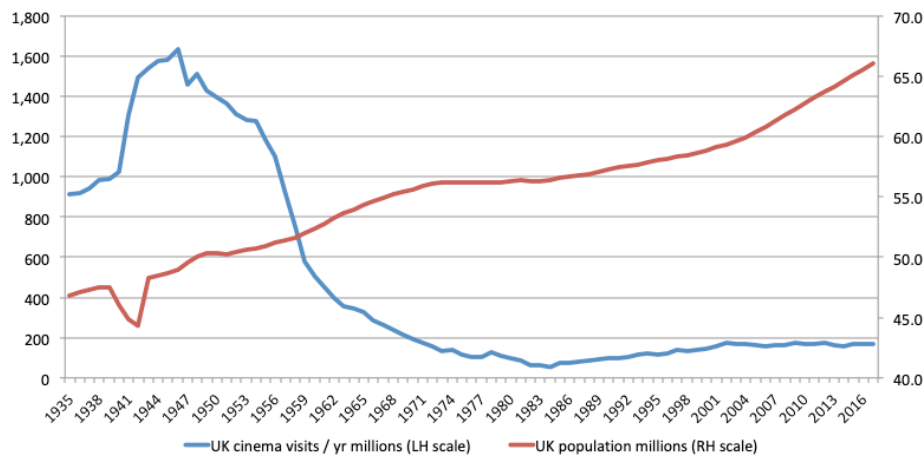
Source: www.cinemauk.org, ONS

The key technological developments that helped propel growth in the industry from inception to its peak in 1948 were: 1) the development of the movie camera, 2) the addition of sound and 3) the development of colour films.

From peak cinema going in 1948, visits per person per year declined drastically to a low of one visit per person per year in 1984. The main cause of this was the increase in TV ownership - as TVs became cheaper to own, people diverted less money towards cinema going. The chart below shows clearly how as the percentage of UK homes with a TV increased, the number of times people were visiting the cinema was decreasing.


UK TVs in homes vs UK cinema visits per person (1956 – 2016)
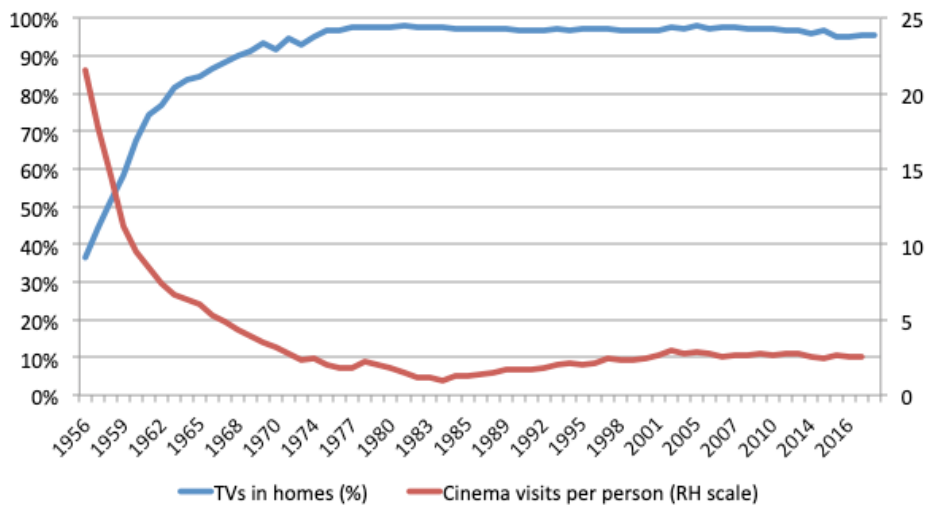
Source: www.barb.co.uk, www.cinemauk.org

Other technological innovations have also caused challenges as well as opportunities for the movie industry, and the movie industry's revenue streams have diversified to try to make the best of the evolving world. While TV was initially a threat to the film industry, it soon became an additional revenue stream.

