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## **Film production in Spain: how collaborating companies determine success**

### ***Producción de cine en España: el éxito condicionado por las empresas participantes***

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#### **Abstract**

This paper sets out to analyse the corporate structures in the context of successful Spanish cinema production in 2016, 2017 and 2018. The initial hypothesis is that the commercial success of a Spanish film within the domestic market is conditioned by the structure of production and distribution. A quantitative methodology was employed. The survey sample comprised the ten most commercially successful Spanish films of the above years, with the aim to determine their relation with the production and the distribution companies. The results reveal, on the one hand, the importance of a small group of producers, as well as the requisite intervention of television channels (integrated into the main national media groups). On the other hand, the study highlights the existence of a small oligopoly of distributors (national subsidiaries of the major Hollywood studios) gaining the largest revenues in the box-office takings. It is worth underlining that the most profitable corporate and legal figure is the EIG, Economic Interest Grouping. Hence, the key to the Spanish cinema's success is the result of policies framed within the context of the film industry.

#### **Keywords**

Spanish cinema; media group; film industry; audio-visual market; film production; television

#### **Resumen**

*El objetivo principal de esta investigación es analizar las estructuras empresariales que rodean al cine de producción española de éxito en los años 2016, 2017 y 2018. La hipótesis de partida es que el éxito comercial de una película española dentro del mercado nacional viene condicionado por la estructura de producción y distribución. Aplicamos una metodología cuantitativa en la que tomamos como muestra las diez películas españolas más comerciales de cada año, buscando la relación con las empresas productoras y con las distribuidoras. Los resultados del análisis ponen de manifiesto la importancia de un pequeño grupo de productoras, así como la necesaria intervención de las cadenas de televisión (integradas en los principales grupos mediáticos nacionales), además de la distribución por parte del reducido oligopolio de distribuidoras (filiales nacionales de los grandes estudios de Hollywood) que concentra la mayor recaudación en taquilla. Destacamos que la figura empresarial y jurídica que reporta mayores beneficios es la AIE, Agrupación de Interés Económico. La fórmula del cine español de éxito es el resultado de las políticas aplicadas en la industria cinematográfica.*

#### **Palabras clave**

*Cine español; grupos multimedia; industria cinematográfica; mercado audiovisual; producción cinematográfica; televisión*

## 1. Introduction

The Spanish film production industry continues to be burdened by a series of historically weak structures. The rise in the number of active production companies and the number of film titles produced since the middle of the first decade of the 21st century can be explained by the confluence of factors related to public policies for the protection of Spanish cultural production (Heredero and Reyes, 2017), but also by the decrease in production costs resulting from the digitisation of the raw material needed for audio-visual creation. However, the sector is extremely divided due to the enormous contrast between consolidated producers and smaller ones. Thus, the so-called "middle class" of Spanish film production seems to become lost when positioning itself on the side of the most ambitious projects with the largest budgets, or on the side of the humblest ones.

The main objective of this research is to analyse the business structure involved in successful Spanish film production in the years 2016, 2017 and 2018, taking into account the active involvement of companies operating in the field of film production and distribution in film theatres. The purpose of this analysis is to assess the importance of the business structure in the operating revenue of film theatres.

The 2018 Newsletter (2019: 15) from the *Instituto de la Cinematografía y de las Artes Audiovisuales* (ICAA), states that the production sector needs to strengthen its business structure "not only to demonstrate its productive capacity, but also to confirm its financial strength as well, and its ability to cope with adverse situations". As such, a minority group of companies maintains "significant and ongoing production activity, of which its consolidation is substantiated by a high level of income and financial stability achieved by the diversification of its production". At the same time, it coexists with the rest of the sector, which has very limited activity. In 2018, of the 389 production companies that made films, only 4 were involved in the production of 5 or more films, or in other words, only 1% of the companies that were actively involved in some project that year. The data is even more enlightening if we consider that 340 production companies (which makes up 87% of the total) were involved in only one full-length feature film. Thus, the pattern "is one of discontinuous and poorly-diversified production, which makes it difficult to achieve economies of scale in order to optimise resources and results" (ICAA, 2019: 15).

The number of production companies has not stopped growing in Spain, thus continuing an upward trend (as shown in Table 1), except for slight setbacks in 2012 and 2017, yet the concurrence of elements that has made the production of national cinema difficult has not stopped, referring to the following circumstances: the economic crisis, changes in the leisure habits of the audience, the arrival of international OTT television platforms to the Spanish market, reduction in public aid for the development of cultural activities, and the country's unstable political situation. However, the activity of most production companies is very limited. They also suffer from a small margin of survival over time, low budgets (Medina and Fernández, 2014), and very modest impact on the film commercialisation market.

**Table 1: Evolution of the number of feature film production companies in Spain**

YEAR	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018
<b>Number of production companies</b>	183	213	217	234	249	259	246	267	276	343	354	329	389
<b>Number of feature films</b>	150	172	173	186	200	199	182	231	216	255	254	241	266

Source: ICAA (2019). Created by the author

Development in the number of national production companies that have participated in a single film increased from 82.49% in 2008 to 87.40% in 2018. At the same time, the number of production companies participating in more than four films in one year fell from 1.84% in 2008 to 1.03% in 2018 (ICAA, 2019: 54). The slight variations in percentages only accentuate the growing division in the sector. These figures do not show significant fluctuations, but they do reinforce the idea that the polarisation of the production sector is not merely related to circumstance: Spanish cinema has always operated in a crisis with features that "are structural, and not only circumstantial" (Ansola González, 2003: 5).

