

Research on the Risk Management Mode and Optimization of Chinese Film Investment based on ERM Perspective

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Summary

The risk management system of China's film investment is not very perfect. As we all know, comprehensive risk management is an advanced risk management method in the world. It has been applied in some representative film investment fields abroad, while the application of comprehensive risk management of China's film investment has just begun. In order to promote the development process of China's film industry, China's film investment industry should improve the risk management system based on ERM as soon as possible.

Keywords : ERM perspective ; film investment ; risk management ; management mode

Tob Regul Sci.™ 2023; 9(1): 434-442

DOI: doi.org/10.18001/TRS.9.1.32

1. Introduction

1.1 Research background

In recent years, China's film market has experienced a calm cooling, and the entire industry has begun to return to nature and rationality. Especially since the outbreak of the new coronavirus pneumonia epidemic, profound changes have taken place in both the support level of national policies and the business model and creative ideas of film companies. Excellent works emerge in an endless stream. Mainland cinemas resumed operations on July 20, 2020 after a shutdown of more than 170 days, and the domestic film market has gradually recovered under the drive of films such as '800' me and my hometown'. In 2021, it will usher in the most 'cattle' Spring Festival in the history of film, and a number of well-known films such as 'Chinatown Detective 3' Hello, Li Huanying 'Assassinating Novelist' and 'Surge of People' have emerged. The total box office of the Spring Festival has exceeded 8 billion yuan, and has refreshed many world records such as the single-day box office of the global single film market, showing the strong vitality of China's film market. A country's film strength is the embodiment of the competitiveness of the national cultural industry. As the core of China's cultural industry investment management, the healthy development of the film is related to the national economy and is the guarantee of the stable operation of the national economy. The film industry investment management because of the particularity of its industry, risk inherent. China's film industry has undergone many reforms. Although years of governance have achieved some results, problems still exist inevitably.

At the same time, we should also see that as a special spiritual product, film has the production characteristics of

long creation cycle, poor controllability and strong uncertainty, which increases the investment risk of film projects. In particular, some film and television media companies, such as : Beijing culture, although they have participated in the investment of 'War Wolf 2 ', ' Wandering Earth ' and ' Hello, Li Huanying ' and other explosive films, they still failed to drive the company out of the mire of huge losses. Therefore, it is necessary to analyze Chinese film investment management model based on ERM perspective.

1.2 Research contents and methods

1.2.1 Research Contents

In the introduction part, mainly discusses the research background and research contents, methods, and finally briefly describes the significance of this study. Then, combined with the literature, the relevant theoretical basis of this study is analyzed to lay the general research direction of this paper. From the perspective of ERM, this paper analyzes the current situation and existing problems of China 's film investment risk management, and puts forward the improvement measures combined with foreign advanced film investment management mode. Finally, the research of this paper is summarized to find out the optimization method of film risk management mode in China.

1.2.2 Research Methods

(1) Literature query method

In this paper, through the annual report of China 's film industry, CNKI, statistical data, library books, media reports and other aspects of China 's film investment comprehensive risk management means, through careful study and collation, the formation of China 's film investment management model of various types of risk impact and management of the overall understanding.

(2) Case analysis

This paper analyzes the film investment risk management model in China in recent years as a typical case, and points out its business operation and risk management problems under the influence of the epidemic. In view of the reasons, and put forward suggestions for improvement in the development strategy, risk management system construction and management resource allocation.

(3) Qualitative analysis method

Based on the analysis of a large number of basic risk data of film investment in China, this paper concludes the current situation and problems of comprehensive risk management in China 's film investment industry during the epidemic in recent years, laying a factual foundation for subsequent research.

1.3 Research significance

1.3.1 Theoretical significance

At present, under the background of the impact of the epidemic on the economy at home and abroad, the research on the comprehensive risk management system of China 's film industry is still rare. Most of them are the analysis of film investment data in regular years. Based on the theory and method of comprehensive risk management of film investment at home and abroad, this paper uses the method of case study to study the relationship between theory and practice based on the data of individual cases under the influence of the epidemic. The research results

of analyzing and solving practical problems have further enriched the current film industry 's response to the impact of the epidemic.

