PROMOTING COMPETITIVENESS IN CREATIVE INDUSTRIES: CHANGES AND TRENDS OF LITHUANIAN FILM INDUSTRY IN 21ST CENTURY

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This article is a continuation of a 2011 publication about the Lithuanian film industry that examined the cultural and economic aspects of the Lithuanian film industry’s national and global situation and developments in the 21st century. The authors review changes in the political, legal, tax, and other circumstances in 2011–2014 that led to qualitative changes in the film industry over the last four years. The authors conducted quantitative research in order to properly evaluate the symbolic and cultural national film industry output level. The survey data is analyzed and compared with survey data from the previous year.

Keywords: creative industries, film industry, globalization, Lithuanian cinema, movies.

Introduction

Since the restoration of independence to the end of 2010 Lithuanian filmmakers systematically fail to fill movie theaters and create more competition for foreign output. Lithuanian films, with a few exceptions, were absolutely commercially unsuccessful projects, unloved and unappreciated by both foreign and local audiences (Mitkus 2011). And, even if one rejects commercial success as a criterion and turns to the recognition of artistic movies, you see that Lithuanian filmmakers are barely more successful at film festivals. It was possible to take consolation in the film industry’s situation as a common problem in the region: European Union (EU) studies have highlighted many years of Central and Eastern European film industry inability to attract local audiences, even with the improvement in their economic situation and the increase of direct investment in movies (Kanzler et al. 2008). European cinema protectionist policies protecting creative film continuity for the sake of continuity have
allowed a system to develop that has tolerated unprofessional filmmakers out of touch with movie-goers for decades. But this cultural policy essentially created the circumstances where the medicine necessary to save cinema’s life has allowed it to develop a chronic disease: cinema that is commercially unviable, artistically unappreciated, and spurned by audiences, all funded by taxpayer money. For the entire 21st century, the Lithuanian film industry has been grim. The country’s tax payer money given to the film industry has sunk to the level of welfare benefits, rather than an investment (Pukšta 2009, 2010), and audiences have passed not only on watching Lithuanian films at the movie theater, but even on seeing them for free on TV or via intellectual piracy (Mitkus 2011). And when the TV viewer, among least active participants of all mass mediums (Mickūnas 2015), chooses to go out of his way to avoid Lithuanian film exhibition in his or her living room, it is speaks greatly of the volume of the problem in the industry.

Meanwhile, at the beginning of 2015, the national film industry situation changed radically. Over the past few years, privately funded films have been popping up at movie theaters, one after another, topping the box office and fully repaying their investment for producers. It is telling that in 2014 Lithuanian films accounted for 20% of tickets sold at movie theaters, one of the best statistics in the region (UNIC 2015). It is also worth noting that over the last couple of years Lithuanian films have twice managed to break all-time Lithuanian box office records: first, Fireheart: The Legend of Tadas Blinda (Tadas Blinda. Pradžia, 2011) earned 1 088 997 EUR, while in 2014, Redirected (2014) made another impressive leap and pulled in 1 344 041 EUR in Lithuania alone and became the first film in the history of Lithuanian cinema that completely paid back its investment to the government (Alfa.lt 2014). To illustrate this point, back in 2010 top two national movies were Loss (Nereikalingi žmonės, 2008) with 172 422 EUR at box offices, and 5 Day Scam (5 dienų avantiūra, 2008) with 73 799 EUR. The great interest taken by local audiences is itself a huge positive change in the creative industry segment.

But Lithuanian filmmakers are also starting to succeed beyond the domestic market. Finally, they are beginning to attract foreign audiences. For example, the previously mentioned Redirected and The Gambler (Lošėjas, 2013). The latter, unlike other commercially successful Lithuanian films, has also been praised by film critics (Losejas.lt 2013). So, you could say, a few years ago trends emerged in Lithuania that fully transformed cinema, which is now experiencing its first renaissance.

But in order to critically examine and evaluate the evolution of the Lithuanian film industry in the globalized 21st century and what solutions are necessary in order to fully utilize the creative industries segment’s potential facing the challenges of globalization and internationalization it is first necessary to understand and precisely identify them. Consequently, to understand, evaluate, and support the Lithuanian film industry to develop strategic objectives and an action plan in order to improve their competitive position.
Situation analysis of the Lithuanian film industry

