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Effects of Market Concentration in Theatrical Distribution: The Case of the
Big Five Western European Countries

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EFFECTS OF MARKET CONCENTRATION IN THEATRICAL DISTRIBUTION: THE CASE OF THE BIG FIVE WESTERN EUROPEAN COUNTRIES

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The globalization phenomenon has reopened the debate on the concentration of media and entertainment industries, particularly in the film distribution market. Some authors consider that the dominant position of U.S. companies comes from the higher identification of American films with the tastes of the European audience. Others argue that the Hollywood success is mainly due to its control of the distribution system. U.S. films account for an average of 63.496 of the European market. In return, European films represent 3.696 of the North American box office. There are around 450 active film distribution companies in Europe, the majority of them being nationally controlled firms, and only a small percentage of them belong to U.S. majors. Nevertheless, these U.S. subsidiaries are ranked among the top 10 leading film distributors in Europe according to market share. This article attempts to make a further contribution in market concentration analysis, looking at the situation of film distribution in the 5 biggest Western European countries. It also explores if the success of American companies is due to their management and marketing skills or if, by the contrary, it is the consequence of their dominant market positions.

It is a fact that the American movie is affectionately received by audiences of all races, cultures and creeds on all continents; amid turmoil and stress as well as hope and promise. This isn't happenstance. It is the confluence of creative reach, story telling skill, decision making by top studio executives and the interlocking exertions of distribution and marketing artisan. (Jack Valenti, former President of the Motion Picture Association of America, as cited in Miller, Govil, McMurria, Maxwell, & Wang, 2005, p. 1).

Audiences can only be formed for films that are effectively available to them. The free-choice argument is no more than the myth of the consumer sovereignty, which masks the demand created by film-distributing companies through massive advertising and promotion. Furthermore, the free-choice argument assumes free and open competition between

American and [other national] film production and distribution companies for theatrical markets (Manjunath Pendakur, film historian, as cited in Segrave, 1997, pp. 280–281).

These quotes may very well represent the two opposite perspectives about the reasons that may explain the U.S. dominance of worldwide film markets. In some way, the debate on the concentration of media and entertainment companies remain the same as those controversies raised in earlier decades, especially in relation to the U.S. presence on screens worldwide. During the last century, Europe has been considered a battlefield for “business and ideas” (Ellwood & Kroes, 1994; Nowell-Smith & Ricci, 1998).

However, today, new challenges and voices of alarm have been raised, fuelled by irrefutable figures, as well as groundless fears. Open markets supposedly facilitate a wide range of products, permitting extensive freedom of choice for consumers. According to the American distributors, the success of Hollywood is due to the competitive advantage in quality, where the consumer is sovereign and taste emerges through the simple law of supply and demand.

Nevertheless, from a European perspective, it is arguable if audiences do exercise free choice in selecting U.S. films over local productions because Hollywood majors control the marketplace. According to the European Audiovisual Observatory (EAO), between 2005 and 2009, U.S. films accounted for an average of 63.4% of the European market (admissions). In return, European films only represented 3.6% of the North American market in the same period.¹ On top of that, there are around 450 active film distribution companies in Europe, the majority of them being nationally controlled firms, and only a small percentage of the total belongs to U.S. majors. Nevertheless, these U.S. subsidiaries are ranked among the top 10 leading film distributors in Europe according to market share (“Europe’s Top 100,” 2010). It is not a coincidence that more than 1 decade ago, the Organization for Economic Cooperation and Development (OECD) called the following to attention in a report titled Competition Policy and Film Distribution:

Cinema remains a popular art form and the most widely practised cultural activity.... [We should examine] whether film distribution conditions are satisfactory from the point of view of competition ... which very often gives rise to government intervention [in the name of] the preservation and encouragement of pluralism and the expression of a diversity of views, together with the affirmation of a country’s cultural identity. (OECD, 1996, p. 5)

European regulators are looking for answers to some relevant questions about “concentration debate.” Up to what point is the concentration in the film distribution in Europe significant? Do the European film market conditions provide a favorable scenario for the entry of new content providers? To what extent should a film distribution company be allowed to grow in a market? How and by whom should the concentration processes of film distribution companies be regulated? What is a “reasonable” market share? Should the same maximum share be established for each type of film distributor: U.S. majors, independent distributors, joint-venture companies? Are there other ways of gaining dominant positions that do not involve market percentages?

In this article, we look at the situation of the film distribution sector in France, Germany, Italy, Spain, and the United Kingdom. The film industries of these five countries are comparable; as a whole, they represent the core of Hollywood movies' income in Europe, and all of them provide official data on domestic film markets through their national film bodies. As a time frame, we focus on the period of 2000 through 2009 because of the availability of accurate and homogeneous data.

HYPOTHESES, SOURCES, AND METHODS

The topic of market concentration in the film industry deals with a variety of approaches. In the first place, we are directly relying on the works of scholars who have studied concentration in the media and the entertainment industry and those who have particularly focused on Europe (Sánchez-Tabernero & Carvajal, 2002). Researchers belonging to the so-called "critical theory" (Bagdikian, 2004; Kunz, 2007) are deeply concerned about the cultural effects of media concentration. Other experts with a more "free market orientation" (Albarran, 2002; Vogel, 2004) considered that choice has increased during the last decades. However, none of them provided empirical evidence on the European film distribution sector.

Several authors have addressed the performance of the European film industry as a whole and its relation with Hollywood (Dale, 1997; Jäckel, 2003; Pardo, 2007). Due to the cultural and political implications, two perspectives are necessary: on the one hand, the historical background

offered by some experts (Ellwood & Kroes, 1994; Nowell-Smith & Ricci, 1998); on the other, some contributions from the political economic point of view (McDonald & Wasko, 2008; Miller et al., 2005; Segrave, 1997; Wheeler, 2006). It has been also very useful to incorporate some official reports on market concentration (European Economic Conference, 1989; European Union [EU], 1994, 1997) and media concentration (OECD, 1993), as well as reports and analyses specifically focused on film distribution (Europa-Distribution, 2006b; Lange, Newman-Baudais, & Hugot, 2007; OECD, 1996).

This research is based on three hypotheses:

H1: U.S. distributors dominate the Western European film industry, and such dominance has not decreased in the last decade.

H2: This American oligopoly benefits Hollywood films over European-national ones in the respective domestic markets.

H3: U.S. majors seek to strengthen their positions in European distribution markets through mergers and alliances with local distributors to avoid protectionist measures.

Our methodology is based on two combined perspectives: on the one hand, a collection of data on the main market indicators (per country) such as admissions, box-offices, and screens; number of active distributors; number of first-run releases; market share for titles and companies; and level of market concentration. Regarding this last issue, there are several

procedures for the calculation of the degree of market concentration. The two more accepted measurement systems are the Four-Firm Concentration Ratio (CR4) and the Herfindahl–Hirschman Index (HHI; Jong, 1989). The HHI is useful for comparing situations of concentration in different markets and for viewing, over a period of time, the evolution of the intensity of competition in a market.

