



# Film Industry Trends



## Sectoral Snapshot

### Report: Film Industry in China, India & the USA

Over the years, world economy has changed a lot and so have the film industries across the world. Even though Hollywood has been and is still in the leading position, Chinese film industry is on its road to overtake it by 2018. Statistics show that the annual box office revenues of China are consistently increasing and after barely matching the US box office revenue in 2017 will exceed it from 2018 onwards.

#### AUTHORS

Dr. Pamila Dembla  
*Executive Director*

Sakshi Kapoor  
*Graduate Student*

#### FIGURES

1.1: TOTAL FILMED ENTERTAINMENT REVENUE (CAGR%)

1.2: ENTERTAINMENT AND MEDIA INDUSTRY (GLOBAL vs INDIA)

1.3: US AND CANADA CINEMA REVENUES AND ADMISSIONS 1995-2015

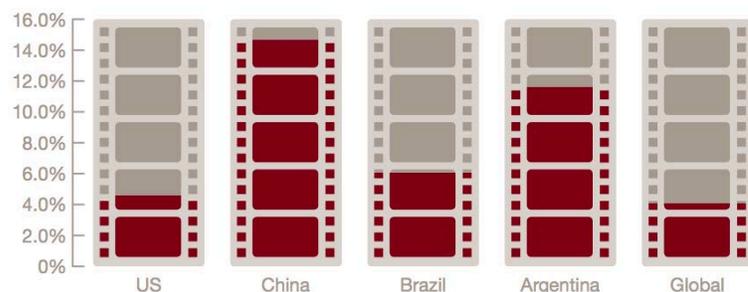
1.4: SCREEN DENSITY

1.5: COMPARISON AMONG THE USA, CHINA AND INDIA BASED ON SEVERAL FACTORS OF SCREEN PRESENCE

fig 1.1

**Fig. 1: Global leaders and rising markets will push filmed entertainment growth**

Total filmed entertainment revenue CAGR (%), selected markets and global average, 2014–2019



Source: Global entertainment and media outlook 2015–2019, PwC, Ovum

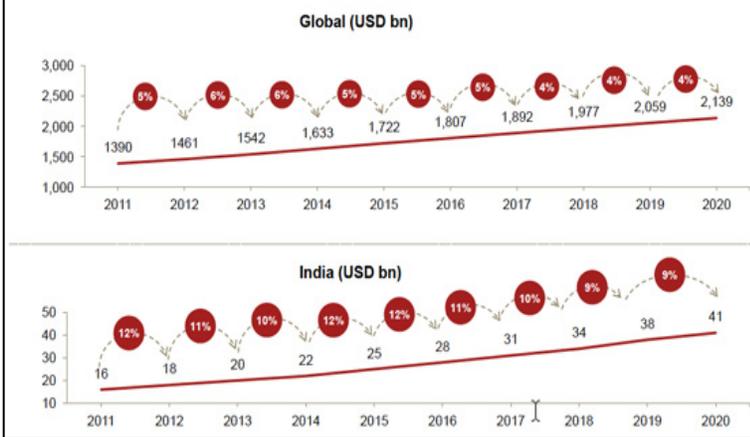
Source: PwC: Global entertainment and media outlook 2015-2019

Even though global filmed entertainment revenue is expected to rise at 4.1% CAGR till 2019, USA is being predicted to show just an above-average growth of 4.6% CAGR as compared to that of China at 14.5%, Argentina at 11.5%, and Brazil at 6.1%.



