The Empirical Economics Letters

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Dimensions of Trade in Entertainment Industry with special reference to India

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Abstract: Globalisation of culture is considered as an aftermath of increased trade in culture and entertainment goods. The import and export of culture and entertainment goods inevitably has influence over consumption bundles desired by populations across the world. This paper examines the relation between GDP and trade in entertainment goods in leading entertainment markets. Analysing global data relating to the entrainment industry, the paper argues that there is a positive relation between GDP of top entertainment countries and market for entertainment goods. The paper suggests a positive relation between GDP of top entertainment markets and export of creative goods

1. Introduction

Entertainment Industry, is considered one of the most vibrant and exciting industries in the world. Entertainment plays a significant role in our lives today and is all pervasive ranging from television to newspapers, to films to radio and books to online games. Increasing digitization across sub-sectors of entertainment industry, increasing TV penetration, innovative strategies to monetize digital content, rapid growth of new media powered by increasing smartphone reach, are considered as the key factors contributing to the growth of the entertainment industry.

Entertainment industry has undergone dynamic changes with the spread of digital revolution. The digital revolution has transformed the world of entertainment, not only changing digital content and digital delivery of content, but by expanding technological capabilities and performance of delivery platforms, rapid development in broad band

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technologies, and better performance of hardware and software. While these have impacted the supply chain, the change from the demand side is equally path-breaking. The real world of consumption experience is changed and a new virtual world is created, where the consumer is far more in control. The problems and challenges from both sides are new. This paper aims to examine the relation between GDP and trade in entertainment goods in leading entertainment markets.

Leading 10 entertainment markets are identified and a period from 2004 to 2012 is taken for analysis. The leading entertainment markets of the world are the US, the UK, Brazil, Spain, Australia, India, China, Japan, France, Italy and Russia. Entertainment industry comprises of different segments including film industry, music industry, TV, radio, advertisement, internet, print media etc. India is one among the top entertainment markets of the World. The entertainment and media industry in India is growing at a faster pace than other sectors in the economy. Growth in import and export of entertainment goods is taken as a surrogate for growth in entertainment industry.

2. Data Discussion and Result Analysis

Table 1 shows the top entertainment markets in the world. CAGR is calculated for the period 2004 to 2012.The table shows that Brazil has the highest growth with 14.21 per cent. Followed by China (13.07), India (11.53) and Australia (8.37), India is one among the top entertainment markets of the world. Projected growth rates predict that India will be the top entertainment market by 2020 followed by China. A close look at the relevant numbers for India and China in the years 2011 and 2012 indicate that India has definitely overtaken China and the demographic advantage that India has over china has begun to tell. The experts predict that India will definitely overtake china in the growth of entertainment and music industry by 2020. At the national and international level, the entertainment industry has assumed a dynamic presence, with cultural and entertainment goods trading at high speed.

Though the CAGR for 2004 to 2012 shows India the third in the growth category, it seems that there has occurred a turn in the 2011 to 2012 period which makes India easily the market with highest growth.

Table 1: Top Entertainment and Media Markets (US $ Millions)