In some markets, it is difficult to have reliable data of all movie firms. Because of that, in this article, we mainly use the CR4 Index. It is widely considered that there is a monopoly if this ratio is close to 100%; there is an oligopoly if the ratio is above 40%, and there is perfect competition with lower ratios. In some cases, we also compare the level of market concentration, looking at the percentage by the top 10 firms.

These concentration indexes should be applied to the relevant markets from two points of view: “geography” and “product.” In the first case, the figure will be different if the market considered is the EU, a member state, or a region. In our case, we have selected the countries as relevant geographical markets. Concerning the product, we look into the distribution sector in the context of the whole film industry’s value chain, as intermediate between production (content providers) and exhibition (sale points).

Contrary to other media sectors—particularly the newspaper, radio, and television industries—which have been largely analyzed, we have not found academic articles about concentration of film distribution in Europe. Our main source for film market data collection has been the databases from the different national film bodies (Centre National du Cinema et de l’Image Animée (CNC) in France, UK Film Council in the United Kingdom, Spitzenorganisation der Filmwirtschaft e.V (SPIO) in Germany, Associazione Nazionale Industrie Cinematografiche Audiovisive e Multimediali (ANICA) in Italy, and Instituto de la Cinematografía y de las Artes Audiovisuales (ICAA) in Spain), together with the EAO. In addition, we have taken into consideration a number of reports from European audiovisual policy bodies and consultancy firms.

Mainly, there are three final aims of our research: (a) to identify the degree of concentration within the five biggest European film distribution markets, (b) to analyze the links between Hollywood success at the European box office and its dominant position in distribution, and (c) to evaluate the effects of this situation on the performance of national and European non-national films in the different countries.

CONCENTRATION ISSUES IN THE FILM INDUSTRY

The movie business is one of the most significant examples of the American dominant position in a whole industry at a worldwide level. The ability of Hollywood to become the major “dream machine” for millions of citizens in the five continents is due to the talent of its screenwriters, directors, actors, producers, entrepreneurs, managers, and other professionals within the field (Balio, 1985; Nowell-Smith & Ricci, 1998).

Nevertheless, a second powerful reason lies behind Hollywood’s success: the oligopolistic nature of the American film industry (Albarran, 2002; Litman, 1998). From the very beginning,

the industry has been in the hands of a few companies. Today, the six majors concentrate two-thirds of the domestic box office. As Kunz (2007) stated, “[W]hen one accounts for all the subsidiaries that the parent corporations of the major studios owned ... the market share for six conglomerates reached 90.28% [between 2000 and 2004]” (p. 222).

The European picture is very different. Linguistic barriers have created isolated markets of medium or small size, and national companies have been unable to compete with their bigger American counterparts. As a result, in most European countries, movies produced in Hollywood account for more than 60% of national box offices. In some cases, the figure reaches 80% of the national markets.

Audiovisual products have cost structures that benefit consolidation and the creation of oligopolistic markets (Bagdikian, 2004): Almost all the expenses of producing, marketing, and distributing movies are fixed costs. Because of that, economies of scale are key: When a product reaches the break-even point, each additional income becomes profit.

On top of that, the creative nature of the audiovisual sector makes it very difficult to control risks. The Pareto law applies very well to the movie business: In most markets, 20% of the titles account for 80% of the income, and a big amount of movies do not reach the break-even point. The best way to avoid the uncertainty is to produce a portfolio of films each year, which can guarantee at least one or two blockbusters that will cover the losses of the other titles. That is the business model of Hollywood studios (Wheeler, 2006).

Concentration increases when the position of dominance or influence of the main companies becomes stronger, and the public’s power of choice is reduced, as well as when some “independent voices” disappear (Sánchez-Taberner & Carvajal, 2002). In the case of Europe, this is a sensitive issue. In fact, the European Commission (EC) has strongly argued in favor of ensuring the “competitiveness and circulation of European works” together with “pluralism and linguistic and cultural diversity” (EC, 2010, pp. 2–3).

Concentration in the film industry could be the effect of vertical or horizontal integrations. In the first case, companies launch, acquire, or merge with additional business units at different levels of production, distribution, or exhibition with the aim of reducing vulnerability from suppliers or distributors. Horizontal integration happens when firms launch, acquire, or merge with business units at the same level of production, distribution, or exhibition (Kunz, 2007).

According to the OECD (1996, pp. 8–9), cinemas that are not part of a circuit and are not vertically integrated may experience some competitive disadvantages: (a) Producers may reserve the most popular first-run films for cinemas with a high turnover, most often belonging to a powerful circuit; (b) the requirement of a long distribution period as a condition of licensing popular films reduces the ability of cinemas with a limited number of screens to meet consumer demand, and aggravates the independent producers’ problems; (c) if the distributor gives exclusive exhibition rights and ensures that the cinema operator will obtain the largest possible audience for his or her film, but this practice—called “zoning”—prevents other cinemas nearby from competing for the viewers; (d) the distributor may sell a film if the operator also buys one or more other titles from the same company. This practice of “block booking” provides an outlet for poorer quality films and gives an advantage to the exhibitors

who are affiliated with a major network; (e) the distributor may require an operator to order a film without prior viewing (“blind bidding”); and (f) the distributor may ask the exhibitors to provide “advance payments” before the distribution of film, as well as “guarantees” of a minimum amount of income.

In summary, the main negative effect of horizontal integrations is the possibility of creating oligopolies where companies with the highest market share can abuse (i.e., imposing unfair practices like the ones mentioned above) thanks to their dominant position. On the other hand, vertical integrations could make the entrance of new competitors difficult if one or a few companies control production, distribution, and exhibition.

THE EUROPEAN THEATRICAL DISTRIBUTION SECTOR

Distribution can be considered the weakest sector of the European film industry (Pardo, 2007, p. 46). Although 75% of European films are distributed by independent companies, the market is highly concentrated and controlled by some subsidiaries of the Hollywood majors. The increase of first-run film releases provokes a market saturation that makes competition even harder for small companies (Europa-Distribution, 2006b, p. 35).²

European audiences still have little taste for other national cinemas, especially those coming from small countries (Europa-Distribution, 2006a). Only 20% of the films annually produced in Europe achieve distribution outside the main country of production, which represents only a 7% share of the market (Fattorossi, 2000). Nevertheless, those EU films that manage to get international distribution achieve around 30% of grosses in other EU countries outside the national market (EAO, 2010, p. 69).

The number of titles released in each territory, together with the scarcity of films with cross-border potential, has led to an atomization of the distribution sector. The overall number of distributors in Europe in 2005 was 829, of which 646 (77.93%) belonged to the EU. Within this group, more than one-half (375) were concentrated in the big five Western European countries. Only one-half of the total were considered “active” companies, which means they released at least one movie in the last 2 years (Lange et al., 2007, p. 9).