UK movie industry revenue by channel 2008-17
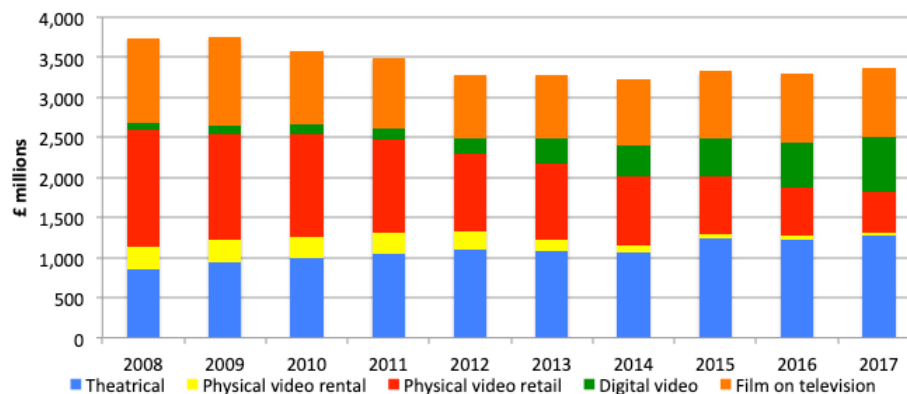
Source: www.bfi.org.uk

The above chart shows how technology has affected the consumption of movies in the UK from 2008 to 2017. It shows the declining importance of physical video, with the commercialisation of digital video revenues failing to offset the losses from physical video. Film revenues from TV have also fallen as digital videos have become increasingly viewed and the fixed fee, fixed cost business model of Netflix (Quora) has affected overall industry revenues. We will now run through the key technological developments affecting film development, before analysing how film distribution has evolved and providing some global context.

The movie camera

The creation of the movie camera, was the break-through that enabled the industry to be born.

The movie camera was preceded by the stills camera, whose origins are in the Camera Obscura. Invented by
Alhazen Ibn Al-Haytham in 1500s, this was the first pinhole camera. The light

projected through a pinhole in a (darkened space) forms an inverted image of the scene on the other side of the screen. But it didn't capture or retain images

The first camera to capture and retain still photographs was the Daguerreotype. It was invented by a Frenchman *Louis Jacques Mande Daguerre* in 1837. The Daguerre image was captured on a highly polished silver surface, and then went through complicated chemical processes to retain and develop it.

In 1888, George Eastman invented and commercialised photographic film, which he used in his first camera he called 'kodak". This kodak camera came preloaded with film but had to be taken back to the factory for processing and developing of photographs.

The movie camera was made possible by the above-mentioned development of the stills camera as well as the combined contributions of Louis Le Prince, William Friese-Greene and Thomas Edison[8]. Le Prince developed the first single lens camera capable of taking multiple pictures in succession in 1888. Friese Greene pioneered the use of paper and celluloid film, and a camera design capable of taking ten photographs per second. But it was William Dickson, an inventor working for Thomas Edison who designed the Kinetograph Camera in 1891, which became the basis for all movie cameras until the digital camera took over around 2010. This camera was motorised and used a sprocket wheel and escapement mechanism capable of quickly exposing individuals frames in very fast succession.

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[8] Thompson, K. (2018) *Film History, An Introduction*. 4TH edition

Movies with sound

Up until 1927 films were silent without any dialogue or music and they were often accompanied by live music in form of an orchestra or pianist. In order for people to understand the narrative, they had to rely on actors' gestures and sometimes, *inter-titles* explaining what was happening[9]. Until 1927, inventors such as Thomas Edison and physicist Ernst Ruhmer had attempted solutions for introducing sound in films but with no great success, and this was because the technology was difficult to use and unreliable[10].

But that was to all change in the late 1920s when technology had developed immensely, and the US big studios unaffected by the First World War had enough money to invest in the new technologies. They decided to collectively select *Vitaphone*, a sound-on-disk system over sound on film mainly due to is lower cost, which enabled recorded music to accompany a film but still suffered from poor synchronisation and amplification[11]. Shortly after, *Movietone*, a sound-on-film method that allowed information to be recorded on the sides of a strip of film, was introduced. This allowed the picture and dialogue to play in better synchronisation and became the prevalent technology in the long run[12].