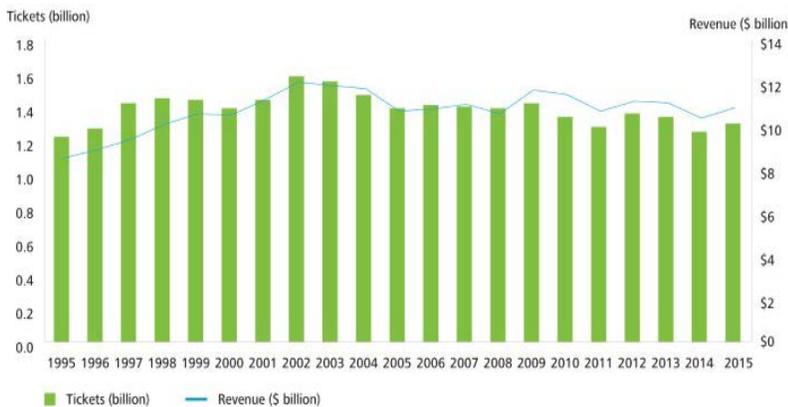
fig 1.2

**Entertainment and Media Industry  
Global vs India**



Source: Forbesindia.com

fig 1.3



Sources: MPAA, Deloitte Canada analysis. For further information on the sources, see endnotes.

*US and Canada cinema revenues and admissions 1995-2015 in billions*

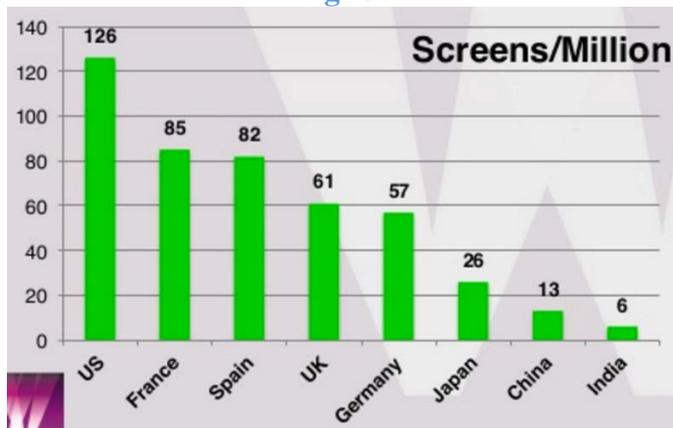
Source: MPAA, Deloitte Canada Analysis

- On the other hand, Indian film industry is also not far away in making its mark at the international level. This industry has shown a commendable spike in 2015 as Indian media and entertainment industry grew by 12% reaching \$25.13 billion, according to the Global Entertainment and Media Outlook 2016-20 by PwC [2]. It is expected to grow to \$40 billion by 2020 with an average growth rate of 10.3% over the next four years.

- In terms of yearly box office revenue, between 1996 and 2015, North American film industry has shown random changes, however the growth figures managed to be in the range of 6% and 10%, and the number of tickets sold fluctuated between 12% and 6%. As shown in fig 1.3, according to Deloitte Global's predictions the average revenue growth rate in the near-term would be one percent, but the number of tickets sold will decline by about one percent per year within a range of plus or minus 10%.



fig 1.4



Source: *slideshare.net*: The Indian Media & Entertainment Industry 2016

The easy accessibility of legal and illegal movie streaming / downloading has a direct impact on the USA box office revenues and is much more on the number of tickets sold. Over the period of 2002-2015, total revenue decline rate was 0.8 percent as compared to 1.5 percent decline in number of tickets sold.

fig 1.5

SCREEN PRESENCE			
	US	China	India
Films released	707	342	1,778
Tickets sold (mn units)	1,268	830	1,930
Total screens (units)	40,158	24,317	10,167
Screen density (per mn people)	125	17	8
Average ticket price (\$)	8.17	5.5	2
Box office gross (\$ bn)	10.4	4.8	1.7
Other revenues (\$bn)	26	0.3	0.4
Total film revenues (\$ bn)	36.4	5.1	2.1

Source: Variety.com, IHS, MPAA, Film Federation of India, Inox Investor Presentation, EntGroup

Source: *business-standard.com*: India's box office growth runs into a screen problem

- In 2014 end, there were 11,200 screens in India which was proportionately very low as compared to the overall population. Even though screens per million in China was greater than India, still it was far lagging when compared to the US. However, according to a report by Bloomberg, China is expected to have 53,000 screens by the year 2017. This addition of screens is predicted to increase the growth of box office to more than 20% in 2016. The domestic production of films has been constantly growing since 2011 from 689 films in 2011 to an estimated 845 films in 2016.
- India is facing a problem, as single screen theatres are closing down and being replaced by new multiplex ventures. To alleviate the issue, getting license to start these multiplexes is a big challenge being faced by the entrepreneurs.
- In China though, domestic production is benefiting ever more from the increased funding opportunities and government quota for international films.
- For the USA, the revenue impact is compensated for by the rising prices of the tickets and even more with pricier 3D movie tickets and large-format movies (like IMAX).



