

2022 Blue Book of Film – South Korea

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On April 25, 2022, Korean theaters began selling popcorn again. It came 13 months after popcorn sales were suspended in theaters in March 2021 as the Korean government banned eating in theaters to prevent the spread of COVID-19.

Following the COVID-19 pandemic, in accordance with government guidelines, distancing between seats in theaters was conducted in Korea, and the theater's business hours were limited to 10 p.m.

Now, as business hours and restrictions on the number of people are lifted, the theater district is gradually gaining vitality.

Visitors can freely watch until late-night movies on weekends, and the release of distancing seats has also been applied, allowing audiences to choose their seats freely. Expectations are rising that the film industry, which had been in a deep quagmire, will be revitalized along with those films that open in theatres in May, including the Marvel film *Doctor Strange in the Multiverse of Madness* and *The Outlaws 2*, the sequel to a popular local action movie that was a surprise success at the box office in 2017.

Park Chan-wook's *Decision to Leave* and Koreeda Hirokazu's *Broker*, which are both invested and distributed by Korea's largest studio CJ ENM, are also much expected movies to lure the audience to theatres, after their world premiere in the competition section of the upcoming 2022 Cannes Film Festival.

The Jeonju International Film Festival, the second largest film festival in Korea, opened on April 28 with a red carpet event three years after the Covid. However, will the Korean film industry be able to go back to

before the pandemic?

Before the Covid, the Korean film industry has been one of the top 10 global film markets.

The passion of Korean audiences who love going to the theater made this possible. It ranked fourth in the world after North America, China, and Japan, and became the world's top 10 film markets also with U.K. France, India, Mexico, and Russia.

Compared to the above countries, Korea is a country with a very small land area and the smallest population.

The number of screens nationwide is only 3,200, which is much smaller than other countries, but Korea has become one of the world's leading film powers thanks to its passionate audience who go to the theatres with the average annual number of 4.37 times per capita.

However, the Korean film industry has been hit hard since COVID-19. In 2021, the market size of the Korean film industry was estimated to be 1.239 trillion won, including theaters, home media secondary markets, and overseas exports.

It has been on the decline for the second consecutive year from 2.5093 trillion won in 2019 to 1.537 trillion won in 2020 and 1.239 trillion won in 2021.

From an economic point of view, Korea's film industry was only half of what it was before the pandemic, as the market size in 2021 was found to be only 40.8% of the market size in 2019.

In Korea, theater sales has been around 75% of the total market sales,

and it reached a whopping 76.3% in 2019.

After COVID-19, movie theatres were not at all attractive to people who wanted to enjoy leisure time because distancing was carried out and eating popcorn was prohibited.

As the total revenue was too dependent on the theater, the Korean film industry became considered a declining industry overnight.

The number of admission per capita was 1.17 times in 2021, an increase of 0.02 times compared to 2020, but a decrease of 3.2 times compared to 4.37 times in 2019. Fortunately, theater sales rose 14.5% year-on-year to 584.5 billion won in 2021, and theater sales accounted for 57.1% of the total film industry.

However, the rate of decline in theater sales decreased by 70% compared to 1.914 trillion won in 2019.

As the theater industry itself faced a crisis, movie theaters tried to break through the crisis by raising the price of theater tickets. CJ CGV, Korea's largest multiplex chain has raised its admission fees three times since the pandemic, and the average ticket price was 8200 won in 2021.

In the past, Korean theaters were more expensive than Japan, the United States, and Germany, and cheaper than China, Russia, India, and France.

However, compared to the 3.6 percent increase in Korea's consumer price index in 2021, ticket price increased by a whopping 12.6 percent.

Now in Korea, you have to pay 15,000 won to watch a normal movie on weekends, Premium theaters such as IMAX and 4DX are more expensive than that.

The crisis in the film industry caused by COVID-19 directly affected not only theaters but also major investor and distributors. The four major studios in Korea, CJ ENM, Lotte, Showbox, and N.E.W., had about 10 distribution works a year, but many of the films that were filmed before the pandemic were not released in theaters.