The top 10 distributors in most of Western European countries, which includes both subsidiaries of U.S. majors as well as European companies, accounted for at least 90% of the film market—with the sole exception of France (79%)—handling between 35% and 55% of film releases. In Central and Eastern European countries, the concentration was even higher: The top five distributors achieved far more than 90% of the market and controlled about 70% of titles (Europa-Distribution, 2006b, p. 5).

This market oligopoly is closely connected to the dominant position of the subsidiaries of American majors in all European markets: In the United Kingdom and Ireland, the majors’ subsidiaries held around 80% of the market, on average, for the period of 2000 through 2009 (and Germany, 80%; Spain, 60%; Italy, 55%; and France, 40%). According to the EAO, in 2005, out of a population of 453 active theatrical distribution companies, 389 were

under European control, 55 were controlled by U.S. majors, and 9 were owned by investors from other parts of the world (Lange et al., 2007, p. 15). Significantly, one-half of those 55 U.S.-controlled distributors are ranked among the top 40 leading film distributors in Europe—in fact, 8 out of the top 10 (EAO, 2010, p. 120; see also “Europe’s Top 100,” 2010).

In Europe, the number of people going to the cinema is stagnating, although there is an unprecedented increase in the number of first-run films and prints. This is an indication of the growing competitiveness within the European theatrical distribution marketplace. Across the continent as a whole, releases grew an average of 39.7% from 1995 to 2005 (“Independent Distribution,” 2006). This growth does not impede that a significant percentage of European films remain unreleased in their own territory within the first year after production is completed—between 50% and 60% of British films, 30% of German and Italian films, and around 25% of Spanish and French films (Jäckel, 2003, pp. 99–100, 137–138).

This results in shorter theatrical runs for most films. Every week, around 10 films come out on European screens, on average, where they remain for 1 or 2 weeks. As a consequence, there is no longer time for word of mouth to develop, and audiences easily miss the opportunity to watch a particular title. Some market windows—DVD and television—also suffer this saturation of titles (Europa-Distribution, 2006a, pp. 3–4).

Increasing concentration and the growth of multiplexes (screens) have resulted in runaway inflation in the cost of releasing films, like prints and advertising (“Film Marketing,” 2006; “Independent Distribution,” 2006). Independent distributors cannot compete with the marketing impact of integrated groups; and yet, the films they champion are the riskiest ones and, thus, depend all the more on promotional support (Europa-Distribution, 2006a, p. 4; “Independent Distribution,” 2006).

U.S. majors seek to strengthen their positions in European distribution markets through mergers and alliances with local distributors, trying to become “embedded companies” and, in doing so, maximizing revenues while circumventing quotas and restrictions (Pardo, 2007, pp. 66–69; see also Lange & Newman-Baudais, 2003; Lange et al., 2007). As a consequence, Hollywood majors are distributing not only American blockbusters, but also a large percentage of Europe’s most successful films (Goodridge, 2007; Kay, 2007).

European distributors have developed different strategies of vertical and horizontal integration in order to become more competitive. Seven different types of companies can be traced (Europa-Distribution, 2006b, p. 11): (a) American majors’ subsidiaries; (b) European independent distributors, mainly focused on film (and video) distribution; (c) partnerships between national companies and American studios to reinforce their economic influence; (d) distribution companies integrated in larger groups; (e) distribution companies associated with or created by production companies; (f) distribution companies associated with exhibitors; and (g) and distribution companies created by television networks. A less successful trend has been the attempt to create Pan-European networks for increasing their leverage with Hollywood (Jäckel, 2003, pp. 99–100; Lange et al., 2007, p. 9; Pardo, 2007, pp. 103–105).

Most of the strategies mentioned earlier affect large- or medium-sized European distributors. Nevertheless, small, independent firms are hardly surviving in the face of this market saturation and the aggressive release strategies, as they do not have enough market appeal or leverage to set up alliances with Hollywood majors (Europa-Distribution, 2006a, p. 2). In addition, U.S. distributors have used abusive strategies restricting exhibitors' freedom; and, consequently, have been condemned (OECD, 1996, pp. 7–10).

MARKET CONCENTRATION IN THE BIG FIVE WESTERN

EUROPEAN COUNTRIES

During the period of analysis, admissions have reached a point of stagnation in the five biggest European film markets, with a slightly upward tendency in France and the United Kingdom and a descent in Germany, Italy, and Spain. The same evolution can be traced in the case of box-office grosses, although the increment of ticket prices has helped to cushion the effect of decreasing audiences. The number of first-run films shows an upward tendency—with the exception of Italy—propelled by the growth of screens thanks to the expansion of multiplexes. Figures 1a through 1d visually show all these trends for most of the decade.

The available data confirm the high level of market concentration. The average percentage of the top 10 distributors in this group of territories accounts for more than 90%, on average, with the exception of France (81.2%), as Figure 2a illustrates. The application of the CR4 index reveals a situation of oligopoly, with percentages close to 60% of the box office in most cases (see Figure 2b). The highest concentration takes place in the United Kingdom, with an index of 67%, on average, for the period; and is lowest in France, with an average of 45.9%. Hollywood subsidiaries are ranked among the top distributors in most of the countries and years.

The tendency toward lower levels of concentration among the top four firms is remarkable (see Figure 2b). For the period under analysis, the CR4 index decreases in all the countries, but more significantly in France—the country with a higher number of distributors—(–28.6%) and the United Kingdom (–29.7%). One of the causes is the disappearance of United International Pictures (UIP) in 2007—the joint venture between Universal and Paramount for distribution in international territories, which have acted separately since then.

