

Saimaa University of Applied Sciences
Faculty of Business Administration, Lappeenranta
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Specialisation in International Business

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Russian Movie Industry on the International Market: Opportunities and Challenges

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Abstract

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The purpose of this thesis was to investigate the current situation of the Russian film industry and to make a research of its possibilities on the international market. The principles of movie marketing and activities of Russian movie organizations were described in detail.

The key objectives of the study were to discover the potential market for the Russian cinema and to select a suitable marketing channel.

The thesis consists of two major parts: theoretical and empirical. For the theoretical part of the study, the information was collected from literature, articles and interviews with professionals. The empirical part was made using several tools for market analysis. The author chose SWOT analysis to examine the internal and external factors influencing Russian cinema. Furthermore, customer analysis was made and information was collected by personal interviews with representatives of general audience and by an online survey.

The final part of the thesis suggests the potential market for the successful performance on the international market. Moreover, key factors that might benefit the international expansion were described.

Keywords: market analysis, marketing, Russia, swot

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Appendix 1. Questionnaire

1 Introduction

The topic chosen for this thesis is the Russian movie industry on the International market and its opportunities and challenges. The reason for this particular topic is the interest in movies, film business and transformation it is going through due to the development of technologies and globalization. Nowadays the movie is considered as one of the most important kinds of art that is also the most prevalent and economically significant. It incorporates the traditional arts, music, dancing, and literature. In order to support these elements of culture and keep them relevant to the modern time, film industry needs continuous development.

In the past, Soviet movie industry was prosperous and its films were competitive with international films. It was popular worldwide and gathered great revenue from the box office. It was economically strong industry as it was supported by the government and received around 80% of budget for the production. To the end of 1980s it was highlighted by the flourishing creative works. Notwithstanding, economic tribulations of the 1990s damaged the established system of movie production and release. (Ivanova 2006.)

The story of post-Soviet movie industry includes periods of prosperity and unprecedented growth as well as time of stagnation and a deep crisis. After the collapse of the Soviet Union the film industry falls into the recession. Government could not support the filmmakers and the whole system fell apart.

However, during the complicated economic situation in Russia, numbers of small private studios were established. In the mid 1990s the Russian cinema started recovering and creating a new image on Russia and its movie industry. Periodically private studios produced notable films that became a part of a history, for instance the cult action movie *Brat* (Brother, 1997) by Aleksei Balabanov (Ivanova 2006). The 2000s delivered a number of original masterpieces of cinema, for example *Vozvrashchenie* (The Return, 2003) by Andrei Zvyagincev or *Nochnoi Dozor* (The Night Watch, 2004) by Timur Bekmambetov. Moreover, at the same time appeared companies that produced television films

and series for mass market. They received a great rating and managed to replace some of the foreign films from the Russian television. (Fedorov 2011.)

The modern period of cinema in Russia is characterized by increase and development. Nowadays the number of films made within the country has increased significantly and also its quality has considerably improved. As an example Russia's highest grossing film of all time "Stalingrad" by Fyodor Bondarchuk, a domestic film that for the first time in decades dislodged Hollywood heavyweights on the Russian market (Merry 2014). "Stalingrad" was put forward for the Best Foreign Language Film at the 86th Academy Award, but it was not nominated (Ria Novosti 2013).

Nevertheless, Russian film industry is still in its infancy and it needs to be guided by foreign models of movie business. One of the major questions that Russian moviemakers and producers face is how to enter the international media market as a professional player and how to define the target market with demand for Russian products. In order to get a significant financial support it is essential for film industry to promote motion-picture art worldwide (Roskino 2014.) To encourage and strengthen international relations, various events for professionals of the film industry are organized every year. For instance, Roskino is the only company in the country that is responsible for promoting Russian films and filmmakers within the international film industry, operating at world Film Festivals and Movie Markets (Roskino 2014). Presentation of Russian movies on the international market might attract buyers and distributors from abroad. Afterwards, it can raise the box office profit, affect the economy of the state and raise the abilities to contribute to the world's cultural heritage. Additionally, growth of the film industry might provide more jobs and generate revenue by film-induced tourism.

By the end of this particular thesis the author gives an overview of the current situation of Russian cinema on the international market, provides the representation of film distribution worldwide and estimates the most potential and profitable markets for Russian films. After the investigation of the performance on the international market, potential regions are selected for intensive cooperation. Suggestions for better integration to the global film industry will then be offered

based on the findings. In addition, the author presents a detailed picture of how to select the right distribution channel to raise the demand.

1.1 Objective of the study and research questions

The aim of the study is to evaluate the current position of Russian cinema on the international market and to select the potential markets suitable for exporting Russian films. In addition, the author analyzes the model of Roskino, key sphere activity of which is assisting Russian filmmakers with their commercial releases overseas. Additionally, key events on the Russian film market will be depicted. The author mentions Saint Petersburg International media Forum and the DOORS Film Market as apt examples of the occasions that attract buyers all over the world and allow promoting and selling Russian products.

Furthermore, marketing strategies used for movie industries will be observed and estimated in order to apply them for the Russian film industry. Small independent film production organizations and producers might benefit from this research. The general subject matter is to analyze the current position of Russian film industry, its international marketing strategy and while recognizing the constraints, the thesis will push forward an alternative strategy for promotion. The questions that help investigating the industry are:

- *What is the target market for the Russian films?*
- *What marketing channels are the most efficient and how they can be used?*
- *What opportunities and threats industry might come across?*

1.2 Research method

The thesis will be designed in the form of an investigative research with the objective to find out what the potential for the Russian film industry is and its future perspective.

For the thesis the author will use both primary and secondary data. Secondary data is gathered from the existing film and media markets' sources and also from the reports of Russian media research company Nevafilm that conducts

cinema market research and studies the competitive environment (Nevafilm 2014). For the more detailed investigation of the film industry basis, the author will use the material of other students' works and Finola Kerrigan's book "Film Marketing" (2010), Robert Marich's "Marketing to Moviegoers" (2013) and "Guerrilla Film Makers" (2010) by Chris Jones, Andrew Zinnes and Genevieve Jolliffe, which perfectly cover all the aspects of film industry and movie marketing.

Furthermore, for the primary data representatives from Roskino and Nevafilm are interviewed in order to obtain a better understanding of activities of their organization, the current state of the Russian movie industry and what factors are essential for the future success.

Primary research for the project is done in a form of interview with representatives of international audience. The private interviews were held in several universities of Europe and Russia. The interviews were conducted during the thesis writing process. The general focus group consists of the movie enthusiasts, students and employees, of the age range from 21 to 28. Generally, interviewees were selected randomly, basing on author's acquaintance or motivation of the moviegoers. The snowball sample was used to reach the members of an audience. A snowball sample is a method that is broadly used with a purpose of reaching people that are difficult to locate. While collecting data from one interviewee, researcher asks this individual to provide information of other members of that particular focus group that they know. (Crossman 2014.)

Moreover, in order to reach broad audience, the online survey was made using the Google Form program. In order to find out preferences of non Russian viewer, few questions are asked, for instance, why they watch Russian films, if they have any preference in genre and are they interested in new motion pictures from Russia. Questions in online survey and interview questions were analogous. The purpose of both interviews is to measure the demand of Russian movies abroad.

To understand strengths and weaknesses of movie exporting companies and to recognize external factors for the further development, SWOT analysis is included. The market analysis is delaminated to the core aspects which are the

base of the research. Analyzing the demand, competitors represented by Hollywood and European filmmakers, distribution channels and key success factors facilitates a better understanding of the Russian film industry and its potential.

1.3 Delimitations

The Russian film market industry covers number of projects from each region of the country. Due to the huge variety of nationalities and ethnicities some movies might be produced even in another language and have a very specific genre. For this particular study, the author took central film production organizations that already have more traditional projects and also already have network with international professionals.

In addition, the global market is a very broad region for investigation. Thus it was decided that the major market for research will be the European Union. Europe is close to Russia and is already familiar with its specialties. After investigation of the performance on the European market, the author selects a target market region for further development.

1.4 Thesis structure

The study begins with the theoretical framework which includes a general overview of movie marketing. Key issues affecting the whole process of movie promotion and distribution process will be covered. Also the role of sales agent and film market are depicted to show their significance in network building process. As mentioned earlier, the theoretical part will be partly based on Finola Kerrigan's book "Film Marketing" (2010), Robert Marich's "Marketing to Moviegoers" (2013), and "Guerilla Film Makers" (2010) by Chris Jones, Andrew Zinnes and Genevieve Jolliffe as the material given perfectly describe the cornerstones of the film industry.

Then, the author takes a look at Russian film industry on the domestic and international levels. The purpose of that is to observe the current means of promotion of Russian films organized by Roskino, such as Saint Petersburg International Media Forum (SPIMF) and the film market of the new format DOORS.