A major contribution towards the growth of film industry in China is due to the rise in disposable incomes of the middle class. According to EY, the disposable income per person has increased five folds to \$3,440 over the period of 2000 to 2011. Given the greater number of movie-goers in China, many Hollywood films collected more revenues on Chinese screens than the domestic releases. Moreover, an average of 15 screens are added daily to the new and existing cinemas. This steep increase in the number of screens is sufficiently catering to the increasing entertainment demand in the country. Another important contributor to this growth is the development of technologies around movie production and movie screening equipment.

## Resources

PwC's Entertainment & Media Outlook Forecasts U.S. Industry Spending to Reach \$720 Billion by 2020. (2016, June 8). Retrieved from <http://www.prnewswire.com/news-releases/pwcs-entertainment-media-outlook-forecasts-us-industry-spending-to-reach-720-billion-by-2020-300281287.html>

Global entertainment and media outlook 2016-2020 Cinema. (n.d.). Retrieved from <http://www.pwc.com/us/en/industry/entertainment-media/publications/global-entertainment-media-outlook/cinema.html>

Greenberg, S. (2015, December 11). Retrieved from <http://www.slideshare.net/SimonGreenbergEsq124/oliverswingsbusiness-plan-2015>

Outlook Insights: An analysis of the Global entertainment and media outlook 2015-2019. (n.d.). Retrieved from [http://www.pwccn.com/webmedia/doc/635736892185414844\\_em\\_filmed2\\_1.pdf](http://www.pwccn.com/webmedia/doc/635736892185414844_em_filmed2_1.pdf)

Lee, P., & Stewart, D. (n.d.). Predictions 2016: The award for stable box office revenues... | Technology, Media, and Telecommunications. Retrieved from <http://www2.deloitte.com/global/en/pages/technology-media-and-telecommunications/articles/tmt-pred16-media-award-for-stable-box-office-revenues.html#full-report>

Venkatesh, S. (2016, June 8). India's Entertainment & Media industry to grow to \$40 billion by 2020. Retrieved from <http://forbesindia.com/printcontent/43473>

Chinchlikar, C. (2016, May 9). The Indian Media & Entertainment Industry 2016. Retrieved from <http://www.slideshare.net/chait123/the-indian-media-entertainment-industry-2016>

Khandekar, V. K. (2016, January 18). India's box office growth runs into a screen problem. Retrieved from [http://www.business-standard.com/article/companies/india-s-box-office-growth-runs-into-a-screen-problem-116011801209\\_1.html](http://www.business-standard.com/article/companies/india-s-box-office-growth-runs-into-a-screen-problem-116011801209_1.html)

Anders, D., & Liu, Y. (2016, June 13). Technology underpins growth in China's entertainment and media industry; cultural content remains pivotal for audience appeal. Retrieved from [http://www.pwccn.com/home/eng/pr\\_130616.html](http://www.pwccn.com/home/eng/pr_130616.html)

- If spending on movie-making in Hollywood is focused on franchises and sequels, then the risks can be lowered and also these categories savor better international success. These international box office revenues can contribute to more than 60% of the total revenue for a domestic film.
- Although premium movie experiences like 3D and IMAX carry a risk of drifting the audience away because of higher prices, yet the exhibitors can leverage this approach and must highlight the fact that the actual increase in the ticket price is only 1% as opposed to the general misconception. Exhibitors can also use under-utilized exhibition space for events like live opera shows, eSports, and renting out space for business meetings/events.
- For India to keep up with the global markets, rapid growth in infrastructure and multiplex screens is urgently required, as current shortage of screens deprives some non-commercial films of enough screen time, in order to compensate for the popular ones.