Long-Time-A-Dying

Transformation of the Cinema Exhibition Market in Iceland 1980–2000¹

RAGNAR KARLSSON

– Going to see a film is still an event...

Graeme Turner, 1993.

Introduction: Premature Death of the Cinema

The film and the cinema have frequently been declared in an irreversible decline. The evidence is there, manifested in dramatic fall in admissions since in the mid-of-the-last century throughout the western world, at least; less variety of films screened; decay of national film industries; and more generally the sense that the film has lost its centrality to other media and cultural forms (see, e.g. Nowell-Smith, 1996; Sorlin, 1991). The villains and the foes responsible for this decay are readily at hand, as asserted: television, cable and satellite TV, video, and now lastly, emerging forms of multi-media, which are supposed to have made the cinema somehow inferior to other forms of audio-visual mediation, if not obsolete.

Behind the regular doom assertions is the mistaken conviction that cinema and television are compatible and recognised as competing with each other for people's attention and commercial and critical acclaim. True enough, there are some obvious similarities between television and cinema: both combine sound and visual images; both provide narrative fiction; the images of both are closely related to leisure, entertainment and pleasure, rather than work, duty and compulsion. Moreover, there is an overlap between the products and production processes of the two: films are shown on TV; visual angles, narrative forms and sequences originally developed within the film industry have been exploited by television; the various genres of content have easily crossed from one medium to the other (e.g. Ellis, 1982; Turner, 1993).

Apart from the more obvious similarities, the cinema and television and other audio-visual media do not occupy the same space and do not serve the same social activities. Unlike other media, which are mostly consumed within the home, the cinema is consumed outside the private sphere. As film-going is most often a group-activity, the cinema serves an important function as a meeting place, which offers its audiences a distinctive set of shared pleasures, experiences and social practices. In the multiple television channel environment and transferral of leisure activities into the home with advent and spread of multi-media and information technology, the importance of the cinema as a meeting place is more apparent than before (Lindholm *et al.*, 1999: 421; Turner, 1993:

109ff). Hence, the survival of the theatrical film is due to its nature as a medium, and its social usefulness to its audiences. None of the competing media are able to replicate these, notwithstanding development of high-definition and wide-screen pictures and other technical perfections and elegance. While television, video and other forms of film visualising in the home 'may supply narrative to its audiences', as Graeme Turner (1993: 97–8) argues, they do 'not offer them the event of cinema-going', nor do they 'replicate the experience of the darkened cinema with its larger-than-life images and Dolby stereo sound.'

The cultural hegemony of the feature film and the cinema as the predominant form of entertainment is surely over, but reports of their death are greatly exaggerated. 'The notion of the 'decline of the cinema' that has somehow infiltrated everywhere as an established fact is', as John Ellis (1982: 175–76) maintains, 'far more complex than a simple decline from a position of pure eminence to a subordinate position, or even towards distinction.' Television in its various forms of distribution has not destroyed the cinema, not anymore than cinema was not capable of wiping out the theatre and vaudeville and fairground entertainments, or radio destroying the music business, for that matter. Despite the decline in the cinema audience we should not forget, as Raymond Williams (1976: 24) noted quite some time ago 'still leaves a very large public.'

Whilst declining public demand for the cinema in most western countries coincided with development and penetration of television, it did not, however, have any automatic effect for the cinema, contrary to an often-held belief. 'In some cases', Pierre Sorlin (1991: 91) maintains, 'television strongly influenced frequency of attendance but in others it was harmless.' This is not to deny that television and later cable and private satellite television and video were not implicated in the fall of public demand for the cinema. Rather that they were just among many things that 'implicated in this complex of conditions that produced this trend' (Turner, 1993: 18), such as demographic changes in the post-war era and increased choice in leisure activities. Internal factors within the cinema sector are to blame as well. Negligence in the exhibition business contributed to a vicious circle for the cinema, which reduced audiences further. Migration to the suburbs meant often there was a shortage of screens for many customers, while at same the cinemas that remained in the centre of cities were often left to decay, 'as 'flea pits', turning film-going into a activity watched in slum conditions' (Dale, 1997: 172–73).

This article deals with the main trends of development in the cinema audience, exhibition and distribution market in Iceland from 1980 onwards. Outnumbering most nations in terms of cinema admissions per capita, Icelanders go to the cinema between five and a half time a year on average, or nearly three times more frequently than people in the other Nordic countries, or Europe as a whole do (EAO, 2001). Only the well-lubricated exhibition market in the US and Singapore in the Far East are of equivalence in that respect (*Screen Digest*, Sept. 2000, p. 282). In some ways, this would indicate that the cinema in Iceland is in a good shape. However, as in most countries, the exhibition market in Iceland has had serious setbacks since in 1980s, which have affected all levels of the industry.

