Article

the International
Communication Gazette

the International
Communication Gazette
74(5) 405–422

DOI: 10.1177/1748048512445149
gaz.sagepub.com

Transforming the global film industries: Horizontal integration and vertical concentration amid neoliberal globalization

Dal Yong Jin
Simon Fraser University, Canada

Abstract

This article examines the historical development of the global film industries primarily through horizontal integration between the late 20th and the early 21st century. It presents an empirical analysis of the structural change and dynamics of the film industries. It explores the role of US film corporations – considered the key players in the global film market through Hollywood movies – to determine whether the US has achieved a pivotal role in the global M&A market. This leads to the fundamental question of whether film corporations in non-western countries have expanded their influence in the global market so that they can reduce the asymmetrical power balance between the West and the East.

Keywords

cultural policy, film industries, horizontal integration, neoliberal globalization, political economy

Corresponding author:
Dal Yong Jin, School of Communication, Simon Fraser University, 5683 Hampton Place, Vancouver, BC, V6T2H3, Canada
Email: djin@sfu.ca

Introduction

Media integration has been among the most distinctive features in the film industries in the past several decades. From Hollywood majors, such as Warner Brothers and Walt Disney, to small film exhibitors in developing countries, including South Korea, Mexico, and Argentina, many film corporations have expanded their investment, both domestically and globally, and have transnationalized their businesses through corporate integration. Due to their importance as both cultural symbols and money-making businesses, many media corporations around the world have increased their capital involvement in the film industries.

Media integration of cultural industries as a form of mergers and acquisitions (M&As) is not new; however, the degree of the integration of the film sector has been prominent because consolidation through industry alliances and mergers has become a significant corporate policy in expanding the influence of these companies. The integration of film companies since the mid-1980s has been especially prevalent due to the increasing frequency and magnitude of integration in terms of transaction monies in the midst of neoliberal globalization. With changing media environments, film companies as part of the global media system in many countries have rapidly transformed their structure through corporate integration, which has facilitated the growth of mega film giants in western countries, including the Hollywood majors (Bagdikian, 2004; Collette and Litman, 1997; Lorenzen, 2008; Miller et al., 2005; Wasko, 2003).

This article intends to examine the historical development of the global film industries primarily though horizontal integration between the late 20th and the early 21st century. The article focuses on an empirical analysis of the structural transformation and dynamics of the film industries. It especially explores the role of US film corporations – considered the key players in the global film market through Hollywood movies – to determine whether the US has taken on a pivotal role in the global M&A market, as in the case of the cultural market. This leads us to raise the fundamental question of whether film corporations in non-western countries have expanded their influence on the global market so that they can reduce asymmetrical power relations between the West and the East.

Since this article maps out how the transformation of the global film industries can be understood within the larger context of global political-economic shifts and accompanying neoliberal globalization, it analyzes a major resource by means of historical and political economy approaches. The primary source of data used is the SDC Platinum database compiled by the Thomson Financial Company, which includes all corporate transactions, private as well as public, involving at least 5% of ownership of a company between 1982 and 2009.[1] The article uses the time period between 1982 and 2009, because the UK and the US have promoted neoliberal globalization since the early 1980s. It is also necessary to discuss the impact of the most recent global financial crisis that occurred during the period 2007–2008 on the global film sector.

Media integration in the film industries amid neoliberal globalization

There are several different forms of media integration in the film sector, including joint ventures and conglomeration. Among these, vertical and horizontal integrations are the most significant and active in expanding the scale of film corporations, although they are not mutually exclusive. The development of vertical integration has been contentious since the earliest days of the cinema in the 20th century. Since vertical integration – referring to the merger or acquisition of companies at different levels of production, distribution, and exhibition – makes it possible to secure resources and to directly control product specification, many film corporations have pursued vertical integration and have become bigger integrated film corporations (Blackstone and Bowman, 1999; Fu, 2009; Sunada, 2010).

Within the discourse of media integration in the film sector, horizontal integration, which is the combination of two or more companies across the same level of production and distribution, is also crucial for corporations due to economies of scale and an increase in market power in the media industries (McChesney, 2008; Noam, 2006; Thierer, 2005). As film corporations obtain a greater share of the market, it permits them to have lower overheads and to have more bargaining power with suppliers, while gaining more control over the prices they can charge for their products (*Financial Times*, 1998; McChesney, 1999: 16). Several scholars (Blair, 2001; Faulkner and Anderson, 1987; Robins, 1993; Storper and Christopherson, 1987) have discussed the history of early horizontal integration in the production of films, because production was the primary sector in the film industries.