Pablo Marfí and Muñoz Yebra (2001: 124) have stated that the number of production companies "with sufficient size to undertake projects of a certain magnitude, and therefore be competitive internationally, is extremely small". This defines film production in Spain as having a "distinct artisan nature" through the setting-up of companies for personal projects. From another perspective, they maintain that "this structure is capable of representing greater wealth from a cultural or artistic point of view by developing what is basically auteur cinema", although from an economic point of view it "produces only modest results".

Álvarez Monzoncillo and López Villanueva (2006: 7) explain that as a general rule, the production company "is linked to the figure of a producer (...), but does not have sufficient business structure to be described as a company".

Spanish film production has been characterised by a series of aspects that highlight its lack of competitiveness and weakness in terms of industrialisation, structurally rather than cyclically: serious financial weakness, substantial business fragmentation, limitations on box office access, small size of domestic and international markets (Álvarez Monzoncillo and López Villanueva, 2006), as well as problems of identity and perception by the domestic audience (García Fernández, Reyes Moreno & Clemente Mediavilla, 2014).

The number of feature films has also skyrocketed in the last decade, reaching a record of 266 titles produced in 2018. However, "increased film production does not necessarily mean high profits", says García Santamaría (2018: 111). As Monterde (2019: 26) states, "we should talk about the high growth of the production sector that does not correlate with the possibilities of the other two industrial sectors, which are distribution and exhibition". According to Prieto (2015: 25), the structural weakness of the Spanish film industry demonstrates "the need to internationalise the Spanish film/audio-visual industry as a vital principle for its survival and development".

After analysing the relationship between cinema and television, García Santamaría (2019: 252) concludes that there has been "a greater concentration in production in the last five years among the large companies in the sector", of which the economic crisis was part of the cause. "Nearly the only solid structure in the Spanish film industry" has been the television companies, which have risen up as a solid wall "against the fragmentation of production" (García Santamaría, 2019: 252).

The sector's control by television is a result of the obligation established by law to invest in the financing of film production. At first, through the Union of Associated Commercial Television Channels (*Unión de Televisiones Comerciales Asociadas, UTECA*) television companies opposed the law and filed a lawsuit in court, resulting in a Supreme Court ruling in 2009 that ruled against this obligation. However, after the question of unconstitutionality was raised by the Supreme Court, the Constitutional Court ended up endorsing the obligation to finance film production. In March 2009, the European Court of Justice also endorsed the obligation of television operators to fund this activity.

In theory, faced with this "obstacle", or "interference", in the development of their activity or the management of their investments, television channels ended up seeing film production as a sector where they could diversify their activity and open up new markets to the point of becoming leaders in the sector. According to Ximo Pérez (2015: 160), "TV channels have made an interpretation of the government's laws for self-interest. They have used them to their advantage to marginalize independent cinema, thus making successful films".

We can also point out that the Spanish film industry is very dependent on public funds and has a lack of its own resources, especially among production companies, which prevents short and medium-term planning and results in constant improvisation (García Fernández, 2015: 601). The industrial benchmarks for comparison continue to be the European models, in particular English, French and Italian (Pérez Ruffi, 2012: 26), an issue that we are proposing for future research. The current dependence and weakness of the structural bases of Spanish cinema would not make change to an exclusively private financing model advisable.

We approach this research from the perspective of the companies involved in the production and distribution of Spanish films with the highest turnover in the exhibition of films in theatres in order to identify a causal relationship between the industry and box office revenue of the traditional film industry.

## **2. Methodology and sources**

In order to achieve the proposed objectives, particularly by analysing the business structures related to the production of successful Spanish films, we have applied a qualitative methodology based on economic evidence regarding the production and marketing of films. We have also applied a methodology based on the analysis of the Spanish situation, taking into account the bibliographic review of studies and reports dealing with film production in Spain.

For the analysis based on quantitative data, we took a sample from the data on Spanish box office revenue for 2016, 2017 and 2018 within the national market, published by the ICAA, in order to measure the concentration of success and the relationship of each film production with production companies and distributors. The sample of analysis was composed of a list of the most popular Spanish titles in 2016, 2017

and 2018. We have confined the study of the sector's business structures to the three most recent years for which we have data at the time this research was carried out.

For each of the three years, we have used as a sample the ten highest-grossing Spanish film productions shown in theatres. Although this represents a limited sample, approximately 3-4% of the total number of Spanish films shown, we consider it representative, as this group of films has amassed approximately 71% of total Spanish box office revenue in film theatres, with very similar numbers among the three years, as we can see in the sum of sales and the number of spectators, shown in Table 2.