Country	2004	2005	2006	2007	2008	2009	2010	2011	2012	CAGR
Australia	17759	22963	23859	26208	28949	29480	34264	35021	37003	8.37
% Change	29.3	3.9	9.85	10.46	1.83	16.23	2.21	5.66	-99.97	
Brazil	12948	17734	21192	24829	27756	28718	35379	39168	43307	14.21
% Change	36.96	19.5	17.16	11.79	3.47	23.19	10.71	10.57	-99.97	
China	47685	48839	47583	58020	68992	75085	95702	109059	120948	13.07
% Change	2.42	-2.57	21.93	18.91	8.83	27.46	13.96	10.9	10.9	
France	51552	64497	56269	60247	62584	64626	73392	77098	79495	4.68
% Change	25.11	-12.76	7.07	3.88	3.26	13.56	5.05	3.11	3.11	
India	8070	11230	13432	13480	14947	15490	17264	21628	24778	11.53
% Change	39.16	19.61	0.36	10.88	3.63	11.45	25.28	14.56	-99.95	
Italy	37000	47517	40709	42822	43901	41715	45402	46099	47024	1.64
% Change	28.42	-14.33	5.19	2.52	-4.98	8.84	1.54	2.01	2.01	
Japan	103221	124150	164687	174732	178279	172768	195667	192796	198938	7.16
% Change	20.28	32.65	6.1	2.03	-3.09	13.25	-1.47	3.19	3.19	
Russia	13491	20658	23526	19766	21508	19282	21523	24140	26437	4.41
% Change	53.12	13.88	-15.98	8.81	-10.35	11.62	12.16	9.52	-99.95	
Spain	27504	31404	26721	28841	28465	26063	28702	29412	28516	0.18
% Change	14.18	-14.91	7.93	-1.3	-8.44	10.13	2.47	-3.05	-99.99	
United Kingdom	86069	102274	70857	76304	77223	74404	82278	83367	85225	-0.77
% Change	18.83	-30.72	7.69	1.2	-3.65	10.58	1.32	2.23	2.23	
United States	169368	545295	455520	469713	461737	429912	450095	463863	489873	5.88
% Change	221.96	-16.46	3.12	-1.7	-6.89	4.69	3.06	5.61	5.61	

Source: PWC reports on Global entertainment and media industry compiled from 2004 to 2012.

Table 2 shows the market share of top entertainment markets of the world. Developed countries like Australia, US, UK and Japan have a higher market share in entertainment industry compared to developing economies like India, China and Brazil. Entertainment industry forms more than 3% of GDP in developed nations while it forms only below 2% in the case of developing economies like India.

The market share of top entertainment markets is calculated for the period 2004 to 2012. The market share of entertainment industry is highest in Japan followed by US, UK and Australia. In India the entertainment market forms 1.35% of the GDP.

Table 2: Market Share of Top Entertainment Markets in 2012 (US$ millions)

Country	Entertainment market	GDP	Market share (%)
Australia	489,873	15,37,477.83	3.03
Brazil	43,307	24,13,135.53	1.79
China	120,948	84,61,623.16	1.42
France	79,495	26,81,416.11	2.96
India	24,778	18,31,781.52	1.35
Italy	47,024	20,74,631.56	2.26
Japan	198,938	59,54,476.60	3.3
Russia	26,437	20,16,112.13	1.31
Spain	28,516	13,39,946.77	2.12
United Kingdom	85,225	26,30,472.98	3.23
United States	489,873	1,61,63,158.00	3.03

Source: PWC reports on Global entertainment and media industry compiled from 2004 to 2012.

A regression model is formed to analyse the relation between GDP and entertainment markets. Top 10 entertainment markets are identified and a period from 2004 to 2012 is taken for analysis. Entertainment market is taken as the dependent variable. GDP of countries is taken as the independent variable. Results are shown in Exhibt 1. Regression coefficients show positive value. A 1% increase in GDP causes 1.173% increase in market for entertainment goods. The P value is 0.000 which is statistically significant. GDP has a positive impact on entertainment market. R square value is 0.881. The explanatory power of the model is high, equal to 88.1%. It is found that GDP has a positive impact on entertainment market.

Exhibit 1: Results Showing Relation between GDP and Entertainment Markets

Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.
		B	Std. Error	Beta		
1	(Constant)	-22.570	1.268		-17.793	.000
	LnGDP	1.173	.044	.939	26.431	.000

Note: Dependent Variable: *ln*entertainment market

Entertainment goods, cultural goods and creative goods are terms which are often used synonymously. Creative industries are a much broader concept compared to entertainment industry. Creative industries deal with the creation, production and distribution of goods and services that use creativity and intellectual capital as primary inputs. Creative industries include traditional arts and crafts, publishing, music, visual and performing arts,

films, television, radio and broad casting and new media. Export import data of creative goods shed light on overall growth of the industry as well as region wise spread. India also occupies top position as far as export and import of creative goods are concerned. India has the highest growth in export of creative goods, with a CAGR of 17.46%, China with 13.87% and Japan with 9.64%. Table 3 shows exports of total creative goods.

