Film policy in Denmark: the role of the Danish Film Institute and the effect of public subsidies on national movies

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ABSTRACT

This paper wants to analyse the role of public funding in the Danish movie industry and study its effect on the performance of national movies. The mechanism by which national movies are supported can provide interesting insights into the film industry and can help understanding some of the trends there observed.

The paper is structured in two parts. The first part provides an overview over the structure of the Danish movie industry, examining the role that the Danish Film Institute holds within the sector. I notice that Danish movies are currently experiencing a period of high success, with significant recognition coming from the market and many international festivals. The role of the Danish Film Institute is found to be central and crucial for the industry.

The second part presents an empirical analysis of the effect that public subsidies have on the commercial and artistic performance of national movies. The sample includes all the nationally subsidized movies released in Danish cinemas between 2001 and 2012. The analysis shows that production subsidies have not a significant impact on commercial performance, which is rather significantly related to the amount of distribution subsidies and the size of distribution activities. Concerning artistic performance, a reversed scenario is pictured, with production subsidies being positively related to awards and distribution subsidies not showing significance.

The conclusions reported in this paper have implications for practice in the movie business and in cultural policy. Some important topics for future research are also suggested.
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INTRODUCTION

Motion picture is undoubtedly an important and fascinating industry, serving a significant purpose from both a commercial and cultural point of view. The variety it encounters in different countries is juxtaposed by some intrinsic characteristics, which are shared by most of the national industries. Its complexity and high-risk profile are part of these shared features that seem to characterize the industry around the world. The consequences deriving from these aspects (e.g. lack of incentives, risky and low revenues, etc.) have resulted in the often necessary intervention of the government as a form of support to the industry. These forms of support vary among various countries, which rely upon different rationales to establish the purpose of the intervention, as well as its degree of extent. Europe stands as an example of a place in which public support plays an essential role for the industry and the government intervention is significantly solid. This paper focuses on the country of Denmark, with a specific look at its national movie industry. In particular, the attention is centred on the public financing scheme adopted by the Danish government to support national and co-produced movies. The allocation of subsidies to national movies raises many questions regarding the effects that these public resources might have. In more specific terms, it can be expected to observe various performance results for movies that are granted with different types and size of subsidies. The purpose of this paper is twofold. It first wants to analyse the public funding scheme adopted by Denmark to support its national movie industry. The role of the Danish Film Institute is also examined, while considering its implications for the industry. The second objective is to examine the effect that different types of subsidies have on the commercial and artistic performance of national movies. The analysis is carried out using data about all nationally subsidized films, released in Danish cinemas between 2001 and 2012.
The paper is structured as follow. The first chapter describes the national movie industry from a cultural point of view, portraying its distinctive characteristics. The second chapter presents an overview over the industry by providing some figures that are important in order to understand its size and structure. The third chapter provides a description of the Danish Film Institute, analysing its role, its operations and its structure. Moreover, the different types of public subsidy are described in details, including an explanation on their allocation process. The fourth chapter includes the empirical analysis. First, the data and the model are explained. Secondly, the effect of public subsidies on movie performance is tested with two regressions. A conclusion completes the paper.
1. DANISH FILM CULTURE

The Danish movie sector is a small one when compared to other countries with a higher audio-visual capacity. However, it has also been noticed that Denmark has been able to become a successful player, acquiring a strong position in the global movie industry. Danish films have a powerful and unique identity that stood out during many international festivals. They have been praised for their high quality, their high production values and also their unconventional forms. They have been able to break rules and set new standards for the field. Moreover, also commercial success has often matched the artistic recognition. When all these aspects are combined, a greater picture comes out. The Danish movie industry does not seem to be so small anymore, if not in figures, for sure in its profile and international recognition. The question is: how did this strong identity was born and where does it come from?

1.1 THE DANISH MODEL

From the dark atmospheres of Carl Th. Dreyer’s movies to the revolutionary visual style imposed by the Dogma movement, Danish cinema has imposed itself in the international market with a unique style and distinction, becoming a model for other small movie industries (Bondebjerg, 2005). Within the movie field, theory broadly distinguishes between two outer poles: the high concept model and the auteur model. These two ways of making movies also represent two opposite traditions and strategic concept in the different production environments around the world. The high concept model is mainly related to the Hollywood industry, where a market-driven approach is adopted and the filmmaking process is centred on the producer.
This model principally brings to the production of mainstream and blockbuster movies. On the opposite side, we find the *auteur* model. This model mostly refers to the European way of movie making, in which the approach is artistically driven and the filmmaking process is focused on the director (Pedersen, 2011). Considering the descriptions of the two models, it may be fair to assume that the *auteur* model has more chances of attracting unconventional and rebellious players. Moreover, it is also more prone to break existing conventions and introduce new rules in the industry. The focus is more on the artistic vision of the movie, instead that on its plot. Moreover, the film does not always have a proven market and is often distributed through festivals, targeting an art house audience. These movies usually represent ground-breaking art and attract the public for its artistic innovation. The budgets are small and movies benefit from a strong government support. Danish cinema model can be inscribed in the *auteur* model. The Danish model was praised for its large crowd of film talents, also encouraged by a successful support system that effectively fosters the development of a creative and artistic production environment (Report from Ministry of Culture, 2010). Over the last 10 years, Danish films had a unique chance to promote themselves as unmistakably Danish and to be celebrated internationally as truly artistic and high quality works. An important question to be faced now is whether Danish cinema will be able to maintain this strong position in the cinema sector, domestically and internationally, or whether it should explore new grounds, in order to find new qualities and artistic values that can further develop the Danish film brand. The report written by the Ministry of Culture in collaboration with the Danish Film Institute (2010) states that the diversity in the Danish brand has already increased. For example, the thriller genre, which was traditionally marketed for a domestic audience, has often achieved international attention (the
thriller movie “Kvinden i Buret” has reached almost 700.000 admissions and is going to be released in different European countries). Another example is with Danish animation, children’s films and, especially, documentaries.

Danish cinema seems to be deeply entrenched in the auteur model. However, it has also been and still is really successful, not only in the artistic domain, but also from a commercial point of view. This phenomenon can be explained when considering another concept, which seems to better apply to Danish movies. The auteur term is being progressively replaced by the concept described below.

1.2 THE CONCEPT OF OPTIMAL DISTINCTIVENESS

An interesting concept to explore in relation to Danish cinema is the one of optimal distinctiveness. Within the cinema field, there are often two distinct forces that agents in the sector need to balance at their discretion. One force is the pressure that pushes movies towards an artistic distinctiveness, while the other pushes filmmakers towards business profits. These two forces have frequently been considered as standing at opposite poles. In the modern movie field, however, the quest for a balance of the two has been proven to be possible. This balance has been referred to as optimal distinctiveness (Alvarez et al., 2005). Pressures of profits often bring filmmakers to comply with the field conventions, without questioning the status quo and only trying to seek legitimacy. These pressures may also prevent some filmmakers from constructing their own identity and style for their works, afraid not to be accepted and included in the field. Optimal distinctiveness permits the filmmakers – but the same applies with other agents in creative industries – to strike a balance between differentiation and legitimacy, allowing them to experiment and build their unique identity,
without renouncing to potential profits. The concept is relevant in the setting of this research since Denmark seems to strike this balance by producing movies that couple business and artistic inputs. The paper by Pedersen (2011) uses the production company founded by Lars von Trier and Peter Aalbaek Jensen (Zentropa Entertainments) as an example to illustrate the optimal distinctiveness concept. The company has been able to combine artistic values with commercial values, being financially successful and, at the same time, receiving international recognition for the films produced. The avant-garde movement created in 1995 by four directors, including Lars von Trier and Thomas Vinterberg, provides another example of this combination. The movement is called Dogma 95 and introduced into the sector unconventional techniques of production. Born in Denmark, the movement promptly became famous at an international level, experiencing a progressive institutionalisation. The four directors created an official Manifesto, presenting the new set of production rules. These rules forbid the use of special effects or technology and, instead, require the movie to be shoot in natural location, without the use of special lighting or of music not directly recorded while filming. To follow these rules means to commit to the Vow of Chastity (Trier & Vinterberg, 1995). The invention of the movement represents a way to foster the creation of artistic and successful movies, without being bound to high budgets. This novelty gave to a small country like Denmark popularity and turned the small budget constraint into an advantage (Geuens, 2001). Compliance with these rules allowed directors to create distinctive films with limited budget, while unmistakably branding national movies with remarkable features. The final result has been the production of highly recognized features (the Danish brand), which also had a commercial success and were created with very low budgets.
The aspects presented in this paragraph show what lies behind the success of Danish cinema. Moreover, in the last period, competition has increased in the Danish movie industry. Not many years ago, the Danish cinema sector could be described as being dominated by the director Lars von Trier. Even though he is still an important player, other directors have entered the scene, increasing the variety of creativity and quality. Examples are the movies by Thomas Vinterberg and Susanne Bier (The Hunt, 2013; In a Better World, 2010) that won very important international prizes (FILM - Special Issue/ EU2012, 2012). Whether or not these arguments seem to sufficiently explain the success of Danish movies, another aspect is worth exploring. This refers to the role of public funding in the movie industry and will be dealt with in the next paragraph.

1.3 AN “ORCHESTRATED” SUCCESS

Public support seems to play an essential role in the Danish movie sector. The analysis of its structure and functioning needs a chapter for itself; however, a preliminary introduction will be done here. In particular, it wants to show that public financing may be considered as an important variable in the explanation of the national movie success. As the title of the paragraph suggests, this success seems to be wisely directed at the national level, through a funding system that allowed the fast and effective growth of the sector.