Continues globalization and internationalization process infuses transformation of modern society toward knowledge society and knowledge economics (Melnikas 2011). This process affects global creative industries, among other aspects, in political and ideology matter (Valatka 2015). Therefore when looking for reasons of Lithuanian film industry resent transformation or industry renaissance one need to look in the context of changes happened on national and international level. First of all, this was a long-awaited separation of the film bid assessment mechanism from the general creative project assessment at the Ministry of Culture of the Republic of Lithuania, moving towards an autonomous Lithuanian Film Center (LFC) oriented exclusively to the needs of cinema, founded in 2012. This new public body took over not only the bid assessment and support coordination functions, but also launched a comprehensive reform of the state support granting procedure and participated actively in shaping film policy in order to strengthen the competitive position of national cinema. One of the most important qualitative changes that show up in applications for state subsidies is the ability to assess the film project and its importance, rather than just the filmmaker’s name. In that regard, this means that the long-standing practice in Lithuania is changing: filmmakers, despite failing to connect with the audience, will no longer be given high scores automatically for possibly weak projects, thus creating burdensome circumstances for young talent trying to enter the market. The current policy publicly declared by the LFC is to first assess the film project itself, looking over the application to evaluate the plot, crew, and execution plan effectiveness individually.

Another important qualitative change is the corporation tax relief adopted in January, 2014: a significant opportunity to increase the competitiveness of the Lithuanian film industry. This relief has created an opportunity attracting private sponsors to fund up to 20% of the production budget for movies financed in Lithuania. Therefore it is not surprising that since 2014 Lithuania became the 15th European country with similar tax incentives for cinema. But it is necessary to look at this not as an opportunity to take the lead in attracting foreign film production to Lithuania, but as a necessity to survive in a highly competitive global film market.

Aside from that, it is necessary to appreciate the work carried out by the Lithuanian film lobby in convincing political decision makers to abandon concept that state’s support for film industry would be functioning as a welfare platform, and gradually move to the idea that public money should be treated as an investment in this segment of the creative industries, in particular to promote segment competitiveness. And to look at the big picture, a community of filmmakers working effectively in the country and protecting its interests is an important feature that allows you to expect the attitude that the film industry’s success and growth is primarily in the hands of filmmakers, not the government.

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1 Since 2014 there are 15 countries in Europe alone – United Kingdom, France, Germany, Hungary, Lithuania, Ireland, Belgium, Croatia, Czech Republic, Malta, Iceland, Poland, Serbia, Romania, and Bulgaria, that offering financial schemes for film projects (Zeevalkink 2014).
Thus, the establishment of the LFC and tax relief for the development of the Lithuanian film industry are the most important strategic achievements of the government; the consequences of these policies are difficult to evaluate as yet, but the international experience has been similar and based on various EU research and directive recommendations restructuring the European film industry, these political developments will help strengthen the competitiveness of the Lithuanian film industry. The existing film infrastructure and training new high quality professionals at Lithuanian institutions of higher education are still areas of concern, but it is difficult to expect any changes before the competitiveness of the film industry is strengthened.

The last qualitative change is the coming of a new generation filmmakers into the industry. This aspect has been appreciable for the last couple of years throughout Central and Eastern Europe (FilmNewEurope.com 2015). Namely new directors and screenwriters are what get movies to better engage the audience, not only nationally but also internationally. Although this change, unlike the ones listed so far, is not part of the governmental strategy for the development of the creative industries or the film industry, which started regardless of the help of business representatives, as the result of long-term changes in the state and society. EU membership, foreign film production projects in Lithuania, technical innovations, globalization and digitization processes (possibility to work virtually with team members in different geographic areas), and finally, a change in world-view and values: all this has influenced and shaped the new generation of filmmakers in Lithuania. Creative expression and making money are not polar opposites for this generation; rather they go hand-in-hand in this career.

As already mentioned above, film protectionism existing in Europe through state support made it possible to develop a film project when developers are not only at absolutely no financial risk, but have also used this state money to pay themselves salaries well above the industry’s rate; and, in the best case (if the movie can garner acclaim in theaters), they keep all the profits for themselves, rather than paying back the state aid, and the worst case is that of a wasted grant without any additional financial responsibility. So, thanks to state support for film production, it has indeed turned into a low-risk business plan that, of course, can guarantee nothing more financially than remuneration for the film production process. This identifies a major problem Central and Eastern EU member film sectors have: film projects are often carried out merely to make money from production, rather than distribution and exhibition.