In this article, the aim is to identify and discuss the key features of the cinema market that has evolved out of the drastic decline in cinema-going in Iceland since in 1980. First, the development of the audience side of the market is reviewed briefly and the likely reasons for the exceptionally high number of admissions per population in Iceland are discussed. Following it is analysed how shrinking admissions have paved the way for fundamental changes in the supply side of the market and how the exhibition and distri-

bution sector has responded and the repercussions it has had for the film fare on the wide screen, which, as argued, is responsible for more recent revival in cinema-going.

Long and Winding Road: Restructuring of the Audience Market

Iceland has for long consistently maintained average rate of cinema attendance per head of population far above the European average. Until more recently cinema admissions in most western countries have declined almost uninterruptedly since about in the 1950s when cinema attendance reached its peak. The massive reduction in admissions occurred in most countries when television turned into a mass medium in the 1950s and 1960s. The pace of the decline levelled out in the 1980s and admissions started to increase again in many countries in the 1990s (Deiss, 2001, EAO, 2001; Eurostat, 2001; MEDIA Salles, 2000a, 2000b).

The decline in admissions in Iceland has developed slower and more unevenly than in most western countries. Albeit admissions plummeted over 30 per cent around and in the aftermath of introduction of television in 1966 the decline was only temporary. Unlike in most countries, admissions started soon to crop up again and reached the all-time-height in the late-1970s with about 2.6 million tickets sold a year. The resurgence was short-lived, however, and admissions started to fall again in the early-1980s, as indicated in Table 1. In the year 2000 admissions were nearly one million lower than in 1980, signifying a fall of 39 per cent, or more than double of that in the EU over the period (EUROSTAT, 2001: 39). Coupled by fast population growth the decline has even been more severe in per capita terms as more than halved. Icelanders went on average 11.2 times to the cinema in 1980 against 5.5 times in recent years.

Table 1. Cinema Admissions in Iceland 1980–2000 in Thousands and per Capita

	Admissions in thousands			Admissions per capita		
	Whole country	Capital region	Other regions	Whole country	Capital region	Other regions
1980	2,556	1,786	770	11.2	14.7	7.2
1985	1,771	1,417	354	7.3	10.7	3.2
1990	1,544	1,235	309	6.0	8.5	2.8
1995	1,268	1,113	155	5.1	7.6	1.4
2000	1,570	1,378	192	5.5	7.9	1.8

Note: Admissions to full-length feature releases only.

Source: Karlsson (ed.), 1999, 2002.

The decline, which was particularly fast in the 1980s, coincided with fast increasing amount of households with colour TV and video, and multiplied hours on television after introduction of private television in 1986. Although the impact of video and increased time on television was assumedly quite strong initially, the decline levelled out in the mid-1990s, and the market has witnessed an upsurge in cinema-going in recent years, by about five per cent average growth per annum.

At same time, cinema-going in Iceland has become predominantly an urban leisure activity with an ever increasing division between the theatrical market in the capital region (Reykjavík, including suburbs) and in other parts of the country, as exemplified in

Table 1. Whilst admissions in the capital region have fallen nearly 39 per cent since 1980, attendance in other parts of the country has declined enormously, or by 75 per cent. The exhibition sector in the capital region increased its share of the total market from some 70 per cent in 1980 to nearly 90 per cent at the present, far exceeding the region's share of the total population. Translated into visits per population, admissions in the capital region nearly halved over twenty years period, from 14.7 visits a year in 1980 down to 7.9 visits in 2000. Following a drop to an all-time-low of 1.1 million in 1988, admissions have started to crop up again to 1.3–1.4 million in recent years, or comparable to that in the mid-1980s. Elsewhere in the country, the decline has been much sever and it has lasted longer. Admissions declined almost without interruption, or from 7.2 visits per capita in 1980 to 1.8 visits on average in 2000. The bottom line was not reached until in 1998 when admissions started to pick-up again rather unexpectedly by no less than 45 per cent in 1999, followed by a more 'moderate' growth of nearly 20 per cent in 2000.