While these major integrations have become significant corporate norms, there are two primary drivers that have expedited vertical and horizontal integration in the film industries: neoliberal globalization and the increasing role of mega film capitalists. These two elements are intermingled in a complicated manner, resulting in the concentration of ownership in a few hands located in western countries. Neoliberal globalization, referring to the integration of the global economy into the liberal capitalist market economy controlled by a few western countries, is characterized by interlocking features, including policies that promote liberalization, deregulation, privatization, and capital investment (Jin, 2008; Lindio-McGovern, 2007). Neoliberal globalization has intensified western – the US and Western European countries – and, in particular, Hollywood's dominance in the global film market through the privatization of media ownership, a unified Western European market, openings in the former Soviet Union bloc and China, and the spread of satellite TV, the web and the DVD, combined with deregulation of national broadcasting in Europe and Latin America (Gomery, 2000; Miller and Maxwell, 2006).

Throughout the world, the vast majority of governments have introduced forced cultural liberalization measures, including a reduction in local government intervention in film production and opening up the domestic film market, despite the fact that their support of domestic film industries is crucial for national cinema to prosper (Jin, 2006). While a few exceptions voluntarily opened their gates to Hollywood,[2] the majority of countries have had to open their cultural markets due to strong demands from a few western countries, resulting in the rapid increase of Hollywood's influence in the global cultural market. The US government and Hollywood majors acknowledge that the American motion picture and television production industries remain some of the most highly competitive around the world. As the core of the liberalized trade regime, the US can press its capital advantages to maximum effect (Jihong and Kraus, 2002: 423). In particular, the US has demanded several emerging economies to open their cultural markets. The Hollywood majors have consistently outperformed and their leading role has been extended in the global film business.

More importantly, the neoliberal globalization process requires maintaining the transnational capitalist class (Sklair, 2001) – meaning transnational corporations (TNCs) – whose policies and practices serve the interests of monopoly capital, and TNCs are the major instruments of neoliberal globalization (Lindio-McGovern, 2007: 15–16). Backed by neoliberal globalization principles, film TNCs, including the Hollywood majors, have vehemently integrated other film corporations with their vast amounts of capital. Over time, the majors, such as Disney, Time-Warner, Viacom, and News Corporation as major capitalists have consolidated and further integrated their operations, growing in size as a result (Coe and Johns, 2004). Starting in the mid-1990s, the film industries have especially witnessed an unprecedented series of M&As among global film corporations that have eventually facilitated the emergence of mega film giants. Major media capitalists have played a pivotal role in the global film market and certainly benefited from neoliberal globalization. That neoliberal globalization and major capitalists are connected is not surprising. Economic and cultural relationships always bear the imprint of powerful states and major capital (Ikenberry, 2007: 41), and the film industry has been one of the major cultural economies for the West, and, in particular, the US. Through the ongoing discussion, this article sheds light on current debates on the neoliberal transformation of the global film industries and contributes to the development of current theories of media integration.

Historical transformation in the production industry

Film corporations in both western and non-western countries have pursued horizontal integration as well as vertical integration mainly because they pursue economies of scale and an increase in market power in the media industries. Vertical integration was especially a key component of the Hollywood studio system during the 1920s–1960s, and even beyond.[3] It is also crucial to understand the increasing role of horizontal integration in the film sector. However, comprehensive empirical data on the integration of each film sector (production, distribution, and exhibition) are commonly lacking, and the effects of integration on global film product supply are not accordingly pronounced.

According to the SDC Platinum database,[4] overall, 13,415 cases of horizontal M&As in motion-picture companies, including production, distribution, and exhibition, valued at US$2136 billion, were completed worldwide between 1982 and 2009. Compared to this, as Table 1 shows, the number of M&As in the broadcasting industry was 11,062, valued at US$1997 billion, followed by advertising (5629 cases), and the press (2087 cases) during the same period. The horizontal integration of the film industries as a whole is the largest in both the number of deals and the total value of transactions in the media sector. This implies that the film industries have been the most active sector in the global media deal market, primarily as they are considered as profit-making cultural genres.

Among film industries, production is the most dynamic sector. There were 8487 deals, worth US$1261 billion, in production. The majority of M&As in the film

Table 1. Comparative figures in the media industries, 1982–2009 (unit: billion dollars).

	Movie	Broadcasting	Advertising	Press
Number of deals	13,415	11,062	5629	2087
Transaction values	2136	1997	170	320.8

Source: The data here are from the analysis of the SDC Platinum database.

