



# Socio-economic effects on increased cinema attendance: The case of Japan<sup>☆</sup>

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## ABSTRACT

Recently the Japanese film industry revived after a long period of decline. This has been accompanied by structural changes characterized by the present growth of multiplexes and consumer demand. This paper attempts to explore the recent revival process of the film industry in Japan using panel data of 47 prefectures from the period 1990–2001. I found, through fixed effects and Conditional Logit estimations, the following. First, decay of informal social networks is less likely to increase a film's attendance numbers, while multiplexes are more likely to increase those numbers. Second, new cinemas tend to be built in locations where the market is less competitive and are less inclined to be located in areas where informal social networks are weaker.

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## 1. Introduction

The study of the mechanism of how film attendance increases is among the major issues in the field of cultural economics, with the amount of empirical literature growing. Most of these works lean towards an analysis of European countries, such as Germany (Dewenter and Westermann, 2005), Spain (Cuadrado and Frasquet, 1999; Fernández and Baños, 1997), and especially the UK (Cameron, 1986, 1988, 1990, 1999; Collins et al., 2005; MacMillan and Smith, 2001). Although Japan appears to be considered one of the most developed countries in terms of its film industry because several great film directors are Japanese,<sup>1</sup> few researchers have attempted to examine the film industry of Japan, with one example being Yamamura (in press-a).<sup>2</sup> The Japanese film industry has experienced long-term decline due to diversification of leisure industries, and its subsequent recovery has coincided with the expansion of multiplex cinemas. As noted in Collins et al. (2005), this tendency is similar to the experience of the UK and USA in the 1990s.<sup>3</sup> That is to say, Japan is likely to follow the development of the UK and USA film industries.

In the UK, the emergence of multiplex cinemas was considered to be an innovation in the film industry that has given rise to its structural changes (Cuadrado and Frasquet, 1999). Multiplexes are ordinarily equipped with a large shopping mall. This is why visiting multiplexes also provides the opportunity to go to various places like restaurants, accessory shops, and

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<sup>1</sup> instance, Akira Kurosawa, Kenji Mizoguchi, Yasujiro Ozu had an impact upon modern film. In their day, a number of Japanese films were presented and received awards at international film festivals. On this subject, see <http://www.usc.edu/libraries/archives/asianfilm/japan/>.

<sup>2</sup> Walls (1998) examines the film industry of Hong Kong.

<sup>3</sup> 2000, some multiplexes were closed in the USA and UK mainly due to a surplus of cinemas (Collins et al., 2005). Such a phenomenon has not yet been observed in Japan.

boutiques, all considered to be complementary to the cinema. As multiplexes mushroomed, the locations of cinemas had a tendency to move from urban to suburban areas (Hubbard, 2002).<sup>4</sup> As a consequence, newly built multiplexes in suburban areas where there are few cinemas attracted the most demand and increased their attendance numbers, with cars being the most common means of transportation among customers. This tells us that the expansion of multiplexes accompanied by cinema location changes gives rise to the development of the film industry.

Putnam (2000) provided a great amount of evidence in modern US society that social capital plays important roles in spurring socio-economic development, such as decreasing transaction costs or enhancing collective action. Social capital is profoundly associated with informal social networks, which enhance the visiting of various entertainment and sports venues with colleagues or acquaintances.<sup>5</sup> Therefore, informal social networks appear to be related to cinema attendance behavior. However, heretofore only few studies have attempted to assess the effect of informal social networks upon the development of the film industry. Thus, still little is known about the influence of informal social networks upon the geographically dispersed process of cinema development and revival of the film industry. The aim of the present paper is to examine how the film industry of Japan has relocated to the outside of city centers and recovered from its period of decline through the consideration of the effect of informal social networks upon cinema attendance.

The organization of this paper will be as follows: Section 2 surveys the revival of the film industry in Japan and advances the testable hypotheses. Section 3 specifies the regression functions and briefly explains the methodology of estimation. Section 4 discusses the results of the estimations. The final section will offer concluding observations.

## 2. Overview of the film industry and testable hypotheses

The film industry of Japan has experienced tremendous growth in the post-war period, especially from the 1950s to the 1960s. However, since 1970, likely due to the expansion of various substitutes such as the color television or video recorder, the industry has been in decline for a long time.<sup>6</sup> The inception of multiplexes into Japan has created a latent demand for cinemas, leading to the recovery of the film industry from stagnation.

According to Dyja (1999), multiplexes in the UK are defined as cinemas having seven or more screens. In Japan, they are less precisely defined as “multiple screens (usually more than six) set up in the same building, with shared ticket booths, entrances, lobbies/shops, and projection booths” (The Ministry of Economy, Trade and Industry, 2004, p. 1). In addition, multiplexes can also be characterized as follows: as observed in the UK, multiplexes were located mainly in suburban areas or newer towns and provided a large number of screens where there had previously been few. Inevitably, cinema sites tend to geographically disperse toward the outskirts of city centers (Hubbard, 2002). Although in general transport around suburban areas is very inconvenient, multiplexes are likely to be equipped with parking facilities to enable people to easier access from distant places (Hubbard, 2000; Collins et al., 2005).<sup>7</sup> The presence of parking facilities, therefore, decreases the cost of transport.

As noted in Collins et al. (2005), multiplex cinemas tends to be incorporated into a shopping mall complex containing retail outlets and restaurants to form an integrated entertainment complex. The fact that in 2004 cinemas that shared a building with a shopping center had an average of 5.8 screens, whereas independent movie theaters had an average of 1.4 screens makes it evident that in Japan multiplexes are usually found in shopping malls (The Ministry of Economy, Trade and Industry, 2004, p. 1). Therefore, people can enjoy not only cinema, but also various kinds of entertainment when they attend multiplex cinemas. Put differently, multiplex cinemas can enjoy externalities such as the “agglomeration economies” to increase attendance. Multiplexes are thus more alluring than non-multiplex cinemas to various kinds of consumer groups such as students, families with children, or couples. My conjecture is that the shift of site location and the features of multiplexes attract people who were not previously moviegoers, that is, multiplex cinemas create a ‘new demand for cinema.’

### 2.1. Recovery of attendance

Turning now to cinema attendance, the recovery from decline of Japan’s film industry is shown in Fig. 1, which shows the numbers of cinema attendance in Japan. Numbers of attendance gradually decrease and reach their lowest point in 1995. Subsequent rapid increases are then observed, with the emergence of multiplexes in 1993 presumably having a positive effect. To put it another way, the multiplexes appear to spur the revival of the film industry. Coefficient variation of cinema attendance numbers among prefectures in Japan is presented in Fig. 2. From this, we can see that film attendance dispersed geographically, and in particular after 1997. What Figs. 1 and 2 jointly make clear is that the recovery of attendance is accompanied with the geographic dispersal of attendance. This allows me to predict that multiplexes mushroom toward the outside of city centers, that is, to suburban areas or newer towns, in order to increase attendance. If I analyze the revival of the film industry from the standpoint of the supply condition, then the deduction that multiplexes have the effect of increasing attendance seems plausible.

<sup>4</sup> Yamamura and Shin (2007). found that the manufacturing industries of Japan also have a tendency to move outwards toward suburban areas.

<sup>5</sup> Yamamura (in press-b) presented evidence that the diffusion of home computers in Japan was promoted partly through social networks.

<sup>6</sup> similar phenomenon has also been observed in the UK (Cameron, 1988).

<sup>7</sup> parking, multiplexes can also offer a wider choice of films, wider screens, and a wider range of food and drink.

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