

Improvements in the methodology of identifying the leading cinematography companies

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Abstract State support is currently playing a key role in the production and distribution of commercial films in Russian Federation. Consequently, this support creates certain economic dependence of film production on the state and this dependence keeps growing. The protectionist model of state support that had emerged lately is already constraining growth of the domestic cinematography, not allowing it to develop independently, according to the market rules. At the same time, government not only does not derive revenue of film distribution (even being, in fact, the major movie producer), but often does not even return its investment. One of the mechanisms of state support in Russia is the subsidizing (refundable and non-refundable) for the leading cinematography companies by the Cinema Fund which represents the economic agent of the Ministry of Culture. Selection criteria for leading companies include attendance, television rating level, awards received by company's films, period of operation of a company, and the quantity of released films (amount of copies that is taken into account).

Our paper analyses the methodology that the Cinema Fund uses to compile this rating of the leading cinematography companies in terms of selection criteria and features of assessing. Our results demonstrate that the current methodology does not enable the actual leaders of the cinema market to be identified. In addition, the priorities in weighting assigned to criteria are unfounded. Moreover, present methodology does not allow considering the data for modern channels of distribution the audio-visual products. In addition, the methodology is also discriminatory against new companies. The paper provides some recommendations for changing the methodology and clarifies the selection criteria.

1 Introduction

Cinematography now is not only an art form, but also a branch of economic activity. Apart from the artistic quality, any film (or movie, as it is called in its American variant) must meet the requirements of self-sufficiency and competitiveness. Films become the trademarks of certain locations and help to increase budgets of cities and even countries through various channels (see e.g. Strielkowski 2017; Bąkiewicz et al. 2017; or Strielkowski 2018).

Russian film industry works in market environment for more than twenty-five years now, but it still has not reached the stage of sustainable and balanced development (Beumers 1999; Graham 2000; or Faraday 2010). State support is currently playing a key role in commercial films production and distribution in Russia (Van Gorp 2011). Consequently, it creates economic dependence of film production on the state and this dependence keeps growing. The protectionist model of state support that had emerged lately is already constraining growth of the domestic cinematography, not allowing it to develop independently, according to the market rules. At the same time, government not only does not derive revenue of film distribution (even being, in fact, the major movie producer) but often does not even return its investment. Thence, the mechanism of the state support needs to be improved.

Two main channels of the state subsidizing are the Cinema Fund which is the economic agent of the Ministry of Culture and the Ministry of Culture itself. The Cinema Fund supports commercial films (so it can count on return of its investment) while the Ministry of Culture subsidize films for children and youth, debuts,

art movies etc. Every year the Cinema Fund selects leading cinematography companies in the country for special subsidizing their projects (it can be refundable and non-refundable).

The paper analyses the methodology that the Cinema Fund uses to compile the rating of the leaders in terms of selection criteria and features of assessing. The focal question for the research is to assess whether the reviewed methodology allows actual leaders of the cinema market to be identified. Thereby the effectiveness of the state policy is getting indirectly analysed.

2 Current characteristics and features of cinema state support in Russia

In 2013, Russia reached the top ten cinema markets in the world and has been staying there ever since. By the end of 2017, the country was the largest market in Europe (in terms of number of viewers) and took 6th place worldwide (EFARN 2018). Nevertheless, Russian film production still has problems with profitability, viewers and distribution. According to the NevaFilm research (EFARN 2018), the share of viewers for Russian films reached 38% in the first half of 2018 (there was 19% in the first half of 2017). The number of films produced in the country has been rising in recent years.

At the same time, the number of films receiving state support is decreasing with simultaneous increase of number of subsidies: while more than 70 projects received public funding in 2015–2016, 57 projects did it in 2017 (Fontaine 2018). The following data shows some specificities of the cinematography state support in Russia (Tables 1 and 2).

Table 1. Number of films produced in Russia

Year	2014	2015	2016	2017
Films produced	82	123	136	124

Source: Cinema Fund (2018)

Table 2. Amount of public funding in Russian cinematography (in billions of rubles)

Year	2014	2015	2016	2017
Total amount of subsidies (billions of rubles), including:	5,9	4,9	4,82	6,0
Ministry of Culture	2,9	1,9	1,97	3,0
Cinema foundation	3,0	3,0	2,85	3,0

Source: Cinema Fund (2018)

It is important to notice that public funding accounts for more than 50% of total production budget of produced films. It creates economic dependence of film production on the state and this dependence keeps growing. The protectionist model of state support that had emerged lately is already constraining growth of the domestic cinematography, not allowing it to develop independently, according to the market rules (Tkacheva 2015). At the same time, government not only does not derive revenue of film distribution (even being, in fact, the major movie producer) but often does not even return its investment.

According to Cinema Fund (2018), the major source of income generation in cinematography today is distribution in cinemas, including screening abroad (70%), although other channels of distribution (TV screening, screening rights selling, including VoD platforms which constitute about 30%) have already significant share in the total income.