Composition of the Cinema-Going Public

In place of the family market that once sustained the film industry, is a predominantly youthful market essentially made up of people aged between teens and the late-twenties, in higher degree males than females, which is in line to that elsewhere in the western world (Andersen, 1995; Corrigan, 1983; Dale, 1997; London Economics, 1992: 37–39ff). A narrow segment of the population as a whole, the group 12–29 years of age is over-represented in the cinema-going population, accounting in 1996 for four out of every ten audiences. Another three of every ten among cinema attendants were between 30 and 39 years of age. More than half of the population 50 years of age and older never goes to the movies, compared to 20 per cent of people 30–49 years of age, and five per cent of people 12–29 years of age (recounted from Bjarnason *et al.*, 1997, table p. 64). The core of the film audience is 'avids' who attend at least twice a month, or amounting to some 12–14 per cent of the population in recent years, whereas most are between 12–29 years of age. Crudely estimated, this group buys some 40 per cent of all tickets and further up some 20–25 per cent are sold to those who go monthly to every other month to the movies. Recent revival in admissions has brought back some of the groups previously lost to the cinema. According to a national survey in 1998, roughly 17 per cent of adolescents and adults never went to the movies, compared to some 39 per cent a decade earlier.

High frequency of cinema-going in Iceland is probably to some degree related to composition of the population in terms of age, as young people are the most enthusiastic cinemagoers. Compared to the fast ageing nations of Western Europe the Icelandic population is relatively young, whereas 40 per cent are 24 years of age and younger. Icelandic adolescents have presumably more disposable money in their pockets to spend on movies than their contemporaries in Europe where past-time work with school and during vacations is not as common.

The 'Metropolis Effect'

Exceptionally high average cinema attendance in Iceland compared to in most other countries is yet something of a riddle. It is worth noting that Icelanders are not only remarkably keen movie-goers, but they are as well in the top league among the world's nations as renting of videos per household is concerned (IVF, 2000).

High frequency of cinema-going in Iceland can probably to some extent been explained with clustering of the population in the capital region, or what we might coin as the *metropolis effect*. It is a well established fact that cinema-going is an urban leisure activity. Cinema visits per number of the population are significantly higher in the urban centres than elsewhere. The largest cities, and in particular metropolitan areas, provide the audiences with plenty of capacity, greater choice of films and first-run cinemas, than can be expected in less populated cities and regions (see, e.g. Dale, 1997; London Economics, 1992). With a surface area of roughly 100,000 sq km, or significantly larger than Ireland and more than twofold of Denmark, Iceland has the lowest population densities in the Europe, with only 2.8 inhabitants per sq km. As far as concentration of the population is concerned, however, Iceland resembles a city-state, whereas roughly 60 per cent of the inhabitants are clustered in the capital region, a much higher proportion than of any other European metropolitan area, leaving the European micro-states of Monaco and San Marino, aside.

Admissions per capita for the total population and population of the highest attending cities or urban regions in the west European countries in 1999, is presented in Figure 1. The highest cinema attending cities are in all cases the metropolis in each of the respective countries as well. In all the countries indicated, frequency of attendance is significantly higher in the metropolis than for in the whole countries, with Luxembourg City and Paris in the lead.

Figure 1. Cinema Admissions per Capita in West European Countries in 1999. Total and in the Largest City

Note: Data for Cyprus and Greece refer to the year 1998. Largest city refers to the Greater London area in UK and the capital region in Iceland.

Source: MEDIA Salles, 1999, 2000b.

In Figure 2, the share of population in the cities with highest frequency of attendance is compared with admissions per capita in each country. The data clearly indicate that there is a positive correlation between the share of the total population of the city with highest attendance and average cinema visits per number of population for the country as a whole, with the Pearson's r as .66 and the coefficient of determination (R^2) as .45, leaving 55 per cent of the variance unaccounted for or unexplained.

Figure 2. Population Concentration and Cinema Admissions per Capita in some European Countries 1999

Note: Abbreviation for name of countries according to ISO. Data for Cyprus and Greece refer to the year 1998. Largest city refers to the Greater London area in UK and the capital region in Iceland.

Source: MEDIA Salles, 1999, 2000b.

Certainly this does not prove that there is a causal relationship between the level of concentration of the population in the metropolis area and cinema visits per population (cf. Wimmer et al., 1983: 181–83). Numerous other factors, both external and internal, are most likely here at play as well, such as relative affluence of the population, the state of the distribution-exhibition industry, *etc.* Assuming cinema-going is dependent as well upon income by the population, and hence leaving the least affluent countries in terms of GDP per capita out of the picture (*i.e.* Cyprus, Greece and Portugal), we have strong positive relationship ($r = .87$), whereas the coefficient of determination (R^2) is .75, leaving 25 per cent of the variance unaccounted for or unexplained. This leaves us with the conclusion that exceptionally high number of annual visits to the cinema per person on average in Iceland owes probably much to high concentration ratio of the population in the capital region. Because of exceptionally high share of the population living in the capital region, and other things equal, the average attendance is significantly higher for Iceland than in countries with as high or higher admissions per capita in the highest attending city, but with lower population concentration.