**Table 2: Concentration of box-office revenue and number of filmgoers of the ten highest-grossing Spanish films between 2016 and 2018.**

The ten Spanish films with the highest box office revenue	Revenue	Total %	Number of filmgoers	Total %
2016	77.527.366€	70,61%	12.841.375	70,15%
2017	75.517.484€	72,8%	12.579.257	72,72%
2018	73.207.073€	70,52%	12.463.064	70,72%
Media 2016-2018	75.417.307€	71,31%	12.627.898	71,19%

Source: ICAA (2017-2019). Created by the autor

Therefore, we consider that the commercial success of Spanish cinema is actually limited to very few annual productions, which is why we justify the fact that such a limited sample of titles is representative. From this sample, we have identified the companies and types of production companies involved in each of the titles, the possible participation of television channels in production or financing activities, as well as the distribution companies of these films. Although we have not focused on the distribution sector, its involvement in production is straightforward from the time it contributes to the financing of the film or influences the results of commercial operations in film theatres.

We maintain the hypothesis that the commercial success of a Spanish film within the domestic market is affected by the production and distribution structure to such an extent that the Spanish film industry actually operates as an oligopoly with high barriers to entry. Consequently, this situation marginalizes productions made outside of these structures. An analysis of the business structure of the Spanish film industry confirms, as we intend to demonstrate, the high concentration of production and success of a few companies in close relationship with commercial television channels and the US oligopoly of cinema distribution in film theatres.

These results are predictable, but we want to measure the extent to which business structures may be the key to film theatre operating results and might determine the commercial success of a film.

The reason for limiting the sample to three years of study is due to the need to update industry analyses with the most recent data available. We believe that the results will be quite similar in the sample in each of the three years, and we propose this as a secondary hypothesis, which leads to the idea that the dynamics of the industry and its commercial operations is not circumstantial nor dependent on the supply and demand of each year, but rather structural.

From the perspective of the bibliographic references consulted, which are essential in carrying out a case study, this work is based on three types of sources: First, we have examined the works that analyse the state of the film industry in Spain, most notably the works of the following researchers: García Santamaría (2018, 2019), García Fernández, Reyes Moreno and Clemente Mediavilla (2014), García Fernández (2015), Álvarez Monzoncillo and López Villanueva (2016), Monterde (2019), Matamoros (2009), Pardo and Sánchez-Tabernero (2012), Ansola González (2003), and Pablo Marfí and Muñoz Yebra (2001), among others. Secondly, we have reviewed the reports and data provided specifically by the ICAA, together with Comscore, as a direct source of activity in the sector and of the commercial results. Thirdly, from the moment we connected the results of the production sector to the policies applied to it, we consulted the legislative texts directly related to the involvement of television channels in film production.

### 3. Results

Tables 3, 4 and 5 show the list of the ten Spanish feature films with the highest revenue in Spanish film theatres during the years 2016, 2017 and 2018, regardless of the year of their premiere and production, based exclusively on the information provided by the ICAA on the lists of proceeds and number of viewers attained together with the Comscore data (ICAA/Comscore, 2017, 2018, 2019). Thus, we have represented the sample in a graph, which is the object of our analysis, in order to discuss it later.

**Table 3: Spanish films with the highest revenue in 2016, production and distributors companies.**

2016	Revenue	Filmgoers	Production Companies	TV Participation	Distributors
<i>Un monstruo viene a verme</i>	26.470.143 €	4.616.870	A Monster Calls AIE, Telecinco Cinema SAU, Apaches Entertainment SL, Películas La Trini SLU	Telecinco	Universal
<i>Palmeras en la nieve</i>	12.244.777 €	1.899.845	Palmeras En La Nieve AIE, Nostromo Pictures SL	Atresmedia	Warner
<i>Villaviciosa de al lado</i>	8.138.723 €	1.252.449	Villaviciosa Producciones AIE, Aparte Films SL, Atresmedia Cine	Atresmedia	Warner
<i>Cien años de perdón</i>	6.676.116 €	1.073.974	Invasor Produccion AIE, Vaca Films Studio SL, Morena Films SL, Telefónica Studios SLU, K&S (Capital Intelectual SA), Marenostrum Productions	Telecinco	Fox
<i>Cuerpo de élite</i>	6.539.462 €	1.102.339	Cuerpo De Elite AIE, Atresmedia Cine SL, Mod Producciones SL, Kowalski Films SL, Producciones Cinematográficas Ciudadano Ciskul SL, Lolimax Films SL	Atresmedia	Fox
<i>Kiki, el amor se hace</i>	6.195.929 €	1.062.007	Vértigo Films SL	Telecinco	Vértigo
<i>Ocho apellidos catalanes</i>	4.053.033 €	628.382	Weather Films AIE, Lazona Films SL	Telecinco	Universal
<i>El hombre de las mil caras</i>	2.597.062 €	410.284	Atresmedia Cine SL, El Espía de las Mil Caras AIE, DTS Distribuidora de Televisión Digital SA, Zeta Audiovisual SA, Atípica Films SL, Sacromonte Films, SL	Atresmedia	Warner
<i>Zipi y Zape y la isla del capitán</i>	2.462.329 €	455.897	Zeta Cinema SL, Atresmedia Cine SL, Kowalski Films SL, Mod Producciones SL	Atresmedia	Disney
<i>Julieta</i>	2.149.792 €	339.328	El Deseo D.A. SL	RTVE	Warner

Source: ICAA /Comscore (2017). Created by the author

The ten Spanish films with the highest figures in terms of revenue and number of viewers in 2016 (Table 3) accounted for 70% of total annual proceeds (€109,782,568); the remaining 30% of the box office numbers was distributed among 233 other films (i.e., 95% of those screened). The concentration and consequent polarisation of the sector is obvious: few titles actually triumph at the Spanish box office.