1.3.2 Practical significance

The practical significance of this paper lies in : under the background of the impact of the new coronavirus epidemic, the comprehensive risk management system of China 's film investment industry is facing various challenges. This paper takes the current situation of the film investment industry in recent years as the specific research object, analyzes the risk management status of the film investment related business during the new coronavirus epidemic, analyzes the existing problems and causes, and puts forward the optimization suggestions of the comprehensive risk management system of China 's film investment under the influence of the epidemic. On the one hand, it provides suggestions for improving the comprehensive risk management system of China 's film industry, on the other hand, it also provides reference for the improvement of the comprehensive risk management framework of film investment in other countries.

2.Related theoretical basis

2.1 Comprehensive risk management

Comprehensive risk management concept is from the company ' s comprehensive risk control. In 1992, Miller systematically defined the scope of the risk management of the whole company, and put forward that the risk management of the whole company is a systematic risk management work that considers all the operational risks existing in the company as a whole, and achieves the goal of the overall operational risk of the company by comprehensively optimizing the management of the operational risks. Lisa and Meulbroek (2002) pointed out that the company 's integrated risk management method is through the identification and evaluation of many risk factors affecting the value of the company, the company 's all risk management activities as a unified system, and through the integration of the system, through the development of reasonable coping strategies to effectively manage and monitor these risks.

2.2 Definition of film industry

First of all, how to define film The term " film " in the Film Industry Promotion Law refers to " a work produced by audio-visual technology and artistic means, recorded on film or digital carriers, composed of sound or silent continuous pictures expressing certain content, in accordance with the technical standards prescribed by the State, and used for public screening in fixed screening places such as cinemas or mobile screening equipment. "

Film is called the seventh art. It is a comprehensive art form and a combination of technology and art. Secondly, how to understand the film activities, the scope of film activities is relatively broad, including film creation, filming, distribution, screening, etc., from the works to the product to the commodity process. Finally, how to define the film industry The film industry includes not only film activities, but also film technology and equipment. It involves the film technology innovation system from the enterprise to the market to the combination of production and research, which determines that the film industry not only has the content side but also the technology side. The broad scope of film investment involves the whole industry chain, but it is usually a narrow investment in film activities, and mainly focuses on the content side. From the perspective of the overall healthy

development of the industry, the spiritual attributes of the film determine that the film investment should achieve the unity of social and economic benefits, in order to meet the needs of the people's spiritual and cultural life as the fundamental goal.

2.3 Film Investment Management

The post-investment management of film projects is a series of measures taken to reduce the investment risk of China's film and television media enterprises. It is related to the progress of film project investment and the realization of the exit plan. It can reduce the potential investment risk from the active level and realize the preservation and appreciation of investment. The so-called post-investment management of film projects refers to the investment business management process of a film project from the beginning of substantive investment. Its focus mainly includes three levels: the implementation of film project investment agreements, project tracking governance and value-added services. The 'intensive cultivation' of post-investment management is a manifestation of the soft power of film and television media enterprise management team. This article will focus on its key work in the post-investment management of film projects.

From the development of the entire film industry and market, it can be seen that the investment in the film industry has been relatively intensive in the five years since 2016, and the investment in the entire film industry has also covered a wide range. According to the analysis of 'China Film Investment and Financing News 2021', as of October 2021, there were 607 private financing events in the film industry, including 358 film companies participating in private equity financing and 676 investors. The largest part of the investment is mainly focused on content production. More than half of the number of companies and the amount of financing are concentrated in the field of content production. Therefore, today, when we discuss film investment, we mainly look at content-side project investment. In addition, the film technology track has also been significantly heated up in the past five years, becoming a new field of capital layout film industry, such as 5G, VR, artificial intelligence and other technologies, equipment investment. From the perspective of investors, the investment in the film industry is becoming more and more specialized and subdivided. State-owned enterprises, listed enterprises and Internet enterprises have become the main force. Although the number is not large, the amount is relatively high. In 2020 and 2021 (as of October), among the films with a box office of more than 10 million, state-owned enterprises participated in 35 % and 45 % of the films, accounting for 45 % and 75 % of the box office, respectively; the listed companies participated in 76 % and 56 % of the films, accounting for 97 % and 95 % of the box office respectively. Internet companies voted for 32 % of films for two consecutive years, accounting for 26 % and 64 % of the box office, respectively.