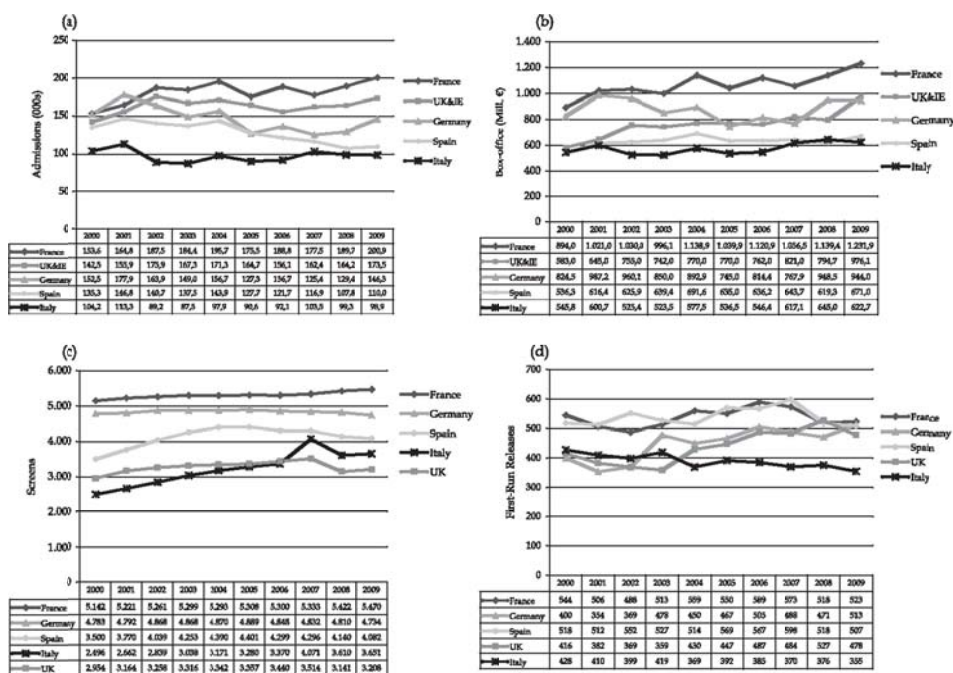


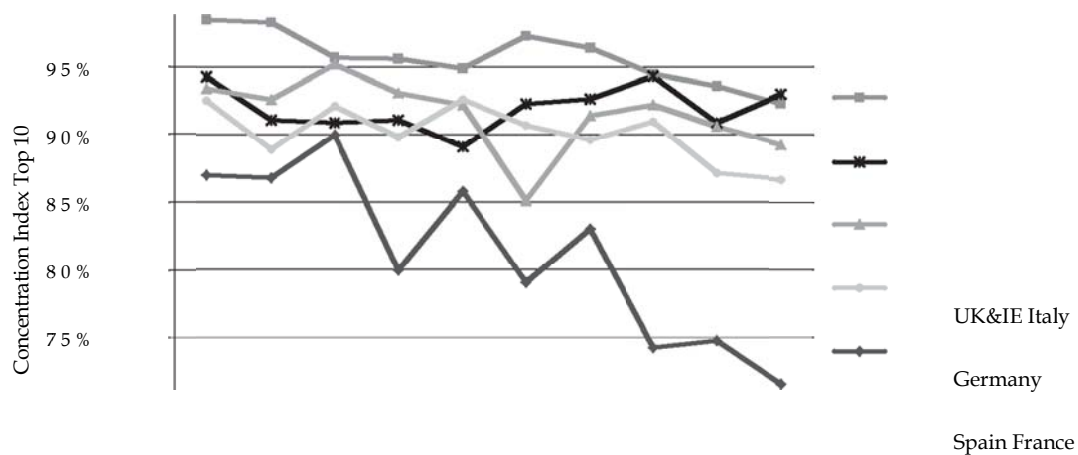
FIGURE 1 The big five Western European Union countries: (a) admissions, (b) box office, (c) screens, (d) first-run films.

Source: CNC, UKFC, SPIO, ICAA, ANICA

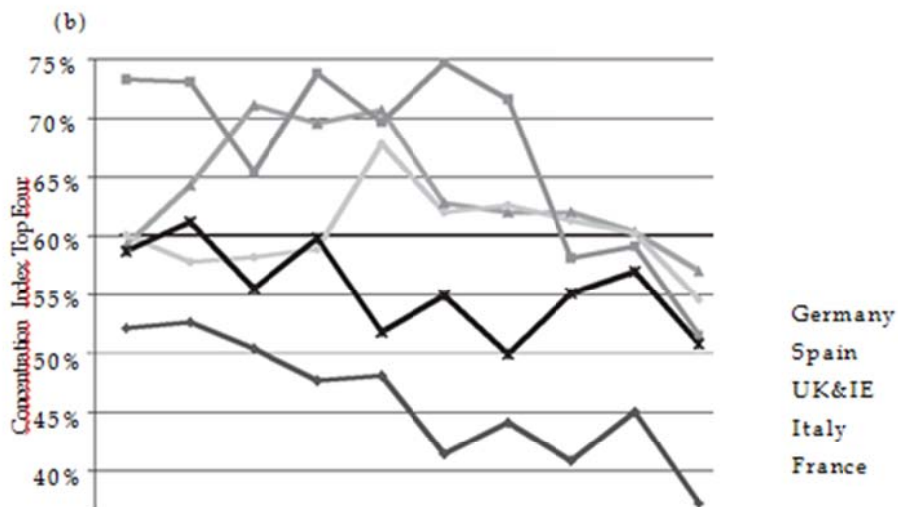
The degree of fragmentation or “atomization” of the film distribution sector (number of companies in relation to market size) is also quite relevant. In most of the cases, a big amount of distributors who are not in the top 10 compete for a small percentage of the box office. This is especially clear in France (108 distributors) and Spain (around 50).

The high level of market concentration and the American oligopoly have not impeded the increase of national first-run releases in almost all the cases—contrary to what could have been assumed—as Figure 4 shows (also see Figure 3). Even more unexpected, the market share of U.S. films has decreased in all these countries (between 10% and 20%) in favor of local films—which have experience a substantial increment in most territories under analysis, with the exception of the United Kingdom (−13.3%)—as well as European films (+84.9% in Germany and +67% in Spain and France), as Figure 4 reveals.

This descent of U.S. films’ market share does not necessarily represent a weakening of the U.S. companies’ dominant position on the domestic film markets: The subsidiaries of Hollywood majors are distributing a number of successful domestic films—on their own or through their joint ventures with local distributors. In this regard, Table 1 shows how many of the most successful European films have been handled by U.S. companies in the five territories analyzed, as mentioned before.



70%	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009
UK&IE	98,5%	98,3%	95,7%	95,6%	94,9%	97,3%	96,4%	94,5%	93,6%	92,3%
Italy	94,3%	91,1%	90,9%	91,1%	89,1%	92,3%	92,6%	94,3%	90,9%	93,0%
Germany	93,4%	92,6%	95,2%	93,1%	92,2%	85,1%	91,4%	92,2%	90,6%	89,3%
Spain	92,5%	88,9%	92,1%	89,8%	92,6%	90,7%	89,6%	91,0%	87,1%	86,7%
France	87,0%	86,8%	90,0%	79,9%	85,8%	79,0%	83,0%	74,2%	74,8%	71,5%



35%	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009
Germany	59,2%	64,3%	71,1%	69,6%	70,7%	62,8%	62,0%	62,0%	60,3%	57,0%
Spain	60,1%	57,8%	58,2%	58,9%	67,8%	62,0%	62,6%	61,3%	60,2%	54,6%
UK&IE	73,3%	73,1%	65,4%	73,8%	69,7%	74,7%	71,6%	58,1%	59,1%	51,5%
Italy	58,7%	61,2%	55,5%	59,8%	51,8%	54,9%	49,9%	55,1%	57,0%	50,8%
France	52,1%	52,6%	50,4%	47,7%	48,1%	41,4%	44,1%	40,8%	45,0%	37,2%

FIGURE 2 The big five Western European Union countries: (a) market concentration (CR10), (b) market concentration (CR4). Source: Own elaboration on CNC, UKFC, SPIO, ICAA, ANICA data.