*Telecinco Cinema* and *Atresmedia Cine* participated in nine of the ten films, thus amassing the majority of Spanish box office revenue. The film in tenth position (*Julieta*, Pedro Almodóvar, 2016) relied on participation from RTVE.

**Table 4: Spanish films with the highest revenue in 2017, production and distributors companies.**

2017	Revenue	Filmgoers	Production Companies	TV Participation	Distributors
<i>Tadeo Jones 2: El secreto del Rey Midas</i>	17.917.439 €	3.227.410	Telecinco Cinema SAU, Tadeo Jones y El Secreto de Midas AIE, Telefónica Studios SLU, 4 Cats Pictures SL, Lightbox Animation Studios SL, Ikiru Films, SL	Telecinco	Paramount
<i>Perfectos desconocidos</i>	14.373.417 €	2.256.917	Perfectos Desconocidos AIE, Telecinco Cinema SAU, Nadie Es Perfecto Producciones Cinematográficas SL, Pokeepsie Films SLU	Telecinco	Universal
<i>Es por tu bien</i>	9.536.256 €	1.552.197	Telecinco Cinema SAU	Telecinco	Disney
<i>El secreto de Marrowbone</i>	7.332.325 €	1.182.440	Ruidos En El Ático AIE, Telecinco Cinema AU, Marrowbone SL	Telecinco	Universal
<i>Señor, dame paciencia</i>	6.636.689 €	1.087.268	Suroeste Films SL, Atresmedia Cine SL, De	Atresmedia	Warner

			Lorenzo Producciones e Inversiones SL		
<i>Toc toc</i>	6.050.635 €	1.047.243	Atresmedia Cine SL, Wind Films AIE, Lazona Producciones SL, Lazona Films SL	Atresmedia	Warner
<i>Contra tiempo</i>	3.661.397 €	555.476	La Habitación Cerrada AIE, Atresmedia Cine SL, Colose Producciones SL, Think Studio SLU	Atresmedia	Warner
<i>El guardián invisible</i>	3.603.891 €	583.603	El Guardián Invisible AIE, Atresmedia Cine SL, Nostromo Pictures, SL	Atresmedia	DeAPlaneta
<i>Verónica</i>	3.525.648 €	611.401	Expediente La Película AIE, Apache Films SL	RTVE	Sony
<i>El bar</i>	2.879.787 €	475.302	El Bar Producciones AIE, Nadie Es Perfecto Producciones Cinematográficas SL, Pokeepsie Films SLU	Atresmedia	Sony

Source: ICAA /Comscore (2018). Created by the author

In 2017, 72.8% of the total, i.e. €103,721,266, was collected from the ten most successful films (4% of the total number of Spanish films screened, shown in Table 4). The remaining revenue of 27.2% was allocated to 247 feature films (i.e. 96% of the total number of Spanish films screened).

*Telecinco Cinema* and *Atresmedia Cine* were once again involved in nine of the ten films, amassing the largest market share. One of the titles that contributed to the ranking was offered by RTVE: *Verónica* (Paco Plaza, 2017), with an estimated €3.5 million in revenue and just over 600,000 filmgoers.

**Table 5: Spanish films with the highest revenue in 2018, production and distribution companies.**

2018	Revenue	Filmgoers	Production Companies	TV Participation	Distributors
<i>Campeones</i>	19.092.222 €	3.288.420	Sociedad Mercantil Corporación de Radio Televisión Española SAU, Morena Films SL, Rey De Babia AIE, Telefónica Studios SLU, Películas Pendelton SA	RTVE	Universal
<i>Superlópez</i>	10.615.541 €	1.798.799	Telecinco Cinema SAU, Zeta Cinema SL, La Gran Superproduccion AIE	Telecinco	Disney
<i>Perfectos desconocidos</i>	8.007.212 €	1.295.596	Perfectos Desconocidos AIE, Telecinco Cinema SAU, Nadie Es Perfecto Producciones Cinematográficas SL, Pokeepsie Films SLU	Telecinco	Universal
<i>El mejor verano de mi vida</i>	7.935.774 €	1.381.003	Atresmedia Cine SL, Álamo Audiovisual AIE, Álamo Producciones Audiovisuales SL	Atresmedia	A Contra-corriente
<i>La tribu</i>	6.146.641 €	1.009.802	Atresmedia Cine SL, Mod Pictures SL, Mod Producciones SL	Atresmedia	Fox
<i>El cuaderno de Sara</i>	5.197.167 €	844.513	El Cuaderno De Sara AIE, Telecinco Cinema SAU, Ikiru Films SL	Telecinco	Disney
<i>Yucatán</i>	5.141.044 €	916.333	Ikiru Films SL, La Terraza Films SL, Yucatán La Película AIE, Telecinco Cinema SAU	Telecinco	Fox