The thesis continues with empirical part discussing the Russian film industry's problems of integration to the international market. In addition to that, practical part presents the results of interviews conducted with professionals of the industry as well as a general public with a purpose to reflect the demand for Russian movies abroad. Based on the interviews, the author can suggest which market has more potential for Russian motion-picture art.

As a tool for analyzing the external and internal factors of movie industry, SWOT analysis was used. This analysis includes strengths, weaknesses, opportunities and threats of the environment. The first pair of factors, strengths and weaknesses, is internal to the company or to the industry, they can be changed. On the contrast, opportunities and threats are external, and usually unchangeable factors affecting the business. (Ferrell & Hartline 2011.)

The findings of the thesis will give a better understanding of factors which need further improvement to foster Russian film industry. Based on the material the author will evaluate the current position of Russian cinema on the international market and will suggest the most advantageous strategy for marketing campaign. In addition, the author will identify the target market and examine the opportunities and challenges it might come across during expansion.

The study will be more focused on the performance of Roskino, current situation on the Russian market and future perspectives of this industry. As a result, the work will provide the key aspects of the Russian film industry on the international market and its development. Moreover, it will answer the questions: "What is the target market for the Russian films?" and "What marketing channels are the most effective and how they can be used?"

2 Movie marketing

According to the American Marketing Association (AMA) "Marketing is the activity, set of institutions, and processes for creating, communicating, delivering, and exchanging offerings that have value for customers, clients, partners, and society at large" (2007).

In order to apply the term of marketing within the movie industry Durie, Pham and Watson suggested the definition of film marketing as “any activity that assists a film in reaching its target audience at any time throughout its life” (2000). In other words, film marketing is a process of creating, targeting and delivering value of a movie in order to reach the audience and to attract spectators to the film.

The business tool known as a marketing mix can be applied to the movie marketing industry in order to analyze the key elements of it. First of all, it is the product or the movie itself. It may include the filmmakers, the cast, and the intellectual property. As the product should be distributed, the other P is the place that represents the exhibition and release of the film, also known as distribution. The next P is the price, which covers a wide financial sector from the price of tickets to revenue received by producers after the commercial success. And the final P is the promotion, where the varieties of advertising tools, including posters, trailers, commercials, interviews, are used in order to reach the target audience. (Durie et al. 2000.)

This part of the thesis is focused on the development of marketing campaign. Marketing covers much more than advertising tools, thus the first step of the plan has to be the identification of the audience. It is essential to determine the target audience for the future film, as the whole strategy depends on the potential group of viewers.

After determining the primary target audience, the process continues with the creation of value when potential consumers become aware of a film. Audience will not be interested if they do not know that the movie exists. It is film producers’ and distributors’ responsibility to raise the awareness as soon as possible, hence, filmmakers face the question “how the audience can be reached?” and “what tools must be used?” (Candler 2010) There are several promotion methods that are used for delivering messages from filmmakers, including the Internet, television advertisements, theatrical movie trailers, magazines, interviews and radio. The strategy is selected according to the potential audience.

Reaching customers consumes a lot of time, for this reason, it is essential to start the promotional campaign at the beginning of preproduction process (Jones, Zinnes & Jolliffe 2010). Marketing campaign should be aimed at engaging viewers at the very early stage and make them feel involved in the film production process. According to the film marketing expert, Sheri Candler (2010), “filmmakers should think backwards from the market to the story idea, but not the other way round.”

A successful marketing plan depends on understanding customers' behavior and needs, therefore various tools are required for reaching various groups of people. For instance, youthful moviegoers are more Internet-oriented, hence, new digital media is used for promotion such as websites, social media, blogs and online application that improve the content presentation online (Marich 2013). In contrast, adults and children who are not the active users of the Internet are reached with more traditional media channels, such as television advertisements, banners and press releases.

Nowadays, when technology becomes a significant part in daily life, filmmakers are tending to be more web-oriented. New media, as listed earlier, includes websites, mobile applications, e-mailing, social media and other media platforms. According to Marich (2013) “new media offers under one roof both directory and persuasion advertising opportunities. A directory provides specific movie information but in improved interactive and searchable platforms. New media can also deliver film trailers and TV commercials, which are film marketers' most persuasive advertising.” In addition, new media provides exclusive valuable data on consumer usage, such as number of page views, amount of click troughs, time of usage and interactive elements for socializing, such as forums. On the other hand, film producers still have to use traditional media in order to reach wider audience.

All things considered, media channels play a significant role in reaching the target audience, but advertising will work more effectively when it has an innovative content to get consumer response (Jones et al. 2010).

The process of film marketing ends somewhere after consumption when the audience analyze their experience and draws on this experience to consume the film again, to recommend to others or to move on to a related film (Kerrigan 2010).

The marketing to the consumers that was described earlier represents the external stage of movie marketing, while the following part briefly discusses the core levels of movie marketing supply chain.

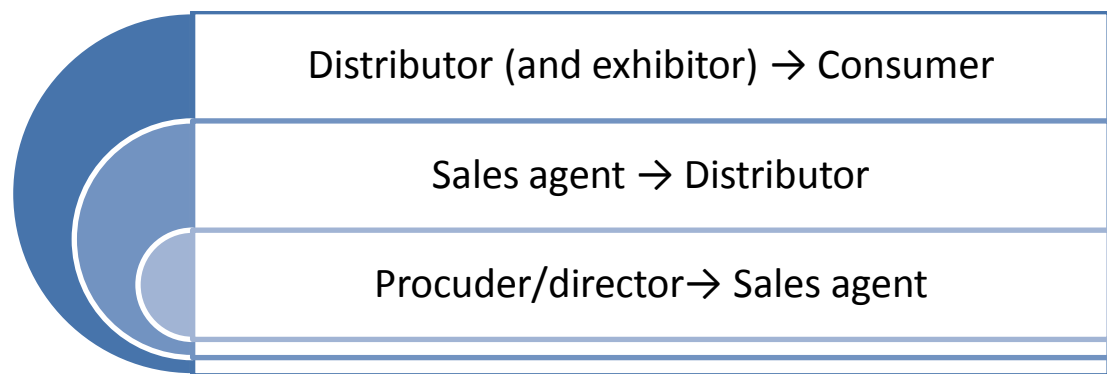


Figure 1. Film marketing supply chain. (Kerrigan 2010)

In film marketing, when moving through the supply chain, marketing purposes vary from each other and are overseen by different members of the supply chain. Figure 1 illustrates the various stages in the film marketing process from the creation of the product to the final release. The inner circle represents the agreement between film producer and director and sales agents. Following on from this, sales agents take on motion pictures and sell them to international distributors and other relevant clients serving the DVD/Blu-ray and television markets. Sales agents should establish good relationship with film distributors. Once a distributor has licence of the movie, it has right to promote and release a film within the territory of a city, a region or the whole country. Finally, all the operations that are made by distributors in order to attract consumers are located on the outer circle of the supply chain. (Kerrigan 2010.)

This particular study will be mainly focused on activities of sales agents that play an important role in movie marketing and distribution processes. Distribution is an integral part of the film industry and the real profit is gathered from the distribution of films, rather than from their manufacture (Kerrigan 2010). In order

to maximize the number of the audience and to secure good box office revenue, moviemakers require a good marketing campaign, which is collaboratively planned with the producers and sales agents from the earliest possible stage.

2.1 Sales agents

The author has outlined the elements of marketing mix, the process of creating a marketing campaign and film marketing supply chain. The following part will look specifically at key figures that guide a movie from the very beginning to its release and benefit the performance of the product on the market. Kerrigan's (2010) book provides an excellent overview of principles of film marketing and major features that come up throughout the movie promotion process.

In this part, the author examines the procedure of gaining access to the global film market. In order to reach the audience on the domestic level as well as on the international level, film producers must have a right to enter this market. For this purpose film producers cooperate with sales agents. The core responsibilities of sales agents are "to build up an extensive network of contacts in the marketplace and to sell and secure rights to distributors." (Kerrigan 2010.)

Generally, sales agents take on films and search for suitable organization in order to sell them rights to distribute the film on their territory. In order to succeed on the marketplace, sales agent requires key factors such as an established reputation and extensive network of contacts. Sales agents rely heavily on their established inter-firm network in order to sell films to their clients (Kerrigan 2005.) Sales agents are professional negotiators, they know buyers, they know the current trends and they know how to make a contract. Consequently, film producers often have recourse to established sales agents and use their standing and database to have higher chance of succeeding in gaining a distribution deal (Kerrigan 2010). However, agents do not have an emotional connection to the product and they watch film from the professional point of view. Because of that, sometimes they aggressively represent the film on the marketplace. On the other hand, the film industry is characterized as high risk, and sales agent with well established relationships with distributors can guarantee a decrease of risk. (Jones et al. 2010.)

