

Film Business in Malaysia: Challenges and Opportunities

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Abstract

Research interests in the film industry have burgeoned in recent years as it has emerged as a new dynamic industry in world trade. Many countries have successfully developed their film industries which contribute to their economic development. This study aims to fill the gap by employing a qualitative research approach to increase our understanding on the challenges faced by the Malaysian film industry under the conditions of increased global competition in film business. The study found three main areas posing challenges to Malaysian film industry. These include the ability to produce film products that can achieve international standards, the ability to compete with other countries as an attractive location for shooting, and the ability to develop the animation sector. It is argued that the government's role is instrumental in alleviating the impact of competition on the indigenous film industry.

Keywords: Film industry, economic development, competition, government

1. Introduction

Research interest in cultural industries or subsequently known as creative industries have burgeoned in recent years as it has emerged as a new dynamic industry in world trade. One of the most important industries that falls within cultural industries is the film industry. According to UNCTAD (2008), global film market, is estimated to be worth \$60 billion annually and is dominated by American film products. The trend is not only for an increase in the circulation of film products around the world but a shift in production away from the producers' country. For example, Hollywood's film industry is producing more of their films on location outside the U.S. to capitalise on lower labour costs and other incentives offered by many countries anxious to attract foreign production. Indeed, realising the importance of the film industry, many developing countries have responded by developing their local film industry through the formulation of strategic plans. Outside the U.S., the film industry has contributed significantly to the economy of countries like South Korea, Argentina, Brazil and Mexico. This development is a result of the economic potential of this industry that could contribute to income generation and employment creation and the realisation that the film industry could be developed as a means of economic diversification (Wong and Matthews, 2007; Jin 2006).

The increasing importance of this sector to the economy has been widely mentioned in previous studies (UNCTAD, 2008; UNESCO, 2006; Scott, 2004). However, despite the potential economic contributions of the film industry, little attention has been given by scholars from other disciplines other than those from culture and media studies. Also, most research concerns the cultural effects on the local audience (Pawanteh, 2006; Rampal, 2005; Scott, 2004; Sinclair, Jacka and Cunningham, 1996).

The globalisation of creative industries has subsequently increased trade in film products. The emergence of the theory of '*cultural imperialism*'¹ has intensified the debate on the effects of the globalisation of the film industry. This is because the domination of the global market by Western countries' film products poses a challenge to the indigenous film industry in less developed countries.

¹ See Herbert Schiller (1976).

As a means of cultural preservation, developing countries are struggling to promote and develop their own indigenous film industry. Economically, developing countries recognize the opportunities brought about by the globalisation of the film business and strive to benefit from it.

2. Research Methodology

The aim of the study is to gain understanding of the challenges faced in order to develop Malaysian film industry. Hence, a qualitative research approach is employed as it is an appropriate method to enhance our understanding of the phenomenon under study. A case study approach is employed as globalisation affects different countries differently (Shin, 2005). Data was collected from in-depth interviews and secondary sources. The study follows the guidelines for data collection for case studies by Yin (2003). The participants of the interviews were from (i) one government agency (FINAS) and, (ii) representatives from six film production companies. Semi-structured interview sessions were conducted using interview guidelines that were prepared in advance. Each interview lasted two to three hours. Secondary documents were used as a means to gain multiple sources of evidence that will enable triangulation during the data analysis process. As according to Yin (2003, p. 87) the benefit of using documents is to corroborate and augment evidence from other sources. This can increase the quality of qualitative research associated with internal validity (Golafshani, 2003). Data from the interviews was transcribed and the content was analysed to highlight emergent themes.

3. A Review of the Literature

The present scenario of global business environment shows the changing trend in global economic activities with service industries gaining its importance. This has led to the emergence of new industries. Creative industries,² particularly the audiovisual industry, are gaining importance in the global economy (UNCTAD, 2008; UNESCO, 2006; Scott, 2004). Creative industries have become an engine driving economic growth and the cultural development of a nation. Under the condition of globalisation, it intensifies competition in film business. For developing countries, it becomes a challenge to countries to provide an environment that is productive and competitive in global markets. Competition is claimed to adversely affect indigenous industries especially in less-developed countries. A study by Stiglitz (2002) found that indigenous industries have limited capacity to compete with global players. In his study on the Jamaican milk industry, he found that further opening up the market to foreign competition affects local dairy farmers adversely. It has been argued that less developed countries lack the ability to compete in the international arena. Thus, studies claim that increase competition affect the competitiveness of indigenous industries in less-developed countries as they are commonly unable to compete with international players (Hartungi, 2006; Stiglitz, 2002; Khor, 2000; Jomo, 2001).

