CHAPTER II
ATTRIBUTES OF FILM AS A
COMMODITY AND CHARACTERISTICS
OF FILM INDUSTRY

2.1 Definition of Feature Film and its Economic Significance:

Film industry is usually identified with the production of feature films because the large majority of films produced and traded by film industry are feature films. The Cinematograph Films Act of 1938 in Great Britain had defined a feature film as the film, 'the length of which is not less than 3000 feet, with running time of about 33 minutes'. India has adopted the same definition of feature film. Sometimes the film industry produces featurettes. They are cheaply made films of just over 3000 feet length, so as to rank as feature films. Of course, the regular feature films which are generally produced in the Western countries have average length of 9000 to 10000 feet, while the Indian feature films, including those produced in Marathi, have an average length of 13000 to 15000 feet, with running time of about two and half hours. The featurettes and short films have been without much business value, because the viewers, distributors and exhibitors attach little importance to anything but the main feature film. The revenue obtainable by producing short films is so small that the producers are not likely to produce them without the sponsorship. Hence, from
producers’ point of view, feature films are perhaps the only films which are directly marketable to the viewers by charging admission rates for it. In case of supporting films like short films, documentaries and newsreels, there are usually institutional buyers like Government or some advertising companies, who then release these films along with the main feature film. There are no separate admission charges to the viewers for the exhibition of these films.

Thus, from the economic point of view, the feature films enjoy the unique position of their own and it is for this reason, the scope of this study is confined to the production, distribution and exhibition of only feature films.

Through the experience, the producers learnt that the length of a film of 10000 to 12000 feet, with running time of 1.5 to 2 hours is sufficient to present a full length story with entertainment value. The scientific surveys of the viewers also showed that the time duration of 1.5 to 2 hours is the ideal duration for the viewers to concentrate on and to enjoy the film without much physical and mental strain.

Of course, the Indian public wants feature films with longer duration to get full value of the money they pay.

2.2 Film as an Art:

On the basis of the above definition of a feature film, it is possible to focus attention on some special attributes of feature film as an art.

a) Film is the youngest member of the whole family of
various types of arts. These arts can be broadly classified in three categories:

1) Performing Arts like drama, music and dance.

2) Representation Arts which depend on established codes and conventions to convey information. They include drawing and literary writing.

3) Recording Arts which include photography, sound recording and film making.

Since film making is a recording art, it is best equipped to have faithful reproduction of reality. This is one reason why it has very deep sociological and political impact on the masses.

The importance of film for the reproduction of reality is borne out by the fact that it is most preferred for the scientific purpose.

b) Unlike most of the other forms of art, the production of film involves much larger use of scarce inputs and so, even if it is an art, it can not be used purely for the personal satisfaction of the artiste. In case of graphic arts like drawing, inputs required are only paper, pencil and brush. To have a sculpture only stone and mental concentration are required. A writer can produce literature with the help of paper and pen. For music, only manuscript and musical instruments are required. If we come to theatre art, it comes little closer to cinema because the initial cost of staging a drama-show is very high but the cost of repeat performance of such shows is low.
The cinema takes to economic feature of theatre and magnifies it. As the production of feature films involves use of scarce inputs which society requires for alternative uses, the film maker has a social obligation to make his film acceptable to the society. It involves the business of marketing the film to the audience.

c) The production of feature film, unlike other forms of art, requires much more co-operative efforts and teamwork. It involves a large number of creative artistes, skilled craftsmen and technicians. In fact, it is claimed by the film critics that film has capabilities to incorporate other forms of art, because it uses literary talent for story, screenplay and dialogue. It uses histrionic talent of actors and actresses. It also makes use of music and dance which are, in fact, an integral part of the Indian feature films. This characteristic of film as an art creates the problems of organisation, planning and management which are relatively less important in the other forms of art.

2.3 Film as a Commodity:

a) For the producer of a feature film, it is a tangible commodity in the form of exposed negative and the final prints of the film. In fact, it is a highly durable tangible good because negative can be preserved for any length of time. Since film is a recording art, its reproduction can be accomplished with hardly any deterioration of the quality.

