

Beyond the box office: are industry experts getting the movie business wrong?

June 15 2012

What is it that makes a movie successful? A faculty member from the Judge Business School believes that the industry and experts are looking in the wrong places when it comes to measuring the financial gain of a film - so often the bottom line when determining a ‘hit’.

The legendary screenwriter William Goldman famously claimed that “nobody knows anything” when it comes to predicting a smash-hit movie, but for decades movies have lived and died on the box office receipts of opening weekend – and, with the advent of social media, a movie’s window of opportunity has shrunk even further.

Whereas once Hollywood executives could be found sweating over the earliest box office receipts as they ticked over, now they are just as likely to be glued to Twitter during the opening 20 minutes of the very first screenings – as audiences brandish their smartphones to either champion or potentially condemn a movie at the very point it emerges blinking into the public purview.

But for Dr. Allegre Hadida, University Lecturer in Strategy at the University of Cambridge Judge [Business](#) School, this extremely narrow approach to a film’s success runs counter to the array of platforms and factors that feed into whether a film is ultimately ‘profitable’ – which in the 21st century stretches far beyond attendance and initial box office.

“After reviewing 135 papers written in the past 40 years on the film industry, the most immediate conclusion is that most researchers who

work on motion picture performance – along with the industry itself – use box office receipts as a manifestation of commercial success,” says Hadida.

“This is increasingly limiting given the shelf-life of modern films, and many movies now make the majority of their revenues on ancillary markets – DVD, Blu-ray, digital distribution and so on – rather than in theatres. Viral marketing can continue to raise awareness of a film long after a major campaign has ended, people can experience cinema-like quality in their own home and stream onto a tablet while they are stuck on a train.”

“When it comes to film performance, such specific and immediate focus can have huge consequences in terms of creativity in Hollywood and beyond, and the willingness of the industry to take risks.”

Hadida suggests that box office receipts remain the focus because they are immediate, reliable and easy to collect. This has led to industry-wide short-sightedness, in which a film’s actual profitability – overall cost against overall revenue – is neglected in favour of early theatrical revenue.

A good example of how this approach can skew the perceived success of a film is in the use of ‘big name’ actors and directors – the stars. While they can generate plenty of early box office by having a ‘marquee’ name, this is balanced and even cancelled out by the vast fees they command – so a film can be deemed a success even when most of the revenues it generates are ultimately captured by a handful of stars, leaving the film producers and financiers without a profit.

Other factors for movie success that Hadida identifies include creative merit – the extent to which a film is seen to excel in cinematic terms – but this is extremely difficult to define. “Is it the opinion of critics?

Which critics do you select in your sample? Or do you look at awards such as the Oscars? All these metrics are subjective and institutionally biased,” says Hadida.

“Artistic and commercial dimensions interact and may influence each other positively – Oscar wins can increase profitability – but can also hinder each other. Most non-experts share the view of critics in terms of what’s ‘good’ but will often choose to see ‘bad’ films because they find them more exciting and accessible – seeking distraction more than cinematic ambition – spectators have good taste but enjoy bad films.”

A film may also have societal impact, in terms of education, tourism and even the economic impact of having a particular film crew in one place. New Zealand has experienced a massive boom in tourism since the Lord of the Rings trilogy was released – shot almost entirely on location there – and as Hadida points out “the Coen brothers’ dark crime film Fargo put its titular city on the map, even though none of the scenes were shot in Fargo!”

All of these factors contribute to a feedback loop that dictates the overall ‘profitability’ of a movie – stretching far beyond the box office as films are revitalised through various distribution channels, sometimes developing cult followings as a result of word of mouth and indeed ‘click of mouse’ – as social media, bloggers and fan-sites become key influencers.

This can mean that films considered ‘flops’ due to low box office may still become hugely successful over time in terms of actual profit margins – while films considered a ‘hit’ in the opening week may sink without a trace when it comes to longevity in the public consciousness and the associated financial reward.

But if the industry recalibrates how it determines a ‘hit’ to include these

expansive factors, could this spell the end for the old-fashioned trip to the ‘big screen’? “Ever since 1897 people have been worried that the movie theatre is a dying breed, but to this day the communal experience remains central to people’s love of cinema,” says Hadida.

“But the industry needs to adapt to the times – the changing conditions of movie making and consumption and the points at which audiences engage with [films](#). My article offered the first wide-scale literature review of research on film performance and I only uncovered the tip of the iceberg. Joint analysis of the connections between all these dimensions of movie performance will become increasingly crucial if the movie business is to stay on top of its game in the 21st century.”

Provided by University of Cambridge

Citation: Beyond the box office: are industry experts getting the movie business wrong? (2012, June 15) retrieved 11 May 2024 from <https://phys.org/news/2012-06-office-industry-experts-movie-business.html>

This document is subject to copyright. Apart from any fair dealing for the purpose of private study or research, no part may be reproduced without the written permission. The content is provided for information purposes only.