But, it seems, the new generation of filmmakers are creating films with the Western outlook: state aid is not a goal in and of itself; it is a means to an end, namely the film, with investments returned as is usual in the global film industry: earnings are generated through ticket sales. Of course, one cannot be too harsh and assume that for a few decades the majority of Lithuanian filmmakers have simply been conspiring to get taxpayer cash through a loophole with no interest in the success of their films. But these long-standing trends have repeatedly been criticized by the ruthless Lithuanian film critic Edvinas Pukšta (2009, 2010, 2013). His latest review of the Lithuanian film industry, emailed to Lithuanian film producers in 2013, managed to provoke tremendous anger in the old Lithuanian filmmakers’ generation (Sagaitytė 2013). An ex-
tract from Pukšta’s letter\textsuperscript{2} indeed briefly summarizes the main problems of the film industry, which were repeatedly stressed by independent film industry actors to the old generation of Lithuanian filmmakers:

“It is just very sad for me to hear people mistakenly called the greatest of producers hiding behind the term an “author’s cinematic art”, tossing awards back and forth in a game called “We will Do the Nominating and We will Choose the Winners”. They are flushing taxpayer money down the drain and trying to pass incomprehensible nonsense off to folks, nonsense that is only useful for themselves: films do not need to be viewed, cinema does not even have to have results as a goal, movies do not need to be promoted or advertised; it is enough to show them to your friends. I would like to see such individuals try to make a living and compete in any other country in the world where results are what matter, where you have to account for the state money you spent, and nobody gets paid just for his name and merits of times past. I have no doubt that Lithuanian cinema will remain alive only when it is watchable, noticeable, and visible, and valued primarily by tickets people are willing to pay for”.

As we can see, Pukšta fiercely criticized the old filmmakers for their unjustified failure to create a film at least somewhat interesting for the audience. Until \textit{Zero 2} (2010) and \textit{Fireheart} were released, it was indisputable that Lithuanian films simply cannot fill movie theaters, let alone pay back state or private business investment in cinema. And, it seems, this guaranteed and automatic result of the failure of movies even gave Lithuanian filmmakers the opportunity to emphasize the artistic side of cinema all the way to 2010. This possibility exists only if you sincerely believe that artistry is inversely proportional to popularity.

Of course, there are some Lithuanian works of the 21st century divergent in their quality; one of these that deserves mention is \textit{Before Flying Back to Earth} (\textit{Prieš parskrendant į Žemę}, 2005), directed by Arūnas Matelis, which was evaluated for documentary achievements by the Directors Guild of America. Although Lithuanian audiences are seldom interested, Šarūnas Bartas, Kristijonas Vildžiūnas, and Algimantas Puipa have been praised by film critics. Thus, analyzing the problems of 21st century cinema, nobody can state that Lithuanians are unable to create high-quality artistic movies. But the way taxpayer money is being spent is far from efficient considering the output and the inability of the older generation of filmmakers to grasp the business aspects of cinema.

Therefore, it is important to identify the problem of strategic importance now: the Lithuanian media increasingly polarizes artistic and commercial cinema (Pukšta 2009, 2010, 2013; Peseckienė 2011; Jevsejevas 2013; Liaukus 2015) by continuing this charade, causing clear damage to the national film industry. Worst of all, this damage is due to the Lithuanian filmmakers’ own actions, thanks to which everyone loses, without exception. If Lithuanian movie-goers begin believing that cinema is either artistic or commercial, it means every time a Lithuanian movie is released to theaters they will have to decide whether they are willing to support the arts or only see movies they are going to enjoy, because they cannot get both at once (if they fell for

\textsuperscript{2} Public copy of Pukšta’s letter can be found in Birutė Sagaitytė’s (2013) publication.
the dichotomy). Filmmakers will end up facing the same dilemma: they will have to choose between selling their film to audiences as something they will like, and therefore lacking in artistic merit, or play it off as an artistic film that very few people could possibly enjoy watching. This disunity, besides being counter-productive, is also technically inaccurate. The film industry is a segment of the creative industries, thus movie production is a profit-making activity, and artistic value is an aspiration but not the main priority. Therefore, profitable movies can certainly be artistic, and commercial failures are not necessarily masterpieces of cinema.

The exception to this rule is when the filmmakers announce in advance (publicly) that artistic merit will be their priority (for example: Lars von Trier’s *Antichrist* (2009), Terrence Malick’s *The Tree of Life* (2011), or Jonathan Glazer’s *Under the Skin* (2013)). In this case, the creators openly admit that their experimental film may not meet with the audience’s approval, but, of course, they expect recognition and appreciation anyway. But even in this case, it is important to stress that the film’s artistic value is measured by two criteria: critical acclaim (participation and awards at festivals) and target audience attendance (art-house film movie-goers). Failure to fulfill these conditions of artistic work means the film cannot be considered to be of high artistic value, but simply a failed experiment.