However, for the ultimate consumer who is none else than
the viewer, film is a commodity in the nature of a service. He can not have the physical possession of the film; what he derives is an audio-visual experience which satisfies his need of recreation. Therefore, like any other service, the production must occur at the time and at the place where the consumption occurs. When in cinema theatres such production of services take place, the print of the film becomes only an input which, with the help of projector, creates the output of audio-visual service.

b) A feature film being an artistic venture can not be a standardised commodity. In fact, no two feature films are exactly alike, which emphasizes the heterogeneous character of film as a commodity. At the technical level, a feature film can be black and white or colour or it can use 16 m.m., 35 m.m. or 70 m.m. format. At the artistic level, the quality of a film depends upon the cast of the film, the story content, the nature of dialogue and music. It is often found that a hit feature film is followed by many similar films which fail to reproduce the success of the hit film. This happens because of the heterogeneous nature of the inputs involved as well as unpredictable audience preferences. This prevents excessive generalisation about the economic aspects of different films in terms of cost, output and profit. It also creates uncertainty about the public acceptability of a film. Such uncertainty is common in all forms of art. However, in case of a feature film it assumes economic significance because of
large investment made to produce a film. Theoretically, it is necessary to apply the analysis of decision-making under the conditions of uncertainty to the business of making and marketing feature films.

c) When film as a commodity is produced, it involves large production cost. However, there are conceptual difficulties in dividing production cost in a customary manner between fixed cost and variable cost. If we consider each feature film as a unit of commodity, practically all production cost is variable cost, at least in India, because a typical film producer in India does not have fixed assets of his own in terms of the infrastructure like studio, equipments and processing laboratories. However, if we take print of a particular film as a unit of the commodity, the production cost upto final exposed and developed negative of the film becomes fixed cost whereas the cost of prints partakes the character of variable cost. If we further take the film as a service consumed by each viewer in the theatre, the cost of print is now a fixed cost whereas the exhibition cost in the form of theatre rent etc. is now a variable cost. Here again, if a theatre is booked at least for a week on a fixed rent, the cost of rent becomes fixed cost, as it does not vary with the occupancy in theatre for a fixed number of shows per week. This discussion suggests that when the occupancy in the theatre is below its house-full capacity, the cost of giving film as a service to an additional viewer is almost zero. It indicates that in such case marginal cost being
almost zero, any marginal revenue which is greater than zero can increase the total profits of the producer and distributor of the film. Thus the terms, 'fixed and variable costs' change their connotation under different contexts.

d) Since for ultimate consumer, film is a service to be consumed in the cinema theatre, the consumption has two constraints namely, purchasing power of the consumer and the time at his disposal. As the consumption of a feature film requires time duration of about two and half hours, a person who can not spare so much time has to forgo the consumption, even if he has adequate purchasing power. In other services of recreation, time involvement is present but in case of non-recreational services, it is not an important constraint. The time constraint on the consumption of film as a commodity has some important implications. It is found that people belonging to younger age group have much higher frequency of cinema visits. This is mostly because they have more leisure time at their disposal. Similarly, the surveys show that female audience for cinema is usually lower than the male audience. This is also due to more demands on the available time of women for the family work. Another implication of time constraint is related to the spread of cinema theatres at a number of places, so that time wasted in the conveyance, to and from cinema theatre can be minimised. Thus, increase in the number of cinema theatres with even dispersal can create a net increase in the demand for film as a commodity.
e) The marketability of a feature film depends partly on the selling cost in terms of publicity of the particular film. However, the returns from such selling cost are relatively less durable because publicity outlay made for one feature film can not be much useful to create demand for another feature film produced by the same firm. It implies that every new feature film requires a new publicity campaign and except the star names having the box-office pull, there is very little in the form of goodwill which a film producer can command in the market to sell his new film to the ultimate viewers.

2.4 Peculiar Features of Film Industry:

a) Film industry is a service industry with 'goods support'. Though its final output is in terms of recreational service, there is peculiarity of tangible film production in terms of the prints of a feature film. Services are defined as acts or processes that are produced as they are consumed, they can not be inventoried and there can be no merchant middlemen since only direct sales are possible. In case of the film industry, there are middlemen like distributors who act as connecting link between producers and exhibitors and exhibitors who are an intermediary between distributors and ultimate consumers. Yet, it is appropriate to regard film industry as a service industry because as in case of any other service industry, marketing becomes part of the production process itself in the film industry. There is no existence for film industry as an economically viable venture, unless production
and marketing are organically linked with each other. Transport industry is a service industry but it can be distinguished from the automobile industry which produces the tangible good, vehicle, which is used in the transport industry. Thus, it is possible to visualise automobile and transport as two distinct industries. However, in case of film industry, it is impossible to make such separation between film production and film exhibition. In fact, the complementarity between production, distribution and exhibition sectors of the film industry encourages the tendency of vertical integration between these sectors.

b) The entrepreneurial decisions in the film industry are guided by both economic and non-economic considerations. Even if the production of feature film is a business, prompted by profit motive, there is a kind of consumption content in the very production process. Those who invest their money in film production are drawn into the industry by glamour, fame and other pleasures associated with the film production. A creative film maker has a joy of satisfying his urge to express the ideas conceived by him. Therefore, such producers have their own wants satisfied while satisfying wants of others.