Furthermore, sales agent is responsible for the distribution agreement, where number of issues must be negotiated and controlled. For this reason, sales agent coordinates “the marketing campaigns that each distributor develops for the film in their territory” (Kerrigan 2010). In addition, they must solve financial questions on amount of advertising expenses and returns that will be received by film makers after the release. During the agreement distributor obtains some marketing materials that one can use for the promotion campaign, including theatrical movie trailers, press releases and articles, photographs and any other marketing materials.

2.2 Film festivals and markets

Having covered the duties of the sales agents and distributors in film marketing process, this part of the chapter will observe the functions of international film festivals and markets.

Film festivals and film markets are the general platforms where all the meetings, negotiations and business deals between sales agents and distributors are made. They “facilitate networking and provide accredited professionals with the services and tools they need in order to exchange information, hold negotiations and uncover new opportunities.” (Fremaux 2014.)

Platforms are divided into two types: festivals and markets. To begin with, festival is defined as “an established venue usually organized around screenings and prizes, dedicated to introducing movies of a certain style to a paying audience” (Squire 2004). Apart from the filmmakers, festival participants include distributors, journalists, movie critics and the audience. Its mission is to draw attention to films and promote the economic and cultural nature of the cinema. Moreover, festivals are built around the competition and award, and well-known red carpets create a centre of attention for the most media. Generally speaking, festivals have stronger connection with the general public and may also act as tourist attraction. (Kerrigan 2010.)

On the other hand, film markets are usually closed to the public audience. Unlike the festivals, films that are presented on the marketplace do not receive publicity until the business deal is made. Film market participants, including

producers, sales agents, buyers, distributors and exhibitors are mainly focused on collaborations and business deals. Thus, the key differentiators between festival and markets are the presence of the public audience and awards nomination.

From the producers' point of view, festivals are far more accessible as they have lower entry fee and the film release is published by the press. In addition, the positive reaction from the audience may affect a distributor decision to license a film (Kerrigan 2010). Also, films that have appeared in the competition program of the well-known festivals, such as Festival de Cannes, Berlin Film Festival or Sundance Film Festival frequently succeed in gaining the attention from the wide audience. However, the competition of films selection is incredibly high, especially at the prominent festivals and business representatives might get distracted by the intense pressure of the competition and presence of general public.

In contrast, film markets are very expensive to attend and it is challenging to obtain the attention of distributor among number of projects. Nevertheless, professionals are motivated to provide support for filmmakers and search for profit-making projects. Markets are the major ground for business deals and they are characterized by the presence of successful producers, reputable sales agents and chief distributors.

All things considered, producers need an extensive research before choosing where to submit the film. A professional sales agent might help with selecting the suitable festival or market. In addition, they obtain information about the distributors that will be in attendance on the market and they know the requirements from the organizers on which marketing material to use. It is important to supply producers and agent of the film with relevant marketing items, such as posters, cards, trailers. The festival selection can be a fundamental event that might help boosting distribution on the international market. Besides, the appearance at the well-known festival might act as a marketing tool.

3 Russian movie industry

Having observed the movie marketing industry and examined the role of sales agents, this chapter will be focused on the Russian movie industry and will present the particular case of the organization responsible for supporting and promoting Russian movies internationally.

In the past, the Russian government acted as a producer and paid close attention to the film industry, when it was a well-established and profitable business. During the existence of the USSR, film industry was an enormous system with workers, factories, producers and directors. And as the result there were high box office earnings and demand on the domestic level as well as on the international level. The state invested in industry not only for the great revenue, but also to build a positive image of the country and share the cultural heritage. (Muradov 2013.)

During the 1990s after the collapse of the Soviet Union Russian movie industry was in decline. The major reason was the default of Russian ruble and due to that governmental financing of moviemaking decreased dramatically. The decadence in film production, in addition lead to significant drop of human resources and loss of network.

Nowadays, the Russian film market is the eighth biggest worldwide, but local productions compete for a market share against Hollywood (Nevafilm 2009). However, the major issue of today's Russian industry is that successful and commercial projects are made by a group of individuals, but not by united film industry. Russian industry is disjoint and not efficient enough to provide the level of support and marketing tools to perform well commercially.

The Russian Ministry of Culture is the main federal executive body that regulates the whole industry. Generally, it issues rental licence, approves the release of movies and also provides the financial support for production, distribution and promotion of national cinema. Since 2010 the financial support is shared by the Ministry of Culture and the Cinema Fund (Nevafilm 2014). Ministry of Culture supports national cinematography by providing filmmakers with subsidies for production of movies for children, début motion-pictures and doc-

umentary films. It is also responsible for research and development of projects in movie industry. The Cinema Fund's mission is also strengthening the structure of film production and improving their competitiveness. It offers financial support to commercial and animated pictures and also to the leaders of the national industry. In addition to that, in order to improve the quality of products it has special interest-free loans for filmmakers. (Fond Kino 2014.)

Film market is not a closed and immovable system, contrariwise, it is a constantly changing structure depending on the economic and social conditions and each year is different from the other. For instance, during the last three years, the Russian industry secured enough by the government support released more than 200 feature films. According to deputy Minister of Culture, Grigory Ivliev, direct subsidies on movie production within the country were 4.9 billion rubles (84 million euro). However, it is anticipated that in 2015 the amount of funding increases up to 6.7 billion rubles (108 million euro). (Itar-tass 2014.)

In 2014 Russian films held 19.5% of market share in the domestic marketplace (Variety Russia 2014). But as majority of national film markets, Russian film market is also dominated by US films. According to head of the Cinema Fund, Anton Malishev, "These days, Russian movie industry is competing with a very strong opponent. Especially, when foreign filmmakers releases pictures with a budget over 200 million dollars, while we spend less than a half of it for supporting the whole industry of movie production within the state. Currently, the Cinema Fund is able to support around 50 movies a year, but in order to be a powerful and a competitive challenger, the industry needs enhancement." (Variety Russia 2014.)

As mentioned earlier, American films still dominate the global box office. There are several reasons explaining this phenomenon. First of all, Hollywood representatives control the global distribution networks and have a predominant bridgehead in the exhibition sector. As the distribution sector is the most influential sector, Hollywood reaches a very wide range of the audience and maximizes the box office. Another cause is the US government that recognized the strength and significance of the film industry and used professional diplomatic

set of connections for trading and promoting their films around the world (Kerri-gan 2010.) Unlike the United States, Russian industry lacks such a lobby and support. According to the head of the analytical organization Movie Research, Nina Romadanovsky, who held a master class on the Media Forum, Russian filmmakers currently produce around 70 high budget films a year. For comparison, USA releases more than thousand motion-pictures per annum. Out of the 70 Russian films, only ten movies succeeded and received a good income. A serious issue is that the production blockbuster in Russia usually takes two to three years. And technology used in Russia sometimes cannot compete with Hollywood. (Romadanovsky 2014.)

3.1 Roskino

As the thesis is mainly aimed at the movie marketing, this part will cover the description of the organization that represents Russian film industry on the international market and its major activities.

Roskino is the foundation which is responsible for consulting with Russian Ministry of culture regarding the international image of the Russian film industry. Furthermore, it is the only organization promoting the country's motion-picture art and filmmakers internationally. (Roskino 2014.)

The key mission of Roskino is assisting Russian producers and filmmakers with distribution of their films and commercial releases abroad. The company operates at international film festivals and markets and encourages multinational cooperation (Roskino 2014). Roskino is involved in all the major film festivals and markets, such as Cannes Film Festival, Berlinale, European Film Market, American Film Market and Hong Kong International Film Market.

During the thesis writing process, the author contacted Roskino representatives in order to receive more details about the activity of the organization. Film Festivals and Markets manager, Anna Samarskaya, explicated that Roskino, on a noncommercial basis, provides a platform at an international festival or on the market that allow independent filmmakers to present their product and showcase to foreign distributors. During several years of active integration into the international film industry, Roskino obtained a reputable image of the trustwor-

thy partner. In addition, Roskino has already established business relations with professionals from global film industry. Those factors provide a great support to the independent filmmakers and producers and help them to obtain international recognition and to get more business contracts.

According to Anna Samarskaya, Roskino cooperates more with independent movies, while some major filmmaking companies are able to present their products on their own account. In contrast, the Cinema Fund that was mentioned earlier also functions as a promoting organization on the international marketplace, but, unlike Roskino, it is more oriented to commercial projects, such as comedies or animation films.

Apart from participating in international events, Roskino also encourages international producers and distributors to participate in events related to the movie industry that are taking place in Russia. As an apt example, the author will take a forthcoming event taking place in St. Petersburg.

3.1.1 Saint Petersburg International Media Forum

The concept of the Saint Petersburg International Media Forum (SPIMF) is developed by Roskino and it is based on the “idea of creating an international cross-platform cultural event aimed at promoting a synergy of professionals and the audience” (Mtsitouridze 2014). Besides this it is supposed to unite professionals from movie and TV industries, as well as major players in the start-up market of the new media industry.