Adjustment and Revival of the Exhibition Market

Although the former number of visitors to the cinema cannot be hoped for, there is still a hope from the quality point of view. Current indicators show that fall in box office throughout the western world has been stemmed, even reversed slightly since in the 1980s, which is generally linked to upgrading of premises and opening of multiplexes, usually located in new-suburban areas, offering the supermarket convenience of choice and parking facilities (cf. Deiss, 2001; EAO, 2001; *Screen Digest*, Sept. 2000). This in turn strongly suggests, as Geoffrey Nowell-Smith (1996: 761) maintains, that 'the decline in cinema-going has been partly due, not to a lack of interest in films but to the fact that theatres were badly situated and offered inadequate facilities'. In a like way, the exhibition sector in Iceland has adjusted to falling demand in numerous ways by closing of unprofitable sites in appreciable numbers, extensive refurbishment, such as improvements in sound and vision, multi-screen developments, and intensive marketing, which is linked to rise in admissions in recent years.

Excess Capacity and Over-Screening

Inevitable result of the reduction in admissions in the 1980s was a closure of sizeable number of cinemas. Yet, Iceland surpasses the EU and the Nordic countries with 0.18 screens for every thousand persons, compared to 0.07 and 0.09 respectively (EURO-STAT, 2001: 42). Cinemas reduced in numbers from 47 down to 25 between 1980 and 2000. Most of the closed venues were second-run cinemas, mostly located outside the capital region, in small towns and villages. The number of local communities with cinemas halved during the time-span under review, or dropped from 36 down to 18.

The actual number of cinema screens, however, only decreased slightly over the same period, from 50 to 47 due to multi-screen developments, mostly confined to the capital region.² In total, the seating capacity of these 47 cinemas is of nearly 10,000 seats, or averaging 207 seats per a screen. About seven of every ten seats belong to cinemas in the capital region.

None of the cinemas measure up to the criteria of being multiplexes, defined as cinemas with eight screens or more (cf. MEDIA Salles, 2000a: 37–8; 101–5). All the cinemas in the capital region are multi screen cinemas, with two to six screens, or 26 screens in total. Together these took 87 per cent of the total gross box office in 2000. All are first-run cinemas, operated seven days a week, with four to five daily screenings per a screen.

Of the 18 cinemas operated outside the capital region, 15 are mono screen cinemas, and three are twin screen cinemas. The sheer number of sites outside the capital region does not tell the whole story. Most of the cinemas are operated part-time for a limited number of days a year. Municipalities or other non-commercial bodies operate many of the rural and small community cinemas for social reasons. Most are not purpose-built for film exhibition, and the sound and projection equipment of many needs badly upgrading, as operators are unwilling or unable to find the required funds for modernisation.

With the decrease in admissions since in the 1980s screen utilisation has decreased significantly, as readily measured through admissions per screen. Screen utilisation fell by 35 per cent from 1980 to 2000, or from 51,000 to 33,000 admissions per site. Increase in admissions in recent years has not managed to reverse this trend in any substantial degree, due to increment in number of sites. Despite large margin as number of cinema screens per capita is concerned, but due to relatively high frequency in cinema-going, the screen utilisation in Iceland is comparable to that in the EU as a whole with 34,000 ad-

missions per site, but significantly higher than in the Nordic countries with only 23,000 admissions per screen in 1999 (EUROSTAT, 2001: 42).

Screen utilisation in the capital region has reduced by nearly 55 per cent, or from 119,000 admissions per a screen in 1980 down to 53,000 spectators in 2000. Closure of unprofitable sites outside the capital region in appreciable numbers has not been sufficient to absorb the sharp fall in public demand. Screen utilisation outside the capital region fell over the period from 22,000 down to 9,000. The massive reduction in screen utilization over the period indicates clearly that the market has for some time been largely over-screened.

Inflating Cinema Prices

One of the least expensive markets in Europe in the early-1980s, Iceland has the dubious distinction of being one the most expensive markets as cinema ticket prices are concerned (EUROSTAT, 2001: 45). In simple economic terms, when demand for a product falls, and supply remains unchanged or escalates, we expect to see the price of the product falling as firms compete for more limited sources of revenues, not the opposite. In fact, there has been a considerable rise in the real price of cinema admissions in Iceland since in the early-1980s, despite a long-term falling of demand for the cinema until more recently.