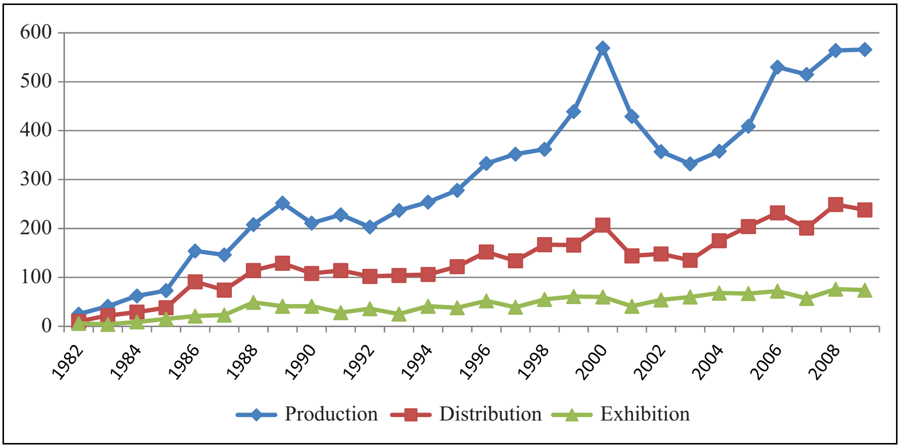

Figure 1. Horizontal integration of the global film industry, 1982–2009.

production industry have occurred in the 21st century. M&As completed between 2000 and 2009 accounted for 54.5% of all transactions, whereas they constituted 34.1% in the 1990s. The trend of M&As in the production sector had shown a gradual increase and stabilized by the mid-1990s; however, it has soared since the end of the 1990s, mainly because several major media corporations jumped into the deal market with their huge capital resources as a result of massive market liberalization (Figure 1). For example, Vivendi SA in France acquired Seagram Co. Ltd, which included Universal Studios, in Canada for US$40 billion and turned into Vivendi Universal in 2000. In the same year, Viacom Inc. in the US also acquired CBS Corp., which included Paramount Production, for US$37.4 billion, although the merger did not fulfill the promised synergy effects and the entity split into two companies in 2006.

Media integration in the film industries has further intensified despite two major economic recessions: the first in 2000–2001 and the second during the period 2007–2008. The deal market in the production industry, alongside distribution and exhibition, showed a downwards trend for a while in the midst of the global economic recession in recent years. In fact, M&As in other communication industries, including telecommunications and broadcasting, also decreased significantly around the world after the September 11 terrorist attacks in 2001; therefore, the 9/11 terrorist attacks followed by the economic recession certainly played a role in the deal market in the communication industries.

Table 2. M&As by major countries 1982–2009 (unit: number of deals)

	Production	Distribution	Exhibition
US	3190	1488	468
UK	976	313	79
Japan	515	232	92
Canada	454	267	49
Germany	407	133	30
France	398	156	32
Australia	298	168	73
Italy	123	53	35
Spain	102	56	33

Source: SDC Platinum database.

What is different from other media industries is that the film production sector has witnessed a rapid revival in the global M&A market in recent years. While other media industries, again telecommunications, broadcasting, advertising, and the press, have been struggling since the 2007–2008 economic recession, partially as a result of the collapse of the housing market and the financial sector in many countries, the film industries, including production, distribution, and exhibition, have experienced a rapid recovery in the deal market.[5] While M&As among film production companies peaked in 2000 with 569 deals, but there were in fact 566 deals in 2009 as well (see Figure 1). Regardless of the huge impact of the two major financial downturns on the communication industries, the global film industries have not been victims of the economic recession. The economic cycle has had little or no systematic impact on the deal market in the film sector, which suggests that a rising economy does not necessarily help the market and a falling economy does not necessarily hurt it (PriceWaterHouserCoopers, 2009: 306).

Meanwhile, in a country comparison, the US has been the largest player in the global M&A market between 1982 and 2009. As a reflection of its magnitude in terms of the number of production companies, US film producers acquired as many as 3190 companies (37.6%), including both US- and foreign-owned acquisitions, followed by the UK (976 cases), Japan (515), Canada, Germany, France, and Australia. These seven countries acquired 6238 production firms (73.5%), and they dominated the global M&A market in the film production sector, with the US as the key player (Table 2).

More important than this figure are cross-border deals, because it primarily tells who reigns supreme in the global deal market, and again, the role of the US is prevalent. During the period 1982–2009, cross-border deals, in which target and acquirer production companies are in different countries, accounted for 1801 cases. While several film corporations in many countries have acquired production firms in other countries, the US was the country that acquired the largest number of foreign production companies. Film production firms in the US acquired 440 foreign film production companies (24.4%) – meaning a single country controls almost one-quarter of all cross-border deals. The second largest is the UK (13.2%). Other major acquirer countries were Canada, the Netherlands, France, and Germany, while Japan accounted for only 65 cross-deals (3.6%). Hollywood, as home to film producers and distributors, has been considered a dominant force in the global film market, and the leading role of Hollywood in the capital market is evident.

The major benefit of this dominant position has been clear, given that Hollywood studios have successfully lowered production costs through runaway production, that is, by moving film production to countries outside the US with skilled, less expensive production workers who do not belong to US labor unions (Miller et al., 2005; Wasko and Erickson, 2008). Of course, hiring local film production workers brings growth to film industries outside Hollywood, so several local governments have been willing to collaborate with Hollywood by forming alliances and mergers. Hollywood has created a powerful global presence as it gradually searches out inexpensive production sites in Asia, Latin America, South America, and Europe (Chung, 2007: 416). Because of corporate integration with foreign film producers, Hollywood has been able to further develop runaway production.