In October 2014 Saint Petersburg held its first Forum. Within ten days of Media Forum cinema and television premiers were shown to the public audience. The festival was consisted of eight special film sections hosted by leading Russian film critics:

- Britannica (movies of the Great Britain)
- Kor-Kor (documentaries and feature films about the North Korea)
- Locarno Local (movies from Locarno International Film Festival)
- Mamentum (timeliest films from the leading Film Festivals)
- Non-Fiction (range of documentary movies)

- N-L-PO (collection of science-fiction movies)
- Teen Spirit (films about teenagers)
- Trofey (political themed cinema)

At the end of the festival, organizations intended to determine which modern industries appeal to Russian viewer. (SPIMF 2014.)

In addition, SPIMF is also planned as a business venue, where presentations of professionals, master classes, conferences and debates are held. Within ten days 2700 participants from 57 countries attended the forum, including citizens of United States, France, Finland, Germany, China, Sweden, Australia, United Kingdom, Norway and many others. As a core platform for the business program, the DOORS International Travelling Film Market was incorporated into the Media Forum.

3.1.2 DOORS Film Market

The DOORS International Traveling Film Market is a new format of touring film market. It embraces screenings of Russian films presented to foreign distributors, sales agents and international film festival scouts. Attending the DOORS market filmmakers have an opportunity to establish business contacts with professionals from Russia's film industry. (Roskino 2014.)


The Film Market works in collaboration with Roskino organization. Thus, if a business deal is made within the framework of the Market, later on Roskino develops a marketing campaign for the films on the territory of international distributor. The main objectives of the DOORS Film Market are to support Russian film on the international arena and to stimulate interest of established buyers to acquire licence for Russian movies.

In October 2014 the DOORS Film Market was an integral business part of the Media Forum that lasted three days and enjoyed success inviting 45 leading buyers and distributors from Europe, North America and BRIC countries. Professionals from abroad had a chance to gain first-hand acquaintance with the new generation of gifted filmmakers from Russia and their movies. Within three

days of intensive program, well-known Russian producers presented their projects and showcases of TV series and films.

The figure below demonstrates a fragment from the DOORS Film Market catalogue for buyers. The essential data given to the distributors covers the general description of the film, the synopsis, information about the film director, contacts of sales agent and awards. With a help of this catalogue, buyers can easily familiarize themselves with a wide range of the offered pictures, obtain the necessary information on the movie and contact agent if they intend to make a deal.


2 DAYS 2 DNYA






<p>RUSSIA 2011 95 MIN ROMANTIC COMEDY</p> <p>DIRECTOR AYDOTIA SMIRNOVA</p> <p>SCRIPT ANNA FARMAS AYDOTIA SMIRNOVA</p> <p>CAMERA MAXIM OSADCHY</p> <p>DESIGN EKATERINA ZALETAIEVA</p> <p>MUSIC ALEXEI STERILEV PETER KLIMOV</p> <p>PRODUCERS DMITRY KUDOVSKIY FEDOR BONDARCHUK</p>	<p>RUSSIAN PREMIERE SEPTEMBER 1, 2011 MOSCOW</p> <p>CAST FEDOR BONDARCHUK KSENIA RAPPAPORT YEVGENIY MURAVICH IRINA ROZANOVA SERGEY SHIRINOV BORIS KAMORZIN ANDREI SMIRNOV</p> <p>PRODUCTION CENTRAL PARTNERSHIP ART PICTURES STUDIO</p>
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AYDOTIA SMIRNOVA A famous Russian TV presenter, film director, scriptwriter, journalist and writer. Born in Moscow, she studied in the philological department at Moscow State University. She has written scripts for many famous Russian films and in 2000 won a prize at the Hartley-Merrill International Screening Competition (USA) for the film *His Wife's Diary / Dnevnik ego zheny*. Her directorial debut came in 2008 with the movie *The Relation / Svyaz'* which won the Prize for Best Debut at the "Kinotavr" Open Russian Film Festival. *2 Days* was opening film of Kinotavr 2012, and her new movie *Kokoko* was included in the "Kinotavr 2012" competition.

DIRECTOR'S STATEMENT I wanted to tell a fairytale of how a Russian government official fell in love not just with an intelligent woman but with the world of intelligentsia itself. We chose the genre of a romantic comedy with a happy end and it allowed us to turn the whole story into the fairytale in which the impossible becomes possible. The actors Fedor and Ksenia get on well and understand each other. They added something personal to the relationship between the heroes, but there was also much in the script. We didn't tell the whole story of how their relationship ends up. At first we didn't know the answer and thought it over for a long time, making up their biography before and after, arguing. Maybe they will stay together, maybe not...

★
a Golden Eagle Awards, Russia
★
Audience Award
at the Russian film festival Window to Europe
★
Audience Award
at the Russian film festival Salkhalin Screen
★
St. Vladimir Prize at the Russian
Orthodox cinema festival Pokrov
★

Figure 2. Fragment from the DOORS catalogue (Roskino 2014)

Besides the business program and conferences where issues of international film industry were discussed, delegates also had a sightseeing tour in Saint Petersburg and its surroundings. As a result, agents had got acquainted with Russian history and culture more deeply and expressed their interest in Russian motion-picture art (Samarskaya 2014).

Consequently, several contracts were signed and distribution licences were acquired. Furthermore, a British distributor agreed to share the production cost

with Russian filmmakers and cooperate during the creation of a motion-picture. (Mtsitouridze 2014)

3.2 Summary

To sum up, the results of the Saint Petersburg International Media Forum and the DOORS Film Market show that there is a demand for Russian films on the international market. However, Russian film industry lacks a mechanism that allows building an established network with foreign markets. Additionally, it requires more support in order to avoid struggle with imbalance that currently exists in the film industry.

This chapter has outlined the principles of movie marketing, issues that have an impact upon the market and the role of Roskino in the international promotion and distribution processes. The next questions are how to find the potential market for the Russian products and what marketing channels are the most effective?

Film industry needs a systematic marketing process and Russian filmmakers should not compete with Hollywood giants. Instead it is essential to identify in the early stage of production what tools are essential in order to differentiate their films within the market. The next chapter describes what pitfalls and opportunities might stand on the way to expansion, what issues Russian films have and how to identify the potential market according to the demand and preference of international moviegoers.

4 Research method

In this thesis several research methods were combined. With a purpose of identifying customer requirements and estimating whenever customers are fulfilled with the range of offered products, interviews are conducted. The author put questions to the general audience in order to get a picture of demand of Russian films among foreigner viewers. The interviewees selected for the research were mostly students from Europe, who are interested in cinematography and are acquainted with Russian movies. The general focus

group was found at the universities and selected according to their reference in cinema. This type of focus group was difficult to reach, so the author made a decision to use convenience sampling. Convenience sampling includes persons that are easy to reach. The select group of the people was chosen by their availability, the author's own acquaintances and their enthusiasm to participate in the research.

Thus, students were picked from the Campus02 University of Applied Sciences in Austria, Lappeenranta University of Technology and Saimaa University of Applied Sciences in Finland few international students were picked from the St. Petersburg State University of Film and Television during their exchange term.

The objective of the interviews was to measure the demand among international audience, to find out preference in genre and the source that they use for watching. Generally, the author asked why they watch Russian films, how often, what genre they prefer and what distribution channel they use for watching. The open-ended questions were used for analyzing opinions, attitudes and recommendations.

Furthermore, in order to reach broader group of viewers, an online survey was used for collecting information. Both the online survey and the questionnaire consisted of the similar questions. The author sent the website links to the social network groups that consist of international students. As a result, only 24 responses of the group of young students and employees from the age 21 to 28 were collected through the online survey.

In addition, with the aim to obtain more details about the current situation of the Russian film industry, professionals from various movie departments were interviewed. The author visited several conferences during the St Petersburg International Media Forum where the current trends of new media were discussed. In addition, activity of Roskino was explained in details during the meeting with Film Festival and Market manager, Anna Samarskaya. Furthermore, the author asked movie critics and journalists for an opinion about the current state of the Russian film industry.

Moreover, the author used secondary data from the organization that conducts an independent monitoring of the Russian film market, Nevafilm. Delegates from the organization provided an up-to-date report that covers legal, distribution, marketing and production aspects of the Russian film industry. Based on the findings, the author received a full picture of how Russian films are distributed to the international market and what are the future perspectives are.

5 Empirical part

This chapter covers the empirical part of the study. It includes the analysis of strengths, weaknesses, opportunities and threats of the industry, also known as SWOT analysis. In addition, it includes the analysis of the demand for the Russian films, and customer analysis. The share of Russian cinema on the international market and the attendance rate are expressed in tables, figures and interpretations.

