The Pennsylvania State University

The Graduate School

College of Communications

A COMPARATIVE STUDY OF THE U.S. AND KOREAN FILM INDUSTRIES:

HISTORY, STRUCTURE, AND FINANCE

A Thesis in

Media Studies

by

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Submitted in Partial Fulfillment
of the Requirements
for the Degree of

Master of Arts

December 2008

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ABSTRACT

This project is a comparative case-study of the U.S. and Korean (South Korea) film industries along historical, structural, and financial dimensions. The genesis of this thesis came through an overall fascination with the film industry globally as nations compete and cooperate with each other, as well as contend with the dominance of the U.S. film industry. It uses the industrial organization model focusing primarily on "market structure." Further, it applies A.J. Scott's bipartite (major, independent) and tripartite (major, subsidiary, independent) models of the U.S. film industry. The analysis is mainly descriptive being informed by historical development. To elaborate on market structure, samples of studio/mainstream and independent films were collected in both the U.S. and Korean film industries. The samples were analyzed along production company affiliation, distribution affiliation, sources of funding, and other elements.

Chapter one introduces the project and the research questions. Chapter two shows past literature related to this project and explains the case study methodology. It also explains the industrial organization model as well as A. J. Scott's bipartite and tripartite models. Chapter three details the historical development of the U.S. film industry. It also describes and analyzes its structure bringing in the samples of major and independent films. As with chapter three, chapter four details the historical development of the Korean film industry. It also describes and analyzes its structure bringing in samples of major and independent Korean films. Chapter five analyzes the findings from chapters three and four, and compares the U.S. and Korean film industries. Finally, chapter six concludes the project discussing implications of the findings as it relates to cultural factors, economic factors, technological factors, and new modes of marketing.

Similarities were found among the U.S. and Korean film industries regarding structure. There is similar consolidation with the ownership of large media conglomerates in the U.S. case, and chaebols (vertically and horizontally integrated multi-industry mega-corporations) in the Korean case. These similarities, however, have only come about since South Korea's globalization policies after 1992. After 1992, the Korean film industry became increasingly similar to the U.S. film industry as it achieved major developments over a compressed period of time, especially with investment from chaebols. Differences were found mainly in government involvement where the South Korean government is much more involved with the film industry than is the U.S. government with its industry.

TABLE OF CONTENTS

LIST OF TABLES

LIST OF FIGURES

ACKNOWLEDGEMENTS

I'd like to dedicate this thesis to the mentors and spiritual directors I have had over the course of my life who have helped me to get through life's difficulties. I've learned so much through these people about my relationship with God, family, and friends. I am indebted to them. I also want to thank my parents, David and Concha Baxter, for their support and encouragement as well as everyone in my family who has helped me through this Master's degree program. I am ever thankful to my friends and the many other people who have served as examples of charity for me in my time at Penn State.

I thank, of course, the committee members – Dr. Amit Schejter and Dr. Michael Elavsky – for their availability, their suggestions, and guidance in working out this thesis. Last, but not least, I thank my thesis advisor Dr. Krishna Jayakar whose high standards, attention to detail, and expertise have helped me also to maintain high standards in writing this thesis. I thank him for a great learning experience. I appreciate how he has helped me to focus the ideas for this thesis and the way he has encouraged me through moments of uncertainty in the process.

CHAPTER ONE

Introduction

The film industry worldwide, especially the U.S. film industry, has been extensively studied. Numerous scholars have analyzed the industry on topics ranging from the economics of Hollywood success to the cultural dominance of American films (see: Hoskins, McFayden, and Finn, 1997; Robbins, 1993; Schiller, 1974; Schiller, 1991; Waterman and Jayakar, 2000; Waterman, 2005). In spite of this extensive literature on the U.S. film industry, the constantly changing face of the industry due to technological, cultural and economic policy, and global developments make it a ripe topic for continuing study. Indeed, one can see how the film industry in the U.S. has evolved over time due to the above reasons – moving from the highly vertically integrated studio structures during Hollywood's Golden Age, to the regulation of the studios after 1948, to the introduction of television, to the New Renaissance of decentralized more independent filmmaking, the introduction of pay television and video, to the Blockbuster era and the new vertical integration of media consolidation (Litman, 1998, pp. 7-19).

Considering the ever increasing speed at which industries change in this current era of globalization, it is not surprising that long-established film production practices too have undergone significant change. Recent studies, for example, have investigated the extent to which Hollywood productions have increasingly sought foreign sources of funding for films (Philip, 2004) further showing the global reach of the U.S. film industry. Indeed, the very concept of *Hollywood* has changed from a geographical location and cinema community, to an industry and aesthetic of transnational boundaries. The major Hollywood and other studios are increasingly shooting movies abroad, as well as setting up a network of offices and studios around the world. This trend of moving outside of the location known as Hollywood is only increasing (Elmer and Gasher, 2005, pp. 1-4).

While a number of studies deal with the history and structures of financing in Hollywood, looking at aspects such as creative agency (Wasko 1982; Fee, 1998), there have also been political economic analyses of the U.S. film industry (such as Hesmondhalgh 2002) looking at ownership and the effects of the current vertical integration of the industry. Changing modes of financing and distribution create possibilities for diverse content to exist within the financial and corporate structures of an industry like Hollywood that seeks to become ever more global, even as Hollywood films seem to increasingly make formulaic, action-packed movies that are heavy on special effects in order to appeal to the widest global audience possible. For example, the digital distribution of content through the Internet has played a role in the changing face of the film industry (Currah, 2006). Indeed, the U.S. film industry is increasingly shifting towards using digital, high-definition video, as opposed to the commonly used 35mm. This move towards digital media makes it that much easier to distribute movies over networks such as the Internet. Video-on-demand is increasingly becoming a method of distribution. There is a potential in this digital environment for low-budget independent productions to gain greater market shares as this digital technology develops (Silver and Alpert, 2003). Indeed, recently there has been a rise in the attention to independent film over the last several years (Hollywood Reporter, August 2006) with new advances in technology and methods of financing. As can be seen, the landscape of the U.S. film industry, and global industry as a whole, is changing rapidly.

Given the changing face of the industry, as well as the global aspects of film industries throughout the world, it would be of interest to reassess the vertical and horizontal structures of production of the U.S. film industries as it currently exists. To bring further insight to this analysis, it would be important to bring some thought as to how the U.S. film industry has influence over other nations' domestic film industries, and how these nations react to U.S.

competition. To do so, it would be worthwhile to compare the U.S. film industry to another country's film industry, again, along the lines of vertical and horizontal structures of production.

Film industries in other nations are on the rise competing with Hollywood locally and globally bucking trends that show Hollywood movies dominating international box offices (with the exception of such industries as in India which might be considered an outlier[1]). The South Korean film industry is of notable interest given its success against Hollywood domestically, as well as its expansion regionally. It has risen to become the third largest exporter of films in the world (Lee, 2006). Furthermore, in 2003 the South Korean film industry ranked fifth, globally, in box office revenue of national films, and is second in the ratio of domestic to foreign film market shares – 53.49% domestic to 46.51% foreign (Korean Film Council, 2005c). This figure is in stark contrast to 1993 when the market share of domestic films in Korea was but 15.4% (Leong, 2002). As such, it has become the movie of choice, not just domestically in South Korea, but regionally and internationally. The Korean film industry[2] - and Korean entertainment media industries as a whole – has become a major force in south-east Asia since the mid-nineties aided in part by the economic globalization policies enacted by the democratically elected governments. Scholars have described what they call the Korean Wave (aka Korean New Wave) where Korean film, television, music, and other media are popular in countries such as Japan, China, and elsewhere (Shim 2006; Shim, 2002). Indeed, Japan and China are major importers of Korean media content where a significant number of fans for such Korean television programs as *Winter Sonata* are from these and other south-east Asian nations. South Korea's film industry has successfully competed with Hollywood films domestically since the late 1990s. As well, there

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[1] Indian cinema has historically been the preferred cinema in India, with Indian films taking the vast majority of market share in India.

[2] Here, Korean film industry refers only to South Korea as is commonly referred to in the literature.

have been developments such as a Korean-produced film, *D-Wars*[3], being released in over 2200 theaters in the U.S. in 2007. These successes of the Korean film industry, the rapidity with which they were achieved, and Korea's emerging status as a regional rival to Hollywood make it a case worthy of comparison.

Given the significance of the Korean film industry, questions arise as to how this industry is able to compete with Hollywood not just domestically, but internationally. Is the Korean film industry doing anything differently than the U.S. film industry? If so, what? The success of Korean film seems to contradict studies that say the key to a successful film industry is an extensive home market in terms of size of the market (Hoskins, McFayden, & Finn, 1997; Lee, 2002; Waterman, 2005). South Korea has the 24th largest population in the world at roughly 49 million. The U.S. population is 3rd in the world at roughly 303 million. Further, South Korea's GDP is 12th in the world while the U.S. is 1st. Given this contrast, it is of interest to analyze the Korean film industry as compared to the U.S. As such, the following will describe the research questions.

Research Question

Given the scenario described above, much can be learned from a comparison between the U.S. and Korean film industries. As stated earlier, updating analyses of the current structure of the U.S. industry can be beneficial toward building upon the insights of the existing literature. In particular, it would be interesting to review the current understanding of the industry production structure based on the industrial organization model. Further, the bipartite and tripartite models that have been put forth by scholars such as Dr. Allen J. Scott in recent years will be used as a

[3] It should be noted that this movie was in English and starring Hollywood/American actors.

framework for the analysis. In Scott's studies (Scott, 2002; Scott, 2004), he assesses the position that independent film companies have in the U.S. film industry, in relation to the Hollywood major studios. Adding to Scott's research, it would be beneficial to assess the degree to which his bipartite and tripartite models hold up to investigations into independent and studio affiliations.

Regarding the Korean film industry, there has been some scholarship documenting the successes of the Korean film industry, and much has been written on the cultural and rhetorical meanings of the films themselves (see: Shin & Stringer, 2005; Leong, 2002; Lee, 2000). However, there has been little or no research on analyzing the production stage of the Korean film industry comparable to similar work on the U.S. film industry (such as: Waterman, 2005, Litman, 1998, Vogel, 2001, etc.). As such, it would be of significance to do an analysis of the structure of the Korean film industry, using the U.S. analysis as a base of comparison. As with the U.S. film industry, applying Scott's models would be useful in revealing industry structures and understanding the U.S./Korean comparison. As such, I propose the following research questions:

RQ1: How have historical developments influenced the current industry structures and funding practices of the U.S. and Korean film industries?

RQ2: How may the film output in the two industries be classified, based on the characteristics of film production companies and the patterns of funding and distribution arrangements observed in the two countries? Specifically, is there a Korean counterpart to the bipartite and tripartite model of industrial classification that Scott observed in the case of the United States?

RQ3: How does the Korean film industry compare to the U.S. film industry along historical developments and industrial structures – film production, patterns of funding and distribution, application of Scott's models? What are similarities and differences of these dimensions?

CHAPTER TWO

Literature Review

Past comparative film industry studies

A look at much of the literature reveals few systematic comparisons between the U.S. and Korean film industries. There have been comparative studies attributing the success the U.S. film industry to the lack of or weakness of structural or operational elements of the domestic film industry such as excessive reliance on subsidies (ex: Lee, 2002 – U.S./Japan; Waterman and Jayakar, 2000 – U.S./Italy). Regarding Korea, studies generally focus at either (1) the ways in which Hollywood is successful in or influences the Korean film market (for example: Lee and Han, 2006) or (2) analyses of the Korean film industry via tensions between Hollywood and Korea (for example: Kim, E., 2004). Thus it's hard to classify these studies as comparative. It's comparative in the sense that the primary industry studied is in Korea, while the industry affecting it is Hollywood companies based in the U.S.. However, the studies still look at dealings only within the one country of South Korea. Eun-mee Kim, for example, builds off the Hollywood dominance thesis and examines the interplay of domestic Korean films and Hollywood films in Korea (2004). It provides empirical evidence that the domestic Korean industry remains vibrant, competitive, and the preferred content for domestic audiences despite Hollywood's presence. The study shows how cultural discount[4], policy, and infrastructure development play a role in the success of a film industry. Touching on similar topics, Lee and Han (2006) examined the reactions of U.S. film companies to the increasing market share of Korea's domestic films and the U.S.'s decreasing market share. It looks at the ways Hollywood

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[4] Cultural discount refers to the extent to which audiences prefer their domestic content over content of foreign origin since the domestic most closely matches their culture. Hollywood films continually seek to lower cultural discounts worldwide through the use of "universal" aesthetics.

distributors are changing their release behaviors to remain competitive with Korean films. Their main findings show that these Hollywood distributors have tried to increase the number of theatrical screens in which to exhibit their movies, while also employing flexible release dates whereby they don't have to compete directly with Korean films.

Moreau and Peltier (2004) presented a study involving South Korea and the U.S. that is more clearly identifiable as comparative. This study is a cross-national one involving France, Hungary, Mexico, South Korea, the United States, and the European Union. It assesses the level of diversity in each entity's film industry along the dimensions of genre, geographical origin of the production company, and number of films released each year. Among their conclusions is that diversity is highest in those entities where the government is highly supportive of the industry. Also, they concluded that ownership concentration, but also too much competition, has a negative effect on diversity.

Judging by these articles it is clear that the literature is centered on Hollywood's influence on Korea's domestic industry; what is studied about the U.S. film industry is mainly it's interaction with the Korean market. They also, however, show the role of home market size, and television and video infrastructure development as helping the industry (Kim, 2004). Moreau and Peltier's study show how the involvement or non-involvement of the government affects industries. Overall, they seem to fit into a sort of globalization model – something Kim points out (2004) – in terms of a global power's (U.S. film industry) influence on the local (Korean film industry).

This thesis is intended to remedy this lack of literature on a systematic comparison of the U.S. and Korean film industries. Moreover, focusing on the industry structures, financial sources, and affiliations will help reveal aspects of these film industries not previously studied. This study will shed light on the film industry outside the U.S. providing insights into the global aspects of the U.S. and Korean film industries

Methodology

Comparative case study method

The research questions as outlined above suggest the use of the comparative case study method based on work by scholars such as Robert K. Yin (2003, 1994) and Joseph Hamel (1993). The comparative aspect is clear given that the research questions are comparing two different countries. The use of cases seemed appropriate given the interest in only two nations, and the unit of analysis. Here, the unit of analysis is the national film industry. the complexity of each unit of analysis meant the scope of study was limited to two units for comparison. Also, the nature of the unit – film industry - meant that it would largely be descriptive.

Yin, explains the rationale for using the case study method over others – the research questions usually asks the "how" and/or "why" of phenomena. As well, the case study method is best if control over behavioral events is difficult to maintain or unnecessary. Further, case study methods focus on contemporary events (Yin, 1994). This study deviates slightly from these conditions as these questions ask for the current structural state of the industries, but also ask for historical developments of both the U.S. and Korean industries.

Industrial Organization Model

Much of the analysis is descriptive using the Industrial Organization model as outlined by such scholars as B.R. Litman (1998). Here the model follows a progression of three areas: *Market Structure* influences *Market Conduct* which influences *Market Performance*.

Figure 1: Industrial Organization Model (Litman, 1998)

Market Structure ⟹ Market Conduct ⟹ Market Performance

Market structure deals mainly with institutional factors that affect the development of an industry: government, overall nature of the industry, the type of product being produced. Aspects such as consolidation, the value and/or relevance of economies of scale, and other such elements make up this area. Market conduct deals with how companies interact with each other in competition and cooperation. It looks at how companies deal with such aspects as product differentiation, pricing, etc. Market performance focuses mainly on output factors such as price, quality, diversity of product and service. These are influenced by such aspects as the effects of monopoly, oligopoly, competition, and other market conditions. Assessing market performance is the basis by which government and other agents enact economic reforms such as regulation or deregulation of the market (Litman, 1998).

This present study focuses chiefly on the market structures of the U.S. and Korean film industries at a descriptive level. For each country, I seek to develop a classification of films based on who the primary producers and distributors are; as described below, distribution is used to reveal affiliation. As well, sources of funding were investigated. The scope of this study necessitates focusing mainly on market structure, and not the other areas of the Industrial Organization model, in order to get at a comprehensive look at the production and theatrical distribution side of the film industries.

Bipartite and tripartite film industry models

In analyzing the two countries' film industries, the bipartite and tripartite models put forth by Allen J. Scott (2004; 2002) were used to categorize the film production sector. In the bipartite system, Scott divides the industry between the majors[5] (including subsidiaries) and the independents that are very much separated from the majors, as opposed to the subsidiaries. He also considers a tripartite model, expanded upon in his 2004 study. The tripartite model added the films produced by subsidiaries of the majors as a separate category, and retaining independent and other films as the third category (same as was mentioned in Waterman, 2005). Scott's 2002 study is of particular interest because it seeks to differentiate between major studio and independent films. As well, as Scott points out in his study, independents have produced more films than the majors. As such it is important to study independent films as a separate market niche. The application of Scott's tripartite model will help differentiate subsidiaries from both the major studios and the independents. Scott acknowledges a degree of overlap between the majors, subsidiaries, and independents. Looking at affiliations of a sample of films will help to show the extent of this overlap. The models of Scott's 2002 and 2004 studies are applied to both the U.S. and Korean film industries.

In applying Scott's models to the U.S. film industry, the primary focus will be on the major studios—Warner Brothers, MGM, Twentieth Century Fox, Columbia Pictures, Universal Studios, Paramount, Disney—their subsidiaries, and independent film production companies. Companies were categorized as major studios if they were vertically integrated as producers and distributors, but also based on their historical prominence as major Hollywood studios. Also, they are all owned by major media conglomerates.

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[5] A *studio* in the U.S. film industry is a dominant film company that is vertically integrated – it has production and distribution capabilities. As well, it is usually owned by one of the major media conglomerates in the U.S. market (ex: Time Warner, Disney, Sony). Further, it is one that has historically been a major player in the U.S. film industry. The Korean film industry has dominant film companies that in many ways mirror that of the U.S. They are even more vertically integrated than U.S. studios as they also own exhibition outlets. However, the film companies that dominate the Korean film industry are ones more closely connected to distribution, and as such are associated with *major film company* in this study. There are further explanations in the chapter involving the Korean film industry.

The analysis of the Korean film industry also produced categories of different types of film companies. Film companies included as examples for each category – CJ Entertainment, Mediaplex, Cinema Service, Studio 2.0, etc. – were ones that were among the top ten Korean distributors in Korea. Other companies included were considered major players in the industry. As such, these film companies are the most relevant ones, but are not the only players in the Korean film industry.