<i>Sin rodeos</i>	4.495.600 €	720.212	Atresmedia Cine SL, Sin Filtro La Película AIE, Bowfinger International Pictures SL, Tornasol SL	Atresmedia	A Contra-corriente
<i>Los futbolísimos</i>	3.437.934 €	638.060	Los Futbolísimos AIE., Atresmedia Cine SL, Chester Media Producciones SL, Wandermoon SLU	Atresmedia	Paramount
<i>Todos lo saben</i>	3.137.938 €	570.326	Morena Films SL, Untitled Films AIE	C+, France 3, RAI, Movistar +	Universal

Source: ICAA /Comscore (2019). Created by the author

In 2018, the dynamics of previous years continued. The figure of 3.2% of the films shown in theatres (Table 5) accounted for 70% of the revenue and left 30% for the remaining 296 films (96.7%). Thus, the general conclusion is that a mere 3-4% of Spanish films released in film theatres accounted for approximately 70% of all annual box-office ticket sales.

In 2018, the dynamics of previous years were slightly changed when the Spanish box office was led by a film in which RTVE participated, *Campeones* (Javier Fesser, 2018), instead of *Telecinco Cinema*. However, *Telecinco Cinema* and *Atresmedia Cine* have eight of their productions on the list of the most commercially successful films.

From the data presented, we show the following results:

1) Identification of the incentive scheme of production through Economic Interest Groups (EIG) Agrupaciones de Interés Económico (AIE in Spanish), and their commercial success.

The most compelling factor is the frequency with which production companies with the acronym EIG are listed, with 24 of the 30 titles in the sample: 80% of the highest-grossing films of each year were produced by companies organized as EIGs.

EIGs are Economic Interest Groups, or in other words, "legal entities with mercantile features that aim to facilitate the development or improve the results of their members' activities, but their objective is reserved exclusively for auxiliary economic activity for the projects carried out by the aforementioned companies" (Pérez-Bustamante, 2009). These Economic Interest Groups are regulated by Law 12/1991, of 29 April, and by Articles 48 to 52 of the Corporate Income Tax Law.

In 2016, Economic Interest Groups produced seven of the ten films included in the sample. In 2017, this number rose to eight, and in 2018 to nine, so we can certify the validity of this business structure and its nearly mandatory use in achieving strong commercial results for a film. In this study, we have not considered the presence of EIGs among the film production companies of the 776 Spanish films screened between 2016 and 2018 that were left out of the sample. A quick review of the lists of Spanish films that premiered in these years, as reported in the ICAA Film Bulletin (2017, 2018, 2019), allows us to see that their presence among these is as frequent as the Limited Companies.

Thus, the Economic Interest Group is the production and financing model that obtains the best results in the commercial operations of its feature film projects. This is a consequence of the commitment made by the Film Law to this type of structure, with the order given to the ICAA to promote them, together with the Venture Capital Entities (VCE) (Entidades de Capital de Riesgo, ECR, in Spanish). Specifically, article 21.2 of Law 55/2007 of 28 December, concerning the cinema industry, states that the ICAA shall encourage "the establishment of economic interest groups in accordance with the provisions of Law 12/1991 of 28 December, concerning economic interest groups", in order to "make better use of the tax incentives provided by tax legislation, in particular those set out in articles 34.1 and 38.2 of the consolidated text of Corporation Tax Law" (BOE, 2007).

The benefit of this type of partnership is its flexibility and taxation, as well as the provision of allowing several investors to enter the process. The EIG allows for "private investment through companies or individuals interested in obtaining tax benefits and contributing a share to the production of feature length films" (Pérez, 2015: 159). In short, by advocating the establishment of EIGs and VCEs, "legislators want to promote the development of new funding channels for the film industry, encouraging the entry of foreign investment capital into the business" (Viana and Pérez-Bustamante, 2010).

## 2) The necessary involvement of television channels as investors.

When the results were presented, we noted that commercial TV channels are among the most active producers with the highest box office numbers each year. *Telecinco Cinema* was involved in the production of 40% of the titles in the sample; *Atresmedia Cine* participated in 46.6% of the films mentioned; RTVE was only involved in three of the projects (10% of the sample), and to mention a specific case, there was the film entitled *Todos los saben* (Asghar Farhadi, 2018), a co-production of Spain (50%), France (40%) and Italy (10%) through an EIG with the participation of *El Deseo*, *Morena Films*, *Memento Films*, *Lucy Red*, and the television operators *Canal +*, *France 3*, *RAI* and *Movistar+*.

To these operators we must also add the contributions made by the business group *DTS Distribuidora de Televisión Digital/Telefónica/Movistar+*, with at least 4 titles (13.3%), as well as *Zeta Cinema* (successor to *On Pictures*, owned by *Grupo Zeta* before its purchase by *Prensa Ibérica*). We have no references here (or they have been hidden behind the brands with EIGs), but other regional public television stations have also contributed to film production; among these regional public television channels, which also produce films, are the following, as cited in ICAA documents: *TV3 (Corporació Catalana de Mitjans Audiovisuals)*, *Canal Sur Televisión*, *Euskal Telebista Televisión Vasca*, *Telemadrid*, *Televisió de Les Illes Balears*, *Televisión Autónoma de Aragón*, *Televisión Autónoma de Valencia*, *Televisión de Castilla La Mancha*, *Televisión de Galicia*, *Televisión del Principado de Asturias*, and finally, *Televisión Pública de Canarias*.