5.1 SWOT analysis

SWOT analysis is a commonly used tool to investigate both internal and external environment of an industry, an organization or a product. It includes strengths, weaknesses, opportunities and threats. The audit discovers the aspects from the internal and external environment to recognize the favorable and unfavorable factors for entering the market at the present period of time. With help of SWOT analysis the particular industry can be investigated, and based on the findings a marketing strategy might be developed. The analysis not only organizes the data, it is also valuable for uncovering competitive advantage that can be leveraged in the marketing strategy. (Ferrell & Hartline 2011.)

As a planning tool, SWOT analysis has a lot of advantages. Generally, it is very simple to use, as it does not require professional skills, but only comprehension of the industry and its nature. Furthermore, because of its simplicity SWOT analysis significantly reduce the cost of the plan development. Another benefit of using the SWOT analysis is its flexibility. The absence of detailed data does not affect on the quality of the analyzing tool. In addition to that, SWOT analysis allows integrating a wide diversity of information and creating a general over-

view of from different points of view. It promotes the sharing information across various departments and allows more creative solutions. In other words, it converts information about industry's weaknesses into a tool for creating a competitive advantage. (Ferrell & Hartline 2011.)

On the other hand, SWOT analysis has several drawbacks. Due to its simplicity, SWOT analysis can lead to oversimplification, as it is not focused on the one particular issue. Moreover, the border between internal and external factors can be misunderstood and cause the wrong results (Ferrell & Hartline 2011). The factors is mentioned in the list usually do not have a weight to represent how significant this factor to the organization, that is why the importance of some factors can be misinterpreted.

For this particular study, SWOT analysis is used for the purpose of developing the marketing strategy for Russian films on the international market. The analysis defines the key issues of the Russian movie industry that should be prevented and minimized. Additionally, the analysis allows detecting competitive advantages that benefit the marketing and promotion campaign.

Strengths	Weaknesses
<ul style="list-style-type: none"> • Rich cultural heritage • Growth of the animation sector • Human resources 	<ul style="list-style-type: none"> • Undeveloped infrastructure • Language barrier • Lack of international promotion • Weak coproduction field
Opportunities	Threats

<ul style="list-style-type: none"> • Available supporting platforms • Participation in festivals and market • Increasing demand for creative products • Linking films with other sectors 	<ul style="list-style-type: none"> • Rapid technological change • Fierce competition • Economic crisis
--	---

Table 1. SWOT analysis of the Russian film industry

The major strength of the Russian film industry is its rich cultural heritage. The Soviet movie industry was an established machine that intensively produced films and exported them. During the several decades it obtained a positive reputation and recognition of international audience. Following the traditions, Russian cinema can also receive an acknowledgment worldwide and establish new connection with international organizations and audience.

In addition to that, the sector of animated films tends to grow. The animation, according to the increasing demand of the audience, has a potential for international success. Animation film is an easy convertible product and it reaches a wide range of the audience, such as family audience. For example, Russian animated film “Snow Queen” was a commercially successful project during 2011-2013. It was released in 5 European countries and attracted 137 thousand moviegoers. (Nevafilm 2014.)

Another strong point of the Russian film industry is its human resource. At the present time, twenty universities of cinematography in Russia offer professional qualification in various specialties, such as film directing, producing, screenwriting, acting and graphic design. The government funding of talented debutants can lead to formation of new modern wave of Russian cinema.

On the other hand, currently Russian film industry is going through hard times and there are several reasons that make Russia not a very strong competitor on the international film market. According to Nevafilm (2014) during the period from 2012 to 2013 only 20 Russian movies received box office revenue that

exceeded the cost of production. The infrastructure still requires improvement on every stage of movie production. In addition, the theatrical performance is feeble, as at the present time there are only 1,087 cinemas in Russia, while United States has around 43 thousand and Europe possesses 40 thousand movie theaters. (Kudasova 2014.)

Another big issue is a language barrier, as the majority of Russian films are released with subtitles and thus the number of audience is significantly decreased due to the inconvenience. Re-recording and dubbing processes require additional expense, thus some distributors are not willing to share an additional post-production cost.

Furthermore, the lack of promotion on the international market explains the low level of recognition. In our time, Russian films can reach the viewer if it has been released as an international coproduction or if it had a festival success. (Kuniss 2004)

Another weakness is minimal cooperation with other countries. In 2012 the number of films produced in cooperation was six. In contrast, in 2013 only two tapes were made in collaboration with other states. However, coproduction can guarantee theatrical release in countries that funded the film. It assures the distribution and promotion at least at the two markets and also allows sharing cost and risks.

Covering the internal aspects, this part includes external factors that affect on the Russian movie industry. Despite on the weaknesses of the Russian film industry, it has opportunities that facilitate the integration to the international market. The previous chapter covered the supporting organizations that help promoting and selling Russian tapes to distributors. The Cinema Fund and Roskino provide platform on the international markets and festivals that encourage the negotiations and deals between independent Russian filmmakers and international distributors.

Many producers still do not recognize the possibility of selling their projects to the international markets. An executive director of the Cinema fund, Anton Malyshev (2014), claims, that producers do not see the international export as

an approach of obtaining additional revenue, thus business plans usually do not take into account the possibility of penetrating the international film market. Therefore, Roskino and the Cinema Fund give filmmakers an opportunity to present their product on the market and function as an intermediary between producers and distributors.

Moreover, the demand for creative products is growing. For instance, during the last five years, demand for Korean movies significantly increased, while the moviemaking process is funded by the government. As a result, Korean movies became accepted not only in the neighboring states, but also in the United States, as an exotic and atypical piece of art (Dolin 2014 B). The case of Korean films proves the statement that the demand for creative and innovative product raises. In this situation, if Russian industry exports a differentiated product and promotes it to the international audience, there is a chance of increasing share of attendance.

Furthermore, cinematography can be linked with other sectors, such as film-induced tourism. Film-induced tourism is a growing phenomenon worldwide impelled by both the increase in travelling and the growth of visual media and entertainment industry. It is an extremely powerful and unrivalled marketing tool for the tourism industry that encourages the demand for a destination with a long-time effects. (Hudson & Ritchie 2006.)

In contrast, Russian film industry still lacks an advanced technology. According to Nevafilm (2014), currently there are over twenty functioning movie studios which embrace around 110 pavilions. However, only two studios, Mosfilm and Cinelab, can offer a full range of movie production services (sound editing, special effects, lights, location pavilion and other components of movie production). Other state-run film studios have ageing equipment that require modernization and up-to-date approach to business processes. Consequently, those studios need to use costly outsourcing in order to complete a moviemaking process and that cost enormously affect on the cost of production and limits the further possibilities of a film.

From the previous example, one can notice that outsourced service is the major part of the film budget. In addition to that, the current unstable economic situation threatens the Russian movie industry. And in conditions of international sanctions and deteriorating economical state of affairs, the government will not be able to guarantee sufficient financial support. Fluctuations of the currency will also have an impact on the cost of production, financial market behavior and investors' mood.

All things considered, it is doubtful that Russian cinema can compete with Hollywood giants; however, the Russian movie should become more accessible and should reach wider range of audience. The audience plays a key role in the whole industrial process. Hence, movie theaters should be modernized and upgraded in order to reach wide and varied audience. In addition, it is essential to show diverse range of films shown on the domestic market and to invest more into intensive marketing campaign. With approval of local audience, experience and thorough analysis of foreign audience, producers have more chances to succeed on the international market,

5.2 Market demand

According to the major research company, Nevafilm, which is responsible for measuring the performance of Russian cinema on the domestic and international markets, the basic export products from Russia are art-house movies. Art-house projects tend to be more sophisticated and usually such films collect more revenue abroad, rather than on the Russian market (Nevafilm 2014). This trend is explained by a well-known Russian movie critic, Anton Dolin. He explicates that European audience are acquainted with concept of Film Festivals, thus the demand of art-house projects, which are usually released during the Festivals, is higher. (Dolin 2014 A)

On the contrast, the Russian audience is more familiar with domestic blockbusters and commercial comedy films. The major reason is well planned marketing strategy and intensive promotion campaign of the domestic biggest movie studios. Generally, well established producers have resources and marketing tools in order to reach the majority of viewers. The key players that make mas-

sive commercial projects are able to release their films during the high-demand periods. One month's returns during this period could produce box-office sales comparable to several months in low-demand phases. In contrast, small independent companies have to deal with small number of screens to show their movies and head-to-head competition for the audience that cannot guarantee the inflow of spectators. However, such commercially successful blockbusters and comedies are rarely doing well on the International market, as this sector of the marketplace is already monopolized by the Hollywood giants.

Thereby, Russian films still have a low presence on the international market. The art-house projects remain an evident trend of Russian film export, and sometimes achieve greater success abroad than they do in Russia. On the local Russian market the leading performers are blockbusters and comedies that receive support from the government and major federal television channels.