The Jazz Singer (1927) was the first feature film with synchronised dialogue and used the Vitaphone system. The 'talkie' film was Warner Bros biggest ever commercial success. It led the way to many more developments that improved film sound and led to the end of the silent movie era. The boom microphone (microphone on long pole) was introduced which enabled actors to move freely from one position to another. 'Talkie' films could clearly be used to create more sophisticated and engaging films, which made lots of money and catapulted the US share of global cinema. In 1929 the export volume of film from the USA was 27% higher than the year before. By 1937 the us film industry had gained 70% global share [13]

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[9] Cousins, M. (2011*) The Story of Film*.

[10] Cousins, M. (2011*) The Story of Film*.

[11] Cousins, M. (2011*) The Story of Film*.

[12] Cousins, M. (2011*) The Story of Film*.

[13] Eckes and Zeiler. (2003)

Colour movies:

Although colour movies existed since the 1890s, it was not commercially viable to make them in any number until the 1920s. George Meliés' 1906 film *A Trip to the moon* featured in colour but it took about 200 artists to physically hand paint every frame. It was the introduction of the Technicolor camera capable of shooting in all three primary colours simultaneously that enabled more films to be produced in colour. But numbers were still limited as cameras had to be rented along with operators from Technicolor. This remained the standard until the 1950s when Eastman Kodak introduced its first negative film for movie cameras. This enabled producers to film with normal black and white cameras and later print film in colour and led to the gradual death of Technicolor films[14].

Along with sound, Colour was a big game changer in filmmaking, not only because it made films appear more realistic, but because it also adds depth of mood and hence meaning to the narrative and storytelling. Colour helps to communicate emotions, for example when someone is depressed the colour choice is greys and blues. Colour is also used as an association to characters or situation. In Alfred Hitchcock's *vertigo*, colour green is associated with Madeline and Scottie's obsession with her. All this accentuates the narrative. Filmmakers also realised that colour could be used to separate and highlight different historical periods mainly through flashbacks.

DISTRIBUTION:
The development of distribution is as important to the commercial success of the film industry as the quality of the films themselves.

In the early years of filmmaking there were no dedicated venues with films shown with projectors on the walls of theatres or pubs, by exhibitors that travelled the land with a single reel[15].

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[14] Cousins, M. (2011). *The Story of Film*.
[15] McNabb, G. (2015). *Delivering Dreams, a century of British film distribution*.

But the development of a dedicated film distribution network took different paths in the UK and the US. In the UK, the first purpose-built cinemas appeared in 1909 and by 1915 the UK had 3,500 cinemas with distributors separate and professional entities. Distributors formed the Kinematograph Renters' Society to represent their interests and maintain standards. This was a good situation for the long-term health of the industry and ensuring quality[16].

In the US, the film industry suffered from various monopolies and collusion between studios, which continued until the 1940s when the Government ended it. For much of this time, major studios monopolised production, distribution and exhibition, which stifled independent film production until the 1950s. The effect of this was to two-fold: Firstly, it reduced the overall quality of films and the viewing experience by squeezing out competition. Secondly, it helped make the studios rich and ensured they had the capital to drive investment in new technologies such as sound and colour, all of which contributed to Hollywood's dominant global position within the film industry ever since[17].

From the 1950s to this day, film distribution channels diversified due to technology. First, increasing TV ownership led to fewer cinema visits but more films being shown on TV, which became another revenue stream. From the 1980s DVDs, both rental and for-sale added another distribution channel with films having an initial cinema release followed by video and then TV. Over the past ten years, digital video – from streaming services such as Netflix or Amazon – have almost completely replaced physical video.