What Mette Hjort (2002) writes is really interesting for the topic. Speaking about contemporary Danish cinema, she refers to the Four-Year Plan (the agreement guiding the national funding scheme) and notices that the agreement repeatedly stresses the importance of national films for the creation of a national culture. For this reason, support should be granted to
the sector, allowing filmmakers to express Danish culture and spread it globally. This point is also stressed in one of the reports written by the Ministry of Culture in 2010. The report makes an extensive analysis of the Danish movie industry, also considering the position of Denmark in the international movie scene. The analysis is of particular importance since it shows the attitude adopted by the Ministry of Culture regarding the movie field and its success. In particular, the report states that films are considered as really important for Denmark in the process of shaping the national cultural identity. Furthermore, the report goes further by making a stronger statement. It states that Denmark has actively chosen the medium of film as its main cultural product because films are easy to travel and offer the opportunity to bring Danish cultural tradition and identity throughout the world. The reports speak of a cultural choice been made many years ago, having the specific purpose of creating a strong brand for the Danish film product and establishing Denmark as a creative and innovative cultural nation. According to this evaluation written in 2010, Danish films have been able so far to achieve an important position of strength, with many movies gaining international attention. The report states that 40% of Danish films have been sold abroad, especially in Europe. When considering the home market size, this share of exports is quite high.

The overall point of this paragraph is that the success of Danish movies seems to heavily depend on the effectiveness of the public institutions and of the public funding scheme. This success seems to have been designed in advance, through an orchestrated plan to make films the most important cultural aspect of Denmark. Films have been picked up as the media product that should represent Danish culture internationally and the design of the support system has followed through, specifically devised to reach this purpose. That said, the point here expressed does not want to devalue
Danish films as cultural products. Their quality has been extensively discussed in the previous paragraphs and the description of the national funding scheme that will be done in chapter 4 clearly shows how this plan has been carefully designed to foster artistic qualities. Moreover, as it was said before, competition is strong in the sector and this rivalry is considered as a positive aspect. Many projects apply for subsidies every year and excellence is rewarded. This aspect guarantees that a high level is kept in the sector, where quality is the discriminating criterion (FILM - Special Issue/ EU2012, 2012).

1.4 WHY DENMARK?

As a last point in this chapter, it is interesting to briefly explain why Denmark was chosen as the focus country for this research. The reason is a summary of all the concepts articulated before. When talking about movies, Denmark stands as a fine example of a country that managed to grow and exploit its national talents. Considering the size of its market, it is remarkable the success that Danish movies have been able to achieve. The importance of its funding scheme has also been explained before, with specific references on the impacts that the scheme seems to have on the sector. Keeping all these elements in mind, Denmark is a very interesting country to analyse and its movie field a curious phenomenon. Through this research, it will be possible to verify whether the national funding scheme has a significant and real impact on the industry, analysing it through an artistic lens but also a commercial one. Moreover, similar analysis have been carried out for other countries, such as Spain, Italy, Germany (see Cooke, 2007; Jansen, 2005; Blanco, Gil, 2012; Bagella & Becchetti, 1999), but never focused on the Danish movie industry and its public funding scheme.
With its attention on Denmark, this research increases knowledge about this dynamic sector and could be used in further studies as a source of comparison between different European movie fields.

2. OVERVIEW ON DANISH MOVIE SECTOR

Over the last ten years, Danish cinema experienced a significant growth, in terms of movies produced and of ticket sales. One of the variables behind this growth is the enhanced level of state support that the sector benefited from. Only during the period between 1999 and 2002, the total amount of state support for Danish films augmented by 75 per cent, allowing to increase the amount of money granted to national movies and also their diffusion (Hjort & Bondebjerg, 2000). Denmark is still considered as representing a small sector compared to other European movie industries, with France, Germany, Italy, UK and Spain dominating the European market after the American share. However, among the Scandinavian countries, Denmark and Sweden are the ones to dominate the European market, both in terms of films produced and average audience (Bondebjerg & Redvall, 2011). Danish cinema has shown an economic growth in the last period. Its recent artistic and cultural success was explained in the previous chapter. This chapter wants to present an overview of the national cinema field, by analysing some figures that show how and in which way the sector has changed. The figures have been collected from different sources. The website Statistics Denmark (www.dst.dk) is the national bureau of statistics and collects data in a variety of categories, including the cultural sector. The website Nordicom (www.nordicom.gu.se) is a cooperation between all Scandinavian countries and gathers data in the specific area of media and communication. Some figures could be collected regarding the Danish movie
industry. The last important source that was used for this chapter was the report published each year by the Danish Film Institute. They are called Facts & Figures and they provide an overview of the production, distribution and exhibition of films in Denmark. They have been published since 2002 and they provide interesting data, especially on how the amount of state support changed over time. Moreover, they also provide a description of the structure of the Danish Film Institute.

2.1 DEVELOPMENT AND PRODUCTION

The value chain for the realization and commercialization of movies is composed by three main stages: production, distribution and exhibition. The first stage of production includes all the activities necessary for the creation and shooting of the film and can be further broken down into preproduction, production and postproduction (Goodell, 1998). The Danish Film Institute, the national agency that allocates state subsidies to national movies, has a strong influence not only on the stage of production but also on the previous phases of development. This section focuses on these initial stages of the filmmaking process, presenting some interesting figures of the Danish market. Furthermore, the contribution of the Danish Film Institute is also described, presenting data related to the amount of subsidies the institution grants for these stages.

The Danish Film Institute (DFI) operates under the Ministry of Culture and its budget is set by the Danish Parliament in the Film Agreement. The total budget should cover both the DFI operating costs and the total subsidies to be allocated to the cinema industry. This last part is called the subsidy budget and contains the public resources to be distributed to different
movies within the field. The annual reports show that the subsidy budget has increased through the years and especially in the last three. The average subsidy budget since 2002 is 43.871.000 Euro and in the last two years it has set around 46.000.000 Euro. The subsidy budget has different uses and purposes. Money can be granted to feature films or documentaries and may contribute to their development, production or distribution. When the subsidy budget is split into the different activities it serves, it can be noticed that the biggest share is composed by the subsidies that are granted for the production and development of feature films. Since 2002, these subsidies have accounted for almost 50% of the total subsidy budget. Next in line are the subsidies allocated for the production and development of shorts and documentaries that, on average, account for 14% of the total subsidy budget. As it can be noticed, the production support of feature films is one of the main priorities of the institution, which allocates most of its subsidies to their development and production.

When considering the subsidies granted to the development and production of features, the amount has increased since 2010.

**Figure 2.1: Amount of development and production subsidies (2002-2013)**
This fact becomes more interesting when considering the amount of feature films that have been subsidized in these same years. Since 2010, contrary to the trend followed by subsidies in the graph, the amount of movies that have received grants has diminished (only 18 movies subsidized in 2012, compared to the 24 in 2010). This trend seems to be a reaction to the new Film Agreement signed with the Danish Parliament, the regulation that rules the actions of the Danish Film Institute (Filmaftale 2011-2014). The new Film Agreement requires the DFI to ensure the production of 60/75 features throughout the four-year period. The amount represents a sharp reduction, considering that the previous Film Agreements (2003-2006; 2007-2010) referred to a number of features between 80 and 100. Moreover, the new set of objectives puts more emphasis on the dissemination and popularity of national movies among the Danish public.

The decision of the Film Agreement to require the subsidization of fewer films seems to be determined by the need to solve a particular problem faced by the Danish movie industry. Since 2003, the yearly number of new Danish fiction releases has been quite high. In some years (i.e. 2005-2006) the number has reached 31 new releases and only decreased to 27 four years ago. This figure shows that new Danish releases may suffer from cannibalization. The problem becomes clearer if two more aspects are considered. First of all, the Danish cinema sector is a small one. Secondly, many experts of the movie industry (Goodell, 1998; Chisholm, 2000) stress the importance of choosing the optimal release date for a movie, since the total admissions are highly correlated to the timing of the picture’s release. 31 new yearly releases means that a new movie is screened in theaters less than every two weeks. This leads to fewer attendants for each movie and less admissions. For this reason, the decision to subsidize a smaller number of movies may be explained as a reaction to the problem of cannibalization,
together with the new objective of higher dissemination. At the same time, a higher amount of money is allocated to fewer films. This tactic acquires even more value when considering the important role that the Danish Film Institute has in the national movie industry. Every feature produced in Denmark receives subsidies from the DFI, with the exception of very few movies in the last ten years. In this sense, the Danish Film Institute seems to actively affect the movie field, by regulating both directly and indirectly the amount of national movies produced every year.

As a final point, it is worth mentioning the position of movies for children and youth and of minor co-productions. Both categories have really significant positions within the subsidy budget. They are both included in the development and production segment, but within this section they account for a big share. For example, out of all features that have received subsidies, almost half of them are movies targeted to an audience composed by children and young people. In its website (Danish Film Institute website - Børn & Unge), The Danish Film Institute stresses the importance of supporting features with this specific target. The main reason is to expose this young audience to values directly linked to Danish society. The educational side is also heavily emphasized. This weight on children and youth movies is also highlighted in the structure of the institution. Firstly, one department is entirely dedicated to children and youth and to the organization of activities addressed to this target. Secondly and most important, out of all the people responsible for the decisions over subsidies’ allocation, one has to be an expert in the sector of children and youth movies. In this way, projects targeting this young audience may receive an adequate evaluation. Thirdly, a rule requires that at least 25% of subsidies must be allocated to children and youth movies.
The other significant category is composed by minor co-productions. Table 2.1 shows the amount of minor co-productions that have received subsidies from the DFI. Subsidies can be granted to cover parts of the Danish production budget, at the condition that the Danish producer contributes financially, technically and artistically to the realization of the movie. The minor co-productions represent an interesting opportunity of collaboration and knowledge sharing but they also permit young and small production companies to gain experience in the sector.