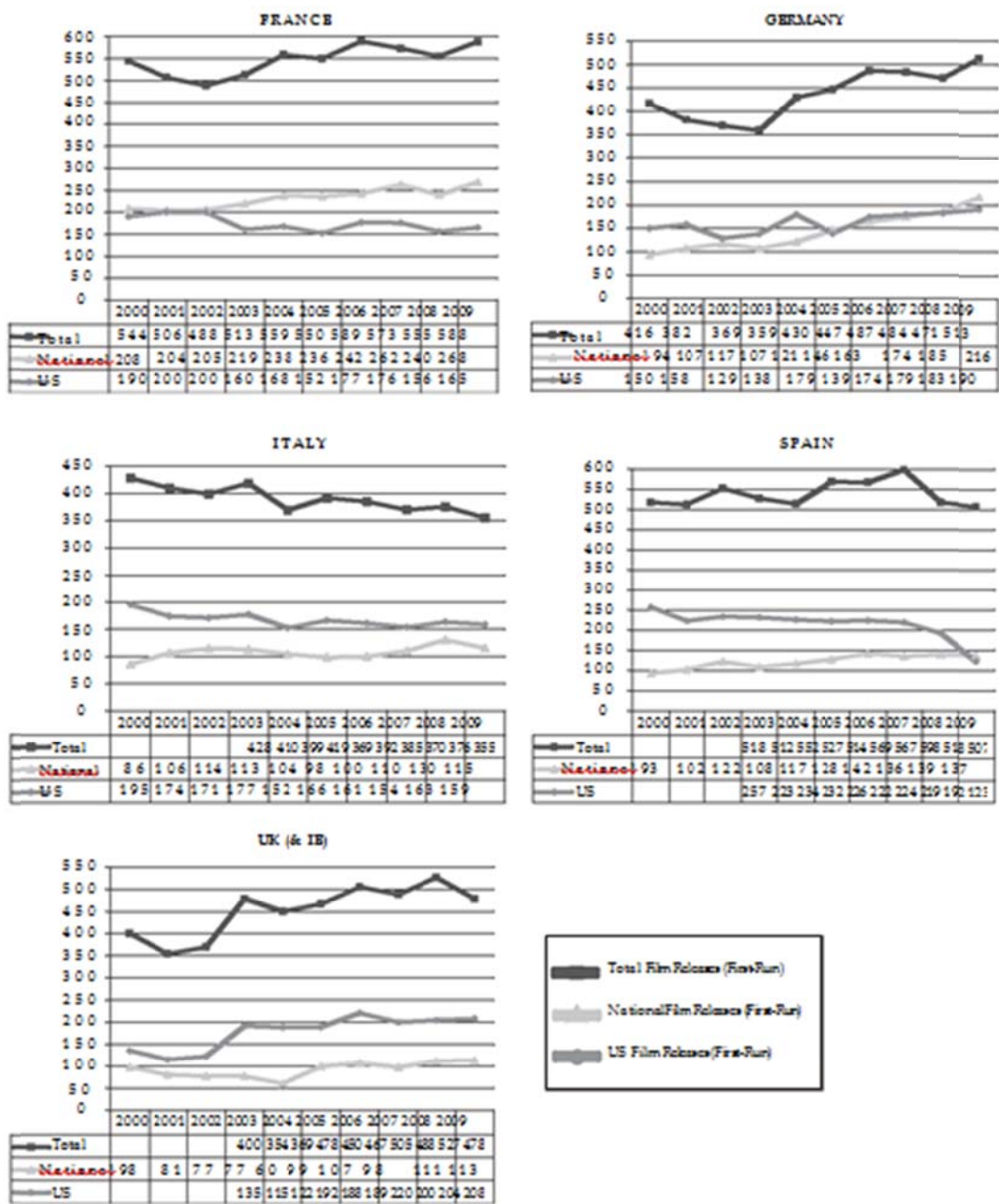


FIGURE 3 The big five Western European Union countries: First-run films by origin (breakdown by countries). Source: Own elaboration on CNC, UKFC, SPIO, ICAA, ANICA data.

This “cooperative” strategy has also been extended to production activity. The number of EU–U.S. financial co-productions has experienced a substantial growth in this period (see Figure 5), thanks to the natural and longstanding relation between Hollywood and the United Kingdom, as well as the availability of some German hedge funds and tax incentives over the past years.