As indicated by European Audiovisual Observatory, during the period from 2011 to 2013 seventy-six films of Russian production were released in the 28 European countries. Moreover, in the CIS (Armenia, Azerbaijan, Belarus, Kazakhstan, Kyrgyzstan, Moldova, Tajikistan and Uzbekistan) 222 Russian movies were presented. The figure 3 represents the growing number of Russian movies released on the European market. It evidences the increasing ambitions of Russian film producers and export professionals.

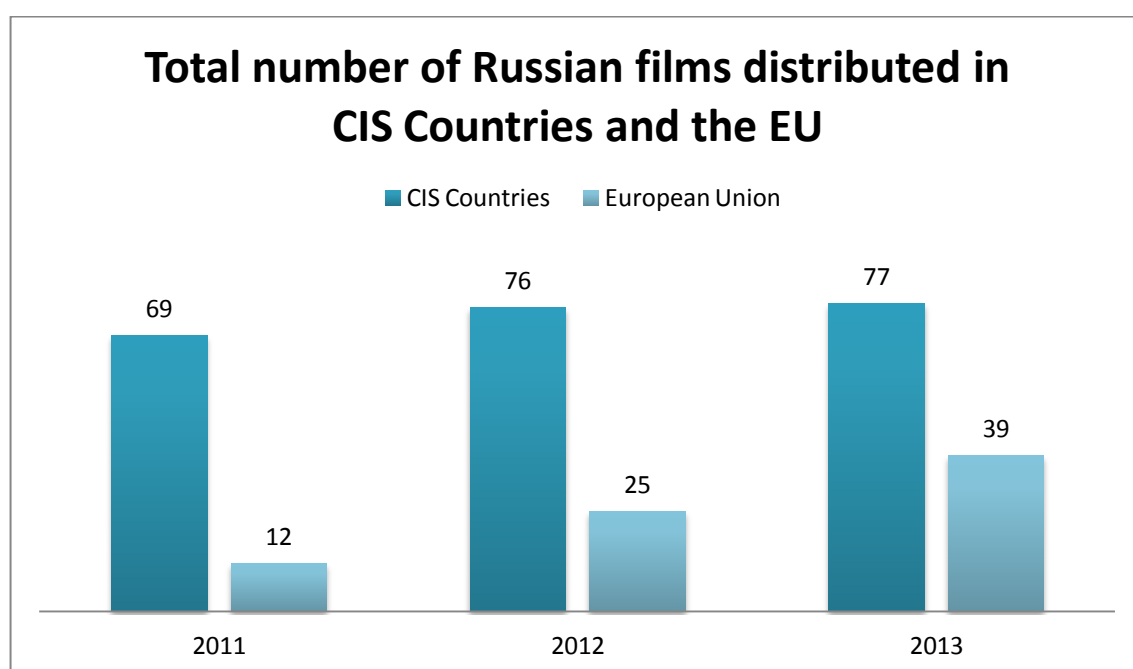


Figure 3. Total number of films made in Russia and distributed in the CIS and the EU (European Audiovisual Observatory, Nevafilm 2014)

At the same time, the attendance rate in the European Union is still moderate. As reported by Nevafilm (2014), the major number of Russian tapes are exported to the former Soviet Union countries (Estonia, Latvia, Lithuania), Poland and France. The table below depicts the top ten European countries according to the attendance rate during 2011-2013.

Country	Number of films	Attendance (thousand)	Movie share (%)	Attendance share (%)
France	8	558.6	14%	19%
Poland	13	517.2	23%	17%
Great Britain	10	270.2	18%	9%
Italy	3	233.6	5%	8%
Lithuania	21	214.3	37%	7%
Nederland	9	162.0	16%	5%
Estonia	30	166.0	53%	6%
Spain	4	155.7	7%	5%
Latvia	21	124.8	37%	4%
Germany	4	124.3	7%	4%

Table 2. Ranking of the EU countries according to the attendance rate in 2011-2013 (European Audiovisual Observatory, Nevafilm 2014)

As presented the table 2, France is the leading country, which has a share of 19% of tickets sold in the EU. This can be explained, by the long-term relationship between Russian and French professionals of the film industry. Due to the

continuing collaboration of two states, moviegoers from France are familiar with particular qualities of Russian movie genre. Meanwhile, Poland gained 17% of attendance share mainly due to the joint project “Aftermath” (2012) which has been made in cooperation with Russia, Poland and Slovakia.

As mentioned before, the majority of Russian films is imported by Lithuania, Estonia and Latvia. The demand of Russian films is caused by the high number of ethnically Russian citizens living in the Baltic States. The similarity of mentality, language and traditions arouse interest in the general public. Nonetheless, the attendance share is relatively small. Lithuania and Latvia have imported 21 Russian films, but the percentage of public attendance is just 7% and 4% respectively.

Other countries, such as Great Britain, Italy, Spain and Germany have not a high number of Russian films acquired by delegates. Mainly, European market takes movies that participated in International Film Festivals or international buyers purchase licence for highly differentiated projects. However, according to the table above, there are not so many Russian movies that can be accepted by general European audience, due to the cultural differences, language or poor marketing campaign.

5.3 European movies on the Russian market

The Russian movie market is mainly divided between the USA, Europe and Russia. While the USA is leading with 68% market share, Europe and Russia have approximately 15% each (Nevafilm 2014). The leading European country on the Russian market is France with 132 films released within three years. The table below depicts the top five European countries that have released highest number of movies within period from 2011 to 2013.

	Film released			
Country	2011	2012	2013	Summary
France	37	47	48	132

Great Britain	22	14	38	74
Spain	10	15	17	42
Germany	11	12	18	41
Italy	6	7	6	19

Table 3. Number of European films released on the Russian market in 2011-2013 (European Audiovisual Observatory, Nevafilm 2014)

5.4 Customer analysis

According to the executive director of the Cinema Fund, Anton Malyshev, animation movie is the most export-oriented product and it has more chances to raise interest of international buyers. This universal genre is in demand on the global level. Malyshev states that Asian delegates prefer action movies, thrillers and disaster films. On the contrary, European audience gives preference to art-house and family films (Malyshev 2014 A). Another genre that is popular not only in Russia is fantastic and science-fiction films. However, during the last decade Russian industry released only two fantasy action films that had a great success among the international audience- “Night Watch (2004) and “Day Watch” (2006).

Determining the target audience is one of the main aspects of market analysis. Thus, the author conducted interviews with international moviegoers and made a questionnaire to find out their opinion and preference. As was mentioned earlier, the global film market is taken over by the Hollywood giants, thus one can assume that Russian films cannot perform on the American market due to technological and advertising weaknesses.

However, the main feature of Russian film export is its strong art-house orientation. The European audience accepts low- and mid-budget movies and it is also familiar with festival genre. Hence, the author focuses on the investigation of the European market. For this purpose, during the thesis process interview and questionnaire with international audience was conducted.

The following figures depict the result of online survey. According to the figure 4 the prevailing majority of the international viewers get information about Russian films from the Internet using social networks, online blogs, web advertisements and news.

Where do you find information about Russian film?

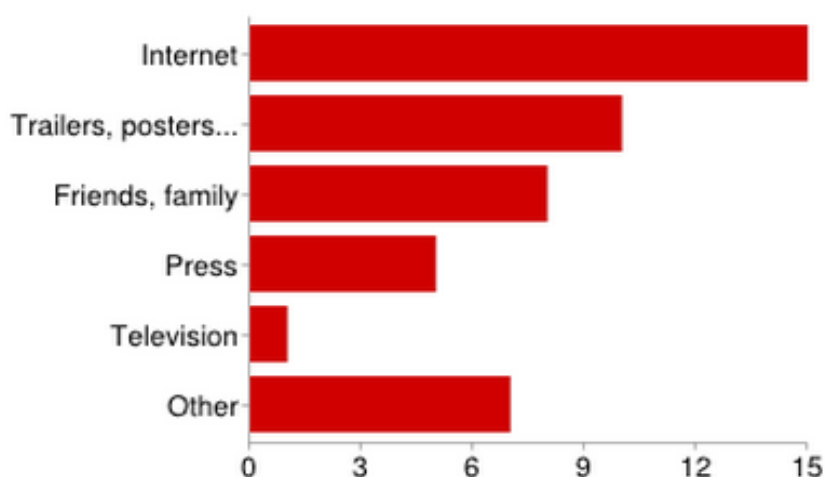


Figure 4. Information sources

After analyzing the source of information, the author received responses on where the audience prefers watching films. The leading distribution channels are video-on-demand (VOD) services and movie theatres. One can notice that the market of DVD and Blu-ray discs and renting services are gradually fading.