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<td>2006</td>
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<td>10</td>
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</tbody>
</table>

Table 2.1: Danish minor co-productions that received subsidies (2001-2012)

Minor co-productions require smaller contribution and efforts than 100% national movies and, at the same time, allow the production company to acquire hands-on experience in the field. This aspect represents a way to support talents that are younger and less skilled than more established production companies. Moreover, co-productions allow projects to access financial resources that would not otherwise be accessible (Morawetz et al., 2007).
2.2 DISTRIBUTION AND EXHIBITION

In this section, the focus will be on the last two steps of the filmmaking value chain: distribution and exhibition. In Denmark, the distribution sector is rather concentrated, with few key players dominating the scene: SF Film, Nordisk Film, UIP and Angel Scanbox. Together, they count for almost all the total admissions, compared to the other distributors that are left with the remaining 4%. Nordisk Film is also the owner of the majority of cinemas, especially outside the Copenhagen area. Besides supports for development and production, the Danish Film Institute grants subsidies for the distribution and marketing of Danish feature films and documentaries. This type of subsidy can be granted either to a production company or a distribution company and can apply to the movie being distributed in the particular window (cinema, DVD, VOD, etc.) specified in the agreement between these two parties. The main purpose is to disseminate and promote Danish films in Denmark. Considering the total subsidy budget of the DFI, the distribution and marketing subsidy accounts for a smaller part compared to their development and production counterpart. Within this type of support, subsidies can be allocated to feature films, documentaries and short films directly to cinemas. In 2013, the percentage of distribution and marketing support out of the total budget was 11%. This figure only applies to the support of national feature films and has not significantly changed over the last ten years. For documentaries, short films and cinemas subsides, the percentage is notably lower and has not exceeded the 3% since 2002. Gathering the figures from the annual reports published by the Danish Film Institute, it is also possible to analyze the trend of subsidies for distribution and marketing in the last years. Figure 2.2 shows the amount of distribution subsidies in the last ten years, for two different categories. As the graph shows, the amount of subsidies allocated for the distribution of short movies
and documentary has been regularly lower than the amount granted for feature films. A plausible explanation can be provided when considering the two different categories. Shorts movies and documentaries are less frequently screened in theaters, bringing the necessary amount of distribution subsidies to a lower amount. Features films have usually a wider distribution, both in cinemas and in other windows. Distribution subsidies for short movies and documentaries are mainly granted for promotion at film festivals.

[Image: Distribution and marketing subsidy graph]

**Figure 2.2: Amount of distribution subsidy (2002-2013)**

Considering the trend for the two categories, in both cases the amount has experienced an increase after a decrease to lower amounts. Differently from shorts and documentaries, however, subsidies for features have experienced an almost constant increase since 2002.

Other interesting figures are the ones concerning the subsidies allocated to cinemas – figure 2.3.
Looking at the graph, it can be noticed that in 2011 the amount of subsidies granted to cinemas experienced a boost, reaching exactly 1.838.000 Euro. This radical increase is even more interesting when considering that the number of cinemas in Denmark did not change in a significant way since 2002. The biggest number was seen in 2007, with 167 cinemas in operation. Since then, the number has actually decreased, reaching 163 in 2012. Consequently, the rise in subsidies cannot be explained by an increase in the number of cinemas requiring money. An explanation can be found by looking at the budget of the Danish Film Institute in these last years. Before 2011, subsidies for cinemas were devoted to cinema refurbishment, cinema re-establishment and restoration. In 2011, Denmark started the digital rollout for its cinemas. The Danish Film Institute contributed to the rollout by allocating grants aimed at the digitization of cinemas. By 2012, 92% of cinemas had a least one digital screen. This aspect can explain the increase in cinema subsidies in 2011. Out of the total cinema subsidies, 1.341.000 were exclusively allocated for the digitization of cinemas. As the digital
The rollout is almost completed (Brunella, 2013), it can be noticed that the amount of cinema subsides is regularly decreasing.

The last stage in the movie business value chain is exhibition. In this phase, the audience can eventually benefit from the screening of the movie in theatres. As it was said before, the number of cinemas has diminished in the last four years. However, the total admissions have not experienced the same drop. From 2011 to 2012 the number of admissions in Danish cinemas has increased by 9 per cent and reached 13.6 million, a result in contrast with the declining trend in Europe (Statistical Yearbook 2013). This number includes admissions for all the movies screened over the year. Regarding the frequency with which people go to cinema, Denmark seems to perform excellently. On average, more than 60% of the population goes to the cinema from 7 to 12 times a year. Compared to other states in the European Union, Denmark ranks in the top 10 with respect to movie frequency attendance (Eurostat, 2011).

More interesting aspects can be noticed when admissions are calculated taking into consideration the nationality of the movies.

Figure 2.4: Admission figures for movies of different nationalities (Source: www.statbank.dk/bio)
Figure 2.4 shows the national admissions for movie of different nationalities. As it can be noticed, American movies have accounted for most of the total admissions since 2000, even though in the last two years, they have experienced a modest fall. The difference between admissions for Danish and American movies is quite high. Since 2000, American movies never went below the 6 million admissions and have stabilized around 7 million admissions in the last years. Not surprisingly, American movies have a very good performance in the Danish market, also considering the high number of new releases and screening each year (over 100 new American releases and almost 200 screenings). Danish movies perform at a lower level, attracting between 2 and 4 million moviegoers each year, but still outdo European movies.

Two aspects are worth mentioning. First of all, in the last years, admissions for Danish movies have experienced a constant and steep increase. Only from 2011 to 2012, the number of admissions increased by 16%. Moreover, the domestic market share for Danish movies moved to 29% in 2012, a significant increase when considering the 22% market share in 2010. In 2012, several Danish blockbusters reached the top positions in admissions. When looking at the top 10 ranking in terms of admissions, it can be seen that 5 of them are Danish and the first two are respectively at the second and third position (Statistical Yearbook 2013). This aspect shows that Danish moviegoers value Danish movies as a valuable form of entertainment and increasingly prefer national movies with respect to other nationalities. The second aspect worth describing is the steep decrease in Danish movie admissions that preceded the success of the last years. Between 2008 and 2009, the domestic share for Danish movies dropped to 17%, with a total of only 2.3 million admissions. The main reason was explained by the Danish Film Institute in its report of 2010 (Facts & Figures,
The Millennium trilogy produced in Sweden (three features adapted from the crime novels of Stieg Larsson) had an enormous success, covering in shadows many new released Danish features. The competition introduced by the three Swedish features can be perfectly noticed in the graph above. At the exact same time in which Danish movies experienced a big drop in admissions, European movies outperformed them for the first time. Between 2008 and 2009, European movies reached almost 4 million admissions in the Danish market. It is not common for Scandinavian movies to perform well in other Scandinavian countries. They often co-produce together and their movies travel to the other countries of the Scandinavian group but their foreign box-office are usually low (Bondebjerg & Redvall, 2011). This may be considered as an exception. As an additional aspect, this same year the number of new Danish releases and Danish movies screened in Danish cinemas was very high. This may have impacted the admission figures even more. As it was said before, the problem of cannibalization of Danish movies screened in theatres has been addressed by lowering the amount of films subsidized each year. Moreover, after 2009, also the total number of Danish movie screenings has been reduced. In few years, it would be interesting to analyze whether these two provisions have led to a significant increase in the number of Danish movie admissions.
3. PUBLIC FUNDING SYSTEM IN DENMARK

After the overall description of the Danish movie field, this chapter wants to analyse the financing scheme adopted by Denmark to subsidize Danish and co-produced feature films in the national movie industry. The domination of Hollywood majors since the end of the First World War has made public intervention in the European movie field a necessity and a requirement needed for the sector to prosper. The ways in which public authorities can intervene in the cinema sector and affect its economic structure are varied (Lange and Westcott, 2004). These methods also differ when considering different European countries. Differences can also be found when looking at the economic and political basis legitimizing the public support. In this third chapter, the focus will be on Denmark and on the public funding system operating in the Danish field. In order to do so, an important focus should be given to the Danish Film Institute, the agency designated to control the overall budget granted by the Ministry of Culture and to assign the subsidies to national and co-produced movies. The analysis will cover the role of the institution within the field and the description of its operations. In particular, a special attention should be given to the system that regulates the award of subsidies, the different types of supports and the criteria specified for their assignment. The precise understanding of this funding scheme is essential and preparatory to the analysis of the data and to the discussion of the results. This analysis will also help in the formulation of some hypothesis that will subsequently be tested.
3.1 ECONOMIC AND POLITICAL RATIONALES

The reasons behind the award of public aids to the movie industry are multiple and differ in case an economical or political perspective is taken. The paper by McFadyen, Hoskins and Finn (2000) points at different arguments that economic theory considers as valuable justification for the allocation of public funding to cultural products; films included. In more general terms, market failures justify the intervention of public authorities in some sectors of the economy and, in the case of films, since these products are considered as a collective service. Another idea is that some producing countries may find themselves lagging behind because of the domination of a stronger country in the international market. This argument was introduced at the beginning of this chapter and mainly refers to the dominance of the United States in the movie industry. The third argument considers the cinema industry as an important wheel for the economy, positively contributing to GDP and to job creation. As a last point, the movie industry is described as a low performing one, where productivity gains are lower than other sectors. This argument would justify the allocation of public funds.

A more interesting point of view for our research is the political rationale behind public funding, proposed in the report published by the European Audiovisual Observatory (Lange and Westcott, 2004). Within a political framework, economic arguments seem to count less, whereas the cultural aspects of films have the priority. This argument is particularly important since it applies to our country of study, Denmark. The country does consider the economic dimension behind public support but particularly emphasizes the cultural element, when sustaining an argument in favour of public authorities’ intervention. The Film Act of 1997, the legislation that established the main funding body in Denmark (the Danish Film Institute),
explicitly states that the objective of public funding is the promotion of “film art, and film and cinema culture, in Denmark” (Article 1). From the Act, it is clear that the national public funding in the film sector considers the cultural aspects as priorities.

3.2 PUBLIC SUPPORT SYSTEM AND INSTITUTIONS

Within the Danish movie field, the Danish Film Institute is one of the most important agents. The institution seems to act as the fulcrum around which many actors of the field revolve. One of the reasons for this to happen is the legitimacy that the institution gained over years but also for its empowering force in the development of many audiovisual projects.