While the major role of the US in the global capital market increases, non-western countries has not taken any of its power away. Although some countries, for example, China, India, and Korea are considered as emerging movie markets and are enlarging their roles in the global market by providing domestically produced films, their influence as global capitalists has not been noticeable, given that they together accounted for only 2.8% of cross-border deals. Latin and South American countries, including Mexico, Brazil, and Chile, have taken no significant roles, because they acquired only a few foreign production companies. These mid-sized economies in Asia and Latin America may have the scale and investment capacity in the global deal market; however, control over capital investment and profit remains with the western-based mega film corporations, including the Hollywood majors.

Neoliberal transformation in the distribution industry

Distribution has become the locus of industry power due to its strategic status as the connection between production and exhibition, and this sector has been a major target for mega film companies in the global deal market. In the film industries, distribution is wholesale, exhibition is retail; distributors lease movies to exhibitors, and organize scheduling, delivery, and collection (Miller et al., 2005); therefore, distribution has traditionally taken a pivotal role and has been considered as a major area that film corporations need to control. Since mega film corporations have integrated production and distribution due to their strategic alliances, the film industry can be regarded as a producer–distributor interplay in which the corporations have power over the market by selling their films to theater chains.

As the second largest sector in the film industries, there were 3715 M&A deals in distribution, valued at US$745.2 billion, which were completed worldwide between 1982 and 2009. As in the case of production, the majority of M&As in the distribution industry have occurred in the 21st century. While 54.5% of the deals in the production sector occurred in the 21st century, 79% of the deals in the distribution industry occurred over the past 10 years, which means that the deal market in the distribution sector has been relatively active in recent years. M&As among film distribution companies peaked in 2008 and 2009 with 249 and 238 cases respectively.

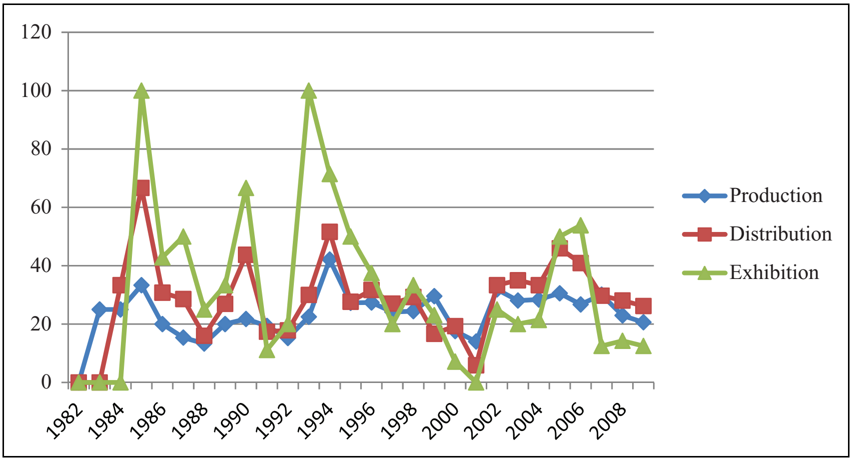

Figure 2. US cross-deals in the movie industries.

As in production, the US has been the largest player in the distribution industry, and film distributors in the US acquired 1488 companies (40%) – both US- and foreign-owned companies – followed by the UK (313 cases), Canada, Japan, Australia, France, and Germany. These seven countries together acquired 2757 distribution firms (74.2%), and these figures are not much different from the production industry – meaning they have dominated the global M&A market in the film distribution sector as well.

Cross-border deals in the film distribution industry accounted for 22% (818 cases). Cross-border deals were not pronounced in the 1980s, but they have gradually increased since the mid-1990s. The US was the country that acquired the largest number of film distribution firms in other countries. During the overall period investigated, the US acquired 283 foreign distribution companies (28.5%), followed by the UK and Canada. Although there are some ups and downs, particularly right after 2001 due to the consecutive economic crises, the US has been the primary driver in cross-border deals in distribution, alongside production and exhibition (Figure 2).

In fact, the distribution industry has been dominated by US firms over the last several decades, because Hollywood realized early on that its dominance of the world market depended on owning the means of distribution. World distribution is controlled by the US via arrangements that would be illegal domestically because of their threat to competition (Miller et al., 2005).[6] Several Hollywood majors have their own international distribution networks. The major US film distributors, such as United International Pictures (UIP, for Paramount and Universal), Buena Vista (for Disney), Columbia Tri-Star (for Columbia) and 20th Century Fox (for Fox), have pursued horizontal integration in foreign countries primarily because they bring in films that have a proven box-office track record in the US market and are expected to appeal to global audiences (Chung, 2007). Other studios operate joint ventures that vary with the territory, sometimes with one another and sometimes with local firms or front-organization subsidiaries. Hollywood studios have sought additional control over their audiences by integrating international distribution and exhibition (Miller et al., 2005). Therefore, as Fu (2009) finds for the case of the Singaporean film market, the number of distributed titles and average sales shares in the several local markets that these Hollywood distributors are in do not significantly differ across the Hollywood brands.

