

Research Article

Value Chain Analysis in the Film Industry: A Literature Review

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Abstract.

The film industry has undergone significant transformation due to technological advancements and shifts in consumer behavior. The original value chain concept was introduced by Porter (1985), and has been widely adapted to represent activities within the film industry, including production, distribution, and exhibition. This study employs a literature review to uncover the evolution of the value chain and use it as a theoretical framework for the film industry, which includes understanding the value chain dynamics, assessing competitiveness, adapting to digitization, and employing the concept of value networks. The methodology involves a structured search strategy across diverse sources, supplemented by snowballing, aiming to extract insights into integrating the value chain model with the industry. The findings demonstrate that the value chain concept signifies interconnections among different stages of the film industry, enhancing value creation and competitive advantage, with effects on digitization and digital distribution. By recognizing the activities within the value chain, the film industry can strategically optimize its processes, adapt to evolving trends, and make informed decisions that increase competitiveness. By connecting theoretical foundations with practical implications, the findings of the study contribute to an enriched understanding of film industry dynamics, value creation, and competitive strategies, offering valuable insights to practitioners, researchers, and stakeholders.

Keywords: value chain, film industry, competitiveness, vertical integration, digital distribution

1. Introduction

The term “value chain” was formally introduced in 1985 by Michael Porter in his influential work, “Competitive Advantage: Creating and Sustaining Superior Performance.” It refers to the interconnected activities within an industry that create and deliver value to consumers [1]. Porter’s value chain concept encompasses primary and support functions and is invaluable for understanding and enhancing overall competitiveness.

The film industry is a dynamic and multifaceted sector encompassing the process of creation, production, distribution, and exhibition [2]. It plays a significant role in the global economy, employing a large workforce and generating substantial revenues

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Published: 19 November 2024

Publishing services provided by Knowledge E

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Selection and Peer-review under the responsibility of the 1st ICCDBS Conference Committee.



from theatrical releases and ancillary markets like home video and merchandising. This industry is characterized by its creative nature, where artistic decisions have profound economic implications, making it a complex and intriguing field for analysis.

Value chain analysis is a framework that effectively captures the complexities and interdependencies within the dynamic film industry. Scholars have explored the film industry from various perspectives, frequently using Porter's value chain model as a foundational framework for examining firm competitiveness and achieving sustainable advantages.

The study by Eliashberg et al. demonstrated how the value chain model sheds light on the interrelationships between production, distribution, and exhibition stages, highlighting critical activities within each stage and their impact on the overall competitiveness of film production [2].

Furthermore, value chain analysis provides valuable insights into the coordination and collaboration among various industry players. The film industry operates through complex networks comprising production companies, distribution channels, exhibitors, talent agencies, and marketing firms [3]. Understanding the interdependencies and relationships among these entities is crucial for identifying collaboration opportunities and enhancing the industry's overall competitiveness [4]. By harnessing these collaborations, firms can improve their competitive position by pooling resources, sharing expertise, and collectively addressing industry challenges.

This literature review explores the diverse perspectives in which the value chain is a robust tool for identifying contemporary research themes in the film industry.

In this context, our literature review aims to address two critical research questions:

To what extent has the evolution of the value chain concept been a crucial tool in understanding the film industry dynamics?

What key themes can be derived within the value chain context to inform our understanding of the film industry's dynamics and challenges?

These questions will guide our exploration of the multifaceted role of the value chain concept in the film industry, shedding light on its impact on industry development and competitiveness.

2. Methodology Research

The research method for this literature review article involves several key steps. Review articles are fundamental for theory development, research direction, and knowledge consolidation. In this context, the aim is to provide a structured and theory-driven exploration within the field of film business studies, specifically focusing on the value chain concept as pictured in Table 1.

The process began with the selection of appropriate databases. Initially, Scopus, a well-regarded academic database, was chosen due to its extensive collection of peer-reviewed journals, conference papers, theses, dissertations, and scholarly publications. This decision was made to ensure access to high-quality academic content directly relevant to the research questions. Additionally, Google Scholar (GS) was incorporated into the search strategy based on its reputation for extensive coverage [5], supported by research showing its citation data surpasses that of Scopus [6]. GS's broad reach is particularly valuable for citation analyses in management and international business studies. The combination of Scopus and GS was chosen to maximize the breadth of the literature search. Both platforms offer advanced search functions and filtering options, enabling researchers to fine-tune their search queries and access the most relevant literature. The utilization of Publish or Perish (PoP) software, recommended by Jacsó [7], further streamlined the process by extracting bibliometric data from both Google Scholar and Scopus, enhancing the efficiency of the literature search. The search aimed to identify relevant studies published until July 31, 2023.