The state support of production and distribution of films in Russia is a function of two institutions. The Ministry of Culture supports films for children and youth, debut films, experimental and art movies, educational film series, documentaries, popular science films, and animations. The Federal Cinema Fund supports the production and promotion of commercial films for mass audiences. The main goal of the Cinema Foundation is ‘increasing the competitiveness of Russian cinematography’, including popularizing national films worldwide.

According to NevaFilm Research, on average, 46% of domestic movies distributed during the five-year period were subsidized by the Cinema Foundation or the Ministry of Culture. Russian Ministry of Culture usually provides subsidies on non-repayable basis, while the Cinema Fund can have their funds back and reinvest. Some data on the Cinema Fund support is provided in the Table 3 that follows below. Usually, the Cinema Fund provides 3 billion rubles annually for supporting Russian film industry and reinvests some amount of money on top of that.

Table 3. Amount of public funding in Russian cinematography

Focus of support	2016		2017	
	Number of projects	Amount of subsidies, million rubles	Number of projects	Amount of subsidies, million rubles
Film production, incl:	56	3500,1	57	3847,0
Feature films	44	2900,1	48	3297,0
Animated films	11	600,0	9	550,0
Development of film projects	7	44,9	11	54,2
Distribution	25	729,0	20	715,0

Source: Cinema Fund (2018)

In 2017, besides 3 billion rubles of annual subsidizing, 1,6 billion rubles was reinvested. In general, there are two main types of the Cinema Fund subsidizing. The first one is for “ordinary” grantees, the subsidy is up to 80 million rubles and they can get it on refundable basis. The second type is subsidizing for the ‘leading companies of Russian film production’. Every year the Cinema Fund compiles a rating of leading cinematography companies so they can apply for the “priority funding”. The leaders can get up to 400 million rubles and there is a possibility to have it on the non-refundable basis. The methodology of selection the leading companies is the main area of analysis in this study.

3 Methodology of identifying the leading cinematography companies: analysis and improvements

The selection methodology that the Cinema Fund uses is based on computation of scores for the criteria listed in the Table 4. The selection criteria include three main areas of assessment: viewers’ evaluation (which can give the most points), professional evaluation (which includes film festivals and awards) and the last assessment area - period of operation and quantity of released films.

In 2018, the methodology has changed, and an additional criterion was added - attendance in cinemas abroad during 5 latest years. Thence, the company having maximum total attendance can gain 100 points (10 times less than for domestic attendance).

In 2013-2017, the share of viewers of the films produced by the leading companies was more than 70% of the total attendance of Russian films.

Table 4. Methodology of identifying the leading cinematography companies

I. Viewers' evaluation	
Cinemas attendance (films released during 5 latest years)	TV rating (films broadcasted during 5 latest years and showed in cinemas) Films are ranked by TV rating in every year, 10 highest-rated films of every year are taken into account.
1.company having max total attendance – 1000 points 2.other companies - proportional points by attendance	1. company having max total TV rating - 30 points 2. second place – 20 points 3. third place – 10 points 4. lower places – 9, 8, 7....
II. Professional evaluation	
Film festivals (festivals during 5 latest years)	Film awards (awards during 5 latest years)
Moscow International Film Festival 1. Grand prize – 50 points 2. Inclusion in the main competition program - 30 points	Nika Awards, Golden Eagle Awards 1. Best film prize– 50 points 2. Nomination for best film prize - 30 points

Cannes International Film Festival Berlin International Film Festival Venice International Film Festival 1. Grand prize – 100 points 2. Best director award - 60 points 3. Best screenplay award - 60 points 4. Best camera work award - 60 points 5. Best male lead award - 60 points 6. Best female lead award - 60 points 7. Inclusion in the main competition program - 30 points	Oscars 1. Best foreign film prize – 100 points 2. Nomination for best foreign film prize - 80 points
III. Period of operation and quantity of released films	
Period of operation of the company	Quantity of released films (feature and animated films showed in cinemas during latest 10 years)
1. More than 10 years – 50 points 2. 5 -10 years - 40 points 3. Less than 5 years - 30 points	1. More than 10 films – 50 points 2. 6 -10 films - 40 points 3. 5 and less - 30 points

Source: Cinema Fund (2018)

The following table (Table 5) provides the list of the leading companies in 2013-2017 according to the Cinema Fund. We can notice that several companies are always in the list and total number of leading companies is variable. There is no regulation of how many companies should be in the list.

On the first stage of the research the authors studied the cases of several leading companies in terms of profitability, films releases and other indicators of operation. Also the authors used expert analysis, analysis of websites, reports, existing researches and other published materials in order to identify specificities, gaps and priorities of the methodology.