The revenues of *Atresmedia Cine* and *Telecinco Cinema*, owned by the groups *Atresmedia (Planeta)* and *Mediaset España*, respectively, in what has been called the duopoly of digital terrestrial television, accounted for 63% of total Spanish film sales in 2016, 73% in 2017, and 61% in 2018. These figures are for just two production companies (linked to television), which represent a very high level of concentration of revenue in film theatres.

Therefore, we conclude that the Spanish box office requires the nearly mandatory involvement of a television channel, either through an EIG or directly as a producer. All of the films included in the sample of the highest-grossing films by year were in some way the benefactors of participation by at least one television channel.

Ansola González (2003: 8) states that one of the factors that changed the Spanish cinematic panorama was the involvement of television channels, both public and private, in the financing of Spanish cinema (we can also add the amendment of the legislative framework of production subsidies -modified later in Law 55/2007, concerning Cinema, and the subsequent Order CUD/426/2019, of 11 April, amending the Order ECD/2784/2015, of 18 December, which changed the model of public aid to cinematography).

Collaboration between the production sector and television channels has been regulated since May of 1999 by Law 22/1999, of 7 June, which required television stations to reserve at least 51% of their annual airtime for the broadcast of European audio-visual works, for which they must allocate 5% of their total income from the previous year to the financing of European feature and television films (Ansola González, 2003: 8; *Boletín Oficial del Estado*, (Official State Bulletin) 1999: 21.768).

Royal Decree 1652/2004, of 9 July, approving the Regulations governing compulsory investment for the pre-financing of European and Spanish feature, short, and television films, implements the provisions contained in Law 25/1994, of 12 July (which implements Directive 89/552/EEC), Article 5.1, of which, after being amended by the second additional provision of Law 15/2001, established a minimum investment requirement of 5% of the annual income of those television channels that had broadcast, in the course of that year, feature films that were not more than 7 years old (Legal Today, 2019).

Article 5.3 of Law 7/2010, of 31 March, General Law on Audio-visual Communication, elaborates this point:

Providers of television audio-visual media services with state or regional coverage shall contribute annually to the pre-financing of European production of cinematic films, television films and series, documentaries, and animated films and series, with 5% of the income accrued in the previous financial year according to their operating accounts, corresponding to the channels on which they broadcast these audio-visual products with a minimum of seven years from its date of production. For audio-visual media service providers of public ownership with state or regional coverage, this obligation shall be 6% (*Boletín Oficial del Estado*, 2010: 16).

García Santamaría (2018: 113) points out that these measures are responsible for the situation of "work in full swing" of the professionalization of television production: "The television duopoly (*Atresmedia* and *Mediaset España*), together with *Movistar*, have displaced *TVE (Televisión Española)* and regional channels, and have thus become the main producers of Spanish cinema".

Each year, the CNMC (Comisión Nacional del Mercado de la Competencia- the Spanish National Authority for Markets and Competition), audits fulfilment of the obligation by television channels to finance European films and series. In the report published in 2019 regarding the 2017 financial year, it concluded that fourteen operators exceeded the obligation to dedicate 5% of their income to the production of audio-visual works (*Multicanal, Mediaset, Telefónica, CRTVE, Atresmedia, Orange, Walt Disney, NBC Universal, Ten Media, Veo TV, 13TV, Net TV, Cosmopolitan and Viacom*), and they did the same in the previous year (2016). Only the *History Channel, Rakuten* and *Flooxplay* did not reach the minimum threshold in some of their commitments. We can therefore conclude that application of the law is fulfilled in practice, which is an influential and determining factor within the current film production sector in Spain.

3) Integration of the major American corporations through their national subsidiaries in the distribution as an indispensable part of the domestic "blockbuster" market.

As Matamoros and Herbera (2009: 121) contend, although occasionally some change occurs, the distribution sector in Spain is "not as variable as that of production", so "it is easier to keep track of distributors". As Pardo and Sánchez Tabernero (2012) conclude, the distribution sector in Spain suffers from a high degree of concentration, resulting in a consolidated oligopoly linked to the major Hollywood studios. The oligopoly of the Hollywood studios subsidiaries and joint ventures are not only the leaders in international distribution, but national as well. Compared to previous decades when the American companies were considered little more than "invaders" hindering national development, now they are seen as essential allies, not only in distribution of the national product, but also in production itself, as well as in the financing of films.

As active players in production, and especially distribution, the distribution oligopoly linked to the big studios has also taken advantage of common interests and the search for economic profit alongside Spanish producers and television channels. The demand for content in the Spanish language has allowed these distributors to open up the market for the distribution of national production that is not in conflict with the distribution of foreign production.

Not only are we talking about the traditional 'heavyweights' and their companies dedicated to distribution and production in the Spanish market, but also about the new agents of connected television such as Netflix, which was one of the producers of *Palmeras en la nieve*. Thus, these new international audio-visual agents are integrated into the system.