Investigation of U.S. and Korean films: majors and independents

To examine patterns of production, distribution and financing in the light of Scott's models, a sampling of major and independent films was undertaken.. Budget, box office revenue, genre, direction, and investment were also looked at. For U.S. films, a total sample of 50 films were chosen: the top 20 domestic box office major studio films that went from 2000 to 2007; and thirty independent films that were the top award winners from the Sundance Film Festival and the Film Independent Spirit Awards between the years 2004 to 2007. The reason for choosing the top 20 movies was for the purposes of methodological transparency, and because of they were all blockbusters. As such, they had the characteristics of the typical major studio film. The decision not to use a random sample of movies produced by the studios was for the following reasons. One, collecting the sample as far back as 2000 was time consuming and thus outside the scope of this study. Two, data for such a sample was not always available. Three, the purpose was to look at typical studio films. Sometimes studios produce atypical films for various reasons (particularly original ideas, star directors' clout, etc.). The top 20 grossing films from 2000 to 2007 provided the typical Hollywood studio films in terms of budgets, content (special effects, plot, etc.), type of actors (stars, etc.), and promotion. As such the sample used seemed most appropriate for the purposes of the study.

For independent films[6], there was difficulty in finding a source of data that showed top grossing independent films. As such, the fact that they were both commonly labeled independent, and were award winners at the two most prestigious organizations associated with independent film verified that they were independent. The decision to choose the top award winning independent movies was also for transparency. Though this part of the study does not follow the rigors of quantitative research (accounting for high validity and reliability), the main purpose is descriptive and to flesh out the descriptive analysis of the U.S. film industry as opposed to finding correlations and such.

For Korean films, as with the U.S. film industry, the top 20 attended films of major film companies that came out to the years 2000 to 2007 were chosen. The reasons for this sample are the same as with U.S. films. The difference with these Korean films is that attendance (i.e. number of tickets sold) was the main variable as opposed to box office revenue. It was difficult to find accurate box office revenue data as the Korean film industry (from the Koreanfilm.org and Korean Film Council sources) measures number of tickets sold over box office revenue. Box office revenue is included as a variable. However, they are estimates based on average ticket prices of the films' release years. In addition to these major film company movies, 20 independent films were added to the sample. It was difficult to find data sources of top grossing independent Korean films. It was also difficult to find award winning independent films, and to assess most reputable organizations that honor independent Korean films, at least ones that mirror U.S. independent films. Thus, 10 live-action feature films (fiction or documentary) that

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[6] The term *independent film* is similar for both the U.S and Korean film industries, and can be similar ambiguous. Discussions of the nuances of the definitions are discussed in each of the sections on the structures of the U.S. and Korean film industries. However, in general, *independent film* can be thought of as movies that are produced outside of the mainstream studios in the U.S. film industry, and outside of the mainstream major film companies in the Korean film industry. The precision of this definition is also discussed in later sections, mostly as it relates to Scott's models of the U.S. film industry.

were listed as recipients of Korean Film Council support program funds according to Korean Film Council 2006-07 publication (Korean Film Council, 2007a) were chosen. An additional 10 live-action feature films[7] (fiction or documentary) were chosen as listed on the IndieStory[8] website (IndieStory, 2004a). Selecting films from IndieStory consisted of choosing the first 10 live-action feature films starting on the first page of the list, then moving to the next page as necessary.

The initial analysis of the U.S. and Korean film industries, the application of Scott's models, as well as the analyses of the salience of Scott's models helped to build a comprehensive picture of the structures of the U.S. and Korean film industries. Also, affiliation was important in order to flesh out how static or elastic the boundaries of market structure are. Furthermore, this analysis touched on the performance aspect of the Industrial Organization model. The objective behind this part of the study was to look at differences between mainstream and independent films adding to the comprehensive look at the U.S. and Korean film industries.

The subsequent chapters focus on the U.S. and Korean film industry cases. Each case is divided into *history*, *current structure*, and then *film investigation*. The historical development for each industry is important so as to build a foundation of understanding events that led to the current structure of the industry. They also lend insight into the categorizations of the sectors of the industry showing the historical precedence for each category. Looking at the current structure of each industry seeks to build off of, update, and nuance previous literature in the ever changing face of each film industry. The analysis of the Korean industry is especially important given, as stated previously, the lack of literature on its structure. As was previously stated, the

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[7] It's important to note that "live-action feature films" were chosen. The lists from the KOFIC publication and IndieStory website also have short films, animation, and omnibus (a movie comprised of a collection of short films). These films got away from the commonality desired for this grouping.

[8] See the chapter on the structure of the Korean film industry for a description of IndieStory.

investigation into the sample of both major and independent films in each case brings further insight into the industry structures, as well as touches on the performance. What follows are the presentations of each case.

CHAPTER THREE

The United States film industry: History

The movies are synonymous with Hollywood and the U.S. film industry. However, in the earliest days of cinema, the U.S. film industry wasn't as dominant as it is today. Vibrant cinemas existed in Germany, France, and other nations. World War II was devastating for European film industries while the U.S. industry was largely unaffected. In the post-war years, these industries continually had to rebuild while the U.S. film industry was able to flourish.

The U.S. film industry is one shaped mainly by the studios and the marketability of movies to mass audiences. Much of the innovations of movie technology came from inventors in the U.S., France, and other nations. It wasn't until the early 1900s where what was to become known as Hollywood began to emerge in Los Angeles in southern California. Further, filmmakers and actors such as Charlie Chaplin were major stars in the U.S., as well as abroad. By the 1930s, the U.S. film industry had entered its Golden Age. This period lasted until the early 1950s; this was the era when the "studio system" was in full development. It's known as the studio system for two reasons: (1) the industry was dominated by the studios – majors: Paramount, RKO, Twentieth Century Fox, Warner Brothers, MGM/Loew's; and the minors: United Artists, Columbia, Universal, Disney; (2) the production of movies was done via a sophisticated system of division of labor that some have likened to a factory system (Waterman, 2005; Litman, 1998). The major studios listed were designated as such due to the fact that they were vertically integrated. They owned the production companies, the distribution companies, as well as the means of exhibition – movie theaters. The minors were ones that owned production companies and were influential in the industry, but lacked ownership in distribution and/or exhibition. Also incorporated in the studio system of this era was the star system. In this system, the studios essentially owned high level talent – movie star actors/actresses, directors, etc. –

through long-term contracts under the instruction of executives and producers. Other production crew was hired as salaried employees – cinematographers, editors, etc. In this system, it was usually the producer who had ultimate control of the production as opposed to the director (Waterman, 2005; see also Custon, 1986). The workings of this system resulted in the release of about 250 to 400 films per year during this era, in addition to a per capita admission of about 32 per year (Waterman, 2005). These figures are in contrast to the post-studio system era where both releases and admissions would fall to a mere fraction of these numbers by the early 1970s.

The Paramount case and television

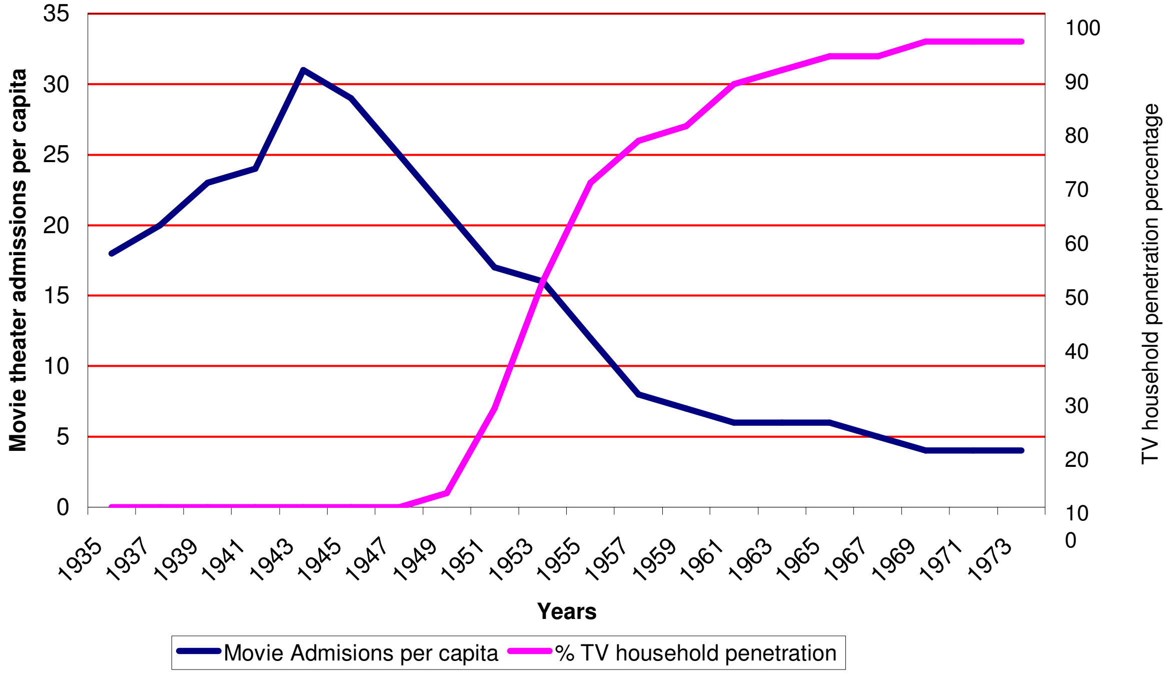
The year 1948 is usually the one that most scholars designate as the end, or at least the beginning of the decline, of the Golden Age and its studio system. Two events were happening simultaneously during this time. One was the break up of the vertical ownership among the studios via the U.S. Supreme's courts decision in the Paramount case, and the second was the increasing penetration of television. During the 1940s, the U.S. Justice Department began investigating the ownership of the Hollywood studios and brought all of the majors and minors to trial. The case made its way to the Supreme Court in 1948 in the case *United States v. Paramount, et. al.* The court ruled that all of these major and minor studios were in violation of a number of antirust laws, most notably the Sherman Act, that were intended to prevent monopolistic behavior of firms. Because of the vertical integration of these studios, the court ruled that the studios had effectively monopolized the film industry creating barriers to entry for independent film companies. The five majors were ordered to divest themselves of their theaters. Also, the Court ordered regulations on contracts that distributors make with theaters whereby block booking and master agreements were banned[9] (Waterman, 2005; see also Litman, 1998). Some scholars point to the Paramount case as the event that started the disintegration of the studio system in Hollywood. Major and minor studios' market shares converged and independent production companies started to rise. As well, a number of new independent producers entered the industry being able to form distribution deals with major studios. Overall, there was increased competition among the majors, minors, and independents as independent distributors had market shares competitive with the majors (Litman, 1998).

Despite these developments resulting from the Paramount case, most scholars agree that a more salient cause for the end of the classic studio system was the rapid penetration of television during this time. Indeed, the rise of television also coincides with the decline of the film industry up until the late 1970s as television increasingly ate into Hollywood's market share. As television made its way into American homes, audiences increasingly chose to stay home to watch television instead of going out to watch movies in movie theaters. It can be said, though the Paramount case did have an impact, it merely facilitated the effects of TV penetration.

Figure 2 suggests the negative correlation of television penetration to decreasing movie market share:

[9] Block booking was a practice where studios gave theaters the right to show a movie upon the condition that they also show one or more other titles, usually B-movies. Master agreements are ones where studios made exclusive deals with certain theaters.

Figure 2: Decline of U.S. movie theater attendance as TV household penetration increases (Source: Waterman, 2005, p. 36)



The popularity of television had a number of effects on the industry. One was the migration of serial and 'B' movies to television. Before television, theaters would often show a low-budget, lesser quality 'B' movie, or short serial, as a warm-up to the feature presentation. Such series as Roy Rogers or Hopalong Cassidy were mainstays in these areas. With television, studios began to transfer these serials to television as they appeared to be a natural fit for the medium. Further, the "factory" style, division of labor method of movie production ended in the film industry and was adopted by television. This system, with its ability to produce large volumes of content was also ideal for television serials. As a result, film production fell off which led to the further weakening of the studios' influence on distribution, and the end of the practice of employing stars on contract, and employees on permanent salary. The method of production shifted to a "one-off" method where crew and talent were signed on a per film basis, as opposed to blocks of films. This method facilitated productions that were of higher production value as television effectively “filtered out” the low-end ‘B’ movies and serials. This higher production value brought about such features as widescreen Cinemascope and Vitascope still seen today. As well, filmmakers began making 3-D movies, and there was a flurry of epic spectaculars such as *Ben Hur*, all of which served to differentiate themselves from television. There was a contrast in cost between television and movies of a ratio roughly of 1-2 to 10 (Waterman, 2005, p. 40). Since television was basically free, movies required greater and greater measures to convince people to pay to see them. As such, though fewer movies were made per year, they became more expensive and were essentially “grander” than ones made before the age of television (Litman, 1998; Waterman, 2005).

What also emerged was a new method of releasing movies, based on several adjustments to the inter-temporal price discrimination model. The old system of release and pricing entailed moving through classes of theaters. A major ‘A’ movie would first be released in city-centers which had the most luxurious theaters, and then make its way down to lower end theaters outside the city. Ticket prices dropped accordingly. It was not uncommon for a movie to first be released in the city and then re-released several times in lesser quality theaters over a six month span or longer (Waterman, 2005). In the age of television, the system ended making way for simultaneous runs in both cities and suburbs, and choice and lesser theaters. As well, prints of films became less expensive enabling distributors to make more simultaneous releases. The massive migration of populations from the city to suburbs, post World War II, also influenced this change. Theaters themselves became homogenized in terms of offered features, such as seating, as many theaters closed and theater chains reorganized to adapt to the changing environment. As a result, theaters were no longer set up into classes of quality. The exhibition window shortened considerably to about four to six weeks. Also, whereas in the past, the least quality theaters became the last window of exhibition and therefore the cheapest ticket, television now became the last window of exhibition as studios struck deals with television networks and stations to air movies. The revenue from television, however, was extremely low (Waterman, 2005).

What helped to off-set some of the studios' decline of market share due to television was a more sophisticated inter-temporal price discrimination model that made better use of opportunities for distribution opened up by new technologies. In this model, ticket prices in the primary distribution window (i.e., theaters) rose significantly, at a much higher rate than inflation, to levels never witnessed during the Golden Age. The studios segmented their market into those who would see movies only on television, and those who still wanted to see movies in theaters. As such, TV served "lower-value" and price conscious movie viewers, while theaters still attracted those patrons who were willing to pay a premium, and absorb high ticket prices, for the theatrical experience. As a result, distributor rental rates rose for movie theaters. As total box office admissions fell to 33% the level prior to 1948 by the 1970s, revenues only fell by less than 50% when adjusted for inflation (Waterman, 2005).

Pay television and home video

The 1970s is known as a period of Renaissance for innovations in content. It was during this time that directors such as Martin Scorsese, Francis Ford Coppola, George Lucas, Steven Spielberg, Brian de Palma, and others rose to prominence bringing in what many consider to be fresh ideas, innovative styles, and new modes of narrative structure and film form. This is also the period of the beginnings of pay television and home video, as well as the blockbuster-type movie. In 1975, Home Box Office (HBO) was launched gaining significant market shares by the end of the 1970s. In 1976, Sony released the Video Cassette Recorder (VCR) with its BetaMax format, intended for consumer home use. Aided by the success of such blockbuster hits as *Jaws* and *Star Wars*, market shares and revenues of the film industry reversed course, showing significant growths for the first time in years. The development of home video distribution is thought by many scholars to be the most significant development to reverse the decline initiated by television. Pay television in the form of premium channels such as HBO, and pay-per-view, also brought in significant amounts of revenue for the studios and film industry in general. The introduction of video effectively shifted revenue streams from theaters to home video sales, which is still the case today. From 1975 to 2003, domestic revenues for movies increased four fold. By 2005, movie revenues equaled 20% GDP. What developed was the current multimedia system of release: movie theaters → Hotel PPV, airlines → home video rental and sales → home PPV and video on demand → premium cable channels → broadcast TV/basic cable networks. Each of these windows is layered upon each other where home video, home PPV, and premium channels have a degree of overlap (Waterman, 2005).

The modified intertemporal price discrimination model after the rise of television helped the film industry to survive. As well, since the market share of the major studios was declining, it enabled smaller independent production houses to increase their market share. However, as home video and pay television was starting in the 1970s new avenues of distribution resulted in new sources of revenue for the studios. It also helped the major studios to take back some of its market share that television had taken up. Further as blockbuster-type films began to emerge, the budgets of movies steadily rose. The demand for larger and larger budgeted film made it increasingly difficult for the smaller independent production houses to compete in the industry. As a result, the major studios began an acquisitions strategy buying up these smaller film companies, and making them independent internal divisions. These developments resulted in the industry structure as it is today (see Table 1).

Table 1[10]: U.S. Film Industry Ownership

Conglomerate Company	News Corporation	The Walt Disney Company	Time Warner	Viacom	General Electric (Vivendi, 20% share)	Sony Corporation	See note below
Parent Grouping	Fox Entertainment Group, Inc.	Walt Disney Studios		Paramount Pictures Corporation	Universal Studios	Columbia TriStar Motion Picture Group	Metro-Goldwyn-Mayer Inc.
Studio	Twentieth Century Fox	Walt Disney Pictures	Warner Brothers Entertainment	Paramount Pictures	Universal Pictures	Columbia Pictures	MGM Studios
Subsidiaries	Twentieth Century Fox Animation	Touchstone Pictures	Warner Brothers Pictures	Paramount Vantage	Focus Features	Screen Gems	United Artists
	Fox Searchlight Pictures	Hollywood Pictures	Castle Rock	DreamWorks SKG	Rogue Pictures	Sony Pictures Classics	In 2005, owner Kirk Kerkorian sold MGM to a group of investors led by Sony Corporation (of America) and Sony's equity partners. Investors are as follows: Providence Equity Partners (29%) Texas Pacific Group (21%) Sony (20%) Comcast (20%) DLJ Merchant Banking Partners (7%) Quadrangle Group (3%)
	Fox 2000	Miramax Films	Warner Independent	iFilm Corp			
	Fox Atomic	Walt Disney Feature Animation	New Line Cinema Corporation	MTV Films			
		DisneyToon Studios	Picturehouse Films				
		Buena Vista International					
		Buena Vista Theatrical Productions					
		Buena Vista Productions					
		Pixar					

This current landscape could perhaps be considered the new vertical integration. Though studios no longer own theaters, their parent companies own the main sources of exhibition revenue – home video and pay television.