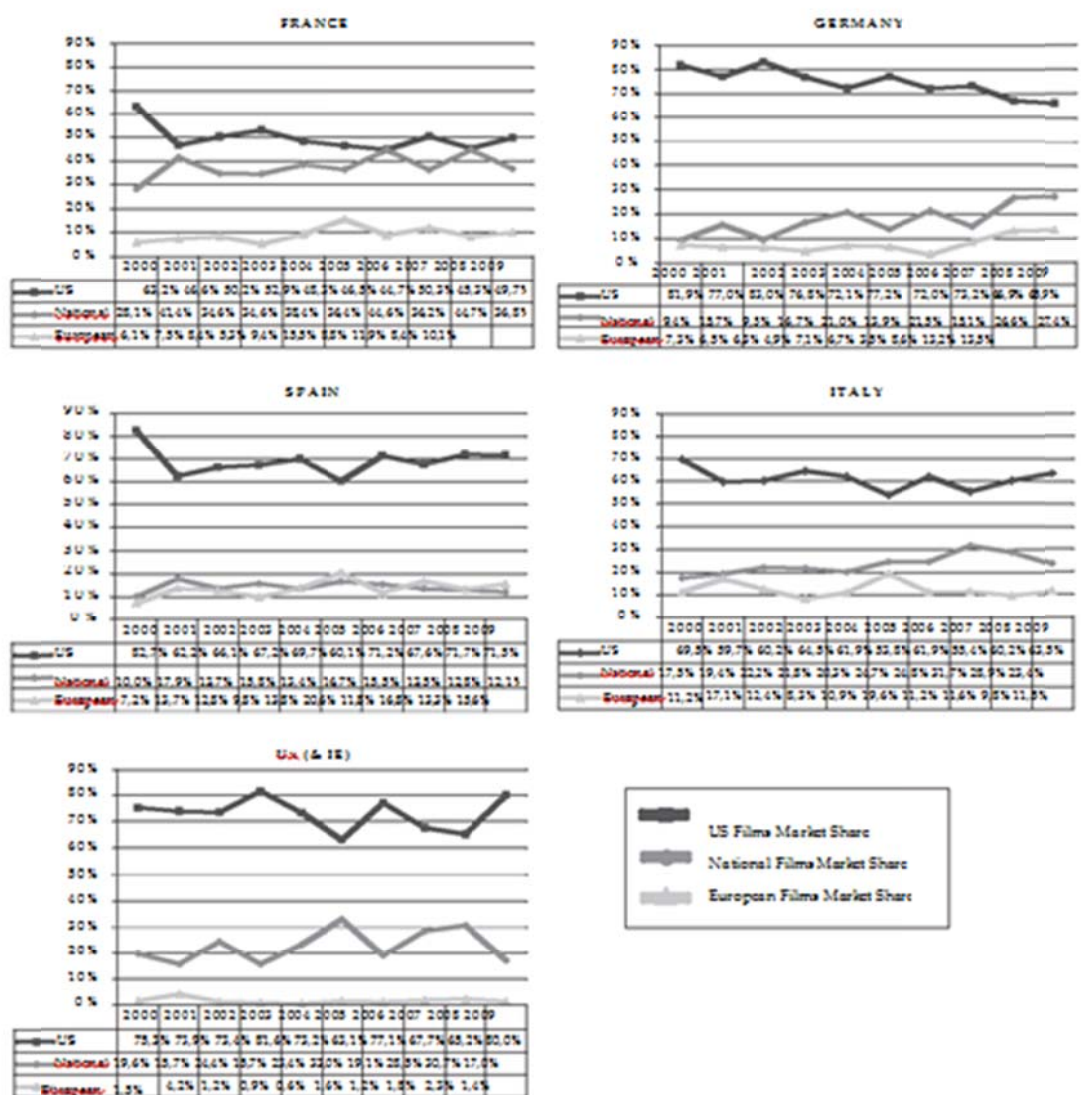


FIGURE 4 The big five Western European Union countries: Market share by films’ origin (breakdown by countries). Source: Own elaboration on CNC, UKFC, SPIO, ICAA, ANICA data.

The market share for 100% of U.S. films has decreased, but there has been an increase of admissions for those EU–U.S. co-productions. In fact, the EAO has introduced a new category in its statistics about European film markets labelled “EU Inc.,” meaning those films produced in Europe with American capital—from popular franchises like Harry Potter or Star Wars, to big productions like Kingdom of Heaven or Sahara, or small movies like Match Point or Finding Neverland. Figure 6 illustrates the slightly different picture between 2000 and 2009 regarding market share (admissions) according to origin (or nationality) of films released; more than a “reduction” of the U.S. presence in these five film markets, it has been a “migration” from U.S. films to this new category of EU–U.S. financial co-productions.

Title ¹	Year	Origin	Admissions ²	GB	FR	DE	ES	IT
1 Mamma Mia!	2008	US/GB	31,787,608	Universal	Universal	Universal	Universal	Universal
2 Bridget Jones' Diary	2001	GB	30,266,507	UIP	Mars	UIP	UIP	UIP
3 Bienvenue chez les Ch'tis	2008	FR	23,467,414	Pathé UK	Pathé	Prokino	Wanda	:
4 Astérix & Obélix: Mission Cleopa	2002	FR	22,364,247	Pathé UK	UIP	Tobis Studio	Tripictures	UIP
5 Le fabuleux destin d'Amélie...	2001	FR	19,923,915	Momentum	UFD	Prokino	Vértigo	BIM
6 Bridget Jones: Edge of Reason	2004	GB	19,404,614	UIP	Mars	UIP	UIP	UIP
7 Slumdog Millionaire	2008	GB	16,225,650	Pathé UK	Pathé	Prokino	Sogedasa	LuckyRed
8 Love Actually	2003	GB	16,204,143	UIP	Studio Canal	UIP	UIP	UIP
9 Chicken Run	2000	GB	16,193,296	20th Century Fox	UFD	UIP	Hispano Fox Film	20th Century Fox
10 Mr. Bean's Holiday	2007	GB/FR/DE/US	15,251,106	Universal	Universal	Universal	Universal	Universal
11 Los Otros	2001	ES	14,670,027	Buena Vista Inter.	Bac	Senator	Warner-Sogefilm	Lucky Red
12 Johnny English	2003	GB/US	14,525,325	UIP	Mars	UIP	UIP	UIP
13 Der Schuss des Manitu	2001	DE	14,281,570	Constantin	:	:	Universal	:
14 Taxi 2	2000	FR	13,159,230	Tobis Studio	Tripictures	ARP Sélection	Metrodome	Cecchi Gori
15 Astérix aux Jeux Olympiques	2008	FR/DE/ES/IT	12,944,345	Pathé UK	UIP	Tobis Studio	Tripictures	UIP

TABLE 1 Top EU Films in the Big Five Western European Countries (Breakdown by Country). Source: Own elaboration on EAO-Lumiere data; idea adapted from Lange & Newman-Baudais (2003). Notes: 1James Bond and Harry Potter movies not included; 2Admissions in EU (25).

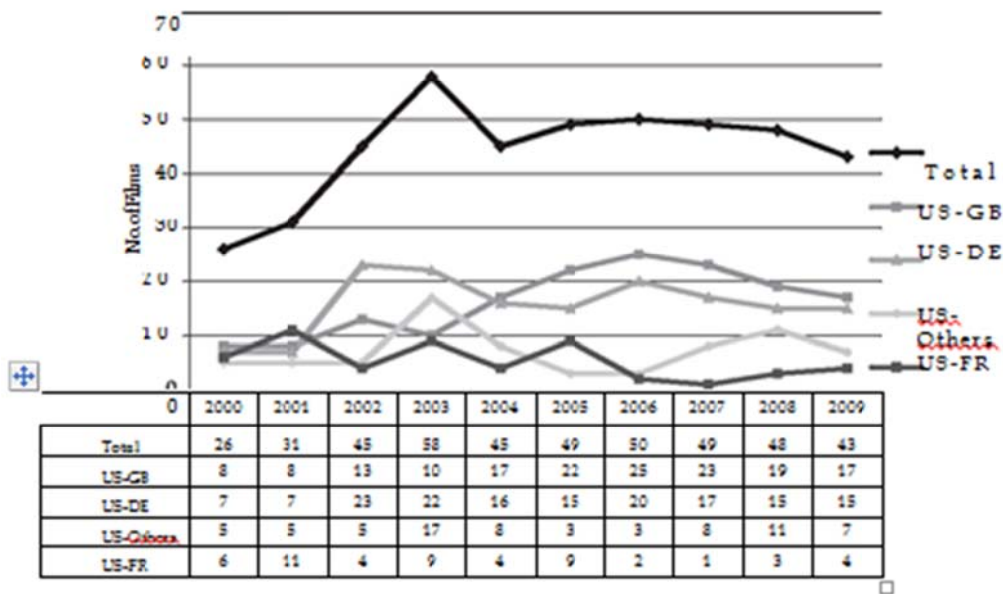
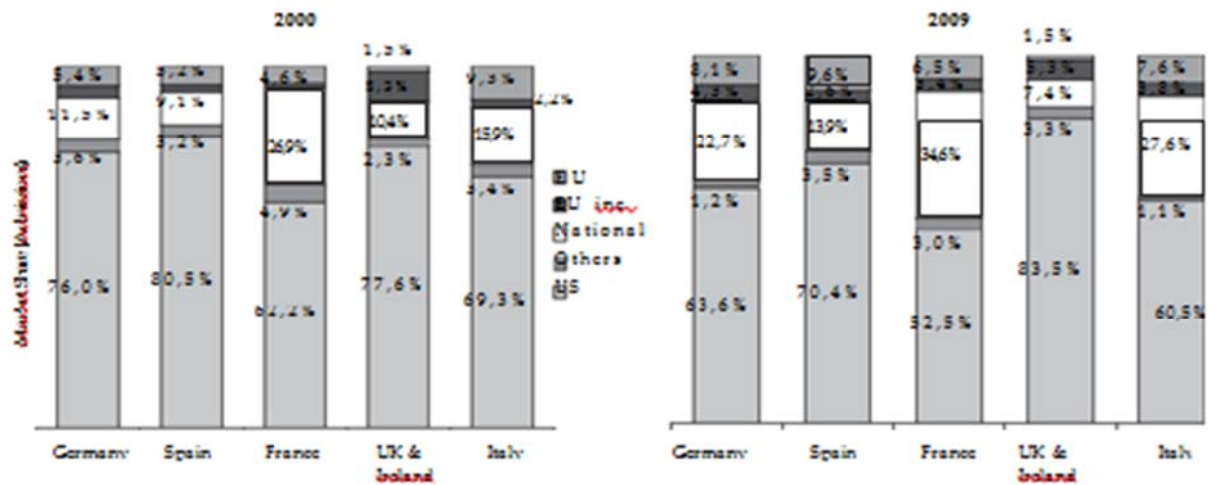