In the case of Lithuania, unfortunately, it does not seem as though the confrontation of artistic value with the commercial purposes of film output takes place because of doubts as to whether the film may have artistic value. Around the world, the ability of film to generate artistic value has long been undisputed. It appears the relatively recent increase in filmmaker competition for public funding is the real reason for this counter-productive and damaging conflict. It is also worth mentioning that from the outside the problem seems easily solvable: both artistic and commercial cinema value are easily and safely predictable early in the development stage, although there is no absolute guarantee, as demonstrated by the greatest failures of Hollywood. Still, if projects are judged solely by good planning and potential success (commercial or artistic), the problem could simply be solved by using taxpayer money in the most rational manner possible. You may speculate that this conflict is a mixture of the old approach to government funds, developers lacking entrepreneurship, and the business sector’s reluctance to invest in film production.

**Evaluation of national film industry by Lithuanian movie-goers**

In order to take a look from a different angle, the authors compare two similar surveys conducted in 2011 and 2015. The aim of this survey was to determine how the Lithuanian audience evaluates the overall situation of national cinema, how familiar they are with Lithuanian filmmakers’ work, both created and directed, and what their expectations are. The 2011 survey included 448 respondents (69% women, 82% 15–25 year olds), and the 2015 study included 104 respondents (64.4% women, 3.8% declined to indicate gender, 66.3% 15–25 year olds). The age groups were selected based on established film distributor practices and taking demographic trend profiles into account. In both 2011 and 2015 the participants were provided with multiple-choice
(check all that apply) questionnaires. The questionnaires presented Lithuanian film lists based on data provided by the Lithuanian film center (LFC.lt 2004–2014).

The questionnaire sought to find out the national movie-goer’s opinion on the value of output generated by the Lithuanian film industry and evaluate the symbolic and cultural “capital” it creates. The first question (apart from age group and gender) was, which of these 26 Lithuanian movies from 2006–2010 and 28 from 2011–2014 have you seen? This question was selected to evaluate the potential attractiveness of Lithuanian cinema. Figures 1 and 2 present data from 2011 and 2015 surveys about Lithuanian movies that have been seen by more than 10% respondents (this does not address whether the film was seen at a movie theater or not). 2010 and 2014 surveys results and data of movie tickets sales, shows that Lithuanian national cinema selection trends continue to emerge. One of the most prominent of these is the increasing divide between commercial films and more artistic films.

Fig. 1. Lithuanian movies seen by survey respondents (2011). Source: created by authors

Fig. 2. Lithuanian movies seen by survey respondents (2015). Source: created by authors
If one looks at the ability of directors and producers to attract viewers to movie theaters, you can immediately distinguish two personalities: Emilis Vėlyvis, the director responsible for two films that improved the watchability and commercial success of Lithuanian films at movie theaters (Zero 2 and Redirected) and Žilvinas Naujokas, the producer who managed to deliver six films in just a few years, one of which was Fireheart and which still holds the record number of tickets sold at a movie theater. The other films he produced in Lithuania also tended to attract as many movie-goers as possible to movie theaters; for comparison, Single Valentine (Valentinas vienas, 2013) sold 182 671 tickets, Lost Valentine (Valentinas už 2rub, 2014) sold 88 682, How to Steal a Wife (Kaip pavogti žmoną, 2013) sold 60 654, and Adventures of Gustav (Gustavo nuotykiai, 2014) sold 44 557. Meanwhile, the 2010 list also includes Zero 2, which sold 71 743 tickets, Whisper of Sin (Nuodėmės užkalbėjimas, 2007) sold 61 073, Lost sold 49 991, 5 Day Scam sold 18 280, and Before Flying Back to Earth sold only 22 095.

Lithuanian filmmakers slowly but firmly are mastering the skills required for the cinema business and, based on current results, Lithuanian films statistical averages should be expected to improve in the future. Likewise, the ability to successfully attract audiences to movie theaters is a sign that Lithuanian filmmakers are slowly growing out of what André Lange (Lange et al. 2004) once referred to as one of the most serious problems in the European film industry, the inability to successfully manage marketing and distribution. According to the survey mentioned earlier, movie projects spent 69% of EU support funds for film production and only 8.4% for distribution and 3.6% for marketing in 2009.

Another noticeable change is the attention filmmakers are paying to the needs of Lithuanian movie-goers. The most commercially successful movies of 2010–2014 were made taking into account the tastes of movie-goers³; it would appear that in 2006–2010 movies cared very little about the expectations and desires of the audience. Both the 2011 and 2015 surveys demonstrate that most Lithuanians enjoy laughing more than anything, and would also like dramatic, historical, and documentary work coming from Lithuanian filmmakers (Fig. 3). Data collected in 2015 is surprising in that half as many people are interested in romantic comedies as previously, although over the last four years many such commercially successful films have been released so it could be that for now local movie-goers are saturated by this genre.