3. Present Situation and Problems of Film Investment Risk Management in China

3.1 Current Situation of Film Investment Risk Management in China

From the perspective of risk management, all aspects of film production, such as pre-development, project establishment, shooting, post-production, distribution, and release, are faced with different types of risks. For film project investors, it is necessary to identify risk types based on the particularity of the links and adopt effective risk management mechanisms. As a creator, you also need to consider the risks of all aspects of the film. Only by

controlling the risk, can bring good market expectations and project income.

3.1.1 Multi-party joint production, contractual joint venture

In the early stage of reform and opening up, Chinese film continued the investment mode of government funding and state-owned film studio production. In the 1980 s, due to the government 's encouragement of cooperation between the mainland and Hong Kong and Taiwan, along with the success of ' Shaolin Temple ' and other films, the investment mode of joint production of film studios and foreign-funded companies emerged and developed rapidly. ' In 1993, a record 56 Chinese and foreign co-production films were made. ' To this end, in 1994, the state promulgated the " Regulations on the Administration of Sino-foreign Cooperative Film Production, " which clearly defined the rules of joint filming. According to this system, joint production has developed into multi-party joint production, from Chinese and foreign joint production to domestic joint production. In 1997, ' Party A and Party B ' was jointly produced by Beijing Film Studio and Forbidden City Film Company. With the release of the National Film Administration 's approval of only 16 state-owned studios for film production, more companies led film investment. In 1999, the film ' Endless ' was jointly produced by the Forbidden City Film Industry and Huayi Brothers. In the 21 st century, multi-party joint production has become the most important form of Chinese film investment. In the past five years, the top 20 domestic films at the box office have been invested by multiple producers and joint producers, and the number of investors has shown an increasing trend.

3.1.2 Transfer of the right of profit by premium from the master to other producers

There are more than 10 Chinese film producers, and it is difficult for so many producers to sign contracts with the main creators, equipment parties and issuers one by one. As a result, the industry is generally controlled by a master (the main producer) on behalf of the parties unified external performance. Other producers pay the investment to the master account, which is uniformly allocated by the master. The film revenue is first returned to the master account, and then distributed to the parties according to the contract. In recent years, more and more controlling parties have transferred the income right at a premium to the late-entering producer in the process of the gradual maturity of a film project, and other producers have also transferred the income right at a premium to form a new investment model. The transfer of film revenue rights disclosed by the media was first seen in the 2009 film ' Tangshan earthquake '. The main controlling party ' Huayi Brothers transferred the investment share to the subsequent investment producers Zhejiang Film and Television Group, Emperor Film Industry, Huanya Film Company and Shanghai Film Group.

In 2014, although the Chinese box office of the film ' Golden Age ' was only 51.48 million yuan, the US box office was 100,000 dollars, and the overall loss. However, according to its financial report analysis, the main controlling party Jiaying Film Company still made a profit of more than 12 million yuan by transferring the income right to other producers at a premium. In the later period of ' Journey to the West ', Bigao Group transferred its 30 % stake, a 20 % premium, to Cultural China. ' ' Dear ', ' I am not a god of medicine ', ' July and Ansheng ', ' Wandering Earth ' and most other head movies are premium transfer income, ' film investment premium, has become a mainstream model of the moment.