The Danish Film Institute (DFI) is Denmark’s national agency for film and cinema culture and the institution through which the Danish film policy is predominantly implemented. It is a government body that operates under the Ministry of Culture but, as many of the cultural institutions in Denmark, enjoys a high degree of independence and freedom. This aspect prevents the influence of politics in the allocation of subsidies, which is solely governed by criteria of quality and artistic values (Duelund, 2001). The Danish Film Institute receives annual grants from the Ministry of Culture and operates under a four-year agreement (Film Agreement/Filmaftale) that the Government signs with the majority of the opposition parties to ensure a stable framework for the development and success of Danish film art. The agreement currently in force is the Film Agreement 2011-2014, which was signed the 27th of October 2010. The agreement has seven different headings, each dealing with an area of particular importance for the Danish film industry. In general terms, the agreement sets out the framework to achieve a healthy and sustainable environment for the sector, giving priorities to the achievement of a flexible and adaptable support system that
promotes diversity and renewal; the identification and investments in new Danish talents as well as the creation of a strong international marketing strategy, apt at promoting Danish cinema culture abroad (Filmaftale 2011-2014). Under the different headings, the agreement specifies the requirements for the different institutions in the sector (especially the DFI and the public service broadcasters) in terms of: number of films and documentaries to be support within the four-year period, amount of subsidies available, types of subsidies, and specific obligations. These different points will be treated in the following sections, under their specific topics. As a last general obligation, the agreement requires the Danish Film Institute to produce an evaluation report for the period 2011-2014, also specifying the expected effects of the institution’s conduct in the near future. Moreover, six months after the agreement was signed, the DFI is in charge of building an action plan for the implementation of the Film Agreement in the next four years. The amount of money that the current Film Agreement has set as available for the sector, during the 4 years of its validity, amounts to over 2 billion of Danish kroner (almost 270 million of Euro).

As it was said before, above the Danish Film Institute stands another authority: the Ministry of Culture. The Ministry of Culture is a department of the Danish Government founded in 1961, which supports the flourishing of arts, culture and sports. Among the different areas of support, one is specifically dedicated to creative arts, which include the film form. The way in which the Ministry supports these creative arts is through grants distributed to institutions working in the different areas. As a general rule, applicable to all the areas within the creative arts, the support is granted following an evaluation of the institution’s artistic qualities (Ministry of Culture website, kum.dk). The Ministry of Culture is not directly involved in the subsidy allocation to arts and culture and does not express judgments or
preferences. Instead, the Ministry provides guidelines and set the framework for the general cultural policy, specifying the objectives, the subsidy arrangement and the structure of the different cultural institutions (Duelund, 2001). The same applies for films, a creative form that has been supported by the Ministry since 1972, through these three state institutions: Danish Film Institute, the National Film Board and the Danish Film Museum. In 1997, the Film Act gathered the three bodies into a single one: the Danish Film Institute (www.kum.dk).

The Film Act of 1997

The Film Act of 1997 comprises 10 chapters that set out the framework for the support and development of national films. The Act designated the Danish Film Institute as the official body and the recipient of the grants distributed by the Ministry of Culture. Throughout the 10 chapters, the Act specifies the tasks the DFI is in charge of, as well as the hierarchical structure that should be present within the institution. As final points, it also indicates the criteria to be met in order to be recognized as eligible for subsidies (The Film Act, 1997). Following the structure of the Act, the next paragraphs will present a detailed description of the Danish Film Institute, including its tasks and its structure.

Tasks of Danish Film Institute

The tasks of the DFI are different but can be grouped under three general headings, namely: support of the development, production and distribution of Danish films; diffusion and conservation of the cinema culture; and sustenance of the national archives (The Film Act, 1997).
The first heading includes all the activities related to the allocation of funds for the development, production, lunch and showing of Danish movies and international co-productions. The general criterion driving the allocation of subsidies is the willingness to enhance diversity as well as rewarding agents in the industry with a risk-taking attitude. Subsidies can be granted to feature films, documentaries, short films and to a limited number of minor co-productions (both features and documentaries) every year. The DFI collects all the figures regarding the subsidies granted each year, allowing an easy access to the data needed for this research (Turégano, 2006).

The second area of activities has the main objective of spreading knowledge about the cinema culture in Denmark. Cinema culture includes knowledge about national films as well as foreign ones. Moreover, the institution is also in charge of diffusing knowledge of national cinema culture and Danish films abroad. The spread of film and cinema culture in Denmark is achieved through different activities that ensure a dialogue and creates meeting points between the general public and the cinema field. For example, the DFI runs the Filmhouse, an open public space placed inside the DFI building that offers opportunities for the organization of meetings, cinema-related events and public screenings at the Cinematheque. The DFI is also involved in the support of many international events that allow the Danish cinema culture to be spread worldwide (The Film Act, 1997).

The last area of activities involves the conservation of all materials concerning the cinema culture. The archives are open to the public and include an extensive collection of films, catalogues, books and posters (Turégano, 2006).
Structure of the Danish Film Institute

The second chapter in The Film Act (1997) presents the structure of the Danish Film Institute. An Executive Committee lies at the top of the hierarchical structure and is in charge of the general management of the Institute’s activities. It has the role of guaranteeing that the overall goal of Danish film promotion is been followed. The members are nominated by the Minister for Culture and shall have cultural, media and managerial expertise. The Minister of Culture shall rely on the Executive Committee’s suggestions regarding changes to be applied to the Institute, including the modifications of tasks, the inclusion of additional ones and the revision of internal rules. Another task of the Executive Committee is to appoint a Management Board - that supervises the day-to-day management activities - and the consultants that will be in charge of determining the eligibility of feature films and documentaries for support. The consultants appointed by the Executive Committee have the important role of evaluating the feature films and documentaries that have applied for subsidies at the Danish Film Institute. The script, development, production and distribution proposals are evaluated following specific criteria and these evaluations are subsequently presented to the Management for the final approval of funds’ allocation. As a final point, the Executive Committee has also to appoint a Liaison Committee, in charge of maintaining contacts with the users and audiences of the Danish Film Institute.

How the subsidies are funded

As it was explained at the beginning of this chapter, the main method adopted by the national funding body (DFI) to support the films is the direct allocation of subsidies to professionals operating in the sector. Before
moving on with a detailed description of the different types of subsidies granted by the DFI, it is interesting to understand the origin of these funds. The origin of contribution differs when considering different countries in Europe. In the case of Denmark, the state budget is the most important source. The origin of contributions to the national funding body is mainly the State. Funds allocated from the state budget are the most significant mean of funding for the Danish Film Institute, to which it supplies more than 90% of funding. Contrary to some other European member states, national funds are not financed by contributions of the film industry itself (i.e. levy on the cinema ticket and/or levy on the revenues of video publishers or levy on the cable operator revenues). Denmark does not apply any levy on cinema tickets, the TV industry, the home video industry or cable TV operators (Lange and Westcott, 2004). Instead, a normal VAT of 25% applies on VOD services (over the internet and pay-TV/cable TV services); TV license and cinema tickets (European Commission, 2013).

Besides the state budget, another small part of national funds is provided through the direct voluntary contribution of public service broadcasters. According to the Film Agreement in force for the four-year period 2011-2014, the two public broadcasters (DR and TV 2) shall each invest 60 million DKK (around 8 million Euro) per year, in order to support Danish films. Out of this, 53 million DKK (around 7 million Euro) per year are used to purchase display rights of feature films and documentaries. The remaining 7 million DKK are invested in talent development. This fund account for almost 940,000 Euro and is transferred directly to the Danish Film Institute that puts the money in the New Danish Screen scheme (the fund aimed at supporting new Danish talents).

As a last point, it is interesting to move up the hierarchy and see how the activities of the Ministry of Culture are financed. The three sources of the
Ministry budget are taxes, licence fees, and profits derived from national lottery and football pools. Tax resources and profits from national lottery and football pools are allocated to the support of arts, culture and sports, while licence fees are used to fund public channels on radio and television (www.kum.dk).

3.3 DIFFERENT TYPES OF SUBSIDIES

This paragraph is particularly important for this research project for several reasons. The next paragraphs will present the different types of subsidies that the Danish Film Institute grants for the development, production or promotion of national movies and co-productions. Besides a general description of the subsidies, this section also wants to give a detailed explanation concerning the criteria used by the DFI to allocate the funds. These descriptions are important since they allow to understand the mechanisms of the system and the different opportunities provided to professionals in the movie sector. With this precise understanding, it will subsequently be possible to move on with the analysis of data and make some inferences from the results obtained.

Each of the following paragraphs will deal with one of the different schemes offered by the Danish Film Institute. Each scheme address different types of movies and serves different purposes. In total, four different schemes will be described in details: commissioner scheme, market scheme, minor co-productions scheme, and distribution and promotion scheme. Considering the focus of this research, the description will be limited to feature films, without considering how these schemes are allocated to other projects, such as documentaries and short films. The information regarding the different schemes has been gathered from official documents written by
the Danish Film Institute. These documents explain the different schemes in detail and disclose the criteria that rule the allocation of subsidies (Terms for support to feature films, 2012; Vilkar for stotte til markedsforing og distribution af danske film, 2012).

**Commissioner scheme - supports the good storytelling**

The subsidies granted under this scheme can be allocated for three different purposes: script writing, development and production of Danish features. The main purpose of this scheme is to maintain and develop the Danish cinema and film culture. It is for this reason that artistic values are the general criteria used for the allocation of subsidies. Films projects that want to receive support should have recognized cinematic and artistic qualities. On the contrary, there are no requirements regarding the genre of the movie or its potential audience appeal.

The process of subsidies’ allocation can be summarized in three steps. These are pictured in figure 3.1.

![Figure 3.1: Process of subsidies’ allocation](image)

**Application of filmmakers**

**Commissioners' evaluation and recommendation letter**

**Board of Management final decision**
The first step deals with the application procedure. The applicant can be a screenwriter, a director or a producer and should send the application within one of the yearly deadlines set by the DFI. However, if the application is sent for a production subsidy, it is compulsory for the project to already have a producer attached. Once the applications for subsidies are received, the process moves to the second step, often called the commissioner’s work. As it was explained before, the film projects are evaluated against some criteria by a group of commissioners (also called consultants), specifically nominated by the Executive Committee. The group counts three commissioners, where at least one should have expertise in the area of children and youth movies. The commissioners go through the applications received and assess the projects considering their content and artistic potential. In the final stage, the commissioners write a recommendation letter addressed to the Board of Management, the body that will eventually take the final decision regarding the allocation of subsidies. The recommendation letter should include the motivations behind the willingness to support a specific project and allows the Board of Management to receive a precise depiction on the project’s artistic potential. Moreover, the commissioners should also suggest the type and amount of subsidies to be granted.