FIGURE 5 European Union–U.S. financial co-productions

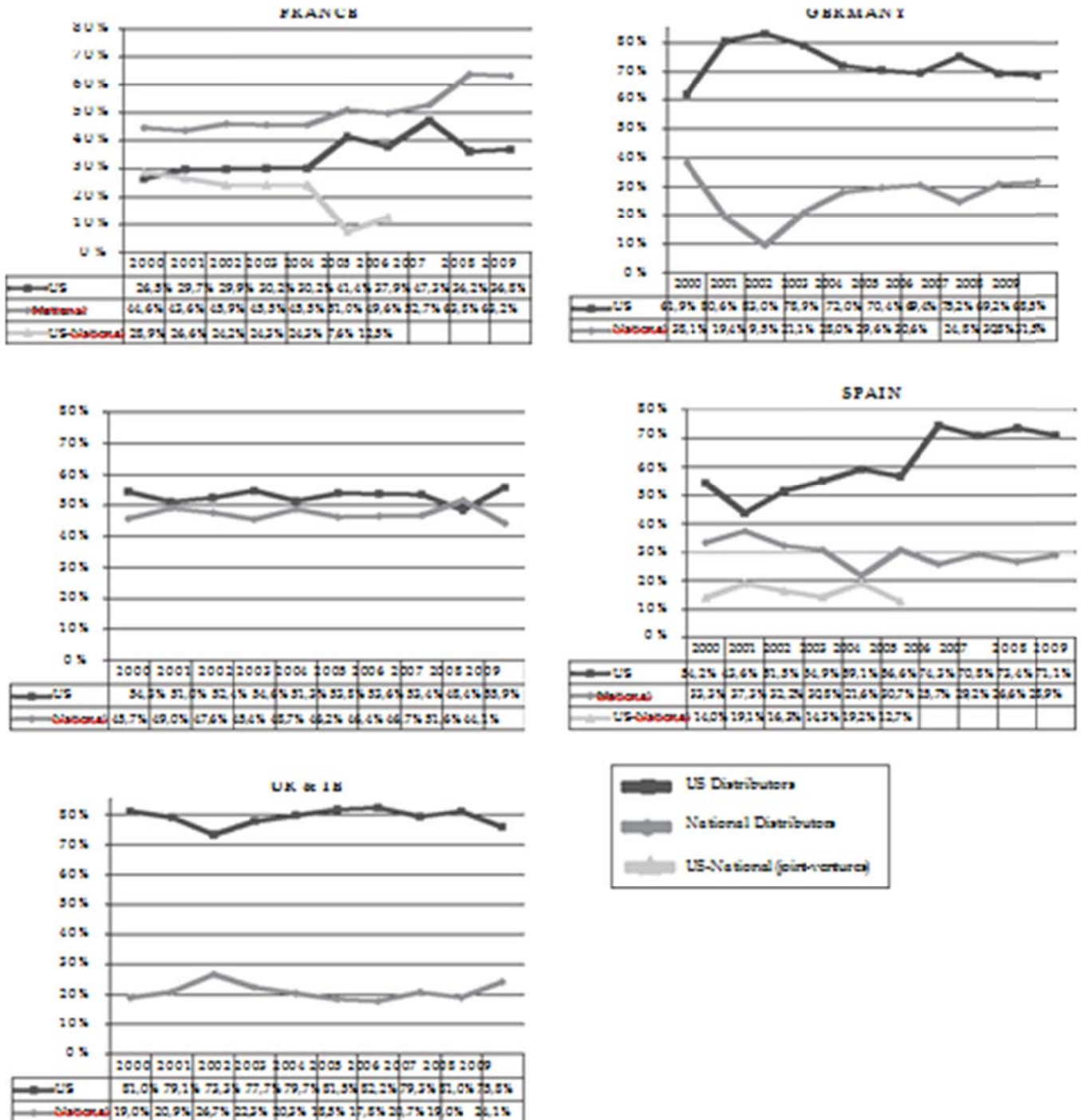


Source: EAO, 2002–2010 yearbooks, vol. 3 (Film and Home video).

FIGURE 6 Market share (admissions) by film origin (2000 vs. 2009). Source: EAO (on the basis of admissions registered in the LUMIERE database). Note: ‘EU inc’ refers to films produced in Europe (mainly in UK and Germany) with US inward investment.

In addition, U.S. distributors have increased their market share in those countries with a lower starting point, as Figure 7 reveals. Contrary to what could be expected, an extreme case is France, where American companies accounted for 27.5% in 2000 and reached 36.8% of the market share in 2009, which represents a 38.8% increase. This growth of American dominance is less accentuated in Spain (+31.1%) and Germany (+10.7%), and slightly perceptible in Italy

(+2.9%). The case of the United Kingdom is as surprising as the case of France, but in the opposite sense: The U.S. majors' market share has suffered a 2.1% decline in the decade under analysis.



Italy. FIGURE 7 The big five Western European Union countries—Market share by distributors' origin (breakdown by countries). Source: Own elaboration on CNC, UKFC, SPIO, ICAA, ANICA data

If we compare this trend with the evolution of U.S. first-run releases during this same period (see Figure 3), we observe a curious, opposite relation. Those countries with the highest increase in U.S. films' market share (France and Spain) are the ones where the number of U.S. first-run releases has scaled down the most, which can only be explained by the fact that the American distributors are also distributing local films in those territories.