3.2 China 's film investment risk management problems

3.2.1 Single-screen output decline

There were nearly 70,000 screens nationally in 2019, and more than 80,000 in 2021. From the perspective of single-screen output, in 2019, the national average single-screen output was 921,000 yuan, down 9 % year-on-year. Through statistical data, it can be seen that the impact of the epidemic in 2020 is very large, but if the timeline is lengthened, it can be found that it is not only the impact of the epidemic. From 2015 to 2019, the single-screen output of the entire film market continued to decline, and the value created by each screen was shrinking. Contrary to the declining demand, the supply is growing and the number of people watching the film is slowly declining. The expansion of theaters and screens has brought about a decline in attendance, and the operating efficiency of medium and large cinemas has decreased significantly, which requires cinemas to arrange films more accurately. The screening end directly determines the box office, from the cinema, theater chain back to the front end of the industry, prompting investment in the film theme, volume, schedule and other aspects of choice more cautious. Next, theater chain will improve the concentration and improve the exit mechanism, film distribution and projection mechanism innovation distribution, multi-round distribution, regional distribution, focus distribution, will directly affect the traditional projection market. In response to the diversified needs of film market consumption, characteristic cinema lines, including art theatre lines, will also become differentiated screening channels.

3.2.2 Film investment greater moral hazard

The controlling party tends to sell the film at a high premium, and other producers tend to buy at a low premium. The relationship between the controlling party and other producers has changed from a cooperative relationship to a game relationship between the purchase and sale of film revenue rights. The main control party directly grasps the information of the cost and quality of film investment. In order to have an information advantage in the game, it will undermine the right to know of other producers. The less confident the main control party is about the future box office of a film, the more inclined it is to transfer rights and interests. It is difficult for other producers with information disadvantage to make correct decisions. The film revenue right with poor quality is more likely to be sold, resulting in adverse selection and loss of other producers. Asymmetric information and incomplete contracts also easily lead to moral hazard of the main control party. The main control party no longer relies on film quality to make profits from the market, but can make profits from other producers through high premiums, inducing the main control party to make behaviors that are not conducive to other producers, such as cheating inexperienced outside investors. The above problems of the transfer of income rights at a premium will damage investors ' confidence in the industry, distort the resource allocation function of the film investment market, and are not conducive to the socialization and diversification of film investment and the long-term healthy development of the film industry.

3.2.3 Producer 's corporate risk and film project isolation is not enough

Multi-party joint investment in European and American film, generally open a special account does not belong to any party of the film project, by the completion of the company to ensure the use and distribution of funds

account. Chinese film investment does not have a strictly third-party account, other producers will invest the payment to the master account, assuming that during the production of the film, the master lawsuit, the account is frozen, other producers can not guarantee the safety of funds. Moreover, without third-party credit, in practice, there has been a situation in which the main controller has been slow to allocate the film investment income to each producer. In addition, other misconduct of the controlling company unrelated to the production of the film may also result in the loss of the film project under its control, which the producers have to share.

The proportion of film publicity investment is increasing. Whether a film can become a good commodity from a good product often depends on whether the publicity plan is clear and effective, and whether it can reach more audiences. Film investment requires not only project-based financial investment, but also resource support that can expand the market and influence, also known as resource investors or strategic investors. The latter can help the film achieve better returns and form synergies between different films through the integration and complementarity of resources. There are inherent risks in every aspect of film production. What we need to do is to find a mechanism or path to reduce investment risks to a certain extent. However, risks cannot be completely avoided, and 'uncertainty' is also the law of the content industry including film.

4. Optimization of China 's Film Investment Risk Management Model

4.1 Focus on the macro investment environment

First, the macro perspective, mainly concerned about the policy environment, legal environment, public opinion environment. On the macro level, Chinese films have shifted to the stage of high-quality development. The film industry 's support policies and control policies are working in both directions. The planning and guidance have been significantly strengthened, with more emphasis on standardization and precision, involving all aspects of the film industry. At the same time, in the content-oriented, sky-high remuneration, tax collection and other aspects of supervision is also increasing, the past 'edge ball', 'detour' approach is difficult to continue, the relevant risks need to be prevented. In addition, the importance of the legal and public opinion environment is not to mention.