Screenplay subsidies are usually granted to projects that have elevated potential and high chances to receive development or production subsidies in successive stages. The award of a screenplay subsidy does not imply a binding agreement for subsequent allocations of funds. Development or production subsidies can only be awarded if the project develops in a promising way, showing potential for actual creation.

The other two kinds of subsidy, development and production, are awarded to projects that are already at a later stage. In particular, development
subsidies are awarded if the grant represents an important occasion for the project to unfold itself and to strengthen its different aspects. This subsidy should be aimed at projects that have the potential to use this grant to better conceive their visions and ideas, unfolding aspects that were not easily visible by just reading the screenplay. Eventually, when a project has already reached maturity, in terms of artistic contents and visual style, production subsidies may be granted. The artistic elements of the project should already be precisely defined, with no major changes expected to happen. Once the commissioners have judged the project as being suitable for a production subsidy, another important person steps in. This person is a producer from the Danish Film Institute and he/she is in charge of evaluating the project from a more practical point of view, namely the budget of the project and its financing plan. The general viability of the project is assessed. Another interesting aspect is the fact that the commissioners do not only act within the sphere of decision making. After a production subsidy has been allocated, they step into the project as co-developer, offering aesthetical inputs to the movie. As a consequence, the Danish Film Institute cannot be described as merely distributing money to the professionals of the sector. The institution works closely with them and follows the project throughout the different stages (Mathieu, 2006).

The particularity and strength of this process is that commissioners have the possibility to consider the individualities and singularities of each project, a feature very important when artistic values are been assessed. The commissioners act as individual decision makers, without following pre-established rules. The reason for this is that the assessment of a film project rarely follows standard paths; the many aspects to be considered can rarely be identified by only applying a standard evaluation procedure. Another interesting point is the description of how the commissioner scheme has
developed. Decisions were previously taken by consensus or hand rising. This procedure had the risk of ruling out innovation and originality in favour of the familiar and to block the most daring and visionary projects (Wiedemann, 2009). Instead, each commissioner is now in charge of a limited number of applications and their assessment involves a deep understanding of the project, of its potential and qualities. The commissioner has the possibility to be an innovation promoter, recommending the projects that add new rules, visions or perspective into the sector. Furthermore, commissioners can also change their quality parameters, adapting to and evolving in line with sector’s developments.

Assessment of an application will always be a subjective evaluation. However, for the decision to be unbiased, the procedure for subsidies’ allocation should also follow some general criteria. Transparency should be in place and any decision regarding commitment or refusal of aid should be justified. Moreover, the decision should not be influenced by personal tastes or preferences but should be motivated by more substantial reasons. To assist the commissioners in their work of assessment, some general criteria have been defined. This list of criteria is not fixed; each film project may require to be evaluated only adopting some of the criteria, which are more or less relevant on a case-by-case basis. Some of them are just elements to be considered when making the evaluation.

The different criteria and elements listed by the Danish Film Institute are:

- **Originality**: this criterion applies to the story of the film and can refer to radical new concepts or to a new perspective adopted to expose something familiar.
- **Thematic**: it refers to the inner core of the movie.
-**Narrative grip**: the angle, tone and narrative structure used to lead and seduce the audience.

-**Expressions**: the way in which the script –the written words- are imaged and transformed into an aesthetic experience. Serving the visual and audio experience in interesting and innovative ways is a constructive factor, positively affecting the decision over subsidies’ allocation.

-**Characters**: factors taken into consideration are the unique and unexpected human traits of the characters in the movie.

-**Universe**: it refers to the ability of picturing the entire universe space of the film; the broader setting in which the themes, the story and the characters live.

**Support for minor co-productions films**

Under the commissioner scheme, support can also be granted to minor co-production feature films. A Danish minor co-production refers to a film in which a Danish producer is the minor financial and creative contributor. The support to Danish producers for their participation in international co-productions has the purpose of strengthening the cooperation between producers, so that a sharing of skills and visions can benefit the film. Moreover, co-productions increase the opportunities to obtain international financing and recognition. In order to receive the subsidy from the DFI, the application must come from a Danish production company and the production of the feature must include a creative and technical contribution from Denmark. This means that a part of production personnel and performers should be nationals or residents of Denmark, this part being usually proportional to the financial contribution of the Danish production company. The focus is again on the artistic qualities of the project, since the
support is granted under the commissioner scheme. However, besides the criteria listed before, the commissioners need to take into consideration some additional aspects to evaluate the film project. In particular, they need to assess the creative and economic cooperation between the two production companies and make sure that the project will involve a balanced creative and technical contribution of the two countries. Moreover, attention is given to the expected length of collaboration, favouring co-productions that may lead to long-term cooperation. In the case of co-productions, subsidies can only be granted for production and the threshold is 40%.

**Market scheme – support for movies with audience potential**

As the name suggests, the market scheme is addressed to movies with a high commercial potential that put an emphasis on popular culture aspects. As in the previous scheme, the purpose is to maintain and develop Danish cinema although of a different kind. The support is in this case given through the allocation of two types of subsidy, instead of the three we have seen before: development and production (the script subsidy is awarded as part of the development subsidy). The types of movies that are supported under this scheme are films that are expected to perform better than average Danish films, in terms of tickets sold in Danish cinemas. Given this guideline, the movies are assessed considering the narrative, the audience potential, the distribution possibilities, the marketing plan and the film’s overall economic sustainability. Moreover, the support is more likely to be granted to those films projects whose director has previously made a feature film. Also, if the subsidy is given to a producer, or a production company, the project should already have a director attached, strengthening its sustainability and its likelihood of completion.
The process that leads to the allocation of subsidies in the market scheme is really similar to the one described for the commissioner scheme. Each year, applicants can benefit from four application deadlines to send the film projects. Once received, the projects are assessed during a panel meeting and the recommendation letter is sent to the Board of Management, which again is in charge of the final decision. There are only two main differences that are important to point out: the composition of the panel and the criteria used for the assessment. Under the market scheme, five members compose the panel during which the evaluation is discussed. Two of them are representatives from the Danish Film Institute, while the other three are external film and market experts, representative of the film industry (one member from the Directors’ association, one from the Producers’ association and a third one from the Distributors’ association). As in the consultant scheme, these five experts are in charge of evaluating the projects of the applicants, again by considering each project’s singularities and potential. However, the criteria used to assess the film projects under the market scheme are very different from the ones presented before, the reason being that the overall purpose of this scheme is also very different. The emphasis is no more on innovation, experimentation and originality. Instead, other elements are considered, which are able to seize the performance potentiality of the project. Moreover, 60% of the project must be already financed at the time of application. The Danish Film Institute can only provide an amount of subsidy that does not exceed 40% of the budget. The list of the other evaluation criteria is:

- **Story**: this criterion assesses the script quality, including an evaluation of the main theme, the genre, the characters and the plot structure. It wants to judge the clarity of the story and its accessibility to a wide audience. More
aspects to be considered are the possibilities of identification with the characters, the entertaining qualities of the project and whether the audience has the possibility to receive redemption for its expectations. This last point is particularly interesting. It shows how the focus switches from innovation to preference of more familiar settings, in which the audience feels comfortable and the expectations are satisfied.

-Audience: it assesses the film’s primary audience and any possible secondary and tertiary audiences. It includes an analysis of the segments, their estimated size and an estimate of the total potential audience.

-Distribution: this criterion focuses on the launching plan and distribution plan of the project. It analyses the potential of the movie in terms of number of copies and number of cinemas in which it could be screened. It also considers its potentiality in other windows, such as pay-tv, VOD, DVD and public TV.

-Marketing strategy: the emphasis is on the marketing plan, with a focus on the launching plan, the movie’s brand positioning and its unique selling proposition. It wants to assess the originality of the marketing plan and its ability to reach the film’s audiences.

-Sustainability: the focus is on the financial viability of the project, evaluated considering the production and economic conditions. Important elements are the production company, the budget and the amount of total financial aid. It is an overall assessment of the feasibility of the project.

**Marketing and distribution support**

Besides support for development and production, the Danish Film Institute can also provide support for the marketing and distribution of Danish feature films in cinema and in other distribution windows within the Danish market.
The purpose of this scheme is to support the dissemination of Danish films in the Danish market, ensuring an easy access for Danes to both commercial and cultural movies and to new cinematic experiences. In this way, the Danish Film Institute can ensure a continued high local market share.

Under this scheme, the support can be granted for marketing or distribution. Within the marketing subsidy, support can be granted for three different purposes: development support, marketing support for cinema release and marketing support for launching through other windows, such DVD, VOD, etc. In case of development subsidies, the grant is allocated for early interventions, such as initiatives that increase the film’s positioning as well as the hiring of external consultants to define the marketing strategy, analyse the target audience or enhance the creative expressions of the campaign. The development support must be sought no later than six months before the premiere of the movie. The marketing support for cinema launch must be requested at least three months before the theatrical release and includes grants for the marketing activities aimed at promotion in theatres. The same marketing support can be provided when launching the DVD, VOD or others and the application for subsidies must be sent 3 months before the premiere in the specific window.

Within the distribution subsidy, the grant is provided to support the launch in theatres and includes the production of digital copies or prints of the film. The criteria used to allocate the marketing and distribution subsidy are the target audience of the feature, the distribution and marketing plan, and the quality of the movie itself. These criteria together allow to generate an overall assessment of the potentiality of the feature film. Evaluations are carried out by a Launch Manager and a Launch Consultant.