To ensure thoroughness, a snowballing methodology was employed. Snowballing, as recommended by Webster & Watson [8], involves both backward and forward approaches. Backward snowballing explores citations within initially identified articles, while forward snowballing identifies articles that cite key references from the initial set. This iterative process continues until no new concepts or relevant studies are found. Following the approach outlined by Wohlin [9], this study utilized snowballing to identify relevant research papers. The process began with an initial set of relevant papers, and backward and forward snowballing techniques were applied to each, systematically expanding the pool of pertinent literature.

To gather relevant literature concerning the influence of the value chain framework in the film industry, a carefully constructed search string was employed (see Figure 1). This search string included terms such as “film production,” “film industry,” “movie industry,” and “cinema industry” to ensure the inclusion of various facets of the industry

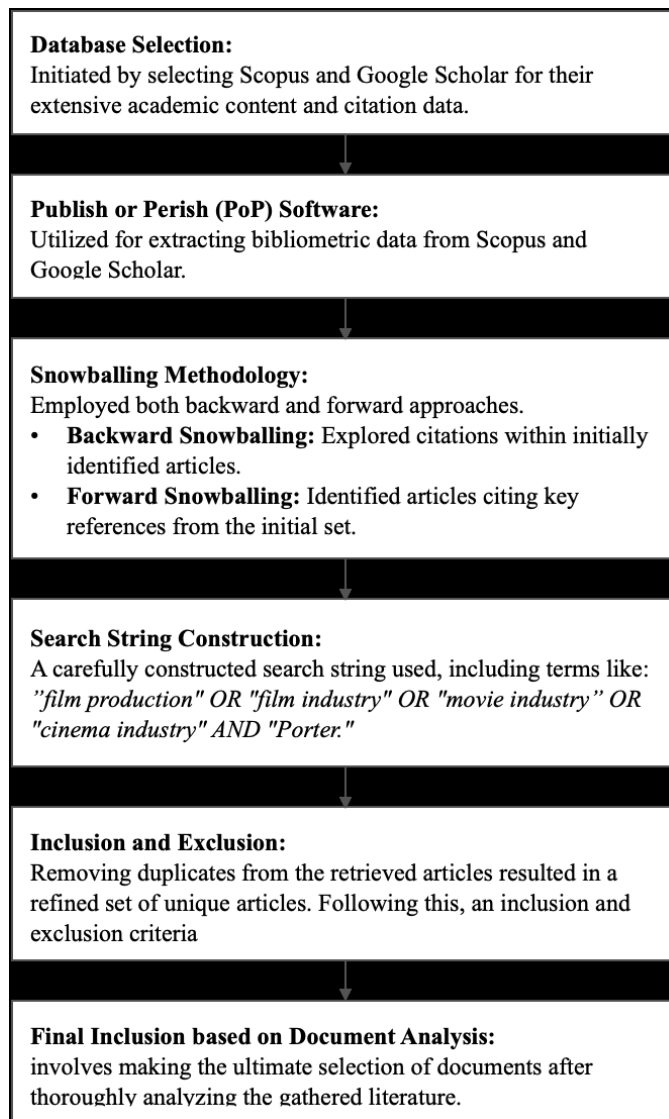


Figure 1: Literature Review Methodology Workflow.

and prevent the unintentional exclusion of relevant studies that might use different terminology. Moreover, the search string incorporated the term “Porter” to refine the search, specifically targeting articles related to Michael Porter’s seminal work on the value chain framework. This approach ensured a focused exploration of the application and consequences of the value chain concept within the film industry.

Subsequently, removing duplicates from the retrieved articles resulted in a refined set of unique articles. Following this, an inclusion and exclusion criteria assessment was applied to narrow down the selection further. The articles that met the criteria proceeded to the full-text review stage. This review identified articles that demonstrated practical relevance to the research questions.

TABLE 1: Literature Review Summary on Key Themes in Film Industry Research.