Table 3: Total Creative Goods Exports of Top Entertainment Markets

Country	2004	2005	2006	2007	2008	2009	2010	2011	2012	CAGR
Australia	933.0	977.1	984.4	1118.9	1069.8	891.2	999.8	1483.5	1340.5	4.97
Brazil	1019.4	1044.3	1012.5	..	1107.5	888.5	904.9	945.5	917.4	-2.11
China	45055.9	54850.9	61898.4	77632.3	90288.7	79715.4	101775.2	129032.7	151181.7	13.87
France	11320.39	12279.33	13513.29	16357.06	17936.64	15466.32	16130.68	19669.33	19774.12	6.75
India	6580.6	7442.5	8927.2	9811.6	15693.4	18155.7	13967.2	22211.9	25846.1	17.46
Italy	19780.6	20239.3	22656.2	26495.8	27816.2	20800.8	23146.0	27022.2		3.20
Japan	4341.8	5861.8	5203.7	11433.7	11578.6	8386.1	8909.9	9745.3	7721.0	9.64
Russia	1053.8	1213.3	1338.5	1493.5	1749.2	1348.9	1198.1	1388.3	1617.6	1.99
Spain	5018.6	4945.5	5042.6	5918.0	6286.6	5354.3	5152.5	6029.0	5922.1	2.14
United Kingdom	16379.2	17964.6	18346.2	22888.2	21127.3	16793.4	19543.5	20748.4	23082.9	2.01
United States	20125.4	23110.3	26783.9	35278.2	37546.0	32451.2	33942.6	36262.2	37844.4	7.06

Source: UNCTAD report 2004-2012.

A regression model is formed to study the relation between export of creative goods and GDP. Export of creative goods is taken as the dependent variable. GDP of countries is taken as the independent variable. Results are given in Exhibit 2. Regression coefficients show positive value. A 1% increase in GDP causes 1.73% increase in export of creative goods. The P value is 0.000 which is statistically significant. GDP has a positive impact on export of creative goods. The R square value is 0.397. The explanatory power of the model is 39.7%.

Exhibit 2: Results showing Relation between Export of Creative Goods and GDP

Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.
		B	Std. Error	Beta		
1	(Constant)	-24.452	4.322		-5.657	.000
	*In*GDP	1.177	.151	.630	7.785	.000

Dependent Variable: *ln*exports creative

A look at the total creative goods imports of the best entertainment markets (Table 4) in the world shows that Brazil has the highest growth in imports with a CAGR of 32%, India with 26% and China with 22%. Growth of entertainment markets is comparatively less in US and UK.

Table 4: Total Creative Goods Imports of Top Entertainment Markets

Country	2004	2005	2006	2007	2008	2009	2010	2011	2012	CAGR
Australia	4352.2	4657.6	4907.7	6439.4	7412.8	6846.8	7410.7	8309.8	8263.0	9.07
Brazil	495.6	658.6	921.8	..	2052.5	1802.3	2382.9	3122.4	3192.6	32.34
China	3296.7	3610.0	3969.6	9439.5	9855.9	9377.2	11373.0	14054.1	14196.7	22.09
France	14492.3	15557.4	16470.2	21571.8	23867.1	20255.4	21219.4	23876.4	23062.1	6.40
India	985.63	1146.12	1522.21	1790.34	2683.67	4140.12	3714.78	5537.12	8916.57	26.81
Italy	8328.6	9146.2	10090.5	12828.3	13512.7	11244.3	12457.0	13788.2	..	-1.27
Japan	14311.6	16032.6	16976.7	19612.2	19982.7	18422.0	19161.3	21571.7	23424.2	4.6
Russia	1823.2	1938.8	2511.3	3451.1	5411.6	4312.0	5869.0	6954.9	8468.6	20.3
Spain	6957.3	7893.8	7964.6	10741.1	11090.7	8055.1	8533.0	8597.0	7337.2	1.6
United Kingdom	23644.9	24877.2	27192.6	35527.2	32566.1	25584.4	27613.7	31012.8	31522.6	2.4
United States	76968.3	83507.4	88071.9	99122.4	93417.2	74247.8	84604.4	86394.1	88103.0	0.3

Source: UNCTAD report 2004-2012.