Another important support provided under the distribution and marketing scheme is the festival subsidy. The Danish Film Institute can provide support
for the participation of Danish films in major film festivals, national and international. The DFI continuously selects the titles to promote at major film festivals and prepares the festival strategy for the selected movies. This also includes grants for the various marketing materials. The subsidy can also cover the costs of manufacturing the subtitled festival copies and travel expenses for the core team (director, main actor, and producer). With this support, the Danish Film Institute wants to secure that Denmark is significantly represented at major film festivals. For national festivals, the subsidy is included in the distribution and marketing one. A specific and separate fund is instead available for the promotion of national movies at international festivals.
4. THE EFFECT OF SUBSIDIES ON DANISH FEATURE FILMS

The previous chapter has shown the variety of subsidies that the Danish Film Institute offers to national feature films. As we have seen before, the general purpose of public funding in the Danish movie sector is the promotion and diffusion of national films and cinema culture. However, given their different drives, the various subsidies are expected to have distinctive effects on feature films. Considering the amount of money allocated and the purpose of allocation, movies may present different results and different levels of performance. The objective of this last chapter is to analyse this aspect, by investigating the relationship between the allocation of subsidies and the performance of subsidized movies. In particular, the study wants to discover how different types of subsidies affect the films’ performance and whether this effect is coherent with the stated purpose. The research question that this study wants to answer is the following:

*Considering the different types of subsidies allocated by the Danish Film Institute, what is their individual effect on the performance of national feature films?*

The chapter is structured as follow: the first paragraph presents the theoretical framework, making an overview of past studies that dealt with the same topic and discussing their results. The second paragraph describes the methodology of the study and explains how the analysis is performed. In the last paragraph, the data are analysed and the model of research is performed, after which the results of the statistical analysis can be discussed.
4.1 THEORETICAL FRAMEWORK

When dealing with the topic of public financing in the movie industry, previous researches have mostly adopted a country focus approach, studying the national funding structure and analysing the impact that government intervention has on the final product of films or on the industry. The focus has predominantly been on European countries or on the big motion picture industry of the United States. One of the first studies to be conducted on this topic focuses on the Italian film industry and wants to examine the determinants of box office performance for Italian movies (Bagella, Becchetti, 1999). Among the different variables, they also consider the effects of state subsidies. The result of this study shows that the impact of subsidies on movie performance (measured as total admissions) is irrelevant and that the systematically underperformance of subsidised films can be explained by the lower popularity of their cast and director. Different results are presented in the paper by Christian Jansen (2005), which focuses on German motion pictures. The purpose of the study is as well to identify the determinants of performance of German motion pictures, in particular discussing the effects of two types of subsidy. Contrary to the paper by Bagella and Becchetti (1999), this study finds a significant relation between subsidies and admissions, which changes according to the type of subsidy allocated. In particular, the subsidies that promote movies with a greater commercial potential seem to have a higher positive effect on performance. Germany is the focus of another study by Paul Cooke (2007), which deals with public funding allocated to the German film industry. The author describes the way the national films are supported and examines the general outcomes of public funding in the movie field. The study is not an empirical research but gives an overview over the trends that the industry is
experiencing, as a result of public support. His conclusions state that the German market is still very reliant on the public subsidy system and is still far from performing within a market-driven model. However, his study claims that the system is trying to promote a market-oriented approach to filmmaking, mainly supporting mainstream movies and successful, commercially minded production companies. An interesting empirical study has been carried out by Blanco and Gil (2012), with their focus over government intervention in the Spanish movie industry. Compared to previous studies, they decided to consider a governmental support different from direct subsidies. The paper examines the relationship between box office success and the participation of TV networks in the movie production, as a result of the Spanish government mandate forcing these players to invest in Spanish movies. The results show that the investments made by private TV networks tend to have a positive effect on box office results. The direction of this relationship is reversed when the production investment is made by a government-owned TV network. This negative relationship with box office is explained by the fact that public TV networks target movies with artistic aspirations, instead of commercial ones. Moving away from Europe, the United States have also been the focus of similar studies. The paper by Christopherson and Rightor (2009) also examines films and television subsidy programs but this time their impact is assessed over the state’s economy. Contrary to our case of Denmark, the justification of subsidy allocation is based on the concept that the creative sector of films may promote economic development and job creation. However, the study assessed that these subsidies have a negative impact on the state budget and can only be justified for their effects on job creation and their benefit to the economy in the long-term.
The study in this paper draws on these previous researches and especially on the empirical analyses carried out for Italy and Germany. In the same way, it takes into consideration public subsidies and relates them to the performance of national movies. In particular, the research by Jansen (2005) has provided some inspirations with its way of differentiating between the different types of subsidy and predicting their individual effect. The main difference, however, lays in the fact that Jansen only uses dummy variables to indicate whether or not a movie received a subsidy of a specific type. In this study, the actual amounts of the different kinds of subsidy have been collected for each movie. In this way, a more precise understanding of their relation with admissions may be captured. Moreover, this research also considers the artistic recognition of the movies and examines the effects of subsidies also on the artistic performance. This aspect has not been measured before and gives new insights on the broad impacts that public support may have on movies.

4.2 METHODOLOGY OF THE STUDY

Data

In order to conduct this study, the first step has been to create the database. The necessary data have been collected from different sources. The first source is the annual reports Facts & Figures (2002-2013) published every year by the Danish Film Institute. They include the list of the movies to which production subsidies have been allocated, their amount as a percentage of the total film budget, as well as the type of scheme under which the allocation took place. The second source is represented by the internal database of the Institute, which includes extensive data about all its operations. In particular, this database has been used to collect the figures
regarding the distribution and marketing subsidies and the number of awards won by the movies. Furthermore, it provided the necessary information for all the control variables introduced in the model. As a last source, the website Danmarks Statistik (www.dst.dk) has been utilized. Its section called Biografer og Film offers the national admission number for all the movies released in Danish cinemas.

The unit of analysis for this research are films. The units included in the database are all the movies released within the period 2002-2012 and supported in the production by the Danish Film Institute under one of its schemes (commissioner scheme or market scheme). As it was explained before, under the commissioner scheme a limited amount of subsidies can be allocated to minor co-productions. These movies have been removed from the sample for two reasons. Data about this type of subsidy were only available starting from 2008 and the vast majority of minor co-productions that have received funds in these last years have not yet been released. Secondly, information for most of the data was missing, justifying the removal of minor co-productions from the sample. Another decision taken was to gather only data about production subsidies, excluding from the analysis the subsidies allocated for script writing and development. The lack of previous researches over this topic did not allow determining whether these two types of subsidies may have an impact on total admissions or they only increase the chances of being allocated with production subsidies at a later stage. The opinion is that further researches are needed, in order to provide empirical evidence of the position and effect that script and development subsidies have within the filmmaking process.

The final database contains a total number of observations equal to 232.
Variables

In order to run the model, different variables were either collected or generated from data. They are listed below, including a brief description. The variables regarding the budgets and the different subsidies are all expressed in Euro.

- **Budget.** Amount of budget for the production of the movie.
- **Budget_distr.** Amount of budget for the distribution of the movie.
- **High.** Dummy variable generated from the release date of the movie. It indicates if the movie was released during a high season of attendance.
- **Code.** Dummy variable. It indicates the rating of a movie. Code 1= movies for everyone; Code 2= movies allowed for children over the age of 15; Code 3= movies not recommended for children under the age of 7.
- **Sequel.** Dummy variable. It indicates if the movie is a sequel.
- **Genre.** Dummy variable for each movie genre. Genre 1= Action; Genre 2= Animation; Genre 3= Children; Genre 4= Comedy; Genre 5= Dogma; Genre 6= Drama; Genre 7= Family; Genre 8= Fantasy; Genre 9= Musical; Genre 10= Thriller; Genre 11= Other.
- **Prints.** Number of prints distributed to Danish cinema for each movie.
- **Type.** Dummy variable indicating under which scheme the production subsidy was allocated (Commissioner scheme or Market scheme). Type 1= Commissioner scheme.
- **Subsidy_prod.** Amount of production subsidy allocate to a movie.
- **Subsidy_distr.** Amount of subsidy allocated to marketing and distribution for each movie.
- **Subsidy_fest.** Amount of subsidy allocated to each movie for promotion at international festivals.
**Ladmission.** Number of admissions registered in Danish cinemas for each movie. The variable has been transformed in logarithm form.

**Awards.** Number of awards won by each movie in both national and international film festivals.

**Model**

The objective of this analysis is to examine whether it exists a relationship between the allocation of public subsidies and the performance of national movies. The statistical software STATA (Data Analysis and Statistical Software) has been used to run two regressions.

The first regression uses *ladmission* as the dependent variable to account for commercial performance. As the paper by Hadida (2009) states, theatrical admissions are highly skewed and need to be transformed in logarithm form to correct for this skewedness. Previous researches have also adopted the same form.

To capture the effect of national subsidies, three explanatory variables have been included. They refer to *Subsidy_prod*, *Subsidy_distr* and *type*. The first two variables provide the exact amounts of the subsidy granted and are expected to represent an accurate picture of public support. The variable *type* is interesting as well, as it specifies under which scheme the production subsidy has been allocated. With this differentiation, it is possible to account for the difference between artistic movies (supported under the Commissioner scheme) and more commercial movies (supported under the Market scheme). To account for the impact that other elements may have in the analysis, control variables were added. These are the budget of the movie for both production and distribution (*budget* and *budget_distr*), the season in which the movie was released (*high*), the rating of the movie...
(code), information of whether the movie is a sequel (sequel), the size of the movie release (prints), the genre of the movie (genre) and the number of awards won by the movie (awards). In order to capture any time-specific effect, the years of release were first included in the regression as dummy variables (excluding one as the reference category). However, since the results did not show any time-specific effect, the variables have been removed from the model. The regression run was a linear regression.

The second regression considers artistic performance and uses awards as a dependent variable. The explanatory and control variables are the same as the ones included in the first regression, except for the variable subsidy_fest that is now introduced to consider the effect that promotion at international festival may have. This time, a Poisson regression was run, since awards is a count variable.

Considering the research question, the principal aim is to explain the performance of Danish movies in relation with the allocation of national subsidies. Following the paper by Hadida and his model (2009), performance is considered from a commercial, as well as from an artistically point of view. Commercial performance is captured by the amount of admission registered in Danish cinema for a specific movie, while artistic recognition is seized by the number of awards won in both national and international film festivals. One aspect that is present in the model of Hadida (2009) but not considered here is the commercial performance for international theatrical releases. This choice was made because nationally allocated subsidies are expected to have a major impact on the national market and there is reason to believe that the decisions to allocate these funds to support national movies in Denmark are motivated by logics and rationales that best apply to the domestic market (e.g. distribution and marketing subsidies are allocated to promote the movie in Denmark and in national festivals; subsidies under the
market scheme are allocated considering the commercial potential of the movie in the domestic scene; etc.). Furthermore, also the theoretical framework has previously shown that similar studies have predicted performance only on a national level. The same reasoning does not apply to the artistic performance, which considers both national and international awards. The reason is that the model includes the amount of subsidies granted for the promotion of movie at international festivals and the variable is thus expected to be related with international artistic recognition.