Where do you usually watch Russian movies

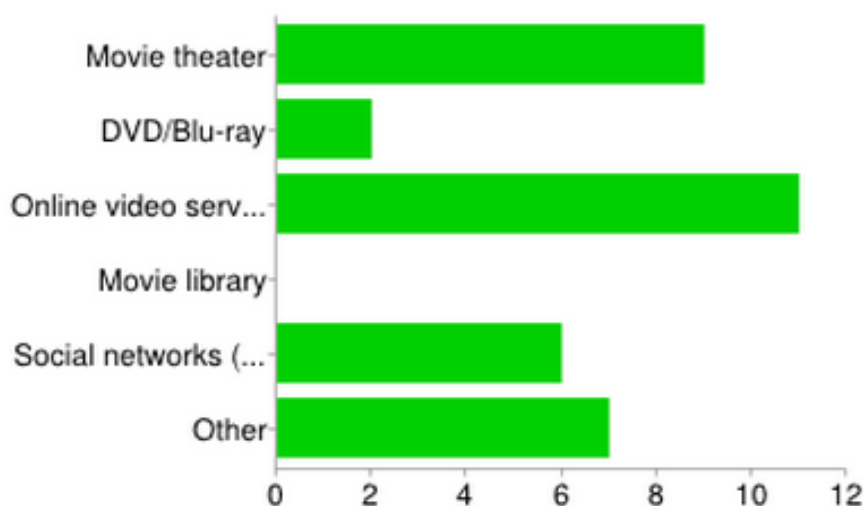


Figure 5. Exhibition sources

As for the genre preference among the international public, the figure 6 demonstrates that there are three leading genres: adventure, comedy and detective.

Your movie genre preference

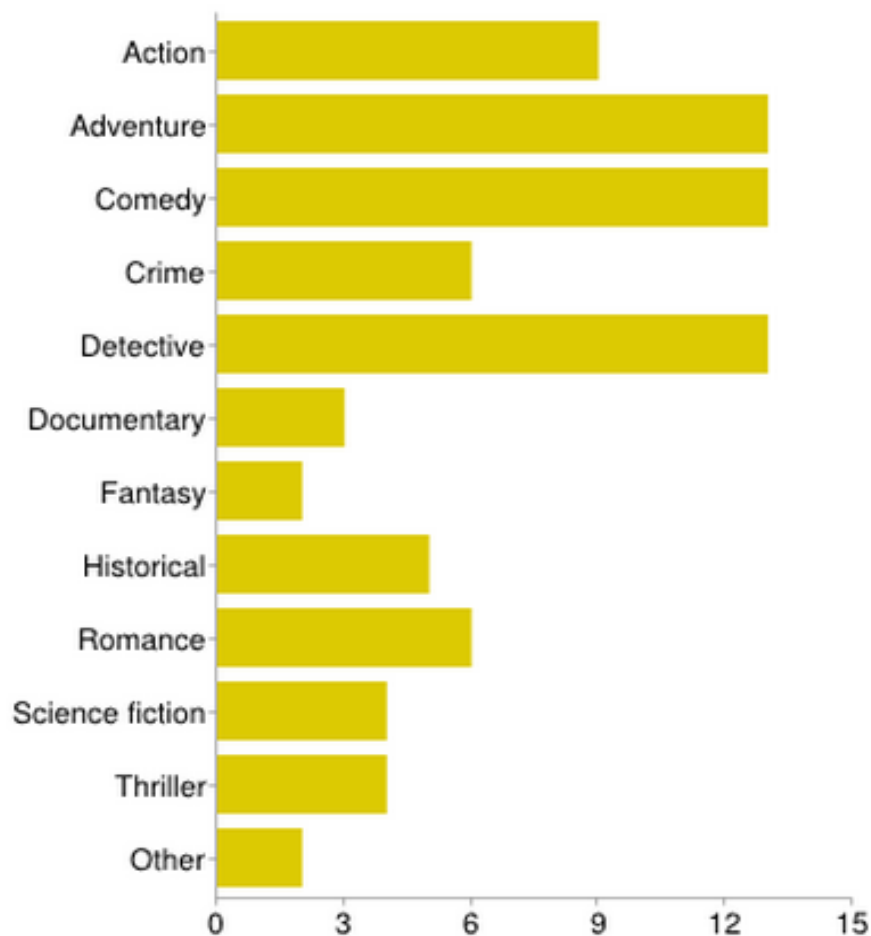


Figure 6. Genre preferences

In addition, personal interviews with movie enthusiasts were conducted. The result of it demonstrates that people have totally different motivation, while they are selecting Russian cinematography. For instance, an IT manager from UK, James Kinellan, has been watching Russian TV series for two years, as he has been studying Russian language for three years. “There is nothing more interesting than watch how Soviet filmmakers tried to recreate the British atmosphere”, says Kinellan. Another interviewee from Finland, Saara Tuomi

watches Russian movies and TV series about Russian Empire after visiting St. Petersburg. According to Saara, “it is difficult to find translated Russian movies, or, at least, with subtitles”. Another reason was explained by a student from Austria, Irene Lehrer, she claimed that she had heard only about Nikita Kikhalkov, Alexander Sokurov and Andrey Zvyaginzev. She has seen few movies made by them, as their names were on the headlines of the public press during notable international film festivals.

On the other hand, some other interviewees admit that they have never seen contemporary Russian films, as they have never heard of any or it is quite complicated to find a movie translated into their language.

5.5 Distribution channels

Today, film distribution in Russia operates autonomous of the state, consisting of a network of private distribution organizations. The main channels for distribution are theatrical distribution, DVD/Blu-ray, TV channels, airlines and video-on-demand (VOD - an interactive TV technology that allows subscribers to view programming in real time or download programs and view them later). (Rouse 2014.)

The main distribution channel in Russia is theatrical release. Every year, approximately 350 films are shown at Russian cinemas (Nevafilm 2014). Furthermore, TV channels also play an important role in the Russian film market, as the leading television channels are getting involved in the production of domestically produced feature films and support them financially.

Nevertheless, the main trend in Russian movie distribution nowadays is transition to the digital technology. In November 2012, during the DOORS Film Market, Roskino announced the launch of an exclusive broadcast of twelve Russian films on online video service “Hulu”. (Roskino 2014.)

As regards the distribution of specifically Russian movies in Europe, online platforms are the leading source of movie exhibition. In July 2014 it was announced that «Hulu» will be the exclusive online platform that allows watching Russian films and television series in the United States on a

permanent basis. The content is available with English subtitles. (Roskino 2014.) Moreover, it is expected that release of Russian project will be expanded on the higher number of international streaming services. Large investments allow a growth of the advertising activities and can lead to a higher recognition of Russian movies amongst Europe's population.

The theatrical release of Russian movies in Europe mainly depends on international buyers and distributions. In recent times, only the leading commercial projects had an access to the big screens. The basic business model between cinemas and distributors is that of a 50/50 split of box office receipts. However, the market share of Russian films in the European Union remains very small, at about 0.05 % of total theatrical tickets sold. (Nevafilm 2009)

5.6 Key success factors

Based on the research one might conclude that contemporary Russian cinematography still is not familiar to the European audience. In a three-year period from 2011 only 76 movies made in Russia were released in Europe (Nevafilm 2014). However, the background history of Russian cinema industry shows that Soviet movies were in demand amongst European viewers. The Russian art in its broadest sense was exported and accepted by the international audience. Soviets films, for instance "The Cranes Are Flying" (1957), "Ivan's Childhood" (1962), "War and Peace" (1967) and "Anna Karenina" (1967) were acknowledged on the global level.

Many years later, Russian movie industry faces with issues of international recognition and export. Nevertheless, the investigation, which was presented in the empirical part, introduces an idea of distribution of Russian films in Europe and preference and opinion of international audience. The further success factors described in the thesis are founded upon the findings.

5.6.1 Distribution in particular countries

As was described earlier in the chapter 5.2 (page 28) Russian movies still have a low presence on international markets. However, Russian film industry does

not develop a systematic and customized marketing strategy for individual states.

As mentioned earlier, a big number of Russian movies is exported to the Baltic states (Lithuania, Estonia and Latvia). This fact can be explained by the high percentage of the Russian speaking population in the Baltic states: there are around 30% of Russian speaking citizens in Estonia, 34% in Latvia and 15% in Lithuania. (Grigas 2014.)

In addition, the movie preference of the Baltic nation is quite similar to Russians. During the Soviet Union there was extensive cooperation and coproduction of number of movies. In order to boost recognition now, it is recommended to increase the number of films exported and exhibited on the big screens. In addition to that, a fraction of Russian speaking population use Russian online streaming services such as Video.ru or Ivi.ru that offer a wide range of Russian motion-picture art. Promotion of these Internet platforms may increase number of viewers and generate revenue. Furthermore, the promotion of Russian films can be made through the television advertisements on the Russian speaking channels such as the First Baltic Channel or Channel “+3”.