Consequently, several emerging markets are lagging far behind western countries. China, India, and Korea together account for only 2.5%, and for the Latin American countries, the situation is even worse, so they have not grasped any power in the distribution sector. What is interesting is the marginal role of Japan in the global M&A market in the film industries. Japan has been one of the most significant capital investors in several communication industries, including advertising, and it has been the largest animation producer and provider; however, the role of Japan in the film sector as a capital investor has not been promising. Japan accounted for only 2.1%, even less than Hong Kong in the distribution industry. While western countries, in particular the US, have rapidly increased their capital power as global investors, several local-based media corporations and film firms have arguably extended their capital involvement in the global film market as well. However, the major players in the global capital market have been western not non-western film corporations.

Horizontal integration of the exhibition industry

Movie theaters have played a central role in the cultural and social lives of towns and cities in many countries. When movies were some of the primary cultural goods, people in both small towns and big cities visited theaters and enjoyed some of the best movies. However, film exhibitors around the world have experienced two opposing fates over several decades. On the one hand, film theaters have faced several challenges primarily due to an explosion of alternative outlets since the 1970s in which film distributors can sell their products directly, including cable television, home video and DVD and the Internet (e.g. Netflix). On the other hand, the film exhibition sector worldwide has witnessed a continuing surge with the new multi-screen theaters since the late 1980s.

Overall 1213 deals (US$129.3 billion) were completed in the exhibition industry, except for drive-in theaters, between 1982 and 2009. M&As among film exhibition companies peaked in 2008 with 76 deals. As in production and distribution, the leading role of US-owned companies in the exhibition industry has been common. US corporations acquired as many as 468 theaters (38.6%), both US- and foreign-owned exhibitors, followed by Japan (92), the UK, Australia, Canada, Italy, and Spain. These seven countries acquired 829 theaters (68.3%), and they are dominant forces in the movie exhibition sector (Table 2).

The leading role of the US in cross-border deals is also evident. During the period 1982–2009, there were 213 cross-border deals. The US was the country that acquired the largest number of exhibition companies in other countries. Film exhibitors in the US acquired 63 foreign film theaters (29.6%), followed by the UK (8.5%). Other major acquirer countries were Australia, Canada, and Hong Kong, while some Asian countries, such as China, India, and Korea consisted of 4.3% of the market. This implies that, as in production and distribution, only a handful of western countries, in particular, the US, have played a major role in the global capital market in the exhibition industry, although the number of transactions are fewer than those in production and distribution.

There are several major historical factors that have influenced the exhibition industry in the US, which have consequently influenced other countries: the antitrust action to separate the production of films from their exhibition in the late 1940s; the advent of television in the 1970s; and the rise of VHS and DVD systems in the 1990s and the 21st century. To begin with, during the studio era, mainly until the 1940s, some studios, like MGM, RKP, Warner Brothers, and Paramount Pictures, vertically controlled theater outlets for first-run films, and they owned many of these theaters (De Vany and McMillan, 2004). Their grip was so strong that the US government separated the functions in a series of antitrust orders in the late 1940s. The US Supreme Court concluded that controlling both the supply of films and the venue for film exhibition constituted a monopoly (known as the case of the *United States* v. *Paramount Pictures*), so many of the big film-makers were forced to split their theater and production activities, and were still subject to those orders unless they won special permission from the courts in the 1980s (American Film Institute, 2010; Gil, 2008; Harmetz, 1986). Due to this, by 1950, over 5000 theaters across the US had closed, and Paramount alone lost some 1395 theaters (De Vany and McMillian, 2004; Gil, 2008). In the 1980s, the Paramount ruling, in effect since 1950, was revisited. In a complete reversal of its original holding, the New York District Court allowed Loew's, which had restricted itself exclusively to exhibition, to produce and distribute films as long as it did not screen any of its own films (*United States* v. *Paramount Pictures*, 1980–2 Trade Case (CCH), 63). The court noted that much had changed in the film industry since the last time it visited the Paramount decision: television, home video, and the growth of national theater chains (Gil, 2008).