In the sample analysed of the ten highest-grossing Spanish films in 2016, 2017 and 2018, the affiliated distributors of international films accounted for 26 titles, 86.6% of the sample. The four with the highest presence were Universal and Warner, with seven titles each (23.3% of the sample each), followed by Fox and Disney, with four titles each (assuming 13.3% of the sample each). The four most prominent distributors in the ranking of the top Spanish box-office titles in the three-year sample accounted for 73.2% of all films. These were followed by Sony (two films) and Paramount (two films, one of them the highest grossing of 2017, *Tadeo Jones 2*).

The distribution companies known as *A Contracorriente*, *Vértigo Films*, and *DeAPlaneta*, with a much lower ratio, distributed 13.3% of the successful films. Of the sample analysed, it is worth mentioning the so-called "middle-class" of film distribution in Spain, with companies such as the following: *Filmmax*, *eOne*, *Barton Films*, *Castelao Pictures*, *Betta Pictures*, *Festival Films*, *Nostramo Pictures*, *Syldavia Cinema*, *Alfa Pictures*, *Wanda*, *Splendor*, *Piram*, *Avalon*, *Orfeo* and *Via Láctea*. These companies did not distribute any of the ten most successful Spanish films of the three years analysed.

Therefore, we can conclude that even though distribution by one of the major companies in the sector does not guarantee a film's success, those films that achieved higher profits were circulated by distribution companies linked to the major Hollywood studios.

#### 4. Discussion

Following the same structure in three areas of the development of the results of the analysis, we will first point out that the decision to adopt the EIG business model for film production is a result of the application of film policies, in the sense that tax benefits have become an unbeatable financial argument that encourages the creation of EIGs. The ICAA not only succeeds in promoting this type of entity, but these entities also obtain the best commercial results.

With regard to our main objective, which is analysis of the main companies after assessing the production of the most commercial titles, the EIG makes it difficult to identify the producers and companies that are behind a commercial name that has been set up for the production of a single project. The production

company loses, or at least appears to lose, the prominence associated with the commercial recognition of a film product, now understood as a brand. However, prestige of a successful brand and the appearance in the credit titles of a film is achieved through the involvement of the producer as part of the production with small percentages, which is why we find only tenths in the participation percentages of some film production companies. This is also the case with television channels if they form part of an EIG, as well as part of other film production companies involved.

As an example, we can mention the exemplary case of *Palmeras en la nieve* (Fernando González Molina, 2016), with the EIG in the title of the film (99% of the production), together with 1% from *Nostramo Pictures*. The other companies involved in the production were kept in the background behind the brand name of the EIG in question. In this case, the EIG of *Palmeras en la nieve* included the following collaborators: *Warner Bros* (30%), *Atresmedia* (20%), *Netflix* (10%), investments from companies in the Canary Islands (20%), and public subsidy programmes (10%). The tax incentives of 38-40% in the Canary Islands explain the filming being shot in the Canary Islands, as well as the participation of companies as part of the EIG that are sometimes outside the film industry.

Thus, we can conclude that in the production of *Palmeras en la nieve*, financial resources were managed in such a way as to obtain the most advantage regarding taxes that the Law allows, in addition to benefiting from the participation of national and international television operators (*Atresmedia* and *Netflix*, respectively), and of having one of the large subsidiaries of the Hollywood studios (*Warner*) not only in distribution, but also in production. This merging of companies as well as commercial and fiscal strategies explains the strong commercial results of the film in movie theatres beyond its intrinsic value and its successful "blockbuster" aspect. *Palmeras en la nieve* is thus an exemplary case of the convergence of factors involved in both production and financing that have resulted from diverse filmmaking policies. With regard to comments made about the second aspect, the indispensable involvement of television channels in achieving box-office success, the inference can also be made that this is a consequence of the requirement by law to invest in the financing of film productions. At this point, knowing the market effects of film production policies, we cannot help but wonder what would happen if similar requirements were passed for OTT (over-the-top) television platforms. Europe has already announced the need to protect and promote its own culture by reserving a percentage of the OTT catalogue.

Legislation similar to that of other television operators would compel these platforms to produce films. This possibility raises many questions: would OTTs extend their activity toward the conventional model of film production and film commercialisation, which has only occurred on rare occasions? We cannot ignore the cases of *Okja* (Bong Joon-ho, 2017), *The Meyerowitz Stories* (Noah Baumbach, 2017), and *Roma* (Alfonso Cuarón, 2018), films produced by *Netflix* and released in film theatres prior to their online distribution. The "awards market" and "festivals business" are also of interest to the OTT because of the high reputation they confer.

*Netflix* already has a share in Spanish film production, as it took part in *Palmeras en la nieve* when it joined the EIG that produced it, or in the more recent *Dolor y gloria* (Pedro Almodóvar, 2019). If it were necessary to increase investment in film production due to legislative requirements, the question would then be asked whether exhibitors would be willing to programme films under the *Netflix* brand given the fierce competition between the two sectors that might make each of them mutually interchangeable. Would *Netflix* acquire its own film theatres in order to replicate the traditionally vertical concentration model of classic Hollywood? Would *Netflix* opt for intermediate solutions? *Dolor y gloria* premiered in commercial film theatres in Spain on March 13, 2019. Its premiere on *Netflix* took place on July 12, just three months later.