Contrary to the findings of Bagella and Becchetti (1999), public subsidies are expected to have an impact on the performance of movies. As it was described in the previous chapters, the Danish Film Institute and its system of subsidy allocation holds a central and authoritarian position within the national movie industry. For this reason, they are expected to shape and affect some aspects of the industry. Furthermore, it is also expected to observe different impacts when considering the two schemes for production subsidies. Similar to Jansen (2005) findings, it may be anticipated to find a negative relation between the commissioner scheme and the variable admission. Justification is given by the fact that artistic movies are likely to target a smaller audience and to perform at a lower level, when compared to mainstream movies. However, when considering awards, the commissioner may be expected to show a positive relationship, considering its focus on movies with artistic values.

Concerning the control variables, their inclusion is justified by an extensive amount of literature that carried empirical studies on movie performance. The paper by Hadida (2009) has been useful since it provides a broad review on previous studies that dealt with this topic and offers a list of the main explanatory factors that have been used by other authors when analysing movie performance. This paper has been first consulted in order to
assess whether the inclusion of these control variables found confirmation in former studies. On top of that, other empirical researches have been read, with the aim of formulating hypotheses on the expected impact of these variables. The paper by Gemser, Van Oostrum and Leenders (2007) studies the effect of film reviews on box office performance in the Dutch movie industry. They include different control variables and, among them, positive reviews and the size of the release seem to be positively related to performance, whereas art house movies have a negative impact. Another study by Dhar, Sun and Weinberg (2012) has focused on the impact that sequel movies have on box office. The result shows that sequel movies have a positive relationship with total performance. Furthermore, these control variables have been found to be positively related with performance: comedy genre, high season releases and major distributors. Regarding the production side, different researches have shown that the budget of a movie has an impact on performance. The study by Jansen (2005), which also focuses on subsidies, finds a positive relationship between the budget and admissions.

In this research, the variables that provide more visibility and access to the movie are expected to have a positive impact on admissions. As Vogel (2007) states, higher visibility attracts a larger audience and also increases the word-of-mouth among consumers. In this respect, variables like the season and size of release or the distribution budget are likely to have a positive relationship with performance. Following the same reasoning, genres like comedy, children or family are expected to have a positive impact, considering their characteristic of being accessible to more people (no restriction in terms of age; larger target audience). Considerations about the budget are ambiguous, since Denmark has been able to produce successful movies at low budgets. When considering artistic performance,
some specifications should be made. In this case, visibility may be less important, while artistic aspects play a more significant role.

### 4.3 Analysis

It is first interesting to provide an overview of the data, examining how the money has been allocated among the different subsidies and whether some noteworthy differences can be noticed when considering the two subsidy schemes. The first difference relates to the number of movies released. Within the period 2001-2012, 143 released movies have received production support under the commissioner scheme. The remaining 89 fall under the market scheme. However, when considering the amount of production subsidised allocated, the figures do not differ significantly from one scheme to the other. On average, the production subsidy covers 33% of the budget, which amounts to an average of 2.500.000 Euro for both schemes. The figures related to distribution look very different. Under the commissioner scheme, movies have an average distribution budget of 162.262 Euro. The amount is higher for movies under the market scheme, which have an average distribution budget of 246.386 Euro. Even though the budgets differ under the two schemes, the amount of distribution subsidy as a percentage of the budget is almost the same in both cases (around 52%). When considering subsidy for the promotion of movies at international festivals, movies under the commissioner scheme receive a much higher amount (average of 17.741 Euro), compared to the 8.300 Euro allocated on average to movies under the market scheme. Other interesting figures relate to the performance observed for the movies in the two categories. The films under the market scheme record average admissions of 244.430, compared to an
average of 113.603 for movies under the commissioner scheme. This
disparity can be explained by the very different purposes that the two
schemes pursue. As a reminder, the commissioner scheme support movies
with artistic values, while the market scheme allocates subsidies to films
that have a market and commercial potential. The last category is then
expected to perform better. When considering artistic performance the
picture is reversed. Commissioner scheme movies have won on average 5
awards, while movies under the market scheme only 1.

Regression outputs

In order to answer the research question in a more extensive way, the
regressions are run. The level of significance applied throughout the analysis
is 5%. The results of the first regression are shown in the table 4.1. In this
first regression commercial performance is considered, using admissions as
the dependent variable. The F-test is equal to 20.37, showing the
significance of the model in its entirety. The $R^2$ is 67.15%. By first focusing
on the variables related to subsidies, the output of the regression shows that
$Subsidy_{prod}$ does not show significance, while $Subsidy_{distr}$ seems to be
positively related to $ladmission$. The same positively significant relationship
is observed with $Budget_{distr}$. The variable $type$, which indicates the scheme
of allocation, is not significant. Interesting results can be observed when
looking at the significant variables. The season of release seems to have an
impact on admissions.

The variable $high$ is significant, suggesting that movies released during a
high season have a positive impact on admissions. The number of prints
($Prints$) shows a similar result, with the variable being significant and
positive. The last two significant variables are $sequel$ and $Awards$ and they
both show a positive relationship with the dependent variable. The dummy variables code and genre do not seem to have a significant impact on admissions. The same applies for the variable Budget.

|     | Coef.   | Std. Err. |     t  | P>|t| | [95% Conf. Interval] |
|-----|---------|-----------|-------|-----|---------------------|
| code1 | .1188526 | .1811597 | 0.66  | 0.513 | -0.2386445 to 0.4763498 |
| code2 | .0647603 | .1766143 | 0.37  | 0.714 | -0.2837671 to 0.4132876 |
| genre1 | -0.1831352 | .6230938 | -0.29 | 0.769 | -1.412737 to 1.046466 |
| genre2 | -0.1342239 | .5794766 | -0.23 | 0.817 | -1.277752 to 1.009304 |
| genre3 | -0.0996474 | .5659405 | -0.18 | 0.860 | -1.216464 to 1.017169 |
| genre4 | 0.0457495 | .5261198 | 0.09  | 0.931 | -0.9924852 to 1.083984 |
| genre5 | 0.8061903 | .7901293 | 1.02  | 0.309 | -0.7530357 to 2.365416 |
| genre6 | -0.1673445 | .4994283 | -0.34 | 0.738 | -1.152907 to 0.8182179 |
| genre7 | -0.375928 | .5579453 | -0.67 | 0.501 | -1.476966 to 0.7251105 |
| genre8 | -0.5384381 | .9897523 | -0.54 | 0.587 | -2.491596 to 1.41472 |
| genre9 | -0.6573551 | 1.020019 | -0.64 | 0.520 | -2.670241 to 1.355531 |
| genre10 | -0.0359634 | .5411407 | -0.07 | 0.947 | -1.10384 to 1.031913 |
| high | 0.6556796 | .145653 | 4.50  | 0.000 | 0.3682507 to 0.9431084 |
| Prints | 0.0174444 | .0045534 | 3.83  | 0.000 | 0.0084587 to 0.02643 |
| Budget | -0.93e-09 | 4.36e-08 | -0.14 | 0.892 | -9.19e-08 to 8.01e-08 |
| Subsidy_prod | 1.26e-07 | 2.83e-07 | 0.44  | 0.657 | -4.32e-07 to 6.84e-07 |
| type | -0.0376295 | .1734994 | -0.22 | 0.829 | -0.38001 to 0.304751 |
| Subsidy_distr | 3.26e-06 | 1.67e-06 | 1.96  | 0.052 | -2.28e-08 to 6.55e-06 |
| Subsidy_di-r | 5.33e-06 | 2.07e-06 | 2.58  | 0.011 | 1.25e-06 to 9.41e-06 |
| sequel | 0.424174 | .211568 | 2.00  | 0.046 | 0.0066698 to 0.8416782 |
| Awards | 0.0614691 | .0134938 | 4.56  | 0.000 | 0.0348406 to 0.0889976 |
| _cons | 8.66382 | .6168873 | 14.04 | 0.000 | 7.446466 to 9.881174 |

Table 4.1: Regression output: dependent variable: ladmission
Before commenting on the results, the output of the second regression is shown below. The dependent variable is the count variable *Awards*.

| Awards          | Robust Coef. | Std. Err. | z     | P>|z| | [95% Conf. Interval] |
|-----------------|--------------|-----------|-------|------|----------------------|
| code1           | -.3172362    | .294663   | -1.08 | 0.282 | -.894765 to .2602926 |
| code2           | .087695      | .2230999  | 0.39  | 0.694 | -.3495728 to .5249627 |
| genre1          | .7795977     | .3472733  | 2.24  | 0.025 | .0989544 to 1.460241  |
| genre2          | .0126912     | .5703461  | 0.02  | 0.982 | -1.105167 to 1.130549 |
| genre3          | .6570955     | .3336591  | 1.97  | 0.049 | .0031357 to 1.311055  |
| genre4          | -.106715     | .3916035  | -0.27 | 0.785 | -.8742438 to .6608139 |
| genre5          | 1.394395     | .5228909  | 2.67  | 0.008 | .3695474 to 2.419242  |
| genre6          | .4628571     | .275054   | 1.68  | 0.092 | -.0762389 to 1.001953 |
| genre7          | .9487501     | .3681511  | 2.58  | 0.010 | .2271872 to 1.670313  |
| genre8          | .2624958     | .409415   | 0.64  | 0.521 | -0.5399428 to 1.064934 |
| genre9          | -11.75191    | 1.107921  | -10.61| 0.000 | -13.9234 to -9.58043  |
| genre10         | -.2757011    | .4527511  | -0.61 | 0.543 | -1.163077 to .6116747 |
| Budget_prod     | -1.47e-07    | 8.89e-08  | -1.66 | 0.098 | -3.21e-07 to 2.71e-08 |
| Subsidy_prod    | 8.82e-07     | 3.59e-07  | 2.45  | 0.014 | 1.77e-07 to 1.59e-06  |
| type            | 1.058137     | .2333546  | 4.53  | 0.000 | .6007707 to 1.515504  |
| Subsidy_fest    | .0000152     | 3.32e-06  | 4.58  | 0.000 | 8.69e-06 to .0000217  |
| sequel          | -.6061173    | .2447859  | -2.48 | 0.013 | -1.085889 to -.1263457 |
| high            | .4907454     | .2285314  | 2.15  | 0.032 | .042832 to .9386587   |
| Prints          | -.005837     | .006428   | -0.91 | 0.364 | -0.184357 to .0067616 |
| Budget_distr    | 3.71e-07     | 2.43e-06  | 0.15  | 0.879 | -4.38e-06 to 5.12e-06 |
| Subsidy_distr   | 3.60e-06     | 4.09e-06  | 0.88  | 0.378 | -4.41e-06 to .0000116 |
| _cons           | -.922638     | .5599219  | -1.65 | 0.099 | -2.020065 to .1747879 |