Two more features should be underlined with regard to film distribution concentration in these five territories, as Table 2 shows. The first is the emblematic presence of at least one domestic company among the top four firms in most of the cases —Constantin in Germany; Bac, Pathé, and Studio Canal in France; Entertainment in the United Kingdom; Medusa, Cecchi Gori, Eagle, and 01 Distribution in Italy; and at least one occasional example, Lauren, in the case of Spain. The second feature is the successful achievement of the joint ventures between a U.S. major and a local distributor in France (Gaumont-Buenavista, Gaumont-Columbia, and Union Générale Cinématographique (UGC)-Fox) and Spain (Warner-Sogefilms) for most of the decade.

CONCLUSION

According to the data used for this study, the Western European film market is highly concentrated. Nevertheless, concentration has decreased in this period. Regarding the CR4 index, there are noticeable differences between countries: France and Italy offer the lowest percentages (45% and 55%, respectively) versus Germany and the United Kingdom and Ireland (65% and 67%, respectively).

This concentration favors U.S. majors' dominance, which reinforces H1. Hollywood majors are effectively ranked in the top positions according to market share. At the same time, there is a significant presence of national distributors among the top four companies in most of the countries analyzed.

The American oligopoly has not had a negative effect on the distribution of national films—which has increased in the five countries along the period analyzed—or on their market performance; the box-office percentages for national films, as well as for European non-national films, have also grown in all these territories, to the detriment of U.S. films' market share. In this sense, H2 has not been confirmed.

Finally, the decrease of the U.S. films' market share contrasts with the increasing market percentage of U.S. companies (thanks to the distribution of local product). They have also strengthened their positions through mergers and alliances with local distributors, as some of the joint ventures mentioned earlier proved—confirming H3—as well as investing as co-producers in European films. As a consequence, we can observe a “migration” of market share in the case of American movies, from 100% U.S.-produced films to U.S.–EU co-produced films.

Our data have some implications from a policy-oriented perspective. First, the quota system is becoming inefficient: It is increasingly more difficult to identify the “nationality” of a given film, which is often created by people from various countries and which is produced by a company owned by hundreds of small shareholders. On top of that, a strong quota system could be against the viewers' interest.

	2000	2001	2002	2003	2004	2005	2006	2007	
FRANCE	Gaumont-BV	19.7%	14.5%	14.1%	15.4%	Warner Bros	Warner Bros	12.5%	Warner Bros
	UIP	12.5%	UIP	13.6%	11.8%	UIP	11.3%	12.1%	20th Century Fox
	Bac	10.7%	Warner Bros	12.3%	Warner Bros	Pathé	11.1%	8.6%	Warner Bros
	Pathé	9.2%	Gaumont-BV	12.1%	UFD	BVI France	20th Century Fox	10.3%	10.3%
	CR4	52.1%	CR4	50.4%	CR4	48.1%	CR4	41.4%	CR4
									40.8%
GERMANY	UIP	22.2%	UIP	20.5%	Warner Bros	UIP	20.3%	23.4%	20th Century Fox
	Constantin	14.1%	Warner Bros	18.8%	20th Century Fox	Warner Bros	16.9%	16.7%	Universal(UPI)
	Columbia-TriStar	13.4%	Buena Vista	15.1%	UIP	Buena Vista	14.6%	15.6%	Walt Disney
	Buena Vista	9.5%	Constantin	9.9%	Sony-Columbia	11.2%	Sony Pictures	7.9%	12.0%
	CR4	59.2%	CR4	64.3%	CR4	70.7%	CR4	62.8%	CR4
									68.0%
ITALY	UIP	18.0%	Medusa Film	21.4%	Medusa Film	17.9%	Buena Vista	16.9%	UIP
	Buena Vista	14.3%	UIP	16.8%	Warner Bros	13.7%	Medusa Film	14.1%	Medusa Film
	Cecchi Gori	13.3%	Buena Vista	13.1%	UIP	13.9%	Warner Bros	13.1%	01 Distribution
	Medusa Film	13.1%	Columbia-TriStar	9.9%	Warner Bros	13.6%	Eagle Pictures	8.7%	Medusa Film
	CR4	58.7%	CR4	61.2%	CR4	51.8%	CR4	54.9%	CR4
									55.1%
SPAIN	Buena Vista	16.2%	UIP	19.5%	Warner Sogefilms	16.3%	Walt DisneyIberia	18.1%	Walt DisneyIberia
	UIP	15.5%	Warner Sogefilms	19.1%	Hispano Fox Film	16.2%	UIP	14.9%	Warner Sogefilms
	Columbia-TriStar	14.5%	Hispano Fox Film	10.1%	Columbia-TriStar	12.9%	Warner Sogefilms	14.3%	UIP
	Warner Sogefilms	13.9%	Lauren Films	9.1%	Walt Disney Iberia	12.8%	Columbia-TriStar	11.6%	Hispano Fox Film
	CR4	60.1%	CR4	57.8%	CR4	58.2%	CR4	58.9%	CR4
									62.9%
									61.3%
UK & IE	UIP	27.7%	UIP	33.0%	20th Century Fox	18.0%	Buena Vista	26.3%	UIP
	Buena Vista	22.5%	Warner Bros	16.0%	Entertainment	16.8%	UIP	22.5%	Warner Bros
	Columbia-TriStar	13.0%	Buena Vista	14.4%	Buena Vista	15.4%	Entertainment	14.6%	20th Century Fox
	20th Century Fox	10.1%	Entertainment	9.7%	Warner Bros	15.2%	Warner Bros	10.4%	20th Century Fox
	CR4	73.3%	CR4	73.1%	CR4	65.4%	CR4	73.8%	CR4
									74.7%
									58.1%

Sources: Own elaboration on CNC, SPIO, ANICA, ICAA, UKFC and EAO data

Colour Code: US major Local distributor joint-venture US-EU

Second, regulators should pay more attention to “block bookings.” This practice is used by the largest distributors to control the exhibition sector. That kind of abuse of a dominant position hurts the interests of consumers and exhibitors.

Finally, policymakers can implement some ways to foster efficiency and creativity of European organizations: grants to young film makers; sub-sidies for exchange of experiences between companies, which can lead to joint ventures or joint projects; financial advantages for investors in film production, or more transparency requirements. These incentives do not have side effects because they do not distort the free market.

Due to the lack of scholarly articles focusing on film distribution, our research may be helpful for further studies related to this industry. In any case, the situation of the European film market demands a deeper analysis about the consequences of concentration on the distribution sector, not only from an economic or managerial perspective, but also from the cultural and political points of view.

NOTES

1. United States-European co-productions (U.S. productions shot in Europe, like the James Bond or the Harry Potter installments) are not included in these percentages, which account for a 7.3% market share in the case of Europe and 4.4% in the case of the U.S. in the same period.

2. Europa Distribution is a non-profit organization created in March 2006 that brings together some 50 European independent distributors from 18 European countries. The aim of the organization is to better protect and represent independent distribution at the national and European level, and to encourage the creation of a network of independent distributors in order to improve the ties and exchange of information between them as well as the level of protection available to them.

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