Regardless of the change in the nature of the exhibition industry with deregulation, the exhibition sector had remained subdued due to the advent of television, which directly hit the film industry in the 1970s and 1980s. Television has firmly replaced the movie theater as the prime showcase for visual entertainment since 1985, and it has behooved Hollywood to try to control one or more of the important television stations (Gomery, 1986). Hollywood majors had to pay attention to this new exhibition sector, and they initiated a vertical integration spree. For example, during 1985 the US television industry experienced a spate of corporate takeovers unmatched since the 1950s. In a single year one network (ABC) was sold to Capital Cities Communications, another (NBC) taken over by General Electric, and the third (CBS) nearly toppled by cable television mogul Ted Turner (Gomery, 1986). Furthermore, in the midst of loosening antitrust regulation, MCA Inc., the parent company of Universal Studios, bought the television station WOR in New Jersey for US$387 million in 1986.

The studios' new surge of interest in owning theaters and TV stations stems largely from the changing economics of the business. The costs of making films have soared, and real box-office smashes have become rare. With so many new movies competing for theater space in the early 1980s, theater owners had gained the upper hand, and the studios' strategy was to win control of broadcast television and theater outlets (Harmetz, 1986). While the studios emphasize television, both terrestrial and cable, as the major means of airing their products, film theaters themselves have also slowly increased their investments in purchasing other theaters. Film theaters have also been confronted with the surge of new technologies, including both VHS in the 1990s and DVD and digital delivery technologies in the 21st century. As the technology further develops new delivery systems, including online subscription services based on the rapid growth of high-speed Internet, film theaters must compete with these new technologies.

However, the exhibition sector has witnessed substantial growth with the rise of megaplex theaters since the late 1980s. Using MPAA (Motion Picture Association of America) data on the number of indoor screens, there were 10,335 screens in 1971 and 14,732 in 1981; however, the number of screens soared to 39,547 in 2010, mainly due to the rapid growth of multi-screen theaters (MPAA, 1986, 2010). Of course, the booming economy since the mid-1980s, alongside the growing population, has been significant for the growth of the exhibition sector in the US and elsewhere, because screens are being added predominantly by the construction of new complexes in or adjacent to large shopping malls (Guback, 1987).

While the number of screens has increased, the film exhibition sector has rapidly changed ownership due to financial difficulties in many independent theaters, which has resulted in the concentration of ownership in the hands of a few major players. As of December 2010, the top four chains (Regal Entertainment, AMC Entertainment, Cinemark, and Carmike Cinemas) represent almost half of the sector in the US (National Association of Theater Owners, 2010). Many film theaters have operated in the hands of independent owners for a long time. However, independent theaters are increasingly being financed and distributed by the major studios and large exhibitors, and oligopolistic control has never ceased to be a distinguishing feature of Hollywood (Aksoy and Robins, 1992). Many independent theaters have to work with major exhibitors in most countries.

Meanwhile, the transnationalization of theaters has become a feature in non-western countries too, because major western film chains also have substantial numbers of theaters in many other countries. For example, Cinemark has a sizeable number of screens in 12 countries in Latin America. This situation is not much different in other countries. In Korea, five major exhibition corporations, encompassing CJ CGV, Primus Cinema, Lotte Cinema, Megabox, and Cinus, owned 1553 of the 1996 theater screens (77.3%) nationwide as of December 2009 (Korean Film Council, 2010). Among these, Megabox, the third largest cinema chain, was sold to an Australian corporation in 2007 (Lee, 2007). Loew's Cineplex Entertainment also operates a division in Korea. As such, the concentration of ownership in exhibition has been noticeable in many countries, and several of them have been horizontally and vertically integrated by foreign exhibition corporations, in particular by the Hollywood majors. While film producers and distributors in western countries have increased their power in non-western film markets, major theater chains in western countries have directly increased their revenues through admission fees in their own or invested local theaters.

Continuing asymmetrical power relations in the global film industries

Corporate integration in content industries has mainly taken the form of vertical and horizontal agreements, which are powerful forces that reshape the media landscape. While vertical integration is traditionally a primary concern for film corporations, horizontal integration is crucial because it leads to the concentration of ownership. These two different forms of integration cannot be separated, mainly because the production, distribution, and exhibition industries are closely linked in a complicated manner. In fact, production involves high levels of investment in a heterogeneous, highly perishable product, for which demand is uncertain, while exhibition involves the projection of that product to relatively small numbers of people in geographically scattered locales paying individually small sums that bear no necessary relationship to either the cost or the quality of the film. In addition, the film business has been occupied by distribution (Garnham, 1990). Therefore, vertical integration and horizontal integration work together to establish mega film corporations. The potential synergies created by these linkages across production, distribution, and exhibition, as well as among film corporations in the same category have made companies formidable players in the information and entertainment industry (Collette and Litman, 1997). Major film corporations, in particular Hollywood, realized they could maximize their profits by controlling each stage of a film's life, and vertically integrated industrialization took the form of a studio system that in some ways made and distributed films in the same way that manufacturers make cars (Miller and Maxwell, 2006: 36–37).