[10] Information for this table was obtained from Hoovers, The Nation Entertainment Chart, Columbia Journalism Review's *Who Owns What?*, and Vivendi's website on Company History.

The United States film industry: structures of affiliation in studio and independent movies

Much of the research done on laying out the structure of the U.S. film industry was derived from previous studies. As was previously stated, there is extensive literature covering this industry. As such, what follows is essentially a literature review.

Structure: the major studios

Looking at the structure of film production in the U.S., most studies point to the studios[11]' (aka majors) domination of the industry. The major studios include: Warner Brothers, Sony/Columbia Pictures, Universal Pictures, Paramount Pictures, MGM, 20th Century Fox, and Disney (Waterman, 2005, p. 16; Goodell, 1998, p. 4)[12]. Through this control of production and distribution, the majors often act as gate-keepers as they evaluate scripts, treatments, pitches, and other sources for film content in order to decide which scripts/ideas get made and which ones don't. Attached to the process is financial backing of film projects, as well as the massive distribution networks that most film projects ultimately need to gain wide audiences and profits. As such, independent productions are often involved with the majors in which a major studio will negotiate to "pick-up" a project for distribution (Waterman, 2005, 15-17). Often these independent productions are already a finished film. Many pick-ups occur at film festivals where independents showcase their work for major distributors (Goodell, 1998, pp. 342-346).

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[11] Refer to chapter __ for the definition of a studio

[12] DreamWorks is sometimes included as a major studio in other studies. However, since it is a new comer, and has since merged with Paramount, it is not considered a major studio in this study.

Structure: subsidiaries and independents

There also are independent distributors such as Lions Gate (Lions Gate Entertainment, 2008). Interestingly enough, these independent distributors, in the aggregate, distribute more films than the majors, but usually at much smaller budgets. As well they tend to serve smaller audiences, but niche interests (Waterman, 2005; Scott, 2002).

Then there are production companies that were formerly independent, but have since been bought by major studios. These companies had experienced major successes as independents, thus eliciting the attention of the majors to strategically buy out the companies thereby quelling competitive threats. These companies are known as subsidiaries and include such companies as New Line Cinema (affiliated with Warner Brothers) and Miramax (affiliated with Disney). Further still are subsidiaries the studios themselves created to serve niche, independent audience tastes. Fox Searchlight (affiliated with 20th Century Fox) is an example. Table 2 outlines the formation and acquisitions of some major subsidiaries:

Table 2[13]: Major studio subsidiaries in the U.S. film industry

Subsidiary	Sale Price	Ownership
Miramax	$75 million	Bought by **Disney Studios** in 1993. The founders, Harvey and Bob Weinstein, continued as heads Miramax under Disney. In 2005, the Weinstein brothers cut ties with Disney due to creative differences. They left Miramax and formed The Weinstein Company taking Dimension films with them (Hoovers, Miramax).
Pixar Animation Studios, Inc.	$7.4 billion	Founded in 1986 by Steve Jobs, who bought computer graphics systems from George Lucas for $10 million which is what became Pixar. Had joint ventures with Disney since 1986. Bought outright by **Disney** in 2006 (Hoover's, Pixar Animation Studios, Inc.).
New Line Cinema	$550 million	Sold to Ted Turner's Turner Broadcasting System (TBS) in 1993 (Hoovers, New Line Cinema Corporation). TBS was then acquired by **Time Warner** in 1996 (Hoover's, Turner Broadcasting System).
Castle Rock Entertainment, Inc.	N/A	Founded in 1987 by Rob Reiner, Warner Bros. president and COO Alan Horn, Martin Shafer, and other media moguls (Hoover's, Castle Rock Entertainment, Inc.). TBS acquired Castle Rock in 1993. **Time Warner** acquired TBS in 1996 (Hoover's, Turner Broadcasting System)
iFilm	$49 million	Founded in 1998 as a provider of streamed video on the Internet. Bought by **Viacom's** unit MTV Networks in 2005 (Hoover's, IFILM Corp)
Dreamworks SKG	$1.6 billion	Founded in 1994 by Steven Spielberg, Jeffrey Katzenberg, and David Geffen. Sold to **Viacom's** Paramount Pictures in 2006 (Hoover's, DreamWorks SKG).

[13] Sources given via in-text citations in the "Ownership" column

Table 2 continued

Subsidiary	Sale Price	Ownership
Fox Searchlight Pictures	N/A	Started in 1994 via Fox Filmed Entertainment's to be the "independent" wing of **Twentieth Century Fox**. Produces 8 to 10 films with budgets around $15 million. Also has Fox Atomic, a production company that caters to young adults (Hoover's, Fox Searchlight Pictures)
Warner Independent	N/A	Founded in 2003 via **Warner Brothers Pictures** for the purpose of producing and acquiring films with smaller budgets than the studio. It releases about 10 films per year at $20 million or less.
Paramount Vantage	N/A	Originally called Paramount Classics when it was founded in 1998 via its studio **Paramount Pictures**. It was established to produce "indie" films. It was reorganized in 2006 and renamed Paramount Vantage. Paramount Classics continues as a division under Paramount Vantage (Hoover's, Paramount Vantage).
Sony Pictures Classics	N/A	Formed in 1992 via **Sony Pictures Entertainment**, it is currently under Sony's **Columbia Tristar Motion Picture Group**. It calls itself an "art house" production company catering the "independent art film" tastes. It produces roughly 25 films per year, including foreign-language pictures (Hoover's, Sony Pictures Classics).

Consolidation

Another aspect of the U.S. film industry structure is consolidation. The major studios are owned by multi-media mega-corporations often with the goal of creating synergies for such vehicles as cross-promotion (see such studies as McAlister and Giglio, 2005), cross-distribution, and other such integration (Scott, 2004). Indeed, this current era of conglomeration is to be distinguished from the vertical integration of the studios of the golden age of Hollywood by its multi-media integration: a mega-corporation owns not just the film studio, but the television network, the cable networks, the video distribution networks, and in some cases the video rental stores. Much of this integration has also facilitated the ability to build up financial backing to produce big-budget blockbusters. See table 1 for the current ownership of major U.S. film companies.

Scholars have argued that the current landscape of the U.S. film industry has created barriers to entry in the form of necessary economies of scale. These economies of scale are along the dimensions of needing extensive distribution networks to distribute films to create as many opportunities to profit as possible, high production yields where 20-30 movies need to be produced each year to spread risk, as well as the effects of conglomeration (Litman, 1998). Considering market shares at the level of individual companies, the majors dominate the independents. However, the independents combined have a competitively significant share. Taken as an aggregate, independents had a market share of roughly 12% in 2003. This is competitive with the majors ranking 4th out of 8. Taken individually, however, an independent production would count for a mere fraction of the 12% as there are hundreds of independents (Waterman, 2005). Table 3 below compares the market shares of the top studio distributors as of May 2008 with the aggregated independents.

Table 3: Distributor market shares in the U.S. film industry

Distributor	Market Share
20th Century Fox	17.4%[14]
Warner Brothers	13.3%[14]
Sony/Columbia	11.9%[14]
Paramount	11.8%[14]
Independents	12%[15]
Buena Vista (Disney)	9.4%[14]
Universal	8.1%[14]

Among the factors contributing to the nature of the film industry production landscape is the "hand-crafted" nature of production to anticipate audience demand and preferences (Litman, 1998). As such, the studios require a constant flow of new ideas where there is a "revolving door" of producers, writers, and directors to maintain this "creative" flow. Behavior and decisions tend to be conservative in that projects that get green-lighted usually are ones with bankable stars, proven directors, and other proven talent that have name recognition (Litman, 1998). Related to this mix in the production sector are the hundreds of small production companies usually affiliated with star actors, directors, or other such players. These production companies take on film projects and hire-for-rent personnel dedicated to the one film project. Once the film is completed, the staff disbands (Litman, 1998).

[14] Box Office Mojo. (2008b). *Studio market shares*. Retrieved from http://boxofficemojo.com/studio/
[15] This figure is from 2003 and is an estimate from Waterman, 2005

Sources of funding

Integral to the process is locating funding. Locating funding, in the past, has often involved bank loans. Usually done with larger budget films, the process of obtaining a loan is not unlike taking out a home owner's loan or a loan for a car. A loan puts the production company in debt and must be repaid as box office receipts come in. As well, the bank or other financial company must have solid assurance that the loan will be repaid regardless of how much money the movie ultimately ends up making. This requirement of assurance is associated with the high risk and unpredictability of success involved with producing and releasing a film. Also due to the risk, the interest on loan payments is usually higher. Crucial to being able to get a bank loan is already having a distribution deal in place with one of the majors. Having a distribution deal gives further proof of the profitability of the production, thus proof that the loan will be paid back. Sometimes the distributor is asked to pay for the loan or have the loan guaranteed. This arrangement usually results in significant percentages of revenues going to the distributor before it reaches the production company or producer – often 50 percent (Litman, 1998; see also Goodell, 1998; Vogel, 2001).

Other forms of funding, often for lower budget, more independent productions come in the form of "equity participants." Quite often producers will search for potential private investors to convince them to finance a film. They can be anyone from wealthy relatives to players on Wall Street. Such investors are often called "financial angels" and are caught up with the glitz and glamour of backing what could be a "Hollywood[16]" film. Financial backing by investors is different from borrowing a loan in that the investors partake of not only profits, but

[16] Here, "Hollywood" is used conceptually as opposed to a geographic location.

losses as well. It's not unlike investing stock in a company. Indeed, an investor effectively owns a part of the film (Litman, 1998; Goodell, 1998; Rusco and Walls, 2003; Vogel, 2001).

Another source of funding is by way of foreign presales. This method entails getting funding by selling distribution rights to foreign distributors for markets outside the U.S. Sometimes foreign investors will fund films as part of a co-production (Litman, 1998). Regarding foreign presales, deals are made before any kind of shooting begins. As with the above types of funding a package presentation is usually necessary that includes: a script, director, cast, and budget (Goodell, 1998).

Funding may also come directly from the funds of a major studio, as well as by way of such sources as television networks, pay cable, and home video. Possible sources of funding can also come from talent agencies, and other such players (Vogel, 2001). Furthermore, funding can come from grants from local and federal government entities – such as the National Endowment for the Arts – foundations, and other such providers of grants (Goodell, 1998,). All in all, there are the primary ways of funding a film: major studio funds, bank loans, private investors, etc.; but then there are a myriad of creative ways one can devise to find funding. There is no rule set in stone (See also Fee, 2002).

Bipartite/tripartite models applied to the U.S. film industry

Much of the literature above seems, at least in part, to support models put forth by Allen J. Scott on a bipartite production system, and his nuanced model, the tripartite system (2002, 2004). Scott's 2002 study, as he explains, reevaluates the "economic geography of the new Hollywood" (958) arguing that including independent film is necessary for any analysis of the U.S. film industry. Independents, as Scott defines as having little or nothing to do with the majors, serve diverse niche audiences that include fiction features, documentaries, commercials, and other formats (2002). Other studies have also looked into past differences in film financing between major studios and independent films. Differences become somewhat sketchy when looking at the degree to which studios are involved: films directly financed, produced, and distributed by majors; films independently produced and financed, but distributed by majors; films that are produced by unaffiliated, independent production companies, but that still get at least some financial backing by majors, in addition to independent sources; and such scenarios, already described, in which financing from any source is only possible when a distribution deal from a major is already in place (se also Fee, 2003, table p. 684) . Studies, by such authors as Fee (2003), delineate types of films along funding and distribution dimensions:

Figure 3 (Fee, 2003, p. 685)

		Finance Methods	
Distribution Methods	**Studio**	Studio-financed/ studio-distributed films	Independently financed/ studio-distributed films
	Independent		Independently financed/ distributed films

Other studies such as from Rusco and Walls (2003) also make similar distinctions as Fee's table, and that described before. Tying into Scott's models, the primary distinction from these studies is that "pure" independent films are ones that are both financed and distributed independently, apart from the majors. Fee describes it as thus:

> When members of the media talk of independent pictures, they generally refer to small, art-house features distributed outside the major studio system. These films,

> often self-financed and hence, by necessity, low budget, are quite different from those distributed from those within the studio system (2003, p. 686).

Thus, it seems the main difference between funding independent and studio films are that independent films are almost entirely self-financed or come by way of grants, while studio productions contain some kind of connection to a major studio in some degree. Of late, however, some problems arise when trying to identify who really are independents in both the popular conception and the technical conception. Scott seems to reveal as much in updating his 2002 study.

Scott's 2004 article builds on his 2002 study, in looking further into the possibility of a tripartite model. The 2002 study mentions this model, but in the 2004 follow up, it proposes that the subsidiaries of the majors – those companies that are meant to serve audience tastes for "independent" films is a distinctive third branch of the U.S. film industry. It joins the major studio productions and the independent productions separated from the majors. Herein lies the question as to the extent to which these subsidiaries can be considered separate from the majors, thus putting into the question the accuracy of the tripartite model. Scott argues that the tripartite model reflects audience segmentation for: low-budget perhaps more experimental tastes, mid-range budgets for wider audiences, and the sweeping action/special effects laden block-buster high-budget movies for the mass audience (2004). Whereas the "pure" independents that are detached from the majors are freer to experiment since their financing, albeit limited, is not necessarily connected to profit concerns, subsidiaries are the studios' outlet for more experimental films, though still with some concerns for profit. As such, Scott argues that these subsidiaries act independently of the majors and are quasi-autonomous. Blockbusters are meant for the widest audience, thus making it possible for them to earn the largest revenues. Of course the model also assumes that the size of the production budget is positively correlated with revenues.

Scott's models are of great interest. However, still lies the problem of how to define independent film. I will attempt to touch on explicating the concept of "independent film" in the next section.

Defining "independent film" in the U.S. film industry

As was stated previously, scholars such as Fee (2003) identify independent films as feature films self-financed, in effect low budget, and distributed outside of the majors. However, other common attributes of independent film have to do with the qualities of a film versus its financial and other such attachments. Many people have often regarded the concept "independent" almost as a genre. The Internet Movie Database (aka IMDB) – a premier source for film industry information – for example classifies "independent" under genre in its ratings of top movies (Internet Movie Database, 2008c). This classification suggests that the style of a film is a dimension of being classified "independent" or not. However, in IMDB's glossary, they define independent film as "a movie not produced by a major studio" (Internet Movie Database, 2008g). Box Office Mojo – another oft cited major film industry data source – on the other hand classifies independents as films unconnected to majors and their subsidiaries (Box Office Mojo, 2008c). In contrast, the organization Film Independent which exists to support independent films, and holds the annual Spirit Awards which describes itself as:

> …the first event to honor independent film exclusively, Film Independent's Spirit Awards has made a name for itself as the premier awards event for the independent film community. It's a celebration of the spirited pioneers who bring a unique vision to filmmaking. (Film Independent's Spirit Awards, 2008a)

However, when looking at the criteria by which films are nominated for awards, they seem to be vague (Film Independent's Spirit Awards, 2008b). The only explication of independence is stated under nomination guidelines where it says "percentage of financing from independent sources." It doesn't mention affiliation or reference to studios. It does have a budget ceiling of $20 million. However much of the criteria have to do with style with such stipulations as "uniqueness of vision" and "original, provocative subject matter." Another major outlet that is commonly thought of as a source of independent films is the Sundance Institute, creator of the Sundance Film Festival. This institute states:

> Sundance Institute is a non-profit organization dedicated to the discovery and development of independent artists and audiences. Through its programs, the Institute seeks to discover, support, and inspire independent film and theatre artists from the United States and around the world, and to introduce audiences to their new work (Sundance Institute, 2006).

Regarding criteria for selection in the film festival, however, the qualifications are open-ended. Criteria for films they're looking for states, "we celebrate the independent spirit of interesting and original storytelling. Diverse voices and films that push the limits of style and narrative also excite us, but there is no single aesthetic that we are mainly looking for great films and interesting points of view" (Sundance Film Festival, 2008). Affiliations with studios or distributors aren't mentioned. Here, too, style is implied as a value for independent film.

In summary, it appears that criteria for which a film is considered independent can be somewhat difficult to ascertain. If affiliation or non-affiliation with a major studio is the only criteria, then what of subsidiaries which some consider to be independent? And what of those films produced by independent production companies but already had deals in place to be distributed through a major studio. Scott seems to define independent as having little or nothing to do with a major studio, including distribution. Yet there are the Spirit Awards and the

Sundance Film festivals that producers use as an avenue to get picked-up by a major. Further still, it seems that movies produced with some funding from a major can be included in both the Spirit Awards and the Sundance Film Festival. Those organizations seem to value style over affiliation. As such, perhaps there are some conflicts with the common definition of "independent" as used by Scott, along with Fee, Rusco and Walls, and others. Therefore, it would be interesting to investigate affiliations of those films labeled as independent from such sources as the Sundance Institute and the Spirit Awards.

Investigating movie affiliations in the U.S. film industry

I first looked at major studio films. I went to the Internet Movie Database (2008a) and looked up the all-time U.S box office grosses (Internet Movie Database, 2008b). To make sure the movies were indeed studio films, under each movie I clicked the "company credits" link. This link took me to a page that had information on production company participation, as well as who distributed the film. I then noted the genre, budget, and U.S. box office gross. [see Appendix Table 4]. I then cross-referenced the data with InBaseline (2008) and Box Office Mojo (2008a). These databases are also oft cited and reputable sources of U.S. film data.

Researching independent films was a little more difficult. I was unable to find a comprehensive chart or other information that showed the top grossing independent films of all time or within a year. Instead I chose top award winners from the Spirit Awards from the years 2004 to 2007 . I also chose the top award, Grand Jury, winners from the Sundance film Festival choosing the years 2000-2007 (Internet Movie Database, 2008g). The reason for choosing these years was the same for the studio films. The total independent films recorded were thirty-one. The following are results: [see Appendix for Tables 4 and 5 data sets].

As would be expected, the studios had much higher budgets and total revenues. The total budget for all the studio films equaled $3.08 billion. The average budget per film was $154 million. Total box office revenues for all the studio movies were $6.76 billion. The average box office draw per film was $337.7 million. Based on these figures, and as with the independents not counting any unreported costs, each film made on average net profit of $183.7 million, and more than half the average budget. All of the twenty studio films have action or adventure in the genre description from the Internet Movie Database. Three had comedy as part of the genre, two had sci-fi, and two had drama. It is noteworthy to look at *Star Wars Episode III*, and *Shrek 2*. *Star Wars* was financed entirely by the production company Lucasfilm which is unaffiliated with a major studio in terms of ownership. It was only distributed by 20th Century Fox. As well, *Shrek 2* was produced and distribute by DreamWorks a company formerly unaffiliated with a major studio, and indeed unaffiliated at the time of *Shrek 2's* release. Yet one would hardly call *Shrek 2* or *Star Wars* independent films.

