

THE KOREAN FILM INDUSTRY,

DRAMATIC MOVEMENT OVER THE NEXT GENERATION

1. The origin of the new wave on Korean screens

Korea is the only nation ideologically divided in two – this seems to be the most reasonable explanation for the Korean people being so moved by the movie *JSA (Joint Security Area)* which photographed the situation of a divided Korea – together with the series of changes that took place in the Korean film industry in the 90s.

On the other hand, as shown by the wild fluctuations in the table that follows, the Korean film industry has been deeply affected by external factors, such as: the influence of the production strategies of the Hollywood blockbusters, the impetus provided by large-scale funding and the value of the Korean movie in itself.

In particular, economic issues and social trends such as the financial crisis in 1997 supported by the International Monetary Fund and new legislation introducing five working days a week, have been decisive in determining the new direction taken by the film industry.

One salient feature over the past decade has been the increasing success of Korean films on the screens, where they have proved capable of attracting new spectators – a phenomenon similar to

that witnessed in some European countries, according to what emerged during MEDIA Salles'

Focus on Europe event at Cinema Expo International 2002, in Amsterdam.

Considering all these points, the following three reflections on the Korean film industry, especially from the 90s up to the present, may be offered to European movie concerns.

2. Increasing market share of Korean movie, from 15.9% to 45.2% within 9 years

Until 1993, the Korean movie had a very small market share, because of its low quality, due to the limited budget for production and the lack of a well-developed system compared to the mighty Hollywood majors, which had been present on the Korean market since 1988. Accordingly, the market share of Korean movies had been steadily decreasing for the above mentioned period, finally dropping to 15% and threatening its very existence.

However, in 1999 the film *Shiri* brought a positive turning. It was the first Korean blockbuster movie, recording around 5 million spectators: it catapulted to the top of the South Korean box office and ended up toppling the record previously held by *Titanic*. This exceptional event was enough to initiate large-scale fund-raising and the creation of a production system by SEG (Samsung Entertainment Group). *Shiri*'s success, representing the opportunity for the market share to soar to

39.7%, inspired many Korean film-makers and convinced them that Korean productions could be successful if they were based on a good financial support and a selected, quality background (see diagram 1).

Subsequently other Korean movies, like *Joint Security Area* and *Friend* were of great impact in the Korean film market, so that in 2002 the market share settled at 45.2% in terms of admissions and at a higher 46.7% in terms of box office. It should be remembered that, at the end of the nineties, the number of foreign movies released in Korea was six times higher than for domestic movies (see diagram 2).

Apart from the development of the Korean movie in itself, the spread of multiplexes, mainly belonging to the Orion Group and CJ, and the legislation on the “five-day working week” have tempted the Korean people to visit theatres more during their longer weekends. As a result the Korean film market has continued to expand by 17% to 18% each year and total audiences in 2002 amounted to over 100 million (see diagrams 1, 3, 4).

In addition, major distributors of Hollywood movies, such as Warner Brothers, MGM, and Dreamworks began to obtain the copyright for remakes of several movies that had been big hits on the Korean market. Fox, Walt Disney and other direct-distribution companies also started to take

Korean movies on board their global distribution runs. Most recently, Columbia signed a contract on world distribution and investment with a local production company.

3. Large Korean enterprises join the race for film business

In the turmoil of the national crisis and IMF aid, most of the funding for the film industry seemed to come to a halt as the major sponsoring companies became involved in corporate restructuring and attempted to do away with unnecessary expenses and investments. Nevertheless, not only small and medium funding but also financial capital were able to replace the void thanks to a series of Korean movie successes and the theatre franchising system for securing stable profits.

As the film industry recovered from the monetary crisis thanks to this massive funding and to the constant production of quality movies, the situation was reversed. Competition on this market is becoming fiercer day by day and the major Korean enterprises with nationwide multiplex chains, represented by the Orion Group, CJ and Lotte, strive to strengthen their market leadership in terms of production and distribution, as well as exhibition. Another dark horse on the market, Cinema Service, has made the production and distribution of Korean movies its top priority and is now starting to open its own theatres. Significantly, it is already known that this company has concluded

a merger deal with its foremost competitor, CJ, and the Orion Group and Lotte are expected to launch survival strategies that will lead the market into the second round.

4. Bubbles & preparations for the bright scene

“All-about big money, pour your money into the cinema” – this message circulating amongst Korean investors tuned out to betray their boundless belief in Korean movies. In the 2000-2001 period the amount of money invested in the film industry soared to 201,500,000,000 Korean Won and these enormous figures led the market into a bubble trap, instead of developing it. This resulted in a serious problem for the Korean industry of “ineffectiveness”, due to the high marketing costs for surviving in the midst of keen competition and the failure of the overall scenario. Eventually, the film market has started to cool since last year.

In conclusion, the Korean film industry will probably be managed by a few major investors and distributors this year, who will also be fierce competitors in a critical situation characterised by excessive demands for strictly limited funds.

June-Kyoung Park

Marketing Team Manager – Showbox