This is one reason why there is a continuous influx of new producers despite high mortality rate of the existing film producing firms. In this context it is necessary to recall that the film industry is one of very few industries where total cost of all the films together is always higher than total receipts.
The normal economic law indicates that such situation of loss will reduce the number of firms in the industry. However, this does not happen in the film industry. The exit of old firms is often more than compensated by the entry of new firms. In this context, the observations made by Mr. Sethumadhavan, a renowned Malayalam film director are worth quoting. According to him, this situation reminds of Greek Legend about the 'The Warriors of the Golden City'. The legend is that the warriors invade the golden city with the hope of striking the gold and after being badly mauled and defeated, again a new batch of warriors enters the city with the hope that they can succeed where others have failed.

c) As film industry is concerned with the artistic ventures, it is natural that only a few, among many, can succeed and get public nod of acceptance. Thus, by its very nature, the number of box-office disasters is much more than the number of hit movies. This makes the business activity in the film industry highly speculative and sometimes the activity borders on gambling, rather than a systematically planned business project.

This fact of uncertainty becomes more important because the failure of a film involves a huge loss of scarce resources and can affect a large number of people connected with it. It means it is no longer a matter of individual success or failure; it is rather a socio-economic problem.

d) Capital invested in the film production is either
recovered within a short span of time or permanently sunk as deadweight investment. When a film is completed, the returns from the screening of the film accrue within a short period, sometimes even in less than six months.

With the present tendency of simultaneous release of a film at a large number of theatres, the pay-back period for film industry is much shorter than in many other industries. However, if a film fails to make any impact on the box-office in the first few weeks of its release, investment in such film can never be recovered and the fixed asset in terms of the final negative of the film would not have any significant economic value. It suggests that economically the asset would soon be obsolete. This is one reason why the negative of a feature film, with no definite realisable market value, is not usually accepted as a tangible security to get institutional finance for the film production.

e) The market structure of the film industry is either monopolistically competitive or oligopolistic. In the Western Countries it is oligopolistic. For example, in the U.S.A. seven big companies dominate most of production and distribution of feature films. The barriers to the entry of new firms, a feature peculiar to oligopoly is very much evident in the U.S. film industry. However, in India the film industry is monopolistically competitive. Product differentiation, selling cost, non-price competition, output fixed at a point of declining portion of the cost curve, excess capacity and a large
number of relatively small sized firms are some important characteristics of monopolistic competition. All these characteristics are evident in the Indian film industry.

f) The price mechanism as an equilibrating mechanism between demand and supply is mostly inoperative in the film industry. Though different feature films have different degree of public acceptability, the price charged in the form of admission rates does not usually vary from film to film. Even if the audience demand for a particular film is high, there is no corresponding increase in the admission rate except in the black market of cinema tickets.

Therefore, the rationing of demand is achieved not through price adjustment, but through a longer run of a film and its release in a larger number of theatres. In the former case, the viewers have to postpone demand till the tickets are available. According to some observers, more flexible admission rates would be useful to adjust demand to the level of fixed supply of seating capacity in theatre. For example, the admission rates can be higher during the initial week when there can be excess demand and then subsequently lower to have more occupancy in later weeks. However, in practice, such price flexibility does not operate for certain administrative and legal reasons. Therefore, the allocation of fixed seating capacity at the time of excess demand among different viewers is made on the 'first come first serve' basis.

g) Conceptually, there is no specific physical unit to
measure the output of film as a service. The number of films produced per year can give idea of only the output of the tangible films. However, the ultimate output of the recreational service rendered by feature films must be measured in terms of the number of cinema visits per period of time. Larger the number of viewers of a film, larger is the output of service rendered by the film. The value of this output has to be measured in terms of the box-office receipts of the film. This value depends on both the number of viewers and the structure of admission rates of cinema theatres where the film is released.

The above discussion of film as an art, film as a commodity and some peculiar features of the film industry can be applied to the Indian film industry. On the basis of this discussion, it is possible to analyse the working of the film industry and its problems.

References:
17. Monaco James, op. cit. p. 392.