The structural transformation in the film market since the 1980s through corporate integration indicated that competition quickly became the norm in the midst of neoliberal globalization. Considering the economic and cultural impact of films on the public, the US government and Hollywood have driven neoliberal reforms in many countries (Jin, 2006; Wasko, 2003). Due to a series of deregulating markets, transnational capital was active in domestic film markets around the world. In particular, all of the major film and television corporations in the US, including News Corporation, Time Warner, Disney, Viacom, GE, and Sony Pictures, have planned to invest in two emerging markets, China and India, in recent years. China, which had rejected foreign investment and foreign ownership in the communication industry until the late 1990s, permitted foreign companies to own up to 49% of Chinese video and audio distribution companies, as part of China's WTO accession in 2000 (Hazelton, 2000: 8). With the lifting of the ban on the global communication industry, several foreign majors invested in the Chinese communication market. The changing political-economic environment in the global cultural market has expedited the reform movement in the Chinese film industry.

In 2009, the Motion Picture Association of America (MPAA) also opened an office in Mumbai, India under the name of the Motion Picture Distribution Association, because the attraction of the Indian market is obvious, with growing movie attendance and pay TV viewership. Dan Glickman, the chairman and CEO of MPAA, reported that the American studios would invest millions of dollars in the Indian film and television industry (India-server, 2009). Although the actual investment of American film corporations in terms of horizontal integration has not been phenomenal in these emerging markets as of yet, several US film production corporations have acquired 12 Chinese production and distribution firms and 27 Indian film production and distribution companies in recent years.

The dominant position of US-based corporations, primarily the Hollywood majors, as capitalists, has intensified Hollywood's influence in the global film market. Thanks to horizontally and vertically integrated film conglomerates, decisions about film content have become more concentrated and rest in the hands of the relatively few Hollywood majors. For example, most Asian and Latin American countries face competition from

Hollywood for audiences. In Asia, foreign films alone accounted for 90% of Taiwan's box-office revenue in 2004; about three-quarters of Thailand's box-office receipts in the first few months of 2003 went to Hollywood majors (Klein, 2003); and in 2004, foreign films garnered 63% of the Japanese domestic market's revenue, which is Hollywood's biggest foreign film market (Chung, 2007). China is currently not dominated by Hollywood. However, of the recorded total, the top foreign films entering the country, mainly Hollywood blockbusters, earned 45.1% of gross box-office takings in 2007 (McDonnell and Silver, 2009). Hollywood has continued to dominate the global box-office, taking more than a 60% share of the international film market over the last decade, and Hollywood has increased its presence in several countries in the midst of neoliberal globalization (MPAA, 2009; Pfanner, 2009). Hollywood's dominance has expanded with neoliberal globalization over the last two decades. Film corporations in the US as major capitalists have dominated not only the cultural market but also the capital market (Coe and Johns, 2004). This situation has provided Hollywood with the fundamental reason to maintain and continue its dominant position in the global film market.

As such, the alliance between neoliberal globalization and US-based TNCs as capitalists has played a key role in the rapid growth of Hollywood's influence in the global box-office, which topped US$29.3 billion in 2009 (PriceWaterHouseCoopers, 2009). Such integration between neoliberal cultural policies and mega film corporations has been a new trend in transnational political economy (Su, 2010). Western capital may not be able to fully function as a conquering force in several countries, but it can be made use of to create favorable conditions in which western film companies, in particular the Hollywood barons, may benefit. Consequently, cultural products like Hollywood films help colonize a global audience and help form a hegemonic culture, which has threatened the existence of other cultures and the creation of alternative ways of life (Su, 2010). While neoliberal cultural policies and media capital converge, transnational film corporations have taken key roles and have penetrated the global film market with their capital and cultural products. In other words, the complex political dynamics at the juncture of national governments adopting liberalization measures and the transnationalization of Hollywood have been commonplace (Semati and Sotirin, 1999; Wasko, 2003).

Consequently, film corporations in many developing countries have not been able to increase their influence in the global M&A and film markets. Of course, if local film corporations in different states are adequately explored and their governments made wise policy decisions, western capital would not be able to conquer overall, but might be made use of to create new conditions in which the domestic film industry may even benefit (Su, 2010: 54). However, the film corporations in non-western countries have not taken a major role in practice, because the US has wielded its dominant economic and cultural power in the area of film. The US has greatly influenced the changing map of the global film sector as the major player of neoliberal globalization, and the capital market, as in the case of the content market, belongs mainly, perhaps only, to the US.

Conclusion

The global film industries have changed substantially since the mid-1980s, and they have indeed grown through capital flow as well as cultural flow. Neoliberal cultural polices and western capital have caused the rapid transformation of global film industries, and these industries are embedded in, and transformed by, a complex web of multi-level network connections. The introduction of neoliberal economic policy, adopting deregulation, liberalization, and privatization of communication systems beginning in the mid-1980s, followed by the WTO agreement of 1997, has resulted in the relaxation of foreign ownership restraints in the cultural industries and has expedited the swift transnationalization of the film industries through horizontal and vertical integrations in many countries.