Earlier study by Nordenstreng and Varis (1974) shows that the global flows of television programmes indicate 'one-way' flows from developed countries (particularly the Western countries) to less-developed countries. Later study by Varis (1985) still indicates developed countries domination in global film industry.

However, the more recent studies indicate that many less-developed and other Asian countries have emerged as major film producer. India for example is the world's largest film producer, producing about one thousand films annually, more than that of Hollywood (UNCTAD, 2008). In Asia, Chinese and South Korean film industries are among the most successful film industry which has contributed to their economic growth (Plate, 2002; Jin, 2006). However, the successes of their film industries are the result of government support. Hence, government support is instrumental in establishing indigenous film industry.

According to Wong and Matthew (2007) advances in digital technology and communications are altering the way the film industry works. These have posed challenges, especially to developing countries that lack of advance technology in film-making. This paper analyses in further detail the challenges faced by the Malaysian film industry in the wake of increased competition and how the indigenous industry responds to it.

4. The Malaysian Film Industry

Films were introduced to Malaysia (then was known as Malaya) during the colonial era in the 1930's. However, it was only in the 1970s that the government realised the importance of nurturing the indigenous film industry. The film industry was rationalised with the establishment of FINAS (National Film Development Corporation), a government agency responsible for the development of the industry (Ahmad, 2000).

² Film industry falls under creative industries, which is one of the most important sectors in global trade (UNCTAD, 2008).

Since then, the government has played an important role in promoting the development of the indigenous film industry. At present, the film industry shows impressive development (by local standards) judging from the increased number of films produced. In the case of feature films, the number of cinema admissions has increased remarkably over the years. The number of made-for-TV films is also increasing, consistent with the development in broadcast television stations. Currently, there are two public television stations, four private and one subscription based television station in Malaysia. The television broadcasting industry is important for domestically produced films.

The Malaysian government recognises that film industry is facing stiff competition from other countries. Hence, the government intervenes to spur indigenous film industry development. The government's role is instrumental in the development of the indigenous film industry. The government through FINAS has identified areas within the film industry to be emphasised and developed:

4.1. Film production

In the area of film production, the industry is to produce more quality films that could be marketed internationally. In ensuring its objective, the government provides financial and non-financial assistance, which includes subsidies, grants, film-related training and courses to local players.

4.2. Animation sector

The government has identified animation as another sector to be developed. Judging from the huge potential global market for animation films, the government through MDEC (Malaysian Development Corporation) is providing infrastructure and other incentives. Other agencies like MIMOS (Malaysian Institute of Microelectronic Systems), an agency under the purview of the Malaysian Ministry of Science, Technology and Innovation (MOSTI), is actively providing assistance to newly established production houses in the development of animated films.

4.3. Location for film production

The government also aims to turn Malaysia into an attractive shooting location. FINAS is currently studying ways to attract international producers to shoot films in Malaysia by studying how to formulate effective policies and incentives. The government recognise the potential of developing creative industries and in the recent Malaysian 2010 Budget, the government allocated RM200 million³ for the development of this industry, with emphasis given to the development of films and animation production. The Government through FINAS is actively promoting the development of the film industry to become an international player.

5. Challenges and Opportunities in Developing Film Industry

One of the major challenges facing Malaysian film industry is due to small domestic market. It was estimated that the total audience for feature films was approximately 5.29 million in 2008 out of a total population of approximately 28 million.⁴ While in the programmes rating for television broadcast, films that achieve 2 million viewers are already considered a successful film. It is evident that most successful film industries that achieve export potential are those with huge home-based markets like Brazil, Mexico not to mention Hollywood and Bollywood.

The film industry in Malaysia is a small industry in terms of the quantity of films produced annually as well as its contribution to the economy. Currently, annual productions of local drama and serials total about 300-400 programmes, not including the in-house production by individual television stations and an average of 30 feature films.⁵ The main challenge faced by the local industry as a result of globalisation is mainly from the influx of foreign film products. As a commitment to embracing the open market and globalisation, Malaysia does not protect the importation of foreign products. Foreign films are free to enter the local market under minimal requirements: (i) it has to pass through the Malaysian Film Censorship Board, which is the government authority that is responsible for granting licences to the film for public viewing, and (ii) to provide subtitles in the Malay language.

³ Official Site Budget 2010, Economic Planning Unit. <http://www.epu.gov.my/home>, retrieved 10 November 2009.

