

THE ST. PETERSBURG INTERNATIONAL ECONOMIC FORUM – 2009

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THE CINEMA INDUSTRY DURING THE CRISIS

Moderator:

Dr. Martin Smith, Policy Spokesman & Special Adviser, Chief Executive's Office, Ingenious Media plc

Panellists:

Timur Bekmambetov, Film Director, Producer

Sergey Selyanov, Producer

Andy Bird, Chairman, Walt Disney International

Ingeborga Dapkunayte, Actress

Sanjai Agrawal, CFO B4U Network, India

In the discussion on the cinema industry, the financial crisis was not thought to have had a dramatic impact on the Russian film industry in the short term, nor was it expected to dramatically change the habits of Russian film goers. It was noted that the financial crisis could act as a catalyst for the creation of a more commercially focused film industry in the medium term. The more material impact is expected to come from internet piracy, which could slow industry growth, though new technologies like mobile telephony could create new revenue opportunities.

According to the discussion, the cinema industry is proving relatively resilient, though not immune. However, other parts of the film industry such as DVD sales appear to be feeling the impact of the economic slowdown. Structural changes were noted, with digitalisation providing new ways for audiences to view film content and, in particular, demand for pirated products which is exacerbating the slowdown. For the Russian film industry specifically, participants agreed that the economic slowdown is having some impact, but the decline has not been dramatic. The industry also was relatively quick to adjust its cost base, which has helped offset the revenue slowdown. In the medium term, the financial crisis is not likely to have a dramatic impact on the type of films consumed by Russian cinema goers, although it was noted that consumers are becoming more demanding in terms of quality.

In the medium term, the panel believed that internet piracy is likely to have a bigger impact on the film industry than the financial crisis. One response in Russia could be to lower the prices of cinema tickets, which are still high as a proportion of the population's disposable income in Russia. Participants said that digitalisation is also an opportunity to reach new audiences with

the distribution of film content through mobile technology likely to be a main driver of industry growth in the future.

It was noted that the Russian government has historically been a major financier of Russian film production and the industry has been seen as culturally important. Film makers in Russia have traditionally seen content production as socially important, which is very different to the industry in other markets like the US. In the medium term, the panel agreed that the financial crisis could be a catalyst for the development of a more commercially orientated film industry. A negative consequence of this could be a less creative Russian film industry, as film makers becoming more risk averse. The Russian film industry could also be negatively affected by a lack of investment in many of the key film industry functions such as script writing and production. For this reason it was concluded that the industry requires the government to retain an interest in film financing, development and in particular script writing.