García Santamaría (2019: 253) questions possible future obligations aimed at contributions from OTT platforms to European productions: "fierce competition is to be expected among the major Spanish television platforms, regardless of the specific agreements that might be reached between them".

If this situation occurs, *Netflix* might even lead the film production sector in Spain, as was previously done by Spanish commercial broadcasters because of their legal obligations. Would this generate a dependence of Spanish production on an American company? Would cultural globalization once again impose itself on the domestic market? Is it possible that the national subsidiaries already dedicated to cinema distribution would finance Spanish cinema together with television operators who are integrated into large European multimedia groups? In short, would the business structure related to Spanish production change?

There are many questions, and the answers are not clear, but in any case, we can say with certainty that the future of the Spanish and European film industry will depend on the political decisions taken at the European level.

Thirdly, and as a final point, we will discuss the decisive influence of the film distribution sector on the commercial success of a film. To begin with, film production that does not achieve adequate distribution will reduce the commercial potential of its operations in film theatres. Distribution by the subsidiaries of the major players can guarantee strong circulation, a high number of copies, control of negotiations with the exhibitors, and application of marketing strategies and promotion at the same level as Hollywood films.

As we have already pointed out, incorporation of the Hollywood subsidiaries into the national film production sector brings with it the production and operations models of the most successful commercial productions, achieving results in line with the expectations placed on them. Hollywood is the new essential ally for successful Spanish cinema.

## 5. Conclusions

In this research, we have prioritised a vision of cinematic production from an economic perspective, but we must not forget that films, in addition to being an industry, are also part of culture and a means of artistic expression that does not have to be seen as merely for commercial objectives, such as the ones we have emphasised in this study of the highest-grossing Spanish films released in Spain between 2016 and 2018. First, the results obtained in each of the three years analysed are highly consistent, with similar levels of concentration among the ten most commercially successful titles of each year, the involvement of a small number of production and distribution companies, and a certain uniformity in the presence of titles in which television operators have participated. This leads us to conclude, as we noted in the second hypothesis, that the performance of the industry reacts to structural rather than cyclical factors.

Once again, we would like to highlight the polarisation of Spanish film production in which super-productions are increasingly similar to those of the United States, and coexist as part of the same market with modest titles created by small companies in a nearly handcrafted manner with more creativity and illusion than economic resources. As we have seen, the number of production companies and the number of titles has increased, but the gap has widened in terms of the commercial results between large and small productions, a polarisation parallel to the size of the companies that produce them.

The results of the analysis show that for a Spanish film to be successful, its relationship with a small group of production companies is paramount, as well as the necessary involvement of television channels (part of the main national media groups), in addition to distribution by the small oligopoly of distributors who amass the largest amount of box-office revenue. The structures of the traditional oligopoly of the American film industry have been adopted by the Spanish film system, incorporating national companies in order to concentrate box office success in a few companies. Participation in distribution by some of the biggest companies in the sector, supported by a large number of copies and parallel promotion, guarantees high visibility for their products, which could result in box-office success.

The business and legal entity with the greatest benefits is the EIG, an entity that Cinema Law 55/2007 expressly mentions as a model to be encouraged by the ICAA in order to take advantage of tax incentives provided by tax legislation. We would like to mention that the number of EIGs that produce Spanish films is very large, but this situation does not guarantee success. Therefore, the strong commitment to this business model is due to the policies regarding films in Spain in relation to the protection of native cultural expression as a result of the tax advantages this implies.

Success is also a consequence of the presence of television as an agent involved in production. Despite initial resistance, television channels that were legally required to allocate part of their profits to film production have seen an opportunity not only to expand, but also to lead the market. The high consumption of open-access television in Spain is transforming television operators into massive showcases from which they can promote content produced for the film industry, and consequently, this generates very high demand.

In short, we can say that the situation of the film production sector in Spain is the direct result of political measures adopted not only at the national level, but at the European level as well. In this way, the protection and promotion of Spanish and European film projects has stimulated their production and industrialisation, but this has occurred only in a small number of companies with sufficient financial capacity and alliances to tackle the production of films capable of attracting public attention and achieving good results in their commercial operations.

From this conclusion, we would like to suggest two possible lines of research that we plan to undertake in future studies: on one hand, a comparison should be made as to whether this confluence of factors that determine the marketability of national films is found in other European countries with similar policies, in order to conclude whether the situation of the Spanish domestic market is similar to the rest of Europe, or

different; on the other hand, even with works such as those of Castro de Paz (2013), the connection between the industry and the film format, or in other words, the relationship between ancillary discursive determining factors and those that are specifically discursive with regard to relevant film processes such as genres, scripts, realisation, etc., has yet to be explored. The structural analysis of the Spanish film industry has allowed us to demonstrate the relationship between the different agents involved in the industry. We believe this investigation has achieved this objective. Moreover, this analysis can also serve to foresee possible future developments in the sectors under study and to resolve possible negative situations in the future that have yet to occur.

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