For independents, the total budget for all the films totaled $118.8 million. The total revenues total $477,083,071. That came to an average budget of about $5.4 million per film and an average box office draw of about $16.4 million per film. Based on these figures and not counting any unreported data for such costs as marketing, these independent movies made an average net profit of $11 million, and made more than three times the average budget. Based on the classifications of the Internet Movie Database, twenty-nine out of the thirty-one movies (93.5%) were either entirely dramas or were a hybrid drama with another genre. Ten of the films (32%) had comedy included as part of the genre description, while one film was only a comedy. Also of note, only three of the independents had adventure or thriller as part of its genre description (9.6%). Further, twenty of the movies had a star or notable actor/actress as part of the cast of the movie (64.5%). Regarding affiliation, seven of the films had an identifiable affiliation with a major studio or conglomerate (22.5%) when looking at the production company, based on table 2 of film ownership. When looking at distribution, twenty of the movies had a distributor affiliated with a major studio or conglomerate (70.9%).

It's interesting to see that – on average – although the studio films have considerably larger budgets ($154 million for studio films compared with $5.4 million for independents), and accrued considerably more box office revenue than the independents ($337.7 million for studio films compared with $16.4 million for independents)[17], the ratio of box office revenue to budget is better for independents: 3.03 to 1 for independents; 2.19 to 1 for studios. Also it's interesting to look at how many independent films have a star or notable actor/actress as part of the cast (64.5%). Given the extent to which the independent movies are affiliated with the major studios, it seems to follow the funding model of the necessity to have notable talent connected with the film to get funding or distribution. Eleven of the movies did not have a major or notable actor/actress. Five of these films were unconnected to a major studio in production or distribution. Of the movies that had a major/notable actor/actress as part of the cast, three were unconnected to a major studio. However, it should be pointed out that some of these "stars" didn't rise in stature until a period of time after they made these movies.

The Spirit Awards and Sundance Film Festivals, as explained earlier, have the purpose of celebrating and supporting independent film. However, given the extent to which majors are involved with movies labeled independent, it seems the concept of independent needs to be fleshed out further when examining Scott's models and others of a similar nature. Furthermore, it's interesting to see how New Line Cinema was the production company and distributor for *The Lord of the Rings.* New Line Cinema was once considered a subsidiary for Warner Brothers for

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[17] It should be noted that these studio films represented the most popular ones and is not the norm. Generally, 70% of studio films fail to break even at the box office.

the independent film audience. However, *Lord of the Rings* clearly contained the aesthetics of a major studio blockbuster production.

Funding

The findings reveal that much of the funding for both major studio and independent films come from the production companies or distributors themselves. The data, though incomplete, shows that for the major studio films 11 had funding by the studio, production company, and/or distributor. For the independent films, 12 were funded by the production company or distributor. There is still the question, however, of where these production companies, studios, and distributors got the financing for these films – private investment funds, hedge funds, bank credit, etc.

More on independent film

It seems that a more distinctive feature of independent films isn't so much affiliation and production structures as it is style. Each of the independent films listed have styles unlike the studio movies listed. They contain fewer or no special effects and appeal to "higher artistic" values. The idea is more to be unfettered with commercial concerns for profit than with studio affiliation. If this is the case, then it seems an "independent aesthetic" of sorts is possible even among studio affiliated production companies. A further complication are those films produced by unaffiliated independent production companies, but then picked up by a major distributor or affiliated distributor. Of the sample of independent films in this study, twenty-four were made by independent, unaffiliated production companies. Of these twenty-four, twelve were distributed by an affiliated distributor. In these cases, it might be argued that the "independent aesthetic" remains, and the studio sees a potential for profit. As such, it might be argued that these films can still be considered independent. It's unclear in this study, however, if these affiliated distributors contributed to financing the films. Also unclear is the extent to which the independent producers were trying to make a film that would appeal to the affiliated distributors.

Regarding Scott's conception of independent films having almost nothing to do with the major studios, and perhaps Hollywood in general, perhaps this sector of independent films is so far out of the scope of the mainstream film industry as to almost be an industry unto itself. It's clear that the independents in Sundance and the Spirit Awards have some connections to the majors and Hollywood in general. Indeed, one of the founders of Sundance was Hollywood movie star Robert Redford. Thus, the purely unaffiliated independents perhaps serve more local or extreme niche tastes. Perhaps the "independent" sector of Scott's models should be divided into affiliated independents – independent films that have some connection to Hollywood – and unaffiliated independents – independent films that have absolutely no connection to Hollywood.

CHAPTER FOUR

The Korean Film Industry: History

The Korean film industry (again, speaking interchangeably between Korean and South Korean) is marked by Japanese occupation, U.S. influence, and dictatorships. In 1906, Seoul opened its first movie theater showing mainly foreign films. By 1919, the first Korean-produced films were being made, which were silent films through 1935. Japan had begun its occupation of Korea in 1910. For much of the occupation, the authorities censored Korean films, only allowing mostly pro-Japanese films. Through the silent era, revenue was minimal where actors and other players in the film industry were paid with rice. It would be some time before things would improve. Despite Japanese censorship, in 1929 the Association of Motion Picture Arts (AMPA) was founded. It was established to help filmmakers develop their craft. Filmmakers up until this time were largely inexperienced amateurs, producing low quality movies. It was also the goal of the AMPA to develop film into a “medium of national culture” (Lent, 1990, pp. 123-124). During the 1930s and into World War II, the Japanese occupiers increased censorship on films and forced yearly production cuts. The industry was allowed to release only two to three films per year. Most of the movies released during World War II were pro-Japanese films (Lee, 2000; Min, Joo, and Kwak, 2003).

Following World War II, the conditions improved somewhat for the Korean film industry. The first color feature, *The Diary of a Woman*, was released in 1949. However, there were still such problems as the shortage of 35mm film stock. The Korean War from 1951 to 1953 also limited production of films as Hollywood features became prominent. Following the Korean War, the film industry (at least in the South) entered a Golden Age of sorts. Laws were created to help the film industry. Audiences were warming to the domestic movies, but Hollywood movies tended to be the preferred viewing choice. In 1957, domestic filmmakers became exempted from taxation. Production companies increased to 65 and the number of films released went to 100 per year in 1959 (Lent, 1990; Min, Joo, and Kwak, 2003). New filmmakers were starting to develop their craft as they drew techniques from U.S. and other Western movies. By 1961, the Korean film industry had become one of the most active in Asia. Some scholars have argued, however, that the films made during this period were still of low quality. Many of the production companies were supported by speculators who were looking for the highest returns possible on small investments. As a result, many of the films were of a 'B' quality (Lent, 1990).

The Motion Picture Law

By 1962, South Korea was ruled by a continuing series of dictatorships. These regimes also often enforced high degrees of censorship. This same year, the Korean government enacted The Motion Picture Law. It was created "to contribute to the promotion of national art through the promotion and development of the film industry" (Lent, 1990). The law would see a number of amendments that required film companies to be registered with the government in order to produce movies and to import foreign films. Production companies needed to own studios and related facilities; studios had to be 661 square meters in size and be equipped with 35mm film cameras (Jin, 2006). Through this law, the government also consolidated the industry into 17 large production companies, in part, in order to bring financial stability to the industry. It also made it easier to control the industry (Paquet, 2005). As a result, a number of production companies deemed financially unstable were closed. In addition to these moves, the government financially supported the film industry through grants. The law also reduced import taxes on film stock and implemented quotas on the number of foreign films that could be imported. Import duties on foreign films were also established. Indeed, much of the law was focused on limiting the market share of foreign movies, the vast majority of which were Hollywood productions. Movie theaters and other Korean film firms often made significant profits off of Hollywood productions. In 1970, the Motion Picture Promotion Union was created. It required that exporters and importers of movies be registered with the Ministry of Culture and Information. The union also stipulated that in order to qualify for importing foreign films, a producer must export a minimum of 4 domestic films and must earn at least $20,000 internationally. Other conditions were:

- the number of imported films shouldn't exceed 33% of domestic films released each year
- movies from communist countries were banned, in addition to movies considered anti-government or harmful to society
- exported films had to pass government censorship or were barred from exhibition

By 1973, the Korean government made another amendment to the Motion Picture Law. This amendment required production companies to have at least $100,000 in production funds. It encouraged more co-productions with other countries while at the same time imposed greater censorship on the industry (Lent, 1990; Lee, 2000; James and Kim, 2002).

Some of the policies of the Motion Picture Law appeared to have helped the industry to a certain degree. In 1969, records were set with both number of released feature films (229) and attendance (173 million) (Lent, 1990). However, as with the U.S. film industry, in the mid-1970s television ate into the film industry's market share significantly. Some scholars argue that increased censorship too contributed to the decline in market share.

Relaxing of foreign movie import regulations

From the mid-1970s, the Korean film industry experienced a decline. Costs of producing films doubled, and the industry was highly regulated. Whereas in 1970 the number of films produced was 231, by 1980 the number dropped to 91. There was a shortage of scriptwriters and other talent. As well, the industry lacked state-of-the art equipment. In 1985, a new group of producers came on the scene willing to invest in less conventional movies. Then due to pressure – developing in 1986 through 1988 – from the U.S. film industry's representative organization the Motion Picture Export Association of America (MPEAA) protesting unfair trade laws in Korea, the Korean government relaxed import restrictions on movies allowing foreign film companies to directly distribute movies to Korean movie theaters (Lent, 1990; James and Kim, 2002; Lee, 2000; Jin, 2006). Before this development, U.S. distributors had to go through a Korean "middleman" that dealt with Korean theaters. These changes reflected an overall effort in South Korea during the 1980s towards trade liberalization. South Korea in general was continuing to prosper economically from the 1970s. The Korean mega-corporations (chaebols) were investing in North America (Steers, Shin, and Ungson, 1989). For the film industry, however, it meant lopsided competition with Hollywood. This action caused an outcry from many Korean filmmakers as they tried to persuade theater owners not to show U.S. films and encouraged audiences to boycott U.S. movies. As a result of the relaxing of import quotas and other such conditions, Korea's domestic films declined further, while U.S. films increased their market shares.

1992 and the segyehwa policy

The year 1992, and the period following it, is thought by many to be the beginning of the development of the Korean Wave we see today. That year marked the first free elections in South Korea since 1960. Kim Young-sam was elected president serving a term until 1998. After Kim Young-sam was elected he adopted a series of new neo-liberal economic and other policies that opened up Korea's markets and encouraged media firms to participate in the global media market (Shin, 2005; Jin, 2006). What is interesting about the implementation of these policies is their difference to past governments' attempts to institute neo-liberal economic policies. Jin, in her article, argues that regimes of the 1980s that implemented neo-liberal economic policies did so in a reluctant and passive way, which led to incremental reforms such as allowing U.S. film distributors to deal directly with movie exhibitors. President Kim's implementation was more active and positive (Jin, 2006). Accompanying the economic reforms of the 90s was a state cultural policy that sought to help stimulate the domestic media industries while participating in the global economy. This policy was known as *segyehwa*, or a drive of nuanced globalization. It is this policy that revitalized the film industry. Under this policy, the Motion Picture Promotion Law was passed in 1995 (Shin, 2005; Jin, 2006). This law was intended to replace the Motion Picture Law of the 1960s and 70s. This law repealed requirements for production companies to register with the government and get approvals for production. It also did away with regulations on exporting films (Shin, 2005). Additionally, it encouraged private companies to invest in the film industry. It gave tax breaks to film studios and other such incentives. The target of these incentives was the *chaebols*, Korean family-owned, large corporations which include: Samsung, LG, Hyundai, Daewoo, SK, Hanjin, and Doosan. As a result, the chaebols made heavy investments in the film industry. Indeed, companies such as Daewoo, Samsung, and Cheijung created entertainment divisions of their companies developing into a structure not unlike Hollywood's golden age, as these divisions had a degree of ownership in production, distribution, and exhibition (James and Kim, 2002; Shin, 2005). Also part of the policy was the encouragement of Korean firms to invest in the film industry abroad, particularly in Hollywood. Here, the government used Japan as a model where companies such as Sony bought Hollywood studios and other companies to become one of the major conglomerates in the U.S. film industry. The result was a number of foreign investment deals, the most prominent of which was Cheijung's 1996 investment of $300 million in DreamWorks making it the second largest investor in the new U.S. production company (James and Kim, 2002). Also, Samsung invested in the Hollywood subsidiary New Regency Production. Further, Hyundai made a production and distribution agreement with France's Canal Plus (Jin, 2006).

In addition to domestic corporate investment was government financial support. The Film Promotion Fund was established to support local film. Further, the government made it easier for production companies to borrow loans from banks by reclassifying the film industry from a service industry to manufacturing industry (Jin, 2006). With the combination of government support and heavy investment by the chaebols where they would start to give 100% funding to projects, the Korean film industry grew rapidly. Along with these reforms was the maintaining of quotas on film imports, and rules for movie theaters requiring that they screen Korean movies for a minimum 30% of the year (Paquet, 2007p). As such, the segyehwa policy can be seen as adopting globalization policies while maintaining the Korean industry.

The 'IMF Crisis,' recovery, and venture capitalist investment

The year 1998 was a tumultuous one for South Korea—its economy was on the verge of a major collapse due to a financial crisis that affected most of south-east Asia. It is called the "IMF Crises" since South Korea was obliged to take part of a $40 billion loan that the International Monetary Fund provided for Thailand, Indonesia and itself, along with stiff conditions. This economic instability drove many of the chaebols to pull much of their investments from the Korean film industry. This "crisis" was short-lived, however, and South Korea was able to recover fairly quickly. With the chaebols pulling their investments, it led the way for venture capitalists to enter the industry (Shin, 2005). Other modes of funding came by way of such initiatives as the "netizen fund." Starting in 1999, ordinary Korean citizens were asked to invest $425 in a fund started by the production company, Bom. Bom's goal was to raise

$85,000 for this fund. Two-hundred investors participated in the fund, and each received about a 200% return on their investment (Jin, 2006).

The current state of the Korean film industry is one financially supported by venture capitalists, individual investors, the government, as well as the chaebols, with the latter involved in distribution and exhibition too. Korean films are now the preferred choice for Korean audiences and Korean-produced movies are at the top of the box office more often than U.S. productions. There are concerns, however, among certain sections of society regarding the Korean film industry. Its critics say that the *segyehwa* policy had more to do with equipping the Korean film industry to compete with Hollywood and revitalizing the film industry from a purely business standpoint. Some decry the kinds of movies being produced in Korea as "blockbuster-ized" following a sort of Hollywood aesthetic. Indeed, many Korean films follow Hollywood conventions such as heavy doses of action, and violence. There is also a significant use of special effects. Critics argue that these films lack any kind of reflection of Korean culture to the detriment of Korean identity (Jin, 2006). This issue is yet to be resolved.

The Korean Film Industry: Structure

Analyzing the structure of the industry

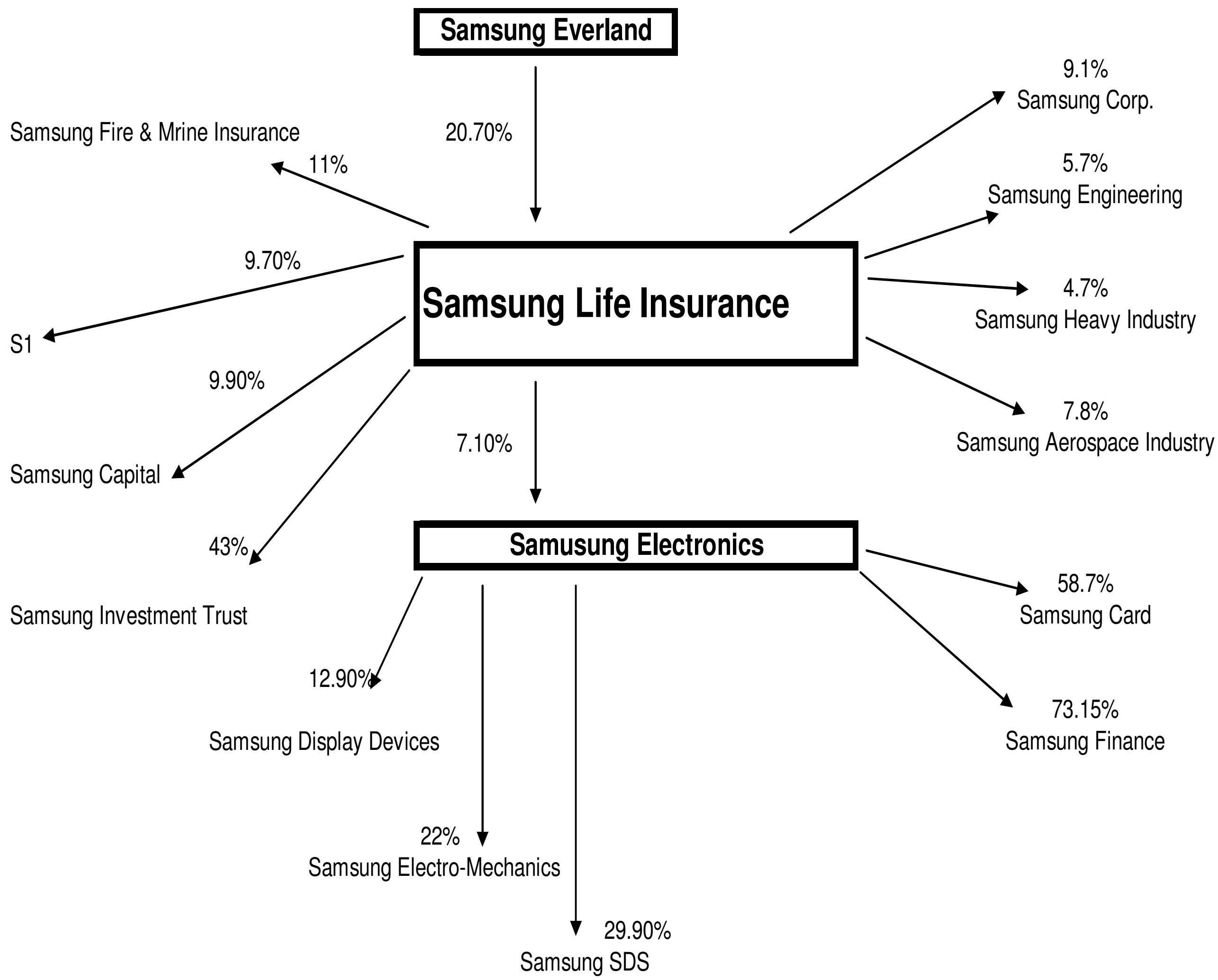
A look at the industry reveals degrees of consolidation not unlike the U.S. film industry. Further, there seems to be a mirroring of the U.S. film industry in terms of dominant film companies controlling avenues of distribution. The Korean film industry has something similar to the studio system of the U.S., with similar patterns of consolidation. This consolidation is seen mainly through vertical integration, but with some horizontal integration. Indeed, the industry can be divided into varying degrees of vertical integration. It can be categorized as such: Chaebol-affiliated majors; non-chaebol conglomerate majors; Hollywood major Korean divisions; Independents/Korean Film Council supported. There are exceptions within these categories, but they are generally described as follows:

Chaebol-affiliated major film companies

Before elaborating on this section it is important to understand what constitutes a *chaebol*. Much literature exists on the presence of *chaebols* in South Korea. Since the IMF crisis, a number of studies have analyzed *chaebols* to get at how they affect the Korean economy, how they might be responsible for negative economic consequences due to corrupt practices, and to understand generally what a *chaebol* is (see: Choi and Patterson, 2007; Ha and Lee, 2007; Kim and Lee, 2003; Jung and Kwon, 2002; Campbell and Keys, 2001; Kruger and Yoo, 2001). There have also been other studies that set out to clearly define *chaebol* (Haggard, Lim, and Kim, 2003; Kang, 1997). Based on this literature a common understanding of what a *chaebol* is consists of the following characteristics: (1) it is a large conglomerate with subsidiaries in multiple, often unrelated industries, (2) it has a high ownership concentration being family owned where the family has a high degree of control, and (3) it has horizontal and vertical integration within the industries it has ownership. One aspect to note is how ownership is dispersed. Often times a chaebol family has stakes in the subsidiaries, but not full ownership. A family would own just enough of a percentage to effectively have control via intersubsidiary share holdings[18] (Haggard, Lim, and Kim, 2003). These aspects vary among chaebols, but a common definition can be: a large, family owned, diversified conglomerate, with horizontal and vertical integration within its diversified subsidiaries. The following figure of the chaebol Samsung – as constituted in 1999 – illustrates common intersubsidiary characteristics of a chaebol.