Another potential market for films produced in Russia is the German market. According to the table 2 (page 31) Germany has imported no more than four Russian movies within a three-year period. The attendance level is also low. At the moment, the German film market is dominated by American projects. Nevertheless, Germany holds a number of significant Film Festivals and Markets that attract professionals of the film industry from all over the world. The Berlin Film Festival is one of the world’s leading platforms for showcasing the finest International contemporary films. Another example is Filmfest Munchen, the Festival which is second only in size and importance to the Berlinale. (Munich Filmfest 2013)

Considering the facts mentioned above, one can declare that there is a demand for contemporary films amongst the German audience. Russian films on their current level cannot compete with American blockbusters. However, instead of emulating, Russian producers can create their own audience. According to the

findings (figure 6, page 35), the group of young students or employees from the age 21 to 28 prefers adventure, comedy and detective genres of films. In this case, the future projects produced in Russia can be tailored to the European audience from the very beginning. It is important to create a universal film and to collaborate with German distributors from the early stage of production. According to this strategy, the demand for such film will be created before the movie release and can gather good box office receipts. Furthermore, it is important to select the right distribution channel. According to the figure 5 (page 34) the majority of the potential audience favor online platforms, such as social networks or video-on-demand services.

5.6.2 Video-on-demand

The result of survey demonstrates that, nowadays, viewers give their preference to the online streaming services. It is stated that video-on-demand (VOD) services and streaming websites tend to grow in Europe. In addition, according to John McDuling, Germans spend around 3.7 hours watching television, and generally prefer Internet to the television. (McDuling 2014)

Moreover, it is estimated that by the end of 2014 video-on-demand services hit 1.266 million euro on the European market and eventually 4.266 million euro by 2020, with the UK leading the market and Germany not too far behind (Keane 2014).

The VOD business in Europe is very fragmented and Germany in particular might provide a potentially huge customer base. There already exist local streaming services such as Watchever.de and Maxdome.de, however the leading players Netflix and Hulu are also taking share of the German market. It was discussed, that Hulu already obtains some contemporary Russian projects, while Netflix possesses only classics of the Soviet cinematography.

On the whole, Russian organizations that are responsible for international export should take into consideration the fact that digital platforms are rapidly developing and replace standard movie theaters. Furthermore, it alleviates the access to rare and unusual films and provides a platform for intensive online promotion.

5.6.3 Cooperation

Cooperation or coproduction is a merger of two or more studios or states that produce one movie project. There are two key approaches towards coproduction. The first one is to select a common and universal theme for regions of production and create a product that will find a response from the audience. The second method is a business approach, when producers invest into a multinational project with a purpose to receive financial benefits. (Proficinema 2014)

According to the leading analytic of Nevafilm, Ksenia Leontieva, Russian producers consider coproduction as an additional source of getting financial support and as a tool to create a new market for showcasing their movie projects.

On the other hand, existing economic and political problems, for instance, the high cost of production in Russia, lack of incentives, strict commission from the state's legislature and necessity of visa, might hinder the cooperation (Proficinema 2014).

Consequently, in order to establish positive business relationship it is anticipated that strict regulations will be mitigated. Currently, there is no an executive organization that is responsible for international cooperation. Creating one might facilitate improved cooperation activities on the multinational level. Coproduction smooths the process of collecting budget for a filmmaking and also allows releasing it in different states. (Proficinema 2014.)

6 Conclusion

The purpose of the thesis was to evaluate the current position of the Russian cinema on the international market and to carry out a proper analysis of the potential market. Moreover, the objective of the study was to identify difficulties and weaknesses of the current movie industry in Russia.

The analysis has been divided into two parts: theoretical and empirical. The theoretical part was based on literature, articles and interviews with professionals from the movie industry. The information found during the research helped to create an overview of the principles of movie marketing and organizations

that are responsible for international activities in Russia. Nevertheless, some data on the Russian film industry was incomplete, since it was obtained from the secondary data, rather than the producers or film distributors themselves.

The other limitation that appeared during the thesis writing process is absence of reliable statistics data. A research company that was asked for support could provide data just for 2011. Thus, some of the figures mentioned in the study might have changed over the time. In addition, the author came across with a problem of refusal of cooperation with some organizations related to the film industry in Russia.

As for the empirical part, the SWOT analysis was chosen to investigate internal and external factors that influence the international performance of Russian film industry. In addition, the author conducted interviews with representatives of the potential audience and made a survey with the purpose of discovering the possible markets for Russian movie projects. Furthermore, the author decided to use an online questionnaire to analyze the demand of the audience.

The result of the SWOT analysis showed that there are some issues exciting in the film industry, such as underdeveloped infrastructure and language barrier, in addition to that external factors, such as economic crisis and rapid technological change might slow down the development of the Russian film industry. On the other hand, development of the coproduction and participation in the international Film Festivals and Film Markets might increase the recognition on the International level and attract international investors.

The customer analysis was done using surveys and interviews. The end results of the customer analysis demonstrate that there is a demand for creative and innovative product. However, the international audience is not familiar with Russian cinema due to the lack of promotion and incorrect selection of distribution channels. The questionnaire showed that, nowadays, viewers give their preference to the online streaming services. Therefore, it would be reasonable to make an effort to sell licence of Russian films to online platforms, such as Netflix. In addition, online promotion, such as Youtube ads or web banners might also attract a number of viewers.

Furthermore, the objective of the thesis was to find a potential market for the Russian cinema. After the investigation of the Russian cinema's performance on the European market, it was decided to focus on two regions: the Baltic states and Germany. The Baltic states are familiar with Russian genre, there is a high percentage of Russian speaking population and also it is believed, that because of the similar mentality, no customization is needed for the exported movies. Moreover, Germany has a potentially huge customer base. According to results of questionnaire, general public prefers adventure, comedy and detective movie genres. Hence, it is essential to start cooperation with German promoting and distributing companies from the early stage of production. In addition, the author suggested a supplementary strategy for international expansion – coproduction. It is a reliable source of getting financial support and creating a new market for showcasing movie projects.

All things considered, one might state that there is no standard strategy of creating and promoting a film. Instead, studios must create audiences from scratch for each and every film. For the studios “audience creation” has become as important a creative product as the film itself. (Epstein 2012.)

The film movie market development in Russia was characterized by severe competition and the domination of big players over smaller and independent ones. Though, the situation has now changed. The independent organizations that produce films suitable for European audience have now support from the leading consulting and promoting organizations. The positive trend shows that the demand of the general public is also increasing.

Additionally, the thesis demonstrates that participation in the international Film Festivals and Markets opens the doors to the European movie theaters. International press actively promotes festival films and help to gather high box office receipts. Moreover, the demand for animation and documentary films also rapidly grow on the festival platforms as well as on the commercial level.

Perhaps, in 2015 the European film market will have a new leader – a project of Andrey Zvyagintsev “Leviathan”. It has already received awards for the best screenplay at the Cannes Film Festival, for the best film at the Festival in Lon-

don and was nominated by the Oscars in the category “The best foreign language film”. Probably it becomes an initiator of the new wave of the Russian cinema, raises the demand and opens the door to the new Russian projects.

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Appendix

Appendix 1. Questionnaire:

Dear Respondents,

I am a student from the International Business faculty at Saimaa University of Applied Sciences. My Bachelor Thesis topic is called "Russian film industry on the international market". I would like to do a market analysis in order to measure the demand for and potential of Russian film among international audience.

I would very much appreciate your agreement to participate in the survey. This questionnaire will take about 5 minutes of your time. Also it is anonymous and confidential. The results of the research will be published in my final thesis.

Thank you very much in advance!

1. Country of origin:

2. Age:

3. Professional status:

- ☐ Student
- ☐ Employed
- ☐ Unemployed
- ☐ Retired
- ☐ Other:

4. Do you watch Russian movies? (If your answer is no, please proceed to question 9)

- ☐ Yes
- ☐ No
- ☐ Other

5. Where do you find information about Russian film?*

- ☐ Internet
- ☐ Trailers, posters, leaflets etc.
- ☐ Friends, family
- ☐ Press
- ☐ Television
- ☐ Other

6. Your movie genre preference*

- ☐ Adventure
- ☐ Comedy
- ☐ Crime
- ☐ Detective
- ☐ Documentary
- ☐ Fantasy
- ☐ Historical
- ☐ Romance
- ☐ Science fiction
- ☐ Thriller
- ☐ Other

7. Where do you usually watch Russian movies? *

- ☐ Movie theater
- ☐ DVD/Blu-ray
- ☐ Online video service(Netflix, Hulu etc.)
- ☐ Movie library
- ☐ Social networks (VK, YouTube etc.)
- ☐ Other

8. Please write down the latest Russian films you have watched:

9. If your answer was no, please specify the reason why you are not interested in Russian cinematography:

10. If you had an access to contemporary Russian films, would you watch them?

- ☐ Yes
- ☐ No, why?:

11. Do you usually pay attention at the film's country of origin?