⁴ www.sinemamalaysia.com.my

⁵ FINAS official website, <http://sinemamalaysia.com.my/main/index.php?>, retrieved 30 July 2009.

Other than the rules and regulations stipulated under the Film Censorship Act, films from any country are free to enter the Malaysian market. To a certain extent, the local film industry is affected by foreign products that undermine the local films in the local market. Previous studies (Hoskins and McFadyen, 1991; Vogel, 2001) found that in order to penetrate the international market, films should be successful in the local market. In Malaysia's case, the indigenous film industry is striving to compete with foreign films in the local market. In this circumstance, it is obvious that it will be tougher for the industry to compete in the international arena. Furthermore, it is especially difficult for local films to compete with big-budgeted foreign films.

Animation films are seen as global products and easily directed towards enticing global audiences. The success of an animated film titled '*Geng: Pengembaraan Bermula*' is a new phenomenon in the local film industry. With the achievement made by a local production house, Les' Copaque Production Sdn Bhd, the government is optimistic that locally, Malaysians have the capability to benefit from the animation sector. Nevertheless, to compete in the animation sector would mean that the industry is competing with big-budgeted giant global players like Pixar and Disney. This is a challenge for a relatively small industry. Thus, government support is deemed necessary, as the local producers are definitely not in the same league as other global film players.

International producers are taking advantage of the emergence of the new international division of cultural labour by searching for cheaper production costs in foreign countries. As in the case of FDI in Malaysia, which has contributed to economic growth and provided externalities, the government foresees that similar benefits would accrue to the film industry by attracting foreign film producers. However, neighbouring countries, including Thailand and Singapore, also have the same strategy. Malaysia should have a competitive advantage in competing with other countries for foreign film projects. This is not easy, as the government has to formulate policies and provide an incentive structure that is attractive to foreign producers.

6. Discussion and Conclusion

It has been argued that competition in film business is very stiff with developed and Western countries dominating global film business. For developing countries, the role of the government is instrumental in ensuring that the film industry not only survives but is also able to respond to the benefits brought about by globalisation. Other studies confirm that the government is behind the success of the indigenous film industry (e.g. Lee, 2008; Jin, 2006).

In the case of the Malaysian film industry, it is acknowledged that the local market is small and that the market size of a nation dictates the budget for film production. Hence, to compete with big-budgeted foreign films is not a feasible option. Rather, the industry should venture and compete in an area where it has a competitive advantage. One area that local people have shown their capability is the animation sector. Les' Copaque Production was the first private production house that produced 3-D animation and was very successful in the local market. Their products have subsequently been marketed internationally. In a recent development, December 2009, their animation series is now available on ASTRO's Disney Channel. This proves that local people are actually capable of developing their own film products. In another area of animation, Malaysia has skilled people that are capable of taking up outsourcing jobs. With the relatively cheap cost of labour, Malaysia should attract global film clusters (like Hollywood) to outsource their production of animation work. Local public and private universities are offering more film and multimedia related courses for students. Every year, quite a number of students graduate from film related courses⁶. Taking advantage of the emergence of the new international division of cultural labour will provide employment opportunities, especially for new graduates.

Blessed with an abundance of beautiful locations suitable for film shooting, Malaysia should capitalise on its competitive advantage. The industry should attract foreign producers to shoot films in Malaysia also known as '*runaway productions*'. This can provide employment for local people, which could lead to knowledge transfer. With strategic planning, Malaysia could benefit from the globalisation of the film business.

The government plays an important role in nurturing and promoting the development of the indigenous film industry through its policy and regulatory framework. The government, through FINAS, has taken the necessary action to promote the development of the indigenous film industry. Nevertheless, much needs to be done to ensure that the government's funds are properly channelled and used in the most efficient way.

⁶ *Utusan Online*, 30 June 2008, 'Kepentingan Pembangunan Filem'.

Films as part of cultural products are deemed as being important for the preservation of culture. In the era of globalisation, film products are not only important as a means of cultural preservation but films are now traded as commodities. With the associated stiff competition to attract FDI in the manufacturing sector, developing the indigenous film industry should be seen as the diversification of economic activities to ensure the country is not too dependent on a particular sector to achieve economic development. Similar to the policies directed towards attracting FDI in manufacturing, the government should formulate policies to attract foreign film projects to Malaysia to benefit from knowledge transfer and other externalities associated with foreign operations in the host country. This paper helps to unravel the potential of the film industry and serves as a wake-up call for scholars to study the film industry from various perspectives.

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