[18] intersubsidiary share holdings in this case involves the cross-ownership of shares

Figure 4: Chaebol Example of Intersubsidiary Holdings, Samsung (Source: Lim, Haggard, and Kim, 2003, p. 6)



Chaebol-affiliated major film companies are ones owned partially or completely by the chaebols. They are also the primary players in the Korean film industry. These companies include CJ Entertainment (parent - Cheiljedang[19]), Mediaplex/Showbox (parent – Orion Group[20]), and Lotte Entertainment (parent – Lotte Group via Lotte Department Store[21]). The Korean film industry is dominated by the chaebol-affiliated film companies, mainly with CJ Entertainment

[19] See http://english.cj.net/ for more information about Cheiljedang
[20] See http://www.orionworld.com/ENG/Grup/ for more information about Orion Group
[21] See http://www.lotte.co.kr/english/ for more about Lotte Group

and Mediaplex, the number one and two distributors respectively in Korea (Paquet, 2007b). The ownership relations of these chaebol-affiliated companies is complex in its vertical integration. However, basic characteristics show that they have production capabilities, own extensive distribution networks, and own the major exhibition outlets. They also own the infrastructure for international sales, and post-exhibition distribution for video and television (CJ Entertainment, 2007a, 2007b, 2007c, 2007d, 2007e; Frater, 2006b; Kim, Y., 2006; Korean Film Council, 2006c, Lotte Entertainment, n.d.a, n.d.b.; Paquet, 2007b; Paquet, 2007i; Paquet, 2006f). Production is marked by deals with stand-alone film production companies (usually first-look deals[22]). Following the U.S. example, chaebol-affiliated film companies in Korea have acquired production companies, launched production companies, and in-house production capabilities. These projects are often directly financed by the company through company-established investment funds. Films produced through these production channels have the potential to be fed directly into distribution networks owned by the companies, and then into the company-owned movie theater chains. Through their international sales divisions, these companies also handle their own exporting of the films to markets outside South Korea. In addition to exhibition, these film companies have access to post-exhibition distribution through the television and video content providers of parent chaebols (ex: see CJ Group, 2006; CJ Media, 2006a; Orion Group, n.d.). Distribution, as stated earlier, is marked by distribution of its own Korean films, but also foreign films, the majority of which are from U.S. Hollywood majors. Indeed, CJ Entertainment has exclusive rights to distribute movies from DreamWorks SKG and Paramount in South Korea (Paquet, 2007a; Paquet, 2008b). Hollywood movies the chaebol-affiliated film companies have distributed include *Transformers*, *Shrek 2,* and *Catch Me if you Can*. Of note is the film *August*

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[22] First-look deals stipulate that the film company is first in line to produce the project or reject it. If rejected, the production company is free to market the project to another company.

Rush which is marketed as a U.S. Hollywood film containing Hollywood actors. However, the film was co-produced by CJ Entertainment (see: Internet Movie Database, 2008d).

Exhibition outlets are usually ones that are subsidiaries of the chaebol-affiliated film companies. Examples include CJ CGV and Lotte Cinema. Below is a chart that summarizes the structure of the three biggest chaebol-affiliated film companies:

Table 6: Chaebol affiliated film companies

	Parent Chaebol	**Production**	**Distribution**	**Exhibition**

CJ Entertainment	Cheiljedang	• In-house, investment
		• Establish deals with stand-alone production companies
		  ○ Film Bom, Myung Film[23]
		• Foreign/U.S Productions
		  ○ ex: *August Rush, West 32nd*[24]
			• Domestic
			• Foreign/U.S.
			  ○ Exclusive distribution of movies for Dreamworks SKG, and Paramount in South Korea
				CJ CGV multiplexes
				• Korea's largest theater chain
				• 37 multiplexes, over 21% market share[25]

Mediaplex	Orion Corp	• In-house, investment
		• Launched production company: Motion 101(recently announced its close)[26]
		• Establish deals with stand-alone production companies
		• Foreign/U.S. Productions
		  ○ ex: D-Wars (U.S. co-production)[27]
			Showbox
			• Domestic
			• Foreign/U.S.[28]
			  ○ ex: *Chilled in Miami* (US); *My Blueberry Nights* (US/HK)
				MegaBox
				• Sold to foreign investors (Korea Multiplex Investment Group – led by Australian company Macquarie) in July 2007[29]
				  ○ Will still operate the exhibition chain until 2009
				  ○ 19 multiplexes, including most frequented at COEX Mall in Seoul

Lotte Entertainment	Lotte Group	• In-house, investment[30]
		  ○ Also via subsid Lotte Cinema[31]
		• Establish deals with stand-alone production companies
			• Domestic
			• Foreign
			  ○ ex: *Hero* (Japan); *Perfume: The Story of a Murderer* (German, French, Spanish, U.S.)[32]
				Lotte Cinema
				• Korea's second largest theater chain
				• 26+ theaters, 204+ screens[33]

[23] CJ Entertainment, 2007b
[24] Paquet, 2007c
[25] Tong-hyung, 2006
[26] Paquet, 2007d; Paquet, 2006e; Sunbee, 2008
[27] Frater, 2007a; KOFIC, 2006b; Mediaplex, 2006;
[28] Internet Movie Database, 2008f
[29] Paquet, 2007h
[30] Lotte Entertainment, n.d.a
[31] "Int'l exhibitor," 2006
[32] Paquet, 2007d
[33] Frater, 2006b

Non-chaebol conglomerate major film company

Non-chaebol conglomerate major film companies are ones that are unconnected to a chaebol. Whereas chaebols are involved in a multitude of industries, the non-chaebol film companies have parent firms that are involved only in film or media industries in general. They are still vertically integrated, even as much as the chaebol-affiliated film companies. However, they often lack ownership of movie theater chains. Among the biggest non-chaebol affiliated film companies are MK Pictures, Studio 2.0, and Prime Entertainment. Cinema Service, one of the top three distributors in the Korean film industry, might also be considered a non-chaebol since historically it's been unconnected to those conglomerates[34]. However, as of 2004, 40% of Cinema Service was bought by CJ Entertainment bringing further complexity to the picture of the industry (Russell, 2004). For the purposes of simplicity, I shall include Cinema Service as part of the non-chaebol conglomerate major film companies.

The workings of these non-chaebol conglomerate major film companies follow the same pattern as the chaebols. They form deals with other unaffiliated stand-alone film production companies, and they also have in-house production capabilities either directly or through launched subsidiaries. These companies produce films that are fed into their respective distribution networks. In some cases, the non-chaebols own their own movie theaters in which case their movies can play in the theaters they own. In other cases they are distributed to other major chains. These films are often funded directly by their respective film companies. As well, these film companies have set up investment funds for production. Regarding distribution, these companies handle both their own films, but also import foreign films mainly – as with the

[34] Cinema Service had been under Plenus Entertainment until 2004. However, Plenus is not technically a chaebol by strict definition.

chaebols – U.S. Hollywood movies (Co-production guide, 2006; Cinema Service, 2005a, 2005b, 2005c; MK Pictures, n.d.a, n.d.b; Prime Entertainment, 2005; Studio 2.0, 2006; Paquet, 2007k; Paquet and Mohr, 2006). Imported titles include *Tomb Raider 1* and *2*, *Van Helsing*, *Million Dollar Baby* (Kim, S., 2006), and *Lord of the Rings Trilogy* (Cinema Service, 2005b).

Some of the non-chaebol conglomerate major film companies are also involved with international exports of their films outside South Korea. Those who don't have an international sales arm out-source it to another company. Table 6 contains descriptions of Cinema Service, MK Pictures, Studio 2.0, and Prime Entertainment:

Table 7: Non-chaebol film companies Reduce font and make it fit within page borders

	Parent Company	Production	Distribution	Exhibition
Cinema Service	Plenus Entertainment (a tech, leisure, telecom, media company) was the parent company until 2004. In a deal with CJ Entertainment, CJ absorbed Plenus and owns 40% of Cinema Service.[35]	• In-house, investment • Acquired/part ownership/launched ○ IM Pictures[36] • Established deals with stand-alone production companies	• Domestic • Foreign/U.S. ○ Ex: *Lord of the Rings 1 & 2, Terminator 3*[37]	Founded exhibition subsid., Primus Cinema, in 2002. Absorbed by CJ Entertainment in 2004 deal.[38]
MK Pictures	Previously, formed in 2005 as a merger between production companies Kang Je-gyu Films and Myung Films. In 2007, founders Kang Je-gyu, Lee Eun, and Shim Jae myung sold controlling shares (29%) to five-party investors headed by Kang Won TV/Kang Won Networks (CEO, Kim Young-kun).[39]	• In house, investment (via Kang Je-gyu films and Myung films) • Established deals with stand-alone production companies	• Domestic • Foreign/U.S. ○ Ex: *Babel*[40]	Foreign interests: Building movie theaters in China, partnering with Chinese company the Poly Group, to form MK Poly. Plans to release MK Pictures films in these theaters in China.[41]
Studio 2.0	Mediacorp: formed in 2006 as a result of merging formerly-known Tube Entertainment with Youngjin.com, Media 2.0, DigiFactory, OiMusic, Media Laboratory, and JYP Entertainment[42]	• In-house, investment • Established deals with stand-alone production companies	• Domestic • Foreign/U.S. ○ Ex: *Tomb Raider 1 & 2, Van Helsing, Million Dollar Baby*[43]	
Prime Entertainment	Prime Entertainment • Prime Entertainment, in its current form, represents the continued growth, launching, and acquiring of electronics, IT, and media/entertainment companies. They include Gamel Inc. ("digital gaming"), Ancilla System, Inc., PCS Phone, GSM Phone[44]	• In-house, investment • Acquired production companies ○ LJ Films, Corea Entertainment[45] • Established deals with stand-alone production companies • Foreign/U.S. Productions, Co-productions ○ *Never Forever*, *The Julia Project*[46]	• Domestic • Foreign/U.S. ○ Ex: *Hannibal Rising*, *The Queen*[47]	

Minor film companies: chaebol or otherwise

The minor film companies have their origin mainly by way of a telecommunications or other media company investing in film and/or making an initial entry into the film industry by creating a film division within the company. They're involved with distribution and film

[35] Frater, 2005; Russell, 2004
[36] Cinema Service, 2005a
[37] Cinema Service, 2005b
[38] Cinema Service, 2005a; Russell, 2004
[39] "Cable TV consortium", 2007; MK Pictures, n.d.b
[40] Paquet, 2007j
[41] Paquet, 2006c; Paquet, 2007m; MK Pictures, n.d.b
[42] Paquet, 2007k; Kim, S., 2006
[43] Kim, S., 2006
[44] Prime Entertainment, 2005
[45] Prime Entertainment, 2005
[46] Chang, 2007; Frater, 2006a; Internet Movie Database, 2008e; Paquet and Mohr, 2006
[47] IMDB, 2008b

investment funds. Their production comes mainly via acquired companies though they have just recently begun to create film production divisions within their own companies. They don't usually own movie theaters. The two main companies involved in this sector of the industry are Korea Telecom, formerly South Korea's government owned phone monopoly, and SK Telecom, a mobile phone company whose parent company is the chaebol SK Group (Frater, 2007b; Paquet, 2007g; Paquet, 2007j). Korea Telecom, for example, owns 51% of the production company Sidus FNH. As well, it is forming a $40 million content fund with the Japanese bank Softbank (Sunbee, 2008). A summary of SK Telecom and Korea Telecom is in the following table:

Table 8: Minor film companies

	Parent	Production	Distribution
SK Telecom	SK Group (chaebol)	• Investment division (ex: *Once Upon a Time in Korea*)[48] • Acquired companies ○ iHQ ▪ iFilm (in-house for iHQ)[49] ▪ Chungeorahm (acquired)[50]	• Domestic ○ In-house division ○ Acquired company: Chungeorahm[51]
Korea Telecom (KT)	Korea Telecom: formerly the government owned telecommunications/phone monopoly	• Acquired ○ 51% ownership of Sidus FNH - this company formed in 2005 by merging with Fun & Happiness. It's also owned by Sidus Corp., an online gaming and communications company[52]. • Investment ○ KT, Sidus FNH, Vanex Investment, 5 year $31.8 million production fund[53] ○ KT and Softbank (Japanese), $40 million film/TV investment fund[54]	• Domestic ○ Deals with CJ Entertainment and Showbox (Mediaplex)[37] ○ Sidus FNH, launching own distribution arm[55]

[48] Paquet, 2008a
[49] Paquet, 2007l
[50] After SK Telecom acquired iHQ, iHQ had the financial backing to acquire Chungeorahm (Paquet, 2007l)
[51] Paquet, 2007i
[52] Google Finance, 2008
[53] Paquet, 2006b
[54] Sunbee, 2008
[55] Paquet, 2007g; Paquet, 2006b

Hollywood majors in South Korea

As can already be seen, U.S. Hollywood movies have a strong presence in the Korean film industry, as they do around the world, being distributed by Korean film companies. However, a number of the Hollywood majors have distribution divisions for South Korea and are counted among the top ten film distributors in South Korea. They include Warner Brothers Korea, Sony Pictures Releasing of Korea, Twentieth Century Fox Korea, and UPI Korea (Korean Film Council, 2007b). Their main function is to distribute their parent studio's films to Korean movie theaters and to the Korean home video market. However, they have also been involved in producing Korean films to a certain degree. For example, in 2004, Sony Pictures Releasing of Korea distributed the Korean film *Magic Police Galgali and Okdongja* (Korean Film Council, 2006a).

Korean Film Council funded projects/Independent Film

In addition to commercial film companies, there lies the Korean Film Council, a government supported organization set up to gather data on the Korean film industry as well as to support the domestic industry as a whole. As it states:

> Korean Film Council (KOFIC) is a government-supported, self-administered body with its primary goal in stimulating the growth and development of Korean films through funding, research, policy development, education and professional training (Korean Film Council, 2007a, p.4).

Among a number of resources the KOFIC provides is extensive data on Korean films released over the last ten-plus years as well as an extensive database of information on Korean film companies. The Korean Film Council has also supported independent Korean films on several levels. Here again, the term 'independent' is defined (based on the prior discussion in the U.S. case) as meaning film productions unaffiliated with the mainstream Korean film industry:

chaebol-affiliated majors, non-chaebol affiliated majors, minors, etc. They are also low-budget films. As well, according to KOFIC, "independent" concerns creative and eclectic films that are qualitatively different from mainstream film (Korean Film Council, 2007a). The KOFIC provides funding for:

- Commercial and low-budget films
- Independent documentaries
- International co-productions
- Independent films whose producers are not registered professionals
- High definition broadcast films
- Art films
- Low budget films for Koreans living overseas

Government support in these areas is intended to promote a diverse film culture in Korea, and to maintain and stimulate Korean film production processes. For productions that are not purely domestic such as international co-productions, the KOFIC funding has a matching fund to encourage producers to find different sources of finance apart from the mainstream (ibid). As well, there seems to be an overall concern for the artistic integrity of Korean film. In addition to funding independent film projects, the KOFIC is involved with developing a distribution system for these independent films via the New Cinema Movement and other efforts. This distribution system is still in the works.

As a general rule for this study, KOFIC supported films are grouped into the independent film sector. Complications arise as the KOFIC has also supported mainstream, major and minor commercial films. Indeed, KOFIC support of commercial films from major and minor film companies has been significant over the years. KOFIC support for mainstream film continues as part of its support for the entire Korean film industry (Korean Film Council, 2006d). As venture capitalists start funds, the KOFIC often contributes a percentage[56]. Though it is unknown exactly what percent KOFIC funds go into films throughout the film industry, based on the research of this study it can be asserted that the percentage is low (see also: Paquet, 2005, 2001a). It can also be asserted that the significant majority of KOFIC support is directed at films unaffiliated with major and minor commercial film companies. An issue remains, however, of the KOFIC being government-supported. There are valid concerns if these films are in fact truly independent, even from the government. Indeed, historically the Korean government has influenced Korean film even with content when considering censorship and the like. Censorship is very much less currently than in the past, and the requirements in the past for establishing studios and making films in general are gone. As well, for the purpose of this study, the concern has more to do with affiliation or non-affiliation with major/minor commercial film companies. Therefore, KOFIC supported films – ones that can be said to have the vast majority of financial support from the KOFIC – are considered independent for this study.