In Figure 3 indices for average ticket price (gross box office receipts divided by number of admissions), gross box office receipts and admissions are shown for the years 1985–2000, available for the capital region only, where indices begin at 100 in 1980. As the figure clearly demonstrates, the real price of the average ticket rose substantially above the general level of price inflation in the 1980s, but ticket prices have since mostly stabilized in real terms. The real price of cinema tickets has doubled since 1980, compared to a rise by 40 and 14 per cent from 1985 and 1990 and onwards. Gross box office receipts have increased at slower rate compared to general price inflation, or by 138 per cent since 1980 and by 38 and 29 per cent since in 1985 and 1990, respectively. At same time, admissions fell by 23 per cent over the period under review. It should be kept in mind, however, that the rise in the real price of cinema admissions indicated are gross values including taxes and duties,³ and that exhibitors have to make payments for film rights, between 50–70 per cent out of the box office receipts shown.

There is a notable discrepancy between the rise in gross box office receipts and the average ticket price. This is due to effects of lower priced tickets to special children screenings until more recently, and the taking up of promotionally priced tickets (e.g. two tickets for the price of one) leading to a slower growth rate of the gross box office than that of the average ticket prices.

Although data only from 1996 to 2000 is available for prices to the cinema outside the capital region, the real prices have risen considerably above the general inflation level of consumption prices, or nearly 50 per cent, compared to roughly 10 per cent increase in the capital region. Greatly inflated prices outside the capital region can be largely explained by an exceptional growth in admissions in the last two years, and the fact that many of the more inexpensive cinemas have been closed down in recent years, whereas high priced cinemas have largely increased their share in admissions as indicated by a steep rise in average ticket prices.

Figure 3. Index of Admissions, GBO Receipts and Average Ticket Price in the Capital Region 1985–2000 (1980=100)

Source: Karlsson (ed.), 1999, 2002; Statistics Iceland.

It is worth noting that at same time as real price of cinema tickets has risen substantially, average price for video rental films has fallen some 40 per cent in real terms since in 1985. Average cinema ticket price in 2000 was ISK 632 in fixed prices, or amounting to US\$ 8, while the average charge for rental video film was half of that, or ISK 280–290 (about US\$ 4). Considered that the rental video is allegedly one of the main competitors to the cinema, the real price increase in tickets from the box office is even more interesting, suggesting strongly that demand for the cinema is inelastic to changes in the video price.

Leaving here unanswered the possibility that exhibitors may have increased their net returns, inflation in real price cinema admissions far above changes in general prices is probably caused by a number of factors. While some have increased costs on the supply side, others are related to change in size and nature of the demand for the cinema. Investments in new screens, refurbishment, higher sound quality, upgrading of projection equipment, better seating, *etc.*, have been reflected by rising ticket prices. In addition to increment of expenses due to improved facilities in response to the audience drain, this might as well be related to rising costs from the supplier side and more expensive film supply (*i.e.* emphasis on recent releases, big films and smash hits), and increasing marketing costs.⁴ As far as information is available, higher distributor spending, notably on film advertising and promotion have pushed up average rentals in Iceland, likewise as observed in most countries (*Screen Digest*, Sept. 2001, p. 283). Average rental payments to distributors for first-run release increased some eight per cent between the years 1996–1997, as accounted (*Screen Digest*, June 1999, p. 136).

Substantial increase in the price for the cinema and recent increase in cinema admissions indicates strongly changed nature of the medium. Discussing reasons for staggering price inflation in the cinema in the EU since in the 1950s, the media consultancy London Economics (1991) argues that partly through competition with television and

other leisure activities the nature of the product has changed. By offering a more expensive product, the cinema has moved away from the low-cost position it occupied in the entertainment market. Instead of competing directly with television and video as relatively inexpensive leisure media, the cinema appeals for the young and the relatively affluent adults as a way for people to spend their night out. 'Cutting the price of admissions from the current level probably would not be profitable for cinemas, because they would not attract sufficient consumers away from television, and other cheaper forms of entertainment, to compensate for the loss in revenue from their existing consumers' (London Economics, 1991: 30).