Year	Author	Value Chain Evolution	Vertical Integration	Competitiveness Assessment	Digitization's Impact	Value Network
2001	Mezias & Kuperman [10]	•	•			
	Zhu [11]				•	
2006	Eliashberg et al. [2]	•	•		•	
2007	Hearn et al. [3]					•
	Vang & Chaminade [12]			•		•
2008	Küng [4]	•	•	•		
	Vickery & Hawkins [13]			•	•	
2010	Casassus et al. [14]	•	•	•	•	
	Finney [15]	•		•	•	•
2014	Bloore [16]	•			•	
	Ferrer-Roca [17]					
	Finney [18]	•			•	
2015	Kehoe & Mateer [19]	•			•	
	Simon et al. [20]				•	
2016	De Vinck & Lindmark [21]			•	•	•
2017	Chapain & Stachowiak [22]				•	•
	De Voldere et al. [23]		•	•		
2018	Stachowiak & Stryjakiewicz [24]					•
2019	Crissey [25]	•	•	•	•	
	Lee & Kim [26]		•	•		
	Salvador et al. [27]			•	•	
2020	Vitkauskaitė [28]		•		•	
2021	Schulz et al. [29]				•	

Source: Analysis by Author (2023)

Table 1, titled “Literature Review Summary on Key Themes in Film Industry Research,” provides an overview of relevant literature consisting of 23 articles. These articles delve into various critical themes within the film industry, including Value Chain Analysis, Vertical Integration, Competitiveness Assessment, Digitization’s Impact, and Value Network. This article thoughtfully examines and assesses these papers, contributing valuable insights to understanding the film industry’s dynamics.

2.1. Evolution of the Value Chain Concept in the Film Industry

The value chain concept, which consists of activities to deliver customer value, is evident in the academic examination of the film industry's evolution. Mezas & Kuperman laid the foundation by connecting the value chain concept with film production, distribution, and exhibition [11]. Their pioneering work highlighted the intricate interplay of these elements in the early American film industry, emphasizing the industry's evolution towards integrated studios. Building on this foundation, Eliashberg et al. delved deeper, exploring strategies to improve the profitability of motion pictures while reducing risks [2]. Küng further expanded this objective by integrating the film industry value chain with Porter's Competitive Advantage framework, optimizing value chains to provide cost-effective and customer-centric solutions [4,1]. Vickery & Hawkins added depth to the customer experience by highlighting the importance of value accumulation, emphasizing the film and the exhibition and auxiliary streams that contribute to a holistic entertainment offering [13].

Independent cinema has emerged as a dynamic arena for value chain model improvement. Bloore introduced a novel independent film value chain model that recognizes the pivotal role of the development phase, generating diverse film concepts, securing funding, and initiating production financing [16,30]. Crissey advocates a supply chain approach in low-budget filmmaking, prioritizing cost efficiency over competitive advantage and customer value maximization within the value chain model [25]. Finney highlights the value chain streamlining and inherent risk in the disintegrated model of independent film production [15].

2.2. Vertical Integration in the Film Industry

In the early American film industry, vertical integration led to the dominance of producer-distributor firms, granting them substantial control over film creation and distribution. Major studios continued integrating various film functions to enhance competitiveness, albeit with some potential risks [11,2,4]. Digitalization reshaped the film value chain, fostering closer integration between production and post-production, redefining distribution roles, and fostering convergence between cinema and television markets [13].

Contrastingly, the European film industry is marked by fragmentation, SME domination, and limited integration across EU countries. This fragmentation stems from narrow film catalogs, prompting reliance on state aid and scarce development funds.

While local films excel in certain regions, integrated production and distribution are uncommon, with producers favoring territorial licensing for pre-financing due to VOD's revenue limitations [23]. However, in the UK, chain bundling, an approach streamlining low-budget film production through digital technology, has emerged [25].

2.3. Competitive Dynamics in Film Industry

Küng and Salvador et al. emphasize the importance of media transformation and changing consumption patterns as pivotal drivers for competitiveness in cultural and media industries [4,27]. Küng discusses internal and external shifts in the media sector, stressing adaptation to evolving production methods, audience dynamics, and market trends. Salvador et al. focus on disruptive changes driven by digital technologies, particularly in cinema, and the shift from push to pull in media consumption [27]. Both studies highlight the need to understand and adapt to these shifts to maintain competitiveness.

Lee & Kim's study introduces value chain integration as a critical driver for competitiveness within cultural industries [26]. This research emphasizes the essential role of Large Enterprises (LEs) in these sectors. It illustrates how LEs integrate into the industry's value chain, enabling them to carve out unique growth trajectories and enhance competitiveness. Additionally, the study underscores the significance of collaboration between Large Enterprises and Small and Medium-sized Enterprises (SMEs) in amplifying the dimensions and scope of the cultural business ecosystem.

De Vinck & Lindmark's study addresses competitiveness challenges in the European film industry, where Hollywood majors dominate [21]. This study identifies barriers to entry, including underinvestment, fragmented distribution, and limited marketing resources for European films. It stresses the importance of policy support and strategic adaptation to address these challenges.