Further examination of the KOFIC/independent sector of the Korean film industry reveals film companies dedicated mainly with distributing independent Korean film. The main film company involved with independent film is IndieStory. IndieStory claims to be the only film company in Korea that caters exclusively to independent film (IndieStory, 2004c). This company has both production and distribution capabilities. Distribution of Korean films reaches not only the domestic market, but international markets as well. IndieStory has also been involved with distributing independent films that originated from foreign countries (IndieStory,

[56] There are also government requirements for setting up an investment fund (Korean Film Council, 2006d).

2004c). In the past, IndieStory has also distributed movies produced by film companies affiliated with mainstream major and minor film companies.

Towards a comprehensive look at the Korean film industry: categories and definitions

Given the lack of literature that analyzes the Korean film industry along the lines of the industrial organization models, questions may arise as to the categorization and labeling of this analysis. The difference between major and minor film companies is readily apparent. The term *major* is included to describe these categories as the film companies have production, distribution, and in some cases exhibition capabilities. As well, they comprise the top ten distributors of domestic films in Korea in terms of market share. As such they hold more influence over the Korean film industry than do the minors. The minor film companies still are significant players, yet sometimes lack distribution capabilities. Combined with their overall smaller market shares it illustrates that they are minor companies relative to the majors. The difference between the major and minor film companies, and the independent sector of the industry lies in independent films' lack of affiliation with the major and the minors. As well, the major and the minor film companies are more concerned with commercial profits than are the independents. More is explained in the subsequent section defining Korean *independent film*. Despite this differentiation, there remain connections between each sector, even into the KOFIC/Independent film area.

Further distinction lies when looking at the chaebol-affiliated and non-chaebol affiliated companies. There are chaebols that have stakes both major (CJ Ent., Showbox, Lotte) and minor (iHQ) film companies. The same holds true for non-chaebols – major (ex: Prime Entertainment, Studio 2.0) and minor (ex: Sidus FNH). As the chaebol and non-chaebol majors are vertically integrated, they are likely to be better financed than the minor films companies. The non-chaebols shown in this study are focused almost entirely on media industries while chaebols, as diversified entities, have ownership percentages in several different industries. As such, the chaebol-affiliated film companies are likely to play it safe with the films they decide to produce. The non-chaebols, while focusing on one industry, are likely to take greater risks. Some of this behavior was seen during the IMF crisis. In the aftermath of the IMF crisis, many of the chaebols pull backed on film investments or exited altogether, while the non-chaebols stayed in the industry. The implications for understanding these four aspects of the industry are ones that involved behavior and strategy. Table nine lays out the four areas.

Table 9: Korean film companies along chaebol/non-chaebol, major/minor dimensions

	Chaebol	**Non-chaebol**
Major	CJ Entertainment, Mediaplex/Showbox, Lotte Entertainments	Cinema Service, MK Pictures, Studio 2.0, Prime Entertainment
Minor	iHQ	Sidus FNH

Methods of funding

As was touched upon in the previous sections, funding in the Korean film industry comes from a number of sources:

- Direct funding from a film company
- Investment funds started by film companies
- Investment funds unconnected to film companies
- Netizen funds
- KOFIC funding

There is little data regarding aspects such as percentage breakdowns of films they fund, or which are the top investment funds. Therefore, the table below represents a sample of investment sources according to the Korean Film Council and trade press articles.

Table 10: Summary of film finance sources[57]

Within major/major affiliated film companies	Minor film companies/Media companies/Technology companies	Investment funds started by film companies	Stand-alone investment companies that invest in film
CJ Entertainment	SK Telecom iHQ: Chungeorahm Films, i Love Cinema[58]	KT: Sidus FNH/Vanex	Muhan Investment Company
Mediaplex	Sidus FNH Corporation	KT/Softbank: Global New Media Investment	eKorea
Lotte Entertainment	SBSi (subsid. of SBS Media Group)[59] KM Culture (film production, 23% owned by SBSi) [60]	Hanwha (chaebol)/Daisy Entertainment - $10.2 million content fund[61]	Fireworks International – Started by Dutch bank ABN-Amro. Invested $50 million in Taewon Entertainment. Also has controlling ownership in Hong Kong's Asia Television[62]
Cinema Service IM Pictures	MBC Production Co., Ltd. (film and television)	Hanwha (via Hancomm)/CJ Entertainment/CJ Media/Korean Life Insurance/Yellow Entertainment/Vantage Holdings - $12.9 million investment fund[63]	Kang Woo-suk[64]/Shinbo Investment Corp. - $52.6 million fund[65]
MK Pictures	Microvision Inc. (U.S.)		FiTech Venture Partners[66]
Studio 2.0	ShowEast (minor production and distribution)[67]		M&FC
Prime Entertainment			DCG Plus
			KTB Network
			UniKorea Culture & Art Investment
			Nexus Investment Corp.[68]
			ISU Venture Capital Co.[67]
			Sovik Venture Capital Co. [67]

[57] Information in this table is from the Korean Film Council (Korean Film Council, 2007b). Additional sources are noted.
[58] Paquet, 2007l
[59] SBSi, n.d.b
[60] SBSi, n.d.a
[61] Sunhee, 2008a
[62] Frater, 2007b
[63] Paquet, 2007f
[64] Kang founded Cinema Service in the mid 1990s
[65] Has Studio 2.0 President Seung-beom as member of board (Paquet, 2006d)
[66] Elley, 2008
[67] Show East, 2005
[68] Edwards, 2007

Most of the investment funds in the fourth column in Table 8 come by way of venture capital. Venture capital funds have proved to be lucrative for the Korean film industry, and indeed the primary source of funding for it (Frater, 2008). Even funding coming directly from a film company is usually a venture investment fund the company sets up, and into which in invites outside investment. From 1998 to 2005, 48 such funds were started raising a total of $535 million (Frater, 2007b). Also, there has been the phenomenon known as a netizen fund. A netizen fund is an online investment tool that production companies set up for their films whereby any person can invest an amount of money (usually small amounts) into a film. The first netizen fund was started in 1999 by a company called Intz.com. It was for the film *The Foul King*. It had attracted 464 people to invest in the movie raising $77,500. Most investments were $100 or less. The film turned out to be a blockbuster and yielded a 94% return for the netizen investors (Paquet, 2001b). Other types of investment funds were developed by Simmani.com and Daum.net. These were based on the stock market whereby the fund was opened several weeks before films opened in wide release, and remained open until three months after video release. During this time, people could trade market-priced shares. Investors are then paid after an assessment of how well the film did in theaters, home video, cable television, online distribution, and in foreign markets (ibid). Today, this type of netizen fund continues, but are much less popular. Intz.com and Simmani.com, and other netizen funds have since folded. Among the main netizen funds still operating is from Enterfund which has been involved with films such as *Oldboy*.

Revisiting Scott's bifurcate and tripartite models as applied to the Korean industry

Applying Scott's bifurcate and tripartite models to the Korean film industry, it seems that the bipartite model offers a much better fit. The tripartite model would seem not to fit the

Korean film industry given that there are no subsidiaries that cater to independent interests in the same way as the U.S. film industry. Instead, Scott's bifurcate model would seem to be more relevant, even more so than to the U.S. film industry given the ambiguity in defining independent film affiliation on the U.S. side. The independent sector in the Korean film industry seems more pronounced. Independent films in South Korea are funded almost entirely separate from the Korean majors. As well, they are distributed independently of the majors. These criteria would seem to fit with Scott's conception of an independent film sector – one that has little or nothing to do with the mainstream.

Defining "independent" film for the Korean film industry

Nevertheless, there still remains the question of what is considered independent. Thus, it would be useful to try to establish a definition for Korean "independent" film. As mentioned earlier, the Korean Film Council guide publication (Korean Film Council, 2007a), in addition to supporting Korean cinema in general, talks extensively of supporting independent Korean film. Though it doesn't formerly define the term "independent," KOFIC chairperson An Cheong-sook speaks in terms of "developing Korean cinema to make it more plentiful and diverse, so that it can speak to and for a greater variety of people who may not otherwise have a voice" (4). She goes on to explain that the KOFIC serves to "extend an understanding of different cultures so that people may look at the world in broader terms" (ibid). Later, the KOFIC describes its support of film production for low-budget (commonly considered a defining characteristic of independent film), specifically independent films, and art films (also associated with independent film). Here it articulates its support for "establishing an effective production and distribution system for creative and diverse films which are differentiated from commercial film" (38). Also it uses descriptors as "experimental" (39) and "creative drive" (41). The KOFIC guide then goes into support for marketing independent films, as well as support for DVD production and distribution of independent films. Here it describes it as supporting "films, produced in diverse formats that can contribute to Korean culture" (55). The KOFIC also has support for independent films distributed for Japan where a significant number of Korean film exports arrive. Here, the KOFIC explains, that the goal is to "[increase] Japanese audiences' awareness of the diversity in Korean films and at creating a new window for independent Korean films" (56). Gleaning from these descriptors, it can be surmised that – similar to independent film in the U.S. film industry – "independent" refers to styles and types of films that seek to maintain artistic and creative integrity, that seek to express Korean culture, and that is also largely unaffected by commercial concerns. Unlike independent film in the U.S. film industry, independent Korean film is more clearly separated from the mainstream Korean film industry – i.e. chaebol-related and non-chaebol related major film companies, as well as the minor film companies connected to commercial firms and that have commercial interests for their films.

To delve further, one can look at the production and distribution company IndieStory. Similar to the KOFIC, it describes support for "unique stories" (ibid), "innovative style," and "provocative and intriguing films" (Indie Story, 2004b). In addition, the fact that this company seeks to differentiate itself from the mainstream, it brings further support that Korean film industry fits Scott's bifurcate model – an industry divided into (1) a mainstream, major production sector that has predominantly commercial concerns, and (2) an independent sector largely uninhibited by commercial concerns, and dedicated to artistic and creative integrity perhaps more so than the mainstream. More insight can be given, however, via an analysis of a sample of films and their affiliations.

Analysis of Korean film affiliation

Data was obtained from the Korean Cinema industry publication, years 2000 to 2006, published by the Korean Film Council. As well data was obtained from the KOFIC guide publication, 2006-2007. However, some of the data was incomplete as, for example, it sometimes had figures only for the Seoul market, and listed only the number of tickets bought per film and not the box office revenues. Where any data was missing from the Korean Cinema and KOFIC publications, additional data was obtained from the reputable and often cited koreanfilm.org – a website dedicated to Korean Cinema founded by *Variety Asia* journalist Darcy Paquet – as well as *Variety* and *Variety Asia*, AsianDB.com, and IndieStory.com. The results are as follows (see Appendix Tables 11 and 12 for the data set).

Analysis of films and sources of funding

A preliminary look at the films from the majors reveals no surprises. The major film companies CJ Entertainment, Mediaplex/Showbox, and Cinema Service dominate accounting for very nearly all of the top films since the year 2000. What is of interest is the extent to which outside investment funds are involved. As well, there are interconnections among the majors as they both compete but have inter-investment. The independents show little affiliation with the majors in both production and distribution. Only three independent movies have affiliations with a major: *Unforgiven* and *Spying Cam* were distributed by a minor and major mainstream film company respectively, and *Dimmer* had Sidus FNH, a minor mainstream film company affiliated with Korea Telecom, participate in production. This lack of affiliation applies to funding as well. It appears that the sampled independent films are truly independent according to common definitions. As such, Scott's bipartite model holds true for the Korean film industry.

The films from the major companies had budgets nearly seventeen times larger than the independents. Unfortunately, a comparison cannot be made along the dimension of attendance or box office revenues due to the lack of box office data for independents. A comparison of genre showed *drama* as the genre of choice for independent films (14 films total). *Drama* was also present in the major/minor mainstream films (10 films), but they were often combined with another genre, usually *action/thriller/suspense* (7 films). This is in contrast to the independent films whose *drama* films were stand-alone dramas. *Comedy* was also a common genre for the major/minor mainstream films (8 films). Adding to the aspect of investment, it appears that for the major/minor film company movies, funding came both directly from the film company producing the movie, as well as from investment funds. Indeed, the lion's share was from investment funds. These findings are consistent with the research on the funding structures of the Korean film industry which revealed that the main sources of funding are from venture capitalist investment funds.

CHAPTER FIVE

Analysis of the comparison of the U.S. and Korean film industry: Revisiting RQ3

> *How does the Korean film industry compare to the U.S. film industry along historical developments?*

This study researched the historical developments, industrial structures, and investment practices using the U.S. and Korean film industries as two distinct cases. It is clear that the historical developments of both industries are markedly different. However, this study also reveals some similarities. These differences and similarities fall along the dimensions of government intervention, industry intervention internationally, technological developments, and domestic and international conflicts.

The U.S. film industry felt little effects from wars, other international conflicts, and domestic troubles. Indeed, some argue the Great Depression may have helped the U.S. film industry as it was the cheapest mode of entertainment at the time. The Korean film industry had its foundations during Japanese occupation. It had further developments during U.S. occupation. It had mixed growth during the dictatorial regimes up until the 1990s. War and domestic troubles significantly affected the Korean film industry. The U.S. industry was shaped by commercial concerns as it developed production processes designed to maximize profits – the factory style method of divisions of labor. The government intervened only when there was a threat to competition. The Korean film industry was more consciously concerned than the U.S. industry with positive cultural portrayals (first Japanese, then Korean), and promoting the nation. The Korean government not only intervened but saw itself as the chief promoter of the film industry through quotas on foreign films, film funds, censorship laws, and other avenues. These differences may reflect differences in government philosophies. The U.S. government is more laissez faire while the Korean government sees itself as an advocate for industry and the chief agent of stabilizing the economy. It is also significant that the main governmental intervention in the U.S. (the Paramount case) was to break up the companies so as to increase competition, whereas in Korea, the government intervened to consolidate the film producers into a smaller number of firms, to enable them to compete effectively domestically and abroad.

The U.S. film industry was influenced by technological changes (television) and sought to adapt and take advantage of these changes. The Korean film industry was also influenced by technological change, but was influenced more by government policy. The U.S. film industry sought to expand into other markets outside the U.S. The Korean film industry was often reacting to competition from U.S. films with the government intervening to establish quotas on film imports. The U.S. industry sought expansion. The Korean industry sought preservation and often changed strategies in order to be more competitive with the U.S.

Whereas the U.S. film industry gradually developed over time to reach its current state, the Korean film industry seemed to be more static in its industry structure until 1993. It was at this point that the newly elected government enacted policies – *segyehwa* – that were proactive in promoting investment into the film industry. As these policies took effect, the Korean film industry developed rapidly over a compressed period of time to reach its current state.

Table 13: Main historical similarities/differences of U.S. and Korean film industries

	U.S.	**South Korea**
International conflict	Protected	WWII, Korean War
Censorship	Self-regulated via Hayes Code	Japanese, Korean totalitarian regimes post-Korean War to 1993
Other government intervention	Paramount Case	Motion Picture Law; Segyehwa, government finance
Technological influence	TV, home video	TV, home video
International expansion	MPEAA influence; compete in other nations' box offices	Protect domestic industry, mainly from Hollywood competition; Since late-1990s, expansion into south-east Asian markets Japan, China, etc.
Timeframe	Gradual developments over decades	Abrupt changes in compressed time – major changes since 1990s and start of segyehwa policy

How does the Korean film industry compare to the U.S. film industry along industrial structures – film production, patterns of funding and distribution, application of Scott's models? What are similarities and differences of these dimensions?

In examining the current structures of the U.S. and Korean film industries, this study researched the different types of film companies, funding practices, and distribution practices. It also applied Allen J, Scott's bipartite and tripartite models (2002, 2004) to both the U.S. and Korean film industries. While research for the U.S film industry structure was largely a literature review, the analysis of the Korean film industry structure sought to define distinct categories of film companies where previous research had not done before. The research revealed a number of similarities between the two industries. The dominant companies in both industries are vertically integrated. They both have high consolidation. They both have characteristics of oligopoly as there are a few dominant companies, and some interconnected (ex: CJ Entertainment owning 40% of Cinema Service).

Differences have mainly to do with differentiating mainstream and independent film. The U.S. film industry has more ambiguity in differentiating between mainstream studio, subsidiary, and independent film when applying Scott's models and assessing affiliation. Scott's tripartite model more accurately reflects the U.S. industry than the bifurcate model, but still lacks precision. The Korean film industry's division between mainstream films and independent films is clearer than in the U.S. film industry when applying Scott's bifurcate model and assessing affiliation. Indeed, the bifurcate model fits well with the Korean film industry. Scott's tripartite model does not fit well to the Korean film industry as there are no subsidiaries comparable to the U.S. film industry or to what Scott's model prescribes. Korean firms in general do engage in the creating and acquiring of subsidiaries. However, with the film industry, the difference may be its relatively small size. The U.S. film industry's domestic market is among the largest in the world and has diverse interests. It would make sense for the major Hollywood studios to have subsidiaries that cater to these diverse interests. The size of the Korean market is such that there is less pressure on film companies to cater to diverse needs.

The U.S. film industry has little or no foreign competition domestically. The Korean film industry continues efforts to remain competitive with U.S. films domestically. As well, the government is more actively involved with supporting the film industry in Korea (through the Korean Film Council) than in the U.S. As explained earlier, the government involvement within each nation reflects the differing philosophies on the role of government. In the U.S., the government is expected to intervene in the market only when there are competitive imbalances. Even then, the U.S. government is largely hands-off. In Korea, the government is as an economic steward. It is expected that the government be the initiator in helping the economy and industries, as opposed to the laissez-faire approach of the U.S. government.

Budgets are much higher among U.S. mainstream studio movies than among mainstream major/minor film company movies. According to the sample of movies, the budget of mainstream Korean films is 3% that of the Hollywood majors. The same holds true among independent films where the average budget of independent Korean films is 5% of independent U.S. films. As such, the ratio of majors to independents, is about the same for the U.S. and Korea. Among mainstream films, as a ratio of average box office revenue to average budget Korean movies are much more profitable than U.S. movies. Korean mainstream movies earn 8.55 times over the budget. U.S. films earn 2.19 times over the budget. Still, on the whole, U.S. films make nearly five times more money than Korean films – U.S. films = $183.7 million versus Korean films = $36.82 million – according to average revenues from the sample of films.