Consolidation of the Market

The fall in demand for the cinema and restructuring of the exhibition business over the last two decades has largely affected the exhibitor-distributor side of the market. The structure of the Icelandic exhibition sector is now largely characterised by a high concentration of ownership of screens and by integration with the distribution side of the industry. Presently four companies own all the cinemas in the capital region, besides some operate as well cinemas in the largest towns outside the region. These large exhibitors are active in film distribution as well, controlling over 90 per cent of new releases. In addition, all are active in video distribution, with approximately 85–90 per cent share of the rental and retail market.

Unlike in many European countries where American films do have direct presence through distribution and exhibition, the Icelandic exhibitors deal directly with Hollywood studios and other film suppliers. Until more recently the film distribution was done in an aligned way, with specific distributors showing the films of specific studios and production companies, but now blockbusters are commonly released through competing exhibitors' cinemas.

In an effort to increase the revenue stream from exhibitions, the market has begun to consolidate itself as recently witnessed by acquisitions by larger exhibitors of smaller competitors and alliances as recently exemplified in an allied partnership in film distribution of two of the large distributors. The large exhibitors-distributors are also increasingly turning their attention to the largest locations outside the capital region, underserved mainly by part-time venues, resulting in substantial increase in admissions for the past two years. Although the bigger operators can hope to capture extra revenues from this source, the overall impact on the market will be limited, as hampered by small size of the populations in the towns involved.

The grip of the large exhibitors-distributors of the market has been preserved further by extensive advertising and promotion. 'Advertising expenditure', as Nicholas Garnham (1990: 201) points out, 'has always played an important role in the oligopolistic control of markets.' In the movie industry, it 'increasingly serves to defend the market against new entrants by raising the price of entry' and 'at same time reinforcing tendencies to concentration of control.' It is perhaps of some relevance here that no newcomer has entered into the exhibition market in the capital region for past two decades or so, and recent attempts to break into the distribution side of the market have been futile so far.

Shrinking World on the Wide Screen

Disquieting phenomenon from a European and indeed world perspective is the growing dominance of US films of the total film fare in exhibition venues. Today US films have become more rooted and naturalized parts of the film culture in most countries than national productions, and this situation is repeated in television drama and on video. In most countries in Europe, US films have now captured some 70–80 per cent of the market, with the rest being taken up by domestic films and only a negligible share of films from other European countries and countries outside the continent (EAO, 2001: 92–7; *Screen Digest*, June 2000, p. 189). In Iceland, likewise, the film fare has changed to a substantial degree over the last two decades, or so, for the advance of US productions. The cinema market is by at large overshadowed by presence of US interests, indifferent of speaking of supply of films, or in terms of admissions and box office receipts. This puts Iceland in the unenviable position of being among those countries where US films retain highest share on the market, as far as European comparison is concerned (EURO-STAT, 2001: 36). The British film producer, David Puttnam (who once enjoyed a brief stint as head of one of Hollywood's majors, the Columbia Pictures Corporation) describes this as 'a fundamental dislocation between the world of the imagination, created by the moving image, and the everyday lives of people around the globe' (quoted in Boyd-Barrett, 1998: 160).

Combination of the American market as enjoying a large population and high GDP per capita, sharing a common language and receptiveness towards commercial products made for mass consumption are important factors for Hollywood's strength on the international film market (Hoskins et al., 1988, 1997; Wildman, 1994). Symbolic goods, like films and other audio-visual products are, however, not culturally neutral. A media product sold abroad will achieve a lower popularity outside its home market, which is related to what has been termed 'cultural discount'. An important component of this depreciation in value that information undergoes when exported is language. As English has achieved something near to a status of *lingua franca* in our times (Crystal, 1997), ensures that 'US programmes, and especially films attract a relatively small cultural discount in most foreign markets ... claiming something close to a worldwide audience' (Hoskins et al., 1997: 44).

Seen Through the Lens of Hollywood

Strong position of American films on the Icelandic market is of course not a recent trend. Already during and in aftermath of the Second World War, which had left the film industry in Europe in ruins, the United States was the principal film supplier on the Icelandic market. Since in the 1980s onwards, however, US films have increased their share on the Icelandic cinema exhibition market substantially.

In Table 2, the share of full-length releases to cinemas in Iceland by origin is shown between 1980 and 2000. First, the total number of released features per annum has oscillated heavily, however, the general tendency points to a roughly 20 per cent decrease in releases since in the period before 1990. As clearly affirmed, US production have increased their share of total releases to a substantial degree over the period, or from roughly 60 per cent in 1980 to over 80 per cent. This ascent of US releases has primarily occurred at the expense of films from Britain and the category Other Europe, now reduced to seven and less than four per cent of total releases, a significant fall since in the 1980 of 15 and 14 per cent, respectively.