Crissey's study delves into the challenges faced by the UK film sector in competing with Hollywood's entrenched dominance [25]. It explores strategies such as lower-budget filmmaking to diversify the industry and enhance competitiveness. The study also discusses macroeconomic perspectives regarding Hollywood's global profit dominance and its impact on the UK film industry during the digital revolution. It highlights the complex, competitive landscape and hurdles the UK film industry faces.

2.4. Digital Transformation & Digitalization of the Film Industry

Several studies, including Küng, Vickery & Hawkins, Casassus, and Salvador et al., underscore the pivotal role of technology and digitalization as key drivers for competitiveness in various cultural and media industries [4,13,14,27]. These studies collectively emphasize the transformative impact of digitization, highlighting its significance for staying competitive in rapidly evolving sectors. They stress the need for businesses to adapt to changing technological landscapes and leverage digital tools, online platforms, and IT advancements to gain a competitive edge.

Furthermore, the ongoing transformation of the film distribution landscape underscores the industry's commitment to delivering enhanced value to customers. As Finney discussed, simplifying the value chain, driven by direct online links between producers and consumers, promises to improve customer convenience and accessibility [18]. Kehoe & Mateer contribute by examining film distribution strategies, ensuring that customers can access their preferred viewing platforms and channels, reinforcing the industry's dedication to enriching the cinematic journey [19]. The value chain remains a focal point in this evolving landscape, aligning industry strategies with customer-centric innovations.

In a global context, large enterprises (LEs) echo historical trends, connecting hardware and software activities across the world. Digitalizing industries have blurred traditional boundaries, especially in media content and distribution. In this evolving landscape, firm size becomes critical for sustainable competitiveness, encouraging LEs to strategically diversify and leverage their vast resources [26].

2.5. The Dynamics of Value Network

Hearn et al. introduce the concept of a "value-creating ecology," emphasizing dynamic value flows and active consumer involvement [3]. Stachowiak and Strykiewicz view the creative economy's value creation process [24]. Chapain & Stachowiak investigate how value creation is intertwined with film industry innovation, highlighting the importance of spatial proximity, creative environments, and tacit knowledge sharing in film clusters [22].

Chapain & Stachowiak analyze film industry innovation from a value network perspective, stressing the role of clustering in innovation within the film value chain [22]. Vang & Chaminade explore the value network perspective in cultural clusters, particularly

Toronto's film industry, emphasizing global-local linkages' impact on cluster competitiveness and the flow of knowledge and resources [12]. De Vinck & Lindmark examine the value network in the feature film industry, comprising production, distribution, marketing, exhibition, and auxiliary activities [21].

3. Conclusion

In conclusion, this literature review demonstrates that the evolution of the value chain concept has been a pivotal and indispensable tool in comprehending the dynamics of the film industry. The evidence presented throughout this review illustrates the profound impact of the value chain framework on the industry's development. It reveals the intricate interplay of film production, distribution, and exhibition, which has played a significant role in the industry's evolution towards integrated studios. Furthermore, the review reaffirms the instrumental nature of the value chain concept in framing and enhancing our understanding of the film industry's ongoing transformation. The findings consistently emphasize that scholars have effectively harnessed the value chain framework to assess the industry's competitiveness, successfully identifying and explaining the critical determinants for its continued success.

Moreover, in the context of digitization, it emphasizes that the film industry's adaptation to digital technologies has been pivotal in its efforts to sustain competitiveness. This strategic adaptation involves leveraging digital tools and platforms to enhance customer experience and streamline value delivery. Lastly, the literature review highlights the increasing emphasis on the importance of value networks and disaggregation within the film industry, shedding light on the intricate interdependencies and value creation processes in this evolving landscape. These propositions collectively provide a framework for understanding the multifaceted role of the value chain in the film industry.

3.1. Direction for Further Research

Future research in film industry studies can take several promising directions:

- Researchers can engage in a comparative analysis, examining how the value chain concept impacts diverse sectors within the film industry, such as independent film production, major studios, or streaming platforms.
- With digital technologies playing a crucial role in maintaining competitiveness, there is a need for further investigation into how film industry players are evolving their

strategies and technologies and the subsequent impact of these digital strategies on the industry's overall competitiveness.

- Researchers can explore the intricate dynamics of value networks and collaboration within the film industry, investigating successful cooperation cases among value chain players and assessing their impact on competitiveness.
- Taking a global perspective, researchers can undertake comparative studies across various global film industries to determine whether cultural, economic, or regulatory differences influence the effectiveness and adaptation of the value chain framework in diverse contexts.

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