The Korean film industry had a film company dedicated to the exclusive distribution of independent film as well as support for production. In the U.S., there is Lions Gate. However, it is unclear the extent to which this production/distribution company deals purely with independents. As such, there was no significant equivalent for U.S. independent film. As well, the Korean government is much more active in supporting Korean independent film and films with diverse content than is the U.S. government with U.S. independent film.

Table 14: Main structural similarities/differences of U.S. and Korean film industries

	U.S.	Korea
Oligopolistic structure	Major Studios	Major film companies: chaebols; non-chaebol media conglomerates
Consolidation	High vertical integration, some horizontal integration	High vertical integration, some horizontal integration
Mainstream/independent divide	Some ambiguity via subsidiaries, studio involvement in "independent" market	Independent film more clearly differentiated from mainstream majors/minors than in U.S. industry: separate production and distribution with little crossover
Mainstream/independent budget difference	Independent film budgets average 3.5% of major studio films	Independent film budgets average 5% of mainstream major/minor films
Government support	Rare	Extensive, especially for independent film
Foreign Competition	Minimal	Hollywood Majors have significant market shares in South Korean film industry

Funding

This section deals with similarities and differences of the funding structures of the U.S. and Korean film industries. There are some similarities in funding practices of the U.S. and Korean film industries. Among them are that the major and other mainstream film companies in both cases often directly fund film projects. As well, joint funding can occur between a major film company and stand-alone film production companies. Added to the mix is venture capital investment funds of which both cases have. The main difference lies in the fact that the Korean film industry relies more heavily on venture capital investment funds than does the U.S. film industry. Available data from the sample of films show that seven of the 20 movies from Korean mainstream film companies received funds from multiple venture capital investment funds. Films from U.S. majors do not show the same characteristic. Regarding independent film, government funding for the Korean industry through KOFIC seems more ample than with U.S. film industry. Research revealed some of the main sources of funding for U.S. independent films. It did not include government funding.

Table 15: Main financial similarities/differences of U.S. and Korean film industries

	U.S.	Korea
Direct from film companies	Production, Distribution, Foreign Pre-sales – main sources of funding	Production, Distribution, Exhibition
Investment funds	unclear	extensive – main sources of funding
Government funding	rare	Historical; Invested with chaebols in the 1990s; Common for independent film via KOFIC

Limitations

Finally it is necessary to discuss the limitations of this study, of which there are several. Some may point to how the sample of films chosen to study film production company affiliations in both the U.S. and Korean film industries was not selected randomly. The availability of data limited the sample selection. Nevertheless, perhaps a random sample could have been taken from a larger pool of blockbuster movies. The method used for selecting the independent films was chosen in order to be transparent in the selection. Picking award winning independent films seemed a reasonable method as it would filter out those movies that might be poor in quality. Choosing top grossing studio film blockbusters seemed a reasonable method as they represent the most popular movies in studio production. Thus, they contain all the features one would want to have for studio films. The sample size for both the studio and independent films perhaps could have been larger. Also of concern is the accuracy of data retrieved from the Internet Movie Database, Box Office Mojo, and InBaseline. Cross-checking the databases showed some inconsistencies in the data: one database would sometimes contain information not found in the others. Regarding budget, it is known that these figures often aren’t entirely accurate. This inaccuracy, however, has more to do with the lack of financial reporting of major studios and other film companies than with the integrity of the aforementioned databases. As such, the Internet Movie Database, Box Office Mojo, and InBaseline remain among the most reliable sources of film industry data, and as close as one can get to accuracy without highly exhaustive investigations.

CHAPTER 6

Conclusion

The goals of this study were to effectively compare the Korean film industry to the U.S. film industry in terms of market structure, and informed by historical development and financial sources. Though much of the insights on the U.S. film industry were built on previous research, insights into the structure of the Korean film industry produced more concrete categories than had been previously understood. Some may question the validity of the categories laid out in this study. However, basing them around the involvement of the chaebols, the extent of vertical integration (production, distribution, exhibition), and overall market share is consistent with current industry analysis within the trade press. It is also consistent with how other scholars structure the U.S. film industry. As such, in describing the Korean film industry, this study has merely endeavored to make concrete what seems to have been assumed by journalists and scholars of the Korean film industry. Still, future studies can reassess the validity of what is described in this study perhaps adding interviews from industry executives or trade press journalists.

Regarding structures, though there are differences, it can be said that the Korean film industry in many ways mirrors the U.S. film industry, especially when we compare the production and distribution capabilities of its major film companies. This structure in the Korean film industry, however, developed only in the last fifteen to twenty years as the chaebols began investing in the film industry. It seems that the segyehwa globalization policy was a major catalyst as it was through this policy that the government encouraged the chaebols to support the film industry. Again, it is the government that is very much connected to the film industry as it recognizes it as a creator of cultural expression. Questions still remain as to how influential government policy has been in shaping the current film industry landscape in South Korea. The convergence of the Korean film industry onto a U.S.-inspired model of structure and financing has raised concerns about the parallel movement toward a Hollywood production aesthetic with high levels of action/violence and special effects. In this way, perhaps it can be argued that in order for the Korean film industry to be successful locally and globally, it has to emulate Hollywood methods with content as Hollywood is the primary competitor. The Korean film *D-War* (aka *Dragon Wars*) is a prime example. It is a special FX laden, fantasy/action movie. More notable is the fact that the movie – though funded, produced, and directed by Korean film companies and talent – stars mainly western, Hollywood actors. What are the implications of a movie like *D-War*? Does it show that Korean competition with Hollywood, and expansion abroad, ultimately results in assimilation of Hollywood aesthetics and industry practices? It is still unclear whether this assertion is true as the Korean Wave seems to be specific to south-east Asia. Further, some have argued that a national identity is maintained despite the implementation of Western conventions. Indeed, it is more of a hybrid feel similar to the concept of glocalization: maintaining the local identity while participating globally (see Moran and Keane, 2004). This study did not investigate these aspects as it did not look closely at the content of the movies themselves. As such, looking at concepts such as determining a "Hollywood" aesthetic or Korean aesthetic (or independent or other such aesthetic for that matter) could not be studied. What is clearer are the similarities of industry structures. Further studies could look into the question of cultural identity by looking at the content of the films themselves comparing U.S. and Korean movies. Further still, another case could be brought in as a third point of comparison. Bringing in a case such as the Indian film industry would be potent given the unique historical preference in India for domestic film.

As maintaining cultural identity continues to be a concern in Korea, perhaps this concern is mediated by the fact that Korea has been occupied frequently throughout its history in the twentieth century, first by the Japanese, then by the U.S. in South Korea for a period of time. Indeed, it can be seen that foreign nations have frequently tried to influence Korean culture and politics, all the way through the 1980s when the MPEAA lobbied the Korean government to relax its film importation regulations. As such, the foundations of the Korean film industry are quite different from that of the U.S. Cultural identity, however, needs further defining. During the 1960s and 70s, the government equated cultural identity through the Motion Picture Law with encouraging filmmakers to produce films that gave a favorable image of South Korea. This disposition isn't much different than in the U.S. film industry. At least in terms of the effect, it is commonly argued that U.S. films are promotions of American concepts and culture – even going so far as to claim cultural imperialism – promoting fascination with America, America as the land of opportunity, etc., and with such films as *Top Gun* said to be promoting the U.S. military. As such, questions of cultural identity remain. Further studies could investigate deeper into motivations behind government policy in Korea, and U.S. and MPEAA policy for exporting films.

As was touched upon above, the U.S. and Korean film industries began with different conditions in their development. Thus, another question could be asked as to how the U.S. and Korean film industries appear to look similar today despite different beginnings. Early on the Korean government was involved with its film industry whereas in the U.S. there wasn't any major government intervention until the 1948 Paramount case. It would seem that after the Korean government changed its interventionist disposition from one of censorship and regulation to one of helping the industry participate in the global free market, the Korean industry began to develop distribution structures not unlike the U.S. The Korean government was still not "hands-off" as is the tendency in the U.S., but one that sought to work with private companies to hasten investment through free market methods. Thus it was only until the Korean government changed its disposition towards the film industry where mirroring of the U.S. film industry began. Indeed, it ties in with the significance of the compressed timeframe with which the Korean film industry developed into a major player in south-east Asia given that it was not significantly competitive until the mid-1990s. Compressed timeframe developments seem to be a trend in South Korea as some of its other industries have had similar rapid development on the global stage (see Steers, Shin, and Ungson, 1989). As well, the rapid recovery following the IMF crisis is of significance being discussed by scholars as having an influence on Korean film narratives (Martin-Jones, 2007). Scholars such as David Martin-Jones refer to a “compressed modernity” (2007, p. 46) where he posits that national identity was shaped (or perhaps re-shaped) rapidly during and after the IMF crisis. Filmmakers sought to “decompress” (p. 46) these developments through time-travel and other narratives perhaps to make sense of what was taking place economically in Korea. Indeed, one wonders how Korean economic policy as a whole has shaped national identity since segyehwa – and even before-hand when other “liberal” global economic policies were enacted – as Koreans seek to cope with a rapidly changing, ever more modern world perhaps at the expense of valued traditions and other cultural heritage. It’s unclear what the significance of a compressed timeframe development has ultimately had on the Korean film industry, but it seems industry players see the need to slow down as the industry has experienced some bumps (see: Paquet, 2007o; Frater, 2008). Some reassessment is taking place as executives seek to nuance such aspects as how many films to release per year and how to distribute. Over-saturation of by releasing too many movies at one time or in a given year is a concern given the size of the domestic market. As such, it seems the Korean film industry can be thought of as still being in an early stage, at least on a global scale, as it continues to compete with Hollywood and maintain audiences in south-east Asia.

Questions also remain as to the kinds of films that can get produced among mainstream and independent sectors of the film industries. On the U.S. side, it seems stars and major directors are attracted to working in films labeled as independent. On the Korean side, the government seems to be making a concerted effort to support independent film. Given that two of the Korean independent films received distribution from mainstream companies, perhaps the government is encouraging the mainstream majors and minors to support independent film. Further studies can look further into the extent to which independent films are being supported by mainstream film companies. As well, further study could look into the ways in which independent productions begin to exhibit the same features as studio productions, and instances where the reverse might be true.

Then there are questions of considering the future of the structures of the U.S. and Korean film industries when up against the increasing use of digital distribution – P2P file-sharing, other Internet distribution – and use of other new technology. Issues of intellectual property are also a concern. Both the U.S. and Korean film industries have felt the effects of pirating losing some revenue. As with the effects of television on the film industries, they will have to adapt to these new forms of digital distribution and production. In the U.S., major studios are increasingly forming deals with such companies as iTunes, Netflix, and other such points of distribution. As well, video-on-demand via cable and other operators is gaining exposure. Similarly, the Korean industry is taking advantage of video-on-demand forms of distribution (see CJ Media, 2006b). The windows of distribution in the both the U.S. and Korean industries (i.e. the space of time from theater to video, to television, etc.) may become increasingly compressed and overlapped. Within independent film, at least, independent companies such as HDNet have experimented with the simultaneous release of movies in theaters, DVD rentals and sales, and cable television (HDNet, 2005). One trend that is also becoming apparent and significant through these online companies is the long tail marketing model done by such aforementioned online distributors as Netflix and iTunes. These companies, through the online platform, have segmented the market even more than studio subsidiaries enabling even the most obscure movies to reach an audience. In the past, the physical location of audiences was a prime concern as interested consumers of a particular movie spread too thin over a geographical area was difficult to reach. Physical space is no longer an issue for online retailers and renters of DVDs. To explain further, one traditional, physical video rental store such as Blockbuster is limited to the consumers within its geographical radius. Its policy is to drop a movie from its shelf space if it doesn't rent a required number of times per month. As such, more obscure DVDs are unable to reach its potential audience since locally the audience is very small or non-existent. However, across large geographical spaces it is potentially significant. Online companies like Netflix are able to rent out those obscure movies and reach these audiences since it's able to attract those consumers to its single source (the website) and mail out those DVDs to the audience that might be spread out over a large geographical area. The results have shown that Netflix and other online companies have as much as a fifth of its rentals coming from DVDs beyond the top 3,000 (Anderson, 2004). Though these DVDs may be rented only a few times per month compared with the hits that get rented much more, in the aggregate it can amount to a profitable number especially when combining thousands of these more obscure movies. Evidence has shown that there's more of a potential for profit the more DVDs there are as each of these DVDs finds an audience unconstrained by physical space. Indeed, these new forms of digital distribution may prove to be a boon for independent film – those largely unconnected to the major studios, especially ones who have no distribution via a major studio or subsidiary. As was mentioned, HDNet is just one example. Other companies such as ClickStar, owned by Revelations Entertainment[69], may become an outlet for independent film (Hollywood Reporter, 2006; Revelations Entertainment, n.d.). Future studies can look into the potential and workings of the long-tail model and how it is affecting the film industries.

Also regarding digital technology, one wonders the effect on content. One wonders that as consumers increasingly watch movies on their computers and on mobile devices, major studios and other film companies will seek to continue to draw people to theaters and larger HD television screens with superior sound via special effects extravaganzas. They may also seek to push the envelope for more stimulating experiences at the movie theater and on television via new forms of 3-D presentations (see: Debruge, 2007; Mohr, 2006; Waters, 2006). Looking at the summer of 2008, there has been the return of the classic Indiana Jones. Moreover, there's been the increase of comic book fair – *Ironman*¸*The Incredible Hulk*, *The Dark Knight* (Batman), just to name a few. Each of these movies is a perfect vehicle for special effects extravaganzas complete with explosions and violence, not to mention heavy doses of merchandizing. Other players such as George Lucas (who with *Star Wars* pioneered the blockbuster movie) have been skeptical of the viability of the special effects extravaganza in a new digital, mobile world given the ballooning budgets of such movies (see: Cohen, 2006). This seeming trend of releasing comic book and special effects friendly movies versus smaller budget films meant for mobile devices is another point of future study.

Then there are issues of intellectual property. Certainly P2P file-sharing and the ubiquity of digital distribution in general complicate this issue, as is with the recycling of ideas in a

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[69] Revelations Entertainment is a film production company co-owned by the actor Morgan Freeman and Lori McCreary. It is a stand-alone production company that has a first-look deal with Warner Brothers, but has also been involved with independent film (see: http://www.revelationsent.com/site/projects/now_available/tenitems.html)

creative industry. As an example of what's happening, companies such as NBC Universal have agreements with such Internet video sites as YouTube to delete any video content owned by NBC Universal due to copyright infringement (Biggs, 2006). In the Korean industry, it is less clear how it is being handled. In any event, it is sure to become increasingly complicated as digital network distribution becomes ever more ubiquitous, and issues of fair use and audience use for creative expression becomes ever more prevalent.

Ultimately, this study reveals as much as case study research is able to. As such, there is ample room for other methodological avenues. Comparing content analyses of U.S. and Korean films, analyzing statistical correlations along the variables of genre, distributor, budget, box office revenue, etc., comparative policy research, and other methods will serve to enhance knowledge on the U.S. and Korean film industries. As well, the application of other theoretical concerns would help to further flesh out the understanding of this topic. Globalization theory, and other concerns of international communications are of significance for comparative film industry studies. Nevertheless, it is my hope that this study will provide a foundation for my future work and also help other scholars take this line of enquiry further.

Appendix

Table 4: U.S. major studio films

TITLE	YEAR	STUDIO	PRODUCTION	DISTRIBUTOR	DIRECTOR	GENRE	OTHER INVESTMENT	BUDGET	BO REVENUE (U.S.A)
Shrek 2	2004	Dream Works	DreamWorks SKG; Pacific Data Images; Dreamworks Animation	DreamWorks	Andrew Adamson; Kelly Asbury; Conrad Vernon	Animation/ Adventure/ Comedy		$150 million	$436 million
Pirates of the Caribbean: Dead Man's Chest	2006	Disney	Walt Disney Pictures; Jerry Bruckheimer Films; Second Mate Productions	Buena Vista	Gore Verbinski	Action/ Adventure	Walt Disney Pictures; Jerry Bruckheimer Films	$225 million	$423 million
Spider Man	2002	Columbia Pictures	Columbia Pictures Corporation; Marvel Enterprises; Laura Ziskin Productions	Sony	Sam Raimi	Action	Columbia Pictures	$139 million	$403 million
Star Wars: Episode III…	2005	Lucasfilm	Lucasfilm	20th Century Fox	George Lucas	Action/ Adventure/ Sci-Fi		$113 million	$380 million
Lord of the Rings: Return of the King	2003	New Line Cinema	New Line Cinema; WingNut Films; Lord Dritte Productions Deutschland Filmproduktion GmbH & Co. KG; The Saul Zaentz Company	New Line Cinema	Peter Jackson	Action/ Adventure/ Fantasy	Hannover Leasing	$94 million	$377 million
SpiderMan 2	2004	Columbia Pictures	Columbia Pictures Corporation; Marvel Enterprises; Laura Ziskin Productions	Columbia Pictures	Sam Raimi	Action/ Drama	Columbia Pictures	$200 million	$373 million
The Lord of the Rings: The Two Towers	2002	New Line Cinema	New Line Cinema; WingNut Films; Lord Zweite Productions Deutschland Filmproduktion GmbH & Co. KG	New Line Cinema	Peter Jackson	Action/ Adventure		$94 million	$340 million
Finding Nemo	2003	Disney	Walt Disney Pictures; Pixar Animation Studios; Disney Enterprises	Buena Vista	Andrew Stanton; Lee Unkrich	Animation/ Adventure/ Comedy	Walt Disney Pictures	$94 million	$339 million
Spider-Man 3	2007	Columbia Pictures	Columbia Pictures; Marvel Enterprises; Laura Ziskin Productions; Columbia Pictures Industries	Columbia Pictures	Sam Raimi	Action/ Adventure	Columbia Pictures	$258 million	$336 .5 million
Shrek the Third	2007	Dream Works	DreamWorks Animation; Pacific Data Images; Dreamworks SKG	Paramount	Chris Miller; Raman Hui	Animation/ Adventure/ Comedy	Dreamworks Animation SKG	$160 million	$322.7 million
Transformers	2007	Dream Works Pictures	DreamWorks SKG; Hasbro; Di Bonaventura Pictures; Paramount Pictures; SprocketHeads; thinkfilm	Paramount	Michael Bay	Action/ Adventure	Dreamworks; Hasbro	$150 million	$319 .2 million
Harry Potter and the Sorcerer's Stone	2001	Warner Brothers	1492 Pictures; Heyday Films; Warner Bros. Pictures	Warner Brothers	Chris Columbus	Adventure		$125 million	$317 million
The Lord of the Rings: Fellowship…	2001	New Line Cinema	New Line Cinema; WingNut Films; The Saul Zaentz Company	New Line Cinema	Peter Jackson	Action/ Adventure		$93 million	$314 million
Star Wars Ep. II	2002	Lucasfilm	Lucasfilm	20th Century Fox	George Lucas	Action/ Adventure		$115 million	$310 million
Pirates of the Caribbean: At World's End	2007	Walt Disney Pictures	Walt Disney Pictures; Jerry Bruckheimer Films; Second Mate Productions	Buena Vista Pictures	Gore Verbinski	Action/ Adventure	Walt Disney Pictures; Jerry Bruckheimer Films	$300 million	$309 .4 million
Pirates of the Caribbean: …Black Pearl	2003	Walt Disney Pictures	Walt Disney Pictures; Jerry Bruckheimer Films; First Mate Productions, Inc.	Buena Vista Pictures	Gore Verbinski	Action/ Adventure	Walt Disney Pictures; Jerry Bruckheimer Films	$140 million	$305 million
Harry Potter: Order…Phoe nix	2007	Warner Bros. Pictures	Warner Bros.; Heyday Films; Cool Music; Harry Potter Publishing Rights	Warner Bros. Pictures	David Yates	Action/ Drama		$150 million	$292 million
The Chronicles of Narnia: The Lion, the Witch…	2005	Walden	Walt Disney Pictures; Walden Media; Lamp-Post Productions	Buena Vista	Andrew Adamson	Action/ Fantasy	Walden Media; Walt Disney Pictures	$180 million	$291 million
Harry Potter…Gobl et Fire	2005	Warner Bros. Pictures	Warner Bros.; Heydey Films; Patalex IV Productions Limited	Warner Bros. Pictures	Mike Newell	Adventure		$150 million	$290 million
The Matrix Reloaded	2003	Warner Brothers	Warner Bros.; Village Roadshow Pictures; Silver Pictures; NPV Entertainment; Heineken Branded Entertainment	Warner Brothers	Andy and Larry Wachowski	Action/ Sci-Fi	NPV Entertainment; Village Roadshow; Warner Bros. Pictues	$150 million	$281 million