The advent of digital film production and distribution has produced a number of positive benefits for the film industry. Firstly, distribution costs have reduced due to the ease of sending digital files. Secondly, improved editing and special FX – along with 3D and increasingly VR (virtual reality) – have led to the growth of mega-budget franchise films such as Marvel and Star Wars, which have helped a resurgence in cinema going.
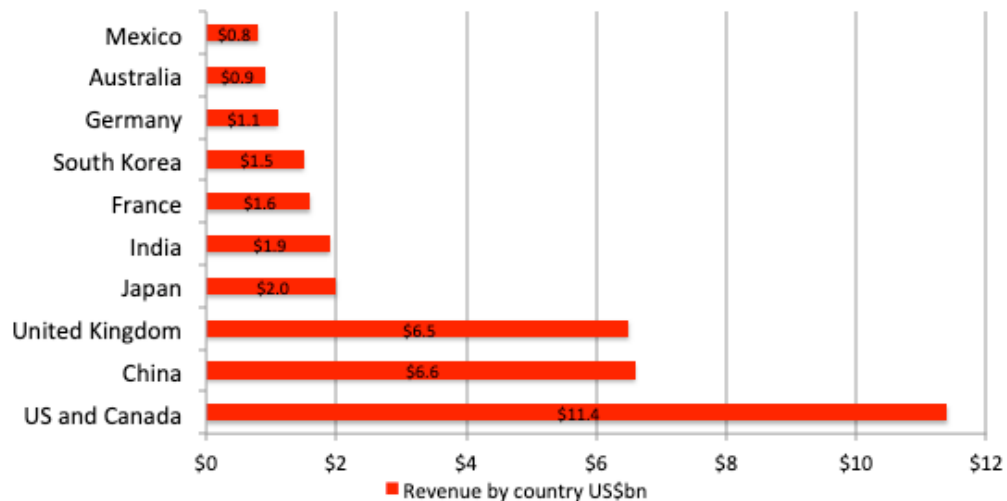
[16] McNabb, G. (2015). *Delivering Dreams, a century of British film distribution*

[17] Bailo, T. (1985) *The American Film Industry*

THE GLOBAL FILM HISTORY

Whereas our discussion to date has focused around the US and UK, other successful film industries exist other parts of the world.

The top ten cinema industries globally in US$bn

Source: Theatrical Market Statistics

Indian film Industry

Indian cinema started as early as 1896 with the first feature film being released in 1913. Films were made in Bengali as well as Hindi and now are made in more than 35 local languages. India is the global leader in linguistic diversity in feature films[18].

Today India has regional cinemas as well as Bollywood, which is internationally viewed. The film industry produces over 1,500 movies per year, which is 2.5x the amount produced in Hollywood. In volume terms, India dominates global film production, but due to the low cost of living relative to the US, it is only around 10% the size of the US and Canada combined[19].

Indian box office revenues are also growing quickly. From 2009 to 2016 it grew 6.2% per year on average. Only the Chinese Film industry is growing quicker, while in the UK and US it is flat[20].

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[18] Saran R. (2012). *History of Indian Cinema.*
[19] Saran R. (2012). *History of Indian Cinema.*
[20] www.statista.com

Japanese Film Industry

The Japanese film industry started in the late 1890s, but it got off to a slow start. Early Japanese cinema was very traditional and employed a story-teller, much like theatre, which gave rise to the Pure Film Movement that criticised Japanese films for relying too much on theatrical techniques, and not cinematic techniques[21].

Japanese cinema also suffered during World War II, when the Film Law ensured that the films served the state aims. But the post-war period saw the start of the Golden age of cinema. Two Japanese films from the period (Tokyo Story and Seven Samurai) are regularly featured in the top 10 films of all time, in Director polls. A Japanese New Wave was born which stretched from 1950s to 1970s and rejected traditional cinema, dealing with challenging topics such as: sexual violence, radicalism, youth culture[22].

Today Japanese cinema is one of the largest in the world with box office gross receipts of US$1.8bn and internationally recognised for its unique genres, such as Manga, Samurai or Pink Cinema[23].

Future challenges and opportunities.

The global movie industry is often proclaimed to be in crisis, but an inspection of the numbers reveals that overall it is in reasonable health in most markets. Cinema is a mature industry in Western markets. In the US, cinema-going is flat at best, while in the UK, China, India and Japan there is growth of varying degrees. But alternative technologies bring new opportunities as well as challenges. YouTube, Netflix and Amazon are challenging traditional models and bringing more opportunities for creative people to produce films. Bigger potential challenges to Film comes from video games and VR, with which the Film industry must compete for a share of wallet. Indeed, gaming is taking up

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[21] Richie, D. (2012). *A hundred years of Japanese films: a concise history.*
[22] Richie, D. (2012). *A hundred years of Japanese films: a concise history.*
[23] Richie, D. (2012). *A hundred years of Japanese films: a concise history.*

an increasing share of people's time and wallet. But my view is that the Film industry is assured of its place in our hearts and our wallets. This is because story telling is as old language. Nothing grips our attention as much as a well-told story and nothing can tell a story like film.

The End