The share of releases of Nordic films have been relatively stable over the period, or around three per cent, corresponding to some three to four premieres per annum on average. Notwithstanding occasional commercial releases, films originated outside Europe and the United States are generally not to be seen on the wide screen, except then on film festivals. The rest is taken up by domestic releases, an average of three films annually, or representing a share of some two per cent of the total.

Table 2. Origin of Full-Length Feature Releases in Iceland 1980–2000

	Total no. of films	Percentage share					
		Domestic	Nordic	UK	Other Europe	US	Other
1980	216	1.4	3.7	15.3	14.4	62.5	2.8
1985	233	1.3	1.3	8.6	6.4	81.1	1.3
1990	179	1.1	2.8	3.4	3.9	88.3	0.6
1995	189	3.7	2.6	7.9	7.9	74.1	3.7
2000	164	3.7	3.0	7.3	3.7	80.5	1.8

Note: No account is taken of co-productions, origin of films refer to principal producing country. Figures are rounded to the nearest decimal and do not necessarily have to add up to the total.

Source: Karlsson (ed.), 1999: 117–18; 2002.

The share of American films in admissions and gross box office is even higher than their share of releases, or between 85 and 90 percent in the capital region in recent years. Outside the capital region, the market share of US films is even higher, as films originated from elsewhere generally do not travel widely.

Growing share of US films of total releases can be seen as a response of exhibitors to falling or stagnation in admissions. Similarly as noted for elsewhere (Hoskins et al., 1997; Nowell-Smith, 1996), Icelandic exhibitors-distributors are relying more heavily on films with large commercial potential and wide releases, a trend, which is often accentuated further with advent of multi screen cinemas, in contrast to what might be expected. Even though multi screen exhibitors may be tempted to experiment with unknown films because of reduced overheads, this depends upon the extent to which there is a sufficient stream of supply of US films, which can be passed down to smaller screens as their audiences diminishes. If expected returns of an unknown film are lower than the revenue of the least popular US film then exhibitors will not be lured to take chance with unknown films (London Economics, 1991: 47).⁵

In Figure 4 ‘demand curves’ are shown for domestic, US and other films screened in 2000, as measured in box office receipts (VAT excluded). The year indicated was exceptional, indeed, in the sense that nationally produced films ranked exceptionally high in terms of box office with 18 per cent share, compared to three to four per cent share in previous years. Three domestic productions were the most lucrative films of the year, outweighing US blockbusters such as *Toy Story 2*, *American Beauty* and *My, Myself and Irene*. Nonetheless, the figure exemplifies clearly enough elasticity of demand in the market for US films. Whilst 17 US films and three nationally made films achieved more than ISK 10 million in box office returns, the highest film originated from elsewhere (the French-German-Italian *Astérix et Obélix contre César*) generated only ISK 6.4 million. The majority of other films than US and domestic films had virtually zero box office. Of

32 foreign films originated outside the United States, three of every four films achieved box office revenue of ISK two million or less, compared to less than half of the US releases.

Figure 4. Demand Curve for Full-Length Feature Films in Iceland in 2000

Source: Statistics Iceland.

While it can be asserted that English-language films have lesser cultural discount than films from other language areas in the Icelandic market, the dominance of the US productions, especially the blockbusters, is sustained further through heavy advertising, especially on television and promotion with allowances from the studios. Films from elsewhere, on the other hand, are mostly poorly marketed. Usually these are released one screen at a time (Torfason, 1994), except they have already a history of success behind them, or they are with a strong pan-Atlantic angle.

Seen in this respect it is perhaps no wonder that the top ranking films in recent years are mostly US products. In Table 3 the Top 20 feature films are shown for the six last years, 1995–2000, according to number of admissions. Of the 120 films indicated, 103 are US productions, or some 86 per cent of the total, while 11 are from other countries, or nine per cent, most of them British. Only one foreign film originated outside the United States and Europe achieved to rank among the Top 20 twenty films in the year 1995, the Australian-French *Muriel's Wedding*. Six nationally produced films take up the rest, with a five per cent share of the total.

The success of the US films is further affirmed when considered that they ordered higher among the 20 highest attended films during these years. US films were the most attended films except in two years when domestic releases *Djöflaeyjan* (The Devils' Island) and *Englar alheimsins* (Angels of the Universe) crowned the top of the charts, with 70,000 and 83,000 in 1996 and 2000, respectively. Unsurprisingly, however, the far most attended film in recent years is the James Cameron's *Titanic*, seen by 124,000 spec-

tators in 1997, or about one of every three of the country's population, – a record that is unlikely to be matched or surpassed in near future.