Averages: Budget = $154 million **BO Revenue =** $337.7 million
Totals: Budget = $3.08 billion **BO Revenue =** $6.76 billion

Table 5: U.S. independent movies

Title	Production Company	Distributor	Director	Genre	INVESTMENT	Budget	Star or notable player(Y/N)	BO Revenue (U.S.A.)
Spirit Awards Winners								
2004								
21 Grams	This is That; Y Productions; Mediana Productions; Filmgesellschaft	Focus Features	Alejandro Gonzalez Inarritu	Drama/Thriller	Focus Features	$20,000,000	y (Sean Penn)	$16,200,000
Funny Ha Ha		Goodbye Cruel Releasing	Andrew Bujalski	Comedy/Drama			n	$77,000
House of Sand and Fog	DreamWorks SKG; Bisgrove Entertainment; Cobalt Media Group; Michael London Productions	DreamWorks	Vadim Perelman	Drama	Content International	$16,000,000	y (Jennifer Connelly)	$13,000,000
In America	Fox Searchlight Pictures; Hell's Kitchen Films; East of Harlem (UK), Ltd.; Harlem Film Productions, Ltd.	Fox Searchlight Pictures	Jim Sheridan	Drama/Romance			n	$15,500,000
Lost in Translation	American Zoetrope Elemental Films Tohokashinsha Fil Company, Ltd.	Focus Features	Sofia Coppola	Comedy/Drama		$4,000,000	y (Bill Murray, S. Johasson	$44,500,000
Monster	Media 8 Entertainment; Newmarket Films; DEJ Productions; Denver & Delilah Films; Junction Films	Newmarket Films	Patty Jenkins	Drama	Media 8 Entertainment; Ascendent Pictures	$8,000,000	y (Charlize Theron)	$34,400,000
Thirteen	Michael London Productions; Working Title Films; Antidote Films	Fox Searchlight Pictures	Catherine Hardwicke	Drama		$1,500,000	y (Holly Hunter)	$4,600,000
2005								
Garden State	Camelot Pictures; Jersey Films; Double Feature Films; Large Ark Productions	Fox Searchlight Pictures	Zach Braff	Comedy/Drama	Camelot Pictures	$2,500,000	y (Natalie Portman)	$26,700,000
Maria Full of Grace	HBO Films; Fine Line Features; Journeyman Pictures; Alter Cine; Proyecto Tucan	Fine Line Features	Joshua Marston	Drama/Thriller			n	$6,500,000
Me and You and Everyone We Know	FilmFour; IFC Films	IFC Films	Miranda July	Comedy/Drama	Film Four; IFC Productions	$2,000,000	n	$3,880,000
Mean Creek	Whitewater Films	Paramount Classics	Jacob Aaron Estes	Adventure/Drama		$500,000	n	$603,943
Sideways	Fox Searchlight Pictures; Michael London Production; Sideways Productions; Horizon Pictures	Fox Searchlight Pictures	Alexander Payne	Comedy/Drama		$16,000,000	y (Paul Giamatti)	$71,500,000
2006								
Capote	United Artists; A-Line Pictures; Cooper's Town Productions; Infinity Media; Eagle Vision	Sony Pictures Classics United Artists	Bennett Miller	Drama/Biography	Infinity Media, Inc.; United Artist Films	$7,000,000	y (Philip Seymour Hoffman)	$28,700,000
Crash	Bull's Eye Entertainment; DEJ Productions; AppolloProScreen; Filmproduktion; Blackfriars Bridge Films; Bob Yari Productions; Harris Company	Lions Gate Films	Paul Haggis	Drama	DEJ Productions; Stratus Film Company	$6,500,000	y (Sandra Bullock)	$54,500,000
Good Night and Good Luck	Warner Independent Pictures; 2929 Productions; Participant Productions; Good	Warner Independent Pictures	George Clooney	Drama	2929 Productions; Metropolitan Films; Redbus Pictures; Davis	$7,500,000	y (George Clooney)	$31,500,000

	Night Good Luck				Films; Tohokushinsha Film Corp.			
Junebug	Epoch Films	Sony Pictures Classics	Phil Morrison	Comedy/Drama			y (Amy Adams)	$2,670,000
Conventioneers	Cinema Libre Studio; Hyphenate Films	Cinema Libre Studio	Mora Stephens	Comedy			n	
2007								
Friends with Money	This Is That Productions	Sony Pictures Classics	Nicole Holofcener	Comdey/Drama	Sony Pictures Classic	$6,500,000	y (Jennifer Aniston)	$13,300,000
Half Nelson	Hunting Lane Films; Journeyman Pictures; Silverwood Films; Original Media; Traction Media	ThinkFilm	Ryan Fleck	Drama		$700,000	y (Ryan Gosling)	$2,700,000
Little Miss Sunshine	Big Beach Films; Third Gear Productions LLC; Deep River Productions; Bona Fide Productions	Fox Searchlight Pictures	Jonathan Dayton, Valerie Faris	Comedy/Drama	Big Beach Productions	$8,000,000	y (Greg Kinnear, Steve Carell)	$59,900,000
Quinceanera	Cinetic Media; Kitchen Sink Entertainment LLC; Boyias/Clements/Koulakis/ Raccah	Sony Pictures Classics	Richard Glazer, Wash Westmoreland	Drama		$400,000	n	$1,680,000
Sweet Land	120dB Films; Beautiful Motion Pictures LLC; Channel Z Films LaSalleHolland	Libero	Ali Selim	Drama		$1,000,000	n	$1,700,000
Thank You for Smoking	Room 9 Entertainment; TYFS Productions LLC; ContentFilm	Fox Searchlight Pictures	Jason Reitman	Comedy/Drama	Room 9 Entertainment; ContentFilm	$6,500,000	y (Aaron Eckhart, Katie Holmes)	$24,700,000
Sundance Film Festival								
Padre Nuestro (2007)	Cinergy Pictures; Panamax Films; Two Lanes Pictures; Producciones Audiovisuales Caco	IFC Films	Christopher Zalla	Drama			n	
Quinceanera (2006)			*see Spirit Awards*					
Forty Shades of Blue (2005)	Charlie Guidance; Flux Films; High Line Productions; Tiny Dancer Films; Mirage Enterprises	Capital Entertainment Firt Look International	Ira Sachs	Drama		$1,500,000	y (Rip Torn)	$75,828
Primer (2004)	Primer Movie Ltd.	ThinkFilm	Shane Carruth	Drama		$7,000	n	$424,760
American Splendor (2003)	Good Machine; HBO Independent Productions; This is That	Fine Line Features	Shari, Springer Berman, Robert Pulcini	Biography/Drama	HBO Films		y (Paul Giamatti)	$6,000,000
Personal Velocity: Three Portraits (2002)	Blue Magic Picture; Goldheart Pictures; IFC Productions; InDigEnt; Elevation Filmworks	MGM United Artists	Rebecca Miller	Drama			y (Kyra Sedgwick, Parker Posey)	$765,540
The Believer (2001)	Fuller Films; Seven Arts Pictures; Fireworks Pictures	Fireworks Pictures Lions Gate Films	Henry Bean	Drama	Crannog Film Partners	$1,500,000	y (Ryan Gosling)	$406,000
Girl Fight (2000)	Green/Renzi; Independent Film Channel	Fox Films Columbia TriStar	Karyn Kusama	Drama			n	$1,500,000
You Can Count on Me (2000)	Hart-Sharp Entertainment; Cappa Productions; Crush Entertainment; Shooting Gallery	Paramount Classics	Kenneth Lonergan	Drama	Shooting Gallery International (foreign pre-sales	$1,200,000	y (Matthew Broderick)	$9,100,000
		Average:				**$5,400,318.18**		**$16,451,140**
		Total of all films:				**$118,810,000**		**$477,083,071**

Table 11: Korean movies from mainstream major/minor film companies

Title	Year	Distributor	Production	Director	Genre[70]	Investment	Budget	Admissions	B.O. Revenue[71]
The Host	2006	ShowBox/ Mediaplex	Chungeorahm	Bong Jun-Ho	Drama, Action	OCN; Knowledge & Creation Ventures Co.; IBK Capital Corp; BiNext Capital; IMM Investment Corp.; SBS; M-Venture Investment; CJ Ventrure Investment; Boston Investment Co.; Cineclick Asia; Cowell; Tube Pictures Co.; Sego Entertainment Co.; Happinet Corp[72]	$11 million	13,019,740	$80, 982, 783
King and the Clown	2005/ 06	Cinema Service	Eagle Pictures	Lee Jun-ik	Period; Comedy; Suspense		$4.5 million	12,302,831	$73, 816, 986
Taegukgi	2004	Showbox/ Mediaplex	KangJeGyu Films	Kang Je-gyu	War; Drama	OCN; Venture Plus; KTB Networks; KD Media; SBS; Prime Venture Capital	$12.5 million	11,746,135	$64, 133, 897
Silmido	2003	Cinema Service	Cinema Service	Kang Woo-suk	Crime-Drama; Thriller		$8.5 million	11,074,000	$55, 702, 220
D-War	2007	Showbox/ Mediaplex	Showbox; Younggu Art	Shim Hyeung-rae	Adventure; Fantasy	Showbox		8,420,000	$52, 415, 772[73]
Friend	2001	Korea Picturea	Cineline 2; JR Pictures	Kwak Kyung-taek	Drama; Action	Cowell, Zemiro, Simmani; KOFIC Subtitle Translation, Print Production Support	$3million	8,134,500	$37, 337, 355
Welcome to Dongmakgol	2005	Showbox /Mediaplex	Film It Suda	Park Gwang-hyeon	War-Drama		$5.6 million	8,008,622	$48, 051, 732
May 18	2007	CJ Entertainment	KiHweck ShiDae	Kim Ji-hoon	Drama	CJ Entertainment	$7.2 million	7,280,000	$45, 281, 600[59]
Tazza: The High Rollers	2006	CJ Entertainment	Sidus FNH; Charm Films	Choi Dong-hoon	Drama; Thriller		$5.5 million	6,847,777	$42, 593, 173
200 Pound Beauty	2006/ 07	Showbox/ Mediaplex	REALies Pictures; KM Culture Co, Ltd.	Kim Yong-hwa			$4 million	6,619,498	$41, 173, 278
My Boss, My Teacher	2006	CJ Entertainment	Cinema Zenith	Kim Dong-won	Comedy		$3.9 million	6,105,431	$37, 975, 781
Joint Security Area	2000	CJ Entertainment	Myung Film	Park Chan-wook	Suspense; Drama	CJ Entertainment; KTB Network; intz.com	$3 million	5,800,000	$27, 260, 000
Marrying the Mafia 2	2005	Showbox /Mediaplex	Taewon Entertainment	Jeong Yong-ki	Comedy; Drama		$3 million	5,635,266	$33, 811, 596
My Wife is a Gangster	2001	Korea Pictures	Hyun Jin Cinema	Jo Jin-gyu	Comedy; Action	Seo Sewon Production; Korea Pictures	$1.5 million	5,180,900	$23, 780, 331
Marathon	2005	Showbox/ Mediaplex	Cineline II	Jung Yoon-cheol	Drama		$2.8 million	5,148,022	$30, 888, 132
Memories of Murder	2003	CJ Entertainment	Sidus	Bong Joon-ho	Crime-Drama	Muhan Investment; iPictures; Sidus and Discovery Venture Capital	$2.8 million	5,101,645	$25, 661, 274
Marrying the Mafia	2002	Cinema Service	Taewon Entertainment	Jeong Heung-sun	Comedy			5,021,001	$24, 954, 375
My Sassy Girl	2001	Cinema Service	Shin Cine Communications	Kwak Jae-yong	Comedy; Romance	MVP Venture Capital; Cinema Service/IM Pictures	$2.5 million	4,852,845	$22, 274, 559
My Tutor Friend	2003	CJ Entertainment	Corea Entertainment	Kim Kyung-hyung	Romance; Comedy; Action		$1.7 million	4,809,871	$24, 193, 651
Kick the Moon	2001	Cinema Service	Fun and Happiness	Kim Sang-Jin	Action, Comedy	KOFIC	$4 million	4,353,800	$19,983,942

Approx. Averages:	Budget = $4.836 million	B.O. Revenue = $40.6 million	Admissions = 7.43 million
Approx. Totals:	Budget = $96,720,000	B.O. Revenue = $812,283,942	Admissions = 145,463,800

[70] Genres listed here are based on those classified by ASIANDB – www.asiandb.com
[71] Exact figures weren't complete. Figures listed here are estimates based on average ticket prices for each year as listed in under Koreanfilm.org, Reviews. In U.S. dollars.
[72] IMDB, Gwoemul, Company Credits
[73] Based on 2006 ticket price

Table 12: Independent Korean film

Title	Year	Distributor	Production	Director	Genre	Investment	Budget	Admission	B.O. Revenue
The Unforgiven[56]	2005	Chungeorahm Films	A&D Pictures	Yoon Jong-bin	Drama	KOFIC: Subtitle Translation, Print Production, Diversity, Independent Film	$150,000		
The Crescent Moon[56]	2005	Ennet Communication	Ennet Entertainment Network; ShinCine	Jang Gil-su	Drama	KOFIC: Production Support for Feature Films; Marketing Support for Art Films	$1.1 million		
My Right to Ravage Myself[56]	2005	Movies Entertainment	Dongnyuk Film	Jeon Soo-il		KOFIC: Pre-production Support for Feature Films; Support for Subtitles, Translation, and Print Production; Marketing Support for Art Films	$1.15 million		
Grain in Ear[56]	2005	Dongsung Art	Doo Entertainment; Co-produced with Shu Film Workshop	Zhang Lu	Drama	KOFIC: Marketing Support for Art Films 2005; Support for Subtitles, Translations, and PrintProduction	N/A		
Magicians[56]	2005	Dreamcomes	Dreamcomes, Magician Film	Song Il-gon	Drama	KOFIC: Support for Subtitles, Translation and Print Production; Marketing Support for Art Films	N/A		
Brainwave[56]	2005		Enerzi	Shin Tae-ra	Thriller	KOFIC Projection Support for Digital Films			
The Forgotten Child: Shin Sung-il is Lost[56]	2006	Sponge Ent.	Shinjaneland	Shin Jane	Drama	KOFIC: Production Support for Independent Digital Feature Film	$60,000		
Chulsoo & Younghee[56]	2005	Sponge Ent.	Cine Piazza	Hwang Qu-dok	Drama	KOFIC Marketing Support for Digital Films	$200,000		
Spying Cam[56]	2005	CJ Entertainment	Cinegut Films	Hwang Cheol-mean		KOFIC: Marketing Support for Digital feature films	$100,000		
Fade into You[74]	2005	IndieStory	Chegy	Chegy		KOFIC: Production Support for Independent Films; Projection Support for Digiral Films	$50,000		
Hello Stranger[75]	2007	IndieStory	Kim Dong Hyun Films	Kim Dong-hyun	Drama				
Life Track[58]	2007	IndieStory	Studio Nurinbo; Yanbian Broadcast	Jin Guang-hao	Drama				
Milky Way Liberation Front[58]	2007	IndieStory	Youth Film; Generation Blue Films	Yoon Seong-ho	Drama, Comedy		$100,000		
A Shark[58]	2007	IndieStory	Kim Dong Hyun Film	Kim Dong-hyun	Drama		$38,000		
Dimmer[58]	2007	IndieStory	Sidus FNH; Dongguk Univ. Dept. of Film % Digital Media	Kim Sam-ryeok	Drama	KOFIC: Support for Subtitle Translation and Print Production	$100,000		
Shocking Family[58]	2006	IndieStory	Redsnowman	Kyung-soon	Documentary				
My Song Is…[58]	2007	IndieStory	CR Film	Ahn Seul-ki	Drama				
Taxi Blues[58]	2005	IndieStory	Redsnowman	Choiha Dong-ha	Documentary				
Workers Band[58]	2007	IndieStory	Lee Jang-seop	Jang-seop	Documentary				
Who's That Knocking at My Door? [58]	2007	IndieStory	Relay Film	Yang Hea-hoon	Drama	KOFIC: Marketing Support for Diversity; Production Support for Independent Film	$110,000		

Average: Budget (out of 11) = $287,091

[74] Korean Film Council, 2007a
[75] IndieStory, Features

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