Following 2020, some films were released on OTT instead of being released in theaters. Movies such as *Sweet & Sour*, *The 8th Night* and *Yaksha: Ruthless Operations* were released on Netflix, and *Seobok*, *Midnight* and *A Year-End Medley* went to Tving, CJ's OTT platform.

It is known that there are more than 100 films stored in warehouses without being released in the theater, including the works of mini major studios such as Acemaker Movieworks and Megabox Joongang Plus M as well as independent arthouse films.

In Korea, movies with a negative cost of more than 3 billion won are classified as 'commercial movies', the works that control the market share of Korean films in the market.

In 2021, there were only 17 Korean commercial films released in theaters, and the average negative cost of these films was 7.4 billion won, and the average P&A cost was 1.88 billion won. Korea is also one of the most expensive countries in the world for movie production, as the average total production cost of popular commercial films in Korea is 9.29 billion won.

The reason why production costs have risen so much is that movie production is subject to the Labor Standards Act, which uses standard contracts for employees' labor costs and implements a 52-hour workweek, as well as that the actors who drive film investment have become very expensive.

In 2021, theatre sales in Korea was led by Hollywood films, topped by Spider-Man; No Way Home at the total box office, followed by Eternals, Black Widow, and Fast and Furious: The Ultimate.

As a result, the sales of domestic films was the lowest since 2004, as it fell 50.5 percent year-on-year, and the number of viewers of decreased 55.0% year-on-year to 18.22 million.

In addition, the audience share of Korean films decreased 37.9% year-on-year to 30.1%, which was the lowest level since 1999.

There are only two Korean movies among the top 10 in the box office in 2021. Escape from Mogadishu came in second with 3.61 million viewers, while Sinkhole came in sixth with 2.19 million viewers. Total ancillary market sales also decreased by 15.0% year-on-year.

Overseas exports of completed films fell 20.5% compared to 2020, and exports of technology services such as VFX, which had been actively conducted against China, fell whopping 81.0% year-on-year.

With all these negative indicators in the market, the estimated return on Korean movies is -50%.

Unlike European film investments, which rely on mostly public funds, broadcaster investments, and pre-sales, financing of Korean commercial films is 100% equity investment.

The Korean commercial film market, which is highly capitalized after the U.S., faced difficulties as investment funds were not recovered due to low returns.

Last year, the number of Korean films with a total production cost of

more than 10 billion won was only four, down significantly from 17 in 2019.

This is because major investment distributors have delayed the release of big movies that are expected to suffer great losses due to the sluggish market.

Since the already made films cannot be sold in theaters, investment funds cannot be recovered, and investment in new works cannot be made as actively as before.

In terms of the recovery rate of theater sales in 10 major countries before and after COVID-19, Korea's sales in 2021 were only 30.1% (recovery rate) from 2019, according to the Korean Film Council's research. Compared to No. 1 China (73.7%) and No. 2 Japan (71.6%), the recovery rate of theater sales was less than half.

Korean films' strong market competitiveness and high market share in the past paradoxically caused deeper problems in crisis situations such as pandemic.

However, there were not only bad news in the Korean film industry in 2021. At the Academy Awards at the beginning of the year, actress Yoon Yeo-jung won the Oscar for Best Supporting Actress for the first time in Korean film history for *Minari*.

Yoon Yeo-jung, who made her splendid debut with Korean legendary master Kim Ki-young's *Woman of Fire* (1971), has disappeared from the movie industry for a while and has only appeared in broadcast dramas.

After returning to the movie industry with *A Good Lawyers' s Wife* (2003), she made a unique move by appearing in various works, both large and small.

Her Oscar win has confirmed the outstanding potential of Korean filmmakers in the global market, realizing the global influence of Korean films and talents after the success of *Parasite* in 2020. And it has been proven once again by the global success of *The Squid Game*.

With theaters at the center, it is true that the Korean film industry has been severely damaged by COVID-19, but the manpower who has led the Korean film industry has not lost their jobs.

Rather, Korean filmmakers have found new jobs as the OTT platform has emerged due to COVID-19. Also, from the perspective of storytelling, they have come to think anew about the series.