Table 5. The leading cinematography companies in 2013-2017

No.	Company	2013	2014	2015	2016	2017	2018	Total
1	Art Pictures Studio							6
2	Directsia Kino							6
3	CTB							6
4	Nikita Mikhalkov TRITE studio							6
5	TaBBaK							6
6	Central Partnership							6
7	Non-Stop Production							6
8	Enjoy movies							5
9	Igor Tolstunov's production company							4
10	Rok							2
11	VBD group							2
12	Real-Dakota							1
13	Rekun-cinema							1
14	Strela							1
Total number of leaders		13	9	8	8	10	10	

Source: Cinema Fund (2018)

Consolidating the views of experts and reviewed cases of particular leading companies, one can highlight several features of the existing selection methodology:

1. The domestic attendance criteria have an overwhelming priority comparing to other criteria (maximum is 1000 points);
2. Relatively low weight of the professional evaluation criteria (film festivals and awards) accompanied by the limited list of festivals and awards taken into account;
3. Relatively low weight of the abroad attendance criteria. At the same time, one of the main goals of the Cinema Fund is promoting the national films overseas. Therefore, one can say that the methodology does not fully meet the management purposes
4. Unreasonably high weight of the criteria “Period of operation”. For example, just mere presence in the market for more than 10 years is giving a company as many points as receiving the grand prize of Moscow festival or Nika award and even more than being included in the main competition of Cannes;
5. Unreasonably high weight of the criteria “Quantity of released films in 10 years”. For example, releasing 10 films regardless of their quality and commercial success can give a company as many points as the grand prize of Moscow festival and half of points of having an Oscar.

Additionally, it is important that VoD (video-on-demand) internet platforms and views that films have there are not considered in the methodology at all. There is no state mechanism for reporting the number of views from these platforms but now amendments for the law here are discussed. Now it can be counted just by selling screening rights with views limitation. But this way of distribution is getting more and more important, so it is not justified to ignore it assessing commercial success of a company.

Analysing the cases of particular leading companies, the authors have noticed than it is possible that a company to be the list of leaders and to get subsidies being unsuccessful by other important indicators. For example, the Rok company that came back in the list in 2018 did not have even one profitable film in the last 20 years (17 films released). And company's profitability is not taken into account in the methodology although the Cinema Fund supports the commercial films, not socially important ones.

Thence, we might conclude that the reviewed methodology does not enable the actual leaders of the cinema market to be identified; the priorities in weighting assigned to particular criteria are unjustified. Moreover, the methodology does not allow taking into account the data for modern channels of distribution. The methodology is also discriminatory against new companies, it prevents new companies from breaking into the list and, in opposite, already leading companies from leaving it.

The second part of the study was aimed to make recommendations to improve the methodology. Firstly, we consider it justified to add two new criteria to the list - “Views in VoD-platforms in latest 5 years” and “Ratio of films with profit in latest 5 years”. We offered to seven experts (who were cinema producers, distribution companies' representatives, festival promotion professionals) the new list of criteria that includes the old ones and two additional ones. The experts had to range the importance of them in identifying the cinematography leaders. The method we used was a Delfi approach, and in three rounds of survey misalignment of their opinions (Kemeny distance) has been reduced from 124 to 28 so we can conclude, that the final rating of the criteria has high level of alignment. The final rating of the selection criteria, by experts' opinion, has the following order (in descending order according to the importance):

- Domestic and abroad attendance in 5 latest years;
- TV rating in 5 latest years;
- Views in VoD-platforms in latest 5 years;
- Professional evaluation (festivals and awards prizes and nominations);
- Ratio of films with profit in latest 5 years;
- Quantity of released films in 10 years;
- Period of operation.

With regard to the above, we can make several recommendations for changing the methodology and clarify the selection criteria. Firstly, the final rating can help to change the weight of particular criteria in the methodology. Higher-ranked criteria should have more points. Also, new criteria have been included in the list and they gained high evaluation of importance. We can say that including them into the list was justified and this recommendation of the authors got support from the experts.

According to the experts, it is possible to recommend giving more points to companies having professional success (awards), because it supports the international promotion and confirms the quality. One of the main goals of the Cinema Fund is promoting the national films overseas so this change can eventually help to reach this goal.

Additionally, we can recommend expanding the list of festivals and awards that can be considered in the criteria of professional assessment. It is possible to suggest Karlovy Vary IFF, Locarno IFF, Shanghai IFF, Warsaw IFF, San Sebastian IFF, Golden Globe Awards, BAFTA, Cesar Awards. These festivals and awards

have high importance in the cinematography and Russian films gained these prizes quite often (Sedykh 2017). Furthermore, domestic and abroad attendance can be unified since the promotion of Russian films abroad has been quite successful lately and this is one of the goals of the funding institution.

All in all, we can conclude the recommendations contained in this paper might help to clarify the selection criteria, bring the methodology closer to the managerial goals of the Cinema Fund, and identify the leading companies more effectively. Thereby, all these measures might improve the efficiency of public funding of the cinema in Russia.

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