The opinions of Lithuanian movie-goers assessing filmmakers from different cinematic areas (Fig. 4) and in general (Fig. 5) are fairly remarkable. Respondents were asked to assess the overall competence of screenwriters, directors, operators, actors, and producers, and indicate which elements in local film production are still not up to a global standard. The questionnaire asked what was most lacking in Lithuanian films with multiple-choice answers related to various areas of filmmaking (Fig. 3). For example, selecting “appealing plot” indicates dissatisfaction with Lithuanian screen-

³ Four of top five highest-grossing Lithuanian movies of 2010–2014 were comedies and the other one was historical.
writers’ work, and selecting “stronger marketing (advertising)” shows poor quality of the work of the producer. The 2015 survey did include a director assessment element that was not present in the 2011 survey. The data obtained shows that Lithuanian movie-goers still believe that screenwriters and actors are the weakest link among filmmakers.

Finally, it should be noted that according to the cultural theory (Griswold 2003) or the definition used by international bodies (UNESCO 2010), cultural value is directly proportional to the work’s accessibility among viewers, readers, listeners, etc. Therefore, the cultural success of a film often runs parallel with commercial success. Successful (popular) national cultural product (like film production) done by nation’s
creative society always reinforces the concept of unique national identity (Mitkus 2013; Juzefovič 2011; Kačerauskas 2014). Another relevant question is, what is the cultural value of films such as Single Valentine (loose adaptation of Young People Fucking (2007)), Zero 2 (Quentin Tarantino and Guy Ritchie inspired gangster movie) or even Redirected? The latter will probably damage Lithuania's image abroad, but it is precisely these films that have managed to become part of the Lithuanian self-identity, influence worldview, and raise issues in society. Contemporary life is closely related to the cinema (Kačerauskas 2008), therefore every nation (government body in charge of cultural development) should consider that its content is of strategic importations.

Conclusions

1. Assessing the position of the Lithuanian film industry in the context of Eastern and Central Europe the positive achievements come first. Movie ticket sales to local movies have been consistently growing over the past couple of years. This indicates a turning point among local filmmakers: they have finally mastered the specifics of the film business, resulting in films appealing to the local market;

2. Nevertheless, the positive developments, which began two years ago, intensified the artistic/commercial film polarization. But the worse thing is that this friction, presented publicly as a confrontation of filmmaker values, also created a rift among movie-goers. This is why this crisis, left unresolved, will have serious consequences for the entire film industry producing films for the local market;

3. A number of necessary fiscal and legal reforms can only be achieved if filmmakers strive to achieve certain strategic objectives collectively, rather than individually. The government will not take any further necessary reforms if they think that the filmmaking community is divided and any reforms will mean playing favorites to one faction or another. But without government support the film industry will not be able to carry out important reforms, such as cinema infrastructure development;

4. Building up the entrepreneurial dimension is essential in order to have successful film industry growth as a segment of the creative industries. All the necessary and already implemented cinema reforms that significantly improved the position of the Lithuanian film industry (both in terms of the creators and the service providers). The results of these reforms are felt by everyone working in the film industry as well as those who service the film sector: hotels, catering, transportation services, and so on.

References

Tomas Mitkus, Vaida Nedzinskaitė-Mitkė. Promoting competitiveness in creative industries: changes and trends of Lithuanian film industry in 21st century


**VERSLUMO SKATINIMAS KŪRYBINĖSE INDUSTRIJOSE: POKYČIAI IR TENDENCIJOS LIETUVOS KINO INDUSTRIJOJE XXI AMŽIUJE**

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Santrauka

Šis straipsnis yra 2011 metų publikacijos apie Lietuvos kino industriją tęsinys. Kultūriniu ir ekonominiu aspektu straipsnyje nagrinėjama Lietuvos kino industrijos padėtis ir kitimas nacionaliniame XXI amžiuje. Autoriai apžvelgia 2011–2014 metų pakitusias politines, teisines, mokestines ir kitas aplinkybes, kurios lėmė kokybinius kino industrijos pokyčius per praėjusius ketverius metus. Siekdami tinkamai įvertinti simbolinį ir kultūrinį nacionalinės kūrybos kino indėlį in this production, the authors analyzed the quantitative data and compared them with earlier data. The key words: creative industries, cinema industry, globalization, Lithuanian cinema, films.