Import of creative goods is taken as the dependent variable. GDP of countries is taken as the independent variable. Exhibit 3 shows the results. Regression coefficients show positive value. A 1% increase in GDP causes 1.103% increase in import of creative goods. The P value is 0.000 which is statistically significant. GDP has a positive impact on import of creative goods. The R square value is 0.611. The explanatory power of the model is 61.1%.

Exhibit 3: Results showing relations between Import of creative goods and GDP

Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.
		B	Std. Error	Beta		
1	(Constant)	-22.243	2.746		-8.100	.000
	ln GDP	1.103	.096	.781	11.475	.000

Note: Dependent Variable: *ln*imports creative.

With the advent of technological revolution and the increased pace of globalisation, countries have expressed the fear that there would be large country dominance in international trade in creative goods. European countries expressed the fear at the Uruguay round of talks and countries were allowed the freedom to impose quotas on the imports of cultural goods. The motivations for trade in such products are outlined in Krugman's analysis. Consumers like variety, and trade makes a wider variety of products available to consumers in each country. Because of increasing returns, each variety is produced in one country. It is not clear which product gets produced where, but trade is balanced in the sense that the representative consumer's product bundle has proportional representation from each producing country.(Krugman,1979)

In creative industries decisions pertaining to production and consumption are ultimately determined by the public in a social network. These social networks function as markets. The value of creative goods is realized as a social process and not through individual consumption. In the case of music goods the meaning and value is created mainly through shared experiences. Individual choices are influenced by information feedback and other social networks rather than innate preferences and price signals.

Findings

1) There is a positive relation between GDP of top entertainment countries and market for entertainment goods
2) There is a positive relation between GDP of top entertainment markets and export of creative goods
3) There is a positive relation between GDP of top entertainment markets and import of creative goods.

3. Conclusion

The centrality of creative content and the place which entertainment has, in the lives of the people, masks one fundamental fact that entertainment is an industry first and foremost and an industry on par with any brick and mortar one. The share of GDP it contributes, the revenue it generates, the foreign exchange it brings in and the number of people who depend on it for livelihood makes it a true industry. The importance of the creative content, the imagination and creative ability it require, the cultural context it represents and the overwhelming influence it has on everyday life often make this dimension goes unrecognized.

The emerging demographic patterns across the globe set the stage for a quantum leap in the demand for and trade in the entertainment and creative industry products. The

world is witnessing a hitherto unknown magnitude of income inequality coupled with the presence of a disproportionate rise in the aged segment of population, both of which call for a high demand for entertainment products. The former is a clear case of a swelling of the leisure class, with plenty of leisure at their command and a demand to be entertained whatever the cost; the latter a case of inability of being entertained without outside help. Both, in effect, call for high presence of entertainment products. The market share of entertainment goods traded is not as high in the less developed world, when compared to the developed. But this is set to change, with most developing countries enjoying a demographic advantage with the youth hungry for the digitally accessible entertainment products.

The data effectively prove the positive relation between GDP growth and growth in the market of entertainment goods. It is acceptable to conventional logic too, that there is a greater demand for entertainment goods as a country gets richer. Developed countries spend about 3% of GDP on entertainment goods while the same is only below 2% for the developing countries. Again the emerging pattern is in accordance with conventional wisdom and the consumer priorities for entertainment have to be below that of food, clothing and shelter. Still, there seems to be other forces at play, since the growth in the Indian entertainment market since 2011 has been on par with that of developing countries. A stable democracy, together with the acceptability of neoliberal ideas seems to be at the back of rising growth of the entertainment market in India.

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