Within the context of changing neoliberal cultural policies, major film capitalists have played a significant role in the film market. With successive deregulation by governments, western-based TNCs have invested an enormous amount of money in the film industries in both developed and developing countries because they became highly profitable sectors of the world economy. Mega film corporations have extended their influence in the global film market through M&As and ultimately acquired a larger share of and larger profit from this market. The emergence of mega film corporations through integration has been driven to allow big companies to control content and hardware together in order to enable them to maximize their value and profit. Although size, economies of scale, and industry structure are not the only key forces, they certainly play a major role in developing major film corporations' global dominance, and the obvious frontrunner is Hollywood, as always.

In the film sector, three different industries have always been concentrated in Hollywood, or at best the shift to the US is taken for granted (Bakker, 2005). Although the leading role of the US has been slightly reduced in the capital market in terms of its proportion of cross-border deals in the midst of consecutive economic recessions and counter-hegemonic movements in several countries in recent years, it has not brought about an increasing role for film industries in developing countries. Neoliberal globalization does not solely mean the dominance of the western countries (Keane, 2006); however, the key players of neoliberal globalization are still the mega-corporations in the western countries, mainly the US. Although some developing countries, including China, India, Mexico, Chile, and Korea, have increased their roles in the cross-deal market, inequality and imbalance in the film sector between the western and developing countries persist, as in other media industries. Hollywood is still the strongest force in the film industry with the infrastructure to distribute a major $200 million production around the world. And that is unlikely to change any time soon (Knight, 2010). Furthermore, the gap between a small group of western countries and the developing countries remains quite large.

Funding

This work was supported by the National Research Foundation of Korea Grant funded by the Korean Government (NRF-2010-332-B00648).

Notes

1. The SDC Platinum database is the most reliable database for the analysis of global M&As and joint ventures. I accessed the database through personal subscription between May 2010 and April 2011.

2. For example, China's move in this regard is state-sponsored, a voluntary rather than imposed action from the imperialists. Although Hollywood barons had long coveted the huge market of China, it was China itself that took the initiative to open its gates to Hollywood (Su, 2010: 53).
3. In December 1906 Pathé Frères, by then perhaps the most powerful producer in the world, opened one of the first purpose-built cinemas in Paris. By 1909 Pathé had a chain of 200 cinemas in France and Belgium. It was clearly in the interests of producers/distributors to show films first in cinemas that they themselves owned, or at least to exclude competitors' films as much as possible. This was a substantial reason for the creation in the USA of the Motion Picture Patents Company (MPPC), set up in 1908 by Thomas Edison and others to exercise control by means of patent enforcement (and failing that, violence) over film production and exhibition (Terra Media, 2010).
4. In order to discuss the structural transformation of the film industries based on comprehensive empirical data, the next three sections analyze three major issues: (1) the overall trend of M&As in production (Standard Industrial Classification-based data: SIC 7812), distribution (SIC 7822), and exhibition (SIC 7830) in the number of deals and the total value of transactions, if disclosed; (2) the number of deals that occurred within the same countries, in other words, acquirers and target companies are in the same countries; and (3) cross-border deals, which are the deals between two countries. These analyses help to determine the role of western countries, in particular, the US, and non-western countries in the global capital market of the film industries.
5. Several media and telecommunications industries have been severely hit by the two consecutive economic crises and have never returned to the same degree of horizontal integration that occurred in 2000. For example, in the newspaper industry, there were 130 deals in 2000, down to 84 in 2001, and there were still only 80 cases in 2009. In the broadcasting sector, 770 horizontal integrations occurred in 2000; however, there were 571 deals in 2009. The Internet and software industries have decreased by as much as 61% during the same period, from 8037 cases in 2000 to 3132 deals in 2009. The findings show that the movie industries are the only sector to have rapidly recovered in the global M&As market. While other media and telecommunications industries have suffered from the economic crises, the movie industries had a transitional setback, followed by a swift recovery.
6. Five studios, 'The Big Five' (Warner Brothers, Paramount, 20th Century Fox, Loew's [MGM], and RKO [Radio-Keith-Orpheum]), worked to achieve vertical integration through the late 1940s, owning vast real estate on which to construct elaborate sets (American Film Institute, 2010). However, the 1940s saw the system undermined by governmental trust-busting, televisualization, and suburbanization: the state called on Hollywood to divest ownership of theaters, even as the spread of television and of housing from city centers diminished box-office receipts. As such, vertical integration through ownership of production, distribution, and exhibition was outlawed domestically, but not on a global scale (Miller and Maxwell, 2006: 36–37).

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