4.2 Attach importance to the development of medium industry

Second, the meso perspective, the main focus on industrial system, industrial trends, industry type. The dynamic changes of the environment often affect the industrial system. For example, when the epidemic impacts the film market, the driving force of the industrial support system is more obvious. From the perspective of industrial trends, the understanding of the connotation and extension of the film and the changes in the audio-visual art of the film in the past century have allowed us to continuously generate new understandings of the film. The increasingly rich content and technical forms of the film and the continuous expansion and extension of the film industry chain will affect the layout of investment. The types of industries are more diversified. The integration of film, cultural tourism and science and technology has formed a new industrial model and brought new increments and challenges.

4.3 Attention to individual micro-film investors

Third, the micro perspective, mainly concerned about personnel, management, products. Film creation is a combination of people. Each individual participating in the film is an integral part of the film. The overall

specialization of personnel is the guarantee of film quality. The scientific management of film projects is the basis of film industrialization and the key to the transformation from workshop production to systematic production. Excellent film products are ornamental, artistic, ideological unity, hailed film is more likely to be recognized by the market.

As a kind of cultural product, the film market and investment institutions 'two-eight law' is obvious. Head film occupies a large market share, and head institutions occupy a large proportion of investment. Many small and medium-sized investment institutions need to find their own positioning, and strive to become 'head' in the field of market segmentation. At the same time, pay attention to the potential films in the waist and the characteristic films with small and medium costs; from the point of view of market consumption, is 'gradually recover, tend to steady'. Affected by factors such as the epidemic, the film market has suffered a great impact, and the demand side has declined. However, because the film is based on the appeal of human emotions and the experience of different lives, this consumer demand is eternal and indispensable. Therefore, the film market is developing steadily in the long run. From the market structure point of view, is 'content is king, cross-border competition'. Must really carefully do content, to create more multi-dimensional value, in order to all kinds of movies, between online and offline, cross-border art between the cultural and artistic consumption competition for a place; from the market format, is 'network broadcast mode, break the tradition'. As long as there is a differentiation strategy, there will be differentiated products, and guide differentiated consumption. The continuous improvement of the quality of online movies meets the needs of different levels and provides more personalized choices for the audience.

5. Research conclusion

Film investment risk management, on the one hand, should establish brand awareness, and establish contact with different types of brand image, from the drive, functionality, technology, value and spirit of the five brand images, select partners; on the other hand, we should actively find new ways of revenue, take the promotion of value-added services of film projects as the main content, and dig gold film and television IP from the four dimensions of content layer, realization layer, extension layer and support layer, so as to realize the product cross-border, channel cross-border, cultural cross-border, marketing cross-border and cross-border of film projects, and finally obtain more reasonable return on investment.

At present, the Chinese film is already multi-type, multi-theme, the state further support to highlight the Chinese spirit, Chinese values, Chinese strength, Chinese aesthetics masterpiece. From the perspective of subject matter classification, on the one hand, the state supports the selection of key film creation topics. For example, realistic films are more likely to resonate with the audience because they are close to life. The main theme films are in line with the current national conditions and public opinion environment. New mainstream films such as 'new epic of the Chinese nation' and 'Chinese blockbuster' are all types with strong vitality. On the other hand, the state vigorously supports science fiction films, animated films and special films. Science fiction films reflect the value pursuit of a community with a shared future for mankind. They are a good carrier for the spread of Chinese cultural value system overseas, building a bridge for seeking value consensus and human empathy, and have the opportunity to create a world-wide IP. The affinity, image and family attributes of animated films determine the

spatial potential of their market and so on. No matter what kind of theme, only in line with the film boutique strategy, can we enhance the national cultural soft power and international influence.

From the above analysis, it can be seen that good investment projects need to achieve expected investment returns through post-investment management. Film project investors and management team must establish a 'post-investment management' concept, on the basis of risk supervision, do a good job of value-enhancing initiatives and time management plan, full control of the film project investment agreement implementation; strengthen the internal and external communication and management of investment projects, and realize scientific and humanized project tracking management; efforts to improve value-added services, ensure the safe landing of film investment activities and maximize investment returns. 'Post-investment management' is not only a necessary process to confirm the responsibilities of all parties, clean up the project boundary, and re-evaluate the investment value of film projects, but also a necessary measure to identify the investment risks of film projects and eliminate hidden dangers.

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