Table 4.2 Regression output: dependent variable: Awards
An interesting aspect that can immediately be noticed is the fact that, in this second regression, *Subsidy_prod* shows a positive and significant relationship with *Awards*, while *Subsidy_distr* does not. In this regression, the variable *Subsidy_fest* was added to capture the effect that promotion at international film festivals may have on awards. By looking at the regression output, the effect is significant and positive. In this second regression, the variable *type* is significant and suggests that movies under the Commissioner Scheme are positively related with the dependent variable *Awards*. Both budgets (*Budget* and *Budget_distr*) do not show significant coefficients. The dummy variable *sequel* is significant and is negatively related with awards. Other interesting results are given by the dummy variable *genre*, where genre5 (Dogma) is significantly positive, as well as family and children genres. The genre musical (genre9) is significant and negatively related with the dependent variable. A last significant and positive variable is *high*.

The $R^2$ is equal to 30.23%. The Wald chi2 value was not provided in the output. However, as Stata reports, the missing value does not necessarily mean that something is wrong the model and Stata reports it as missing not to be misleading.

**Results**

The two regressions give some interesting results to discuss. Public subsidies seem to have an impact on the performance of national movies but their effect differs when considering admissions or awards as the variable to explain. Distribution subsidies have a positive effect on the commercial performance of a movie, whereas production subsidies seem to have no impact. In general, it seems that the majority of variables related to
distribution is positively related with admission. The distribution budget of a movie, showing the size of distribution activities, has a positive effect. The same applies for movies that are released during a high season or for which the size of release was bigger (a higher number of prints distributed to cinemas). In agreement with expectations, a higher visibility seems to have a positive impact on the commercial performance of a movie. Also sequel movies have a positive impact. It is fair to state that they enjoy from higher visibility compared to non-sequel movies. The reason is that they perform with an established brand (the title) and they propose to the audience a concept that is already familiar and easier to identify (same actors, similar plot structures, etc.). Higher visibility is also provided by the award of prizes, which may influence the opinions of moviegoers with respect to must-see movies. In the model, the variable Awards is indeed positively related with admissions. The situation looks different when considering production related factors. The genre of the movie, as well as the production budget, does not have an impact on final admissions. When considering the role of the Danish Film Institute in relation with the regression’s results, the picture is remarkable. Its role, as well as the one of public subsidies, has been deemed to be essential within the national movie industry. Almost all the movies that have been produced in the last 11 years have received production funding from the DFI. The competition for funds is really fierce and non-subsidized projects are usually abandoned. This aspect has also been considered as the proof that the Danish Film Institute is able to actively shape the industry. The allocation of production subsidies works as a discriminating factor between produced and non-produced movies. It affects the industry by providing the green light to some projects instead of others. However, they do not seem to affect the later stages, when commercial performance is assessed. In this respect, the size of distribution activities
seems to play an important role. Higher distribution budgets (and larger release sizes in terms of prints) have a positive impact on movie admission. The effect of the Danish Film Institute lies in the decision to allocate greater distribution subsidies to certain movies. When looking at the artistic performance, the situation is reversed. Production factors seem to have a more significant impact on artistic recognition, rather than distribution aspects. The allocation of higher production subsidies is positively related to awards. The same applies for movies that have been subsidized under the Commissioner scheme, which promotes films with artistic values. The results also show that mainstream or more commercial movies have a negative impact on awards. Sequel movies show a negative relationship, as well as the musical genre. On the contrary, the artistic Dogma genre shows a positive relationship. An interesting aspect is the fact that children movies also show a positive relationship. As it was described before, the Danish Film Institute has structured its allocation procedure for production subsidies in a way that fosters and promotes the creation of children movies. As a conclusion, the decisions of the Danish Film Institute in terms of production subsidies allocation seems to find more validation within the artistic sphere, considering the positive relation between production subsidies and awards. As it was explained before, when production subsidies are allocated, the Danish Film Institute also works as a co-developer, giving artistic inputs to the project.
CONCLUSION

This paper focused on the Danish movie industry and the role of the Danish Film Institute when deciding upon the allocation of public funding to national films. The description of its operations and the overview over the national industry have shown that the Danish Film Institute holds a central and important position. One interesting characteristic is the high degree of independency and autonomy that it enjoys. Its allocation system does not rely on strict point systems or on fixed rules, as is the case in other countries. Moreover, besides the general rules to be followed in the Film Agreement, the decision-making process does not have other binding restrictions. Its important role is also verified by the fact that almost all the movies produced in Denmark within the period of analysis have received public subsidies. This possibility of shaping the sector is highly enhanced when considering that the role of the Danish Film Institute is not limited to the one of a funding agency. The DFI also acts as a co-developer, following every project it subsidizes in the different stages of production and contributing with aesthetical inputs. The Danish cinema is a dynamic sector, which produces artistically distinctive movies and, at the same time, is able to gain legitimacy within the field. However, this optimal distinctiveness that characterizes national movies seems to be related with commercial success when stronger distribution efforts are put in place. Through the allocation of production subsidies, the Danish Film Institute has encouraged the production of these distinctive movies, giving to the Danish movie industry its unique characteristics. However, a better commercial performance seems to be mainly related with higher distribution and marketing activities. The concept of optimal distinctiveness seems to pay more from an artistically point of view. With its production subsidies, the Danish Film Institute has been able to subsidize films that have received many awards and artistic
recognition. The positive relationship between production subsidies and awards has been verified through this empirical research. Further researches are needed to assess whether the likelihood of receiving an award is dependent on the allocation of public funding to specific movies.

As much as the effect of distribution subsidies on commercial performance is significant, it is interesting to notice that the coefficient is very small, suggesting a slight impact on the dependent variable. The same occurs with the variables production subsidies and festival subsidies. Their effect on the variable awards is significant but very small. Does this aspect suggest us something?

In his book “Hollywood Economics” (2004), De Vany states that in the movie business nothing is really predictable, especially the future performance of films. Every movie is so unique that no variables or statistical model can help investors and producers to determine which factors will positively affect commercial performance. The results in this research seem to suggest that the distribution size of a movie and the marketing have an impact on the number of admissions. De Vany rejects this result by stating that a good marketing can provide a slight advantage to some movies but it cannot raise the odds of success. In the end, the complex dynamics and the extreme uncertainty of the industry rule out any possibility of predictability. If this is the case, how can academic research contribute with theories and insights to the industry? How can we determine whether public support helps the industry to survive and grow? As it was explained before, the rationale behind public support is exactly the high uncertainty described by De Vany. Without public support, most of the movies would not exist and would have never seen the light. Film director M. Forman said: “In Europe, film production is like being in a zoo – you are kept in a cage but you have a roof over your head and someone feeds you every
day; in the US, it is the jungle – you are free to go where you like but everyone is trying to kill you” (quoted in Angus Finney, *The State of European Cinema: A New Dose of Reality*, 1996, p.35). It is an interesting statement because it reflects the truth. The European movie industry is highly subsidized and receives a significant amount of public money from the state. The main concern with this approach is whether the high amount of support is causing the movie industry in Europe to rely too much on this help. In some industries, the relationship between public intervention and performance takes the shape of an inverted U. May this be the case in the movie industry? Subsidies can help the industry to survive but may have a negative effect when their amount is too high. Too much protection may put the movie professionals in a state of inertia, deprived from personal incentives to find new and innovative way to finance and produce audio-visual works. In the United States, and recently also in Europe, producers are increasingly benefiting from innovative financing methods, such as product placement or crowd-funding. These new financing sources are increasing in importance and may come to represent important sources in a movie budget. These new sources may also free many producers from the necessity to raise high amounts of public money, relying more on the market. Danish movies are currently experiencing a momentum never seen before. Their success is an important sign that the industry is producing the right products. However, this momentum is not likely to last forever, especially if the industry fails to adapt to new and coming trends. As far as we can acknowledge the positive results of the Danish film policy, this trend may reverse, asking national filmmakers for innovative solutions.

This paper has shown the uncertainty one has to face when dealing with the movie business. Public incentives are based on a reasonable rationale and
seem to have benefited the Danish film industry. However, some questions still remain. These questions have been posed in this conclusion and need to be addressed extensively. An important area that has not received careful attention is the growing presence of regional funds. Regional funds are guided by different objectives than national funds and follow very different criteria when deciding which movies to support. Their objectives usually include the economic growth of the region and the creation of jobs, through the attraction of foreign movie productions in their region of governance. Given these different premises, further researches may focus on the role of regional funds around Europe and investigate their effect on the national movie industry, as well as on the region. For example, many regional funds in Europe have recently introduced tax incentive schemes to support the movie industry. Denmark currently lacks a tax incentive scheme and may be missing an opportunity to benefit the industry.

Another interesting topic is movie financing and, in particular, the birth of new and innovative ways to finance a movie. As it was said before, methods like product placement and crowd-funding, as well as the increasing importance of VOD and its involvement in production, represent important opportunities for the movie industry and for producers. Further researches may investigate the openness towards these new forms of financing around Europe, using relevant case studies to illustrate a more traditional or innovative approach towards movie financing in different countries. In general, the overall attention must be focused on how the European movie industry can grow and flourish, releasing the assumption that public support is the only answer. Further studies should investigate what are the new opportunities for filmmakers in terms of movie financing, illustrating the current situation in Europe and analysing which methods could revolutionize the industry.
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