Traditionally, the film and broadcasting industries have been very clearly distinguished in Korea, and unlike Europe and the United States, the two fields rarely interact.

The filmmakers and artists in Korea, including directors, producers, actors, and production staff, have mainly focused on making movies for about two hours for theater screenings.

They have been rarely involved in television dramas or series, as there were many differences in storytelling and aesthetics, production method and distribution method.

However, Netflix, which has been expanding its business in Korea since before the COVID-19 pandemic, has provided new opportunities for Korean filmmakers.

Netflix Korea announced more investment in the domestic content market, and many filmmakers and drama producers knocked on Netflix's door.

Netflix, which celebrated the fifth anniversary of its service in Korea in 2021, invested a total of 550 billion won in Korean content, the largest in the industry annually.

There were a total of 15 original contents introduced by Netflix in 2021. Among them, *Move to Heaven*, *The Squid Game*, *Kingdom: Ashin of the North*, *D.P.*, *Hellbound* and *The Silent Sea*, which drew the most attention, were all directed by film directors and participated by film production staff.

Thanks to the great success of these works, Netflix announced that it will introduce 25 original series and movies in 2022, up more than 10 from last year.

The impact of Netflix on the Korean film industry and the content industry is enormous. With the expansion of film directors' entry into dramas and the success of series made by film directors, domestic and foreign OTT platforms competing with Netflix have also begun to recruit filmmakers to produce original content.

Tving, an affiliate of CJ ENM, recently unveiled *Monstrous* and *King of Pigs*, in which director Yeon Sang-ho, who had a great success with *Train to Busan* and *Hellbound* participated in the script.

Apple TV Plus released *Dr. Brain*, directed by Kim Jee-woon (*The Good, the Bad, the Weird*) as its first work, and Disney Plus has been producing the 70 billion won big series *Moving*, produced by Studio & New, an affiliate of N.E.W. Watcha, a startup that became famous for providing movie evaluation and recommendation services by audiences, launched an OTT service called Watcha Play and released an omnibus short film directed by famous movie stars, *Unframed*, as original content.

Currently, the most popular production method in the Korean content industry is to produce a series or movie based on the famous IP.

In particular, the webtoon and web novel market has grown tremendously in Korea over the past few years, and all the story sources have been acquired and adapted to live-action movies and dramas.

Korea's leading platform companies such as Kakao and Naver have been serving webtoons, and recently, they are engaged in a business of in-house production of movies or series content based on those story IPs.

These platform giants competitively acquired and merged film or drama production companies and have created new works with large capital as the COVID-19 pandemic broke out.

Zip Cinema, the production company of Koreeda's new film *Broker* and Sanai Pictures, the production company of another 2022 Cannes entry *Hunt* (directed by Lee Jung-jae, the lead actor of *The Squid Game*) are representative film production companies that have been acquired and merged by Kakao Entertainment.

subsidiary of Naver Webtoon, which provides cartoon and webtoon Naver, Korea's leading Internet portal service, established Studio N as a services, and actively produced dramas and movies based on webtoons that have been serviced.

In short, although the 2021 Korean film industry faced a tremendous shrank in the theatre market due to the pandemic, talented filmmakers entered other media industries such as broadcasting, OTT, and internet platforms to find new opportunities for success.

The changes that have taken place in the Korean film industry over the past two years may completely change the ecosystem of Korean films. Traditional films are gradually becoming event movies that attract

audiences with high-budget spectacles.

Commercial films, which have no choice but to rely on actors' stardom for success in the theater, face a situation in which they have to compete with numerous other platform contents such as broadcast dramas and OTT series for star casting.

Like most other countries, Korea's film industry is becoming increasingly polarized into a spectacle-oriented commercial film market and an independent film market far from lucrative.

Low-budget independent arthouse films with high artistic quality that reflect on life seriously and experiment with new aesthetics are gradually losing ground. How should we overcome this unprecedented polarization?

Since May 2022, when the new president takes office, the government's role in protecting the cultural and artistic value of films has been put to another test.