Table 3. Origin of Top 20 Feature Films in Iceland 1995–2000

	Icelandic	French	UK	Other European	US	Other
1995	–	1	1	–	17	1
1996	2	–	2	–	16	–
1997	–	–	3	–	17	–
1998	1	–	1	–	18	–
1999	–	–	1	1	18	–
2000	3	–	–	–	17	–
No. of films, total	6	1	8	1	103	1
% share of total no. of Top 20 films	5.0	0.8	6.7	0.8	85.8	0.8

Note: According to number of admissions in the whole country. Figures are rounded to the nearest decimal and do not necessarily add up to the total. Origin of films refers to principal producing country.

Source: Karlsson ed., 1999: 135–36, 2002.

Conclusion

Towards the end of the twentieth century, the Icelandic cinema market underwent a drastic change. Throughout the 1980s and into the 1990s the cinema exhibition market experienced a significant drop in admissions. This trend has been stemmed, and even reversed slightly as manifested by rising number in admissions since in more recent years. This renaissance for the cinema-going has though not been without painful adjustment and restructuring of the cinema exhibition and distribution sector, in favour of the large exhibitors-distributors in the capital region and at the expense of small operators elsewhere. This has been done with closure of unprofitable sites in appreciable numbers, by extensive refurbishing of premises, multi screen developments, and by relying on expensive blockbusters, whose releases have been accompanied by extensive advertising and promotion. This has resulted in a largely changed supply of films further for the advantage of US films, which in recent years have retained between 80 and 90 per cent market share, independent whether measured in share of total releases, admissions or Gross box office receipts.

Notwithstanding staggering loss of audiences to the cinema since in 1980s, going to the pictures is still a popular pastime activity in Iceland, as manifested in exceptionally high frequency of attendance per population. This is probably attributable to the more specific population characteristics of the country, such as in terms of composition of age, whereas the Icelandic nation is relatively young in comparison to other industrialised nations, and unequally high concentration of the population in capital region, which offers its audiences greater choice in films and convenience.

Long famed as Europe's most prolific film-going country, it seems as though most of the potential of the Icelandic market may now be exhausted, notwithstanding a modest growth in admissions in recent years. Despite the relatively high annual admissions per

a head, the market is over-screened, with some of the cinemas operating only at 12–13 per cent of capacity, as reported (Grummitt et al., 1999: 35). All things considered, it seems that the cinema market in Iceland has reached a plateau. ‘While a smash hit local film could disrupt the prediction of flat admissions, in the absence of such a surprise event the likelihood is, indeed, of some consolidation as the only route to squeezing higher profits out of a static market’ (Grummitt et al., 1999: 37).

Notes

1. This is a revised version of a paper presented at the *15th Nordic Conference on Media and Communication Research*, Workshop Structure and Economy of Media, Reykjavík 11–13 August 2001. The author owes acknowledgements to professor Thorbjörn Broddason, Faculty of Social Sciences, University of Iceland, and researcher Tuomo Sauri, Statistics Finland for valued comments on earlier version of this paper. More extensive version of this study is available online on European Audiovisual Observatory’s website (http://www.obs.coe.int/oea_publ/eurocine/film_is.html) titled ‘Cinema’s Nine Lives: Fall and Revival of the Theatrical Film Market in Iceland 1965–2000’. –Unless otherwise indicated, numerical data used in the main text below is referred to in Karlsson ed., 1999 and 2002. All amounts in ISK and US\$ are expressed in fixed average 2000 prices.
2. The first multi screen cinema opened in 1978 in Reykjavík.
3. Included is VAT, which has slightly increased over the period from 23.5 to 24.5 per cent, 15 per cent entertainment tax until abolished in mid-year 1998 (domestic films exempted from both levies), and music rights as one per cent of GBO applying to all films.
4. In recent years, cinema releases have been the most heavily advertised products and services in the media, as measured by gross advertising expenditure, with a share of 6.6 per cent in the year 2000 (advertising in radio and online media excluded) (see Karlsson ed., 2002, rate card data from ÍM Gallup).
5. This is fairly well exemplified by a marked difference in the film fare between different exhibitors-distributors. For instance, the large distributor-exhibitor Samfilm, which distributes films from many of the Hollywood’s majors, rarely releases European films to its many screens, while its smaller competitors have to rely on more diverse film supply for their screens.

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