

In online movie marketing, less is more

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Video didn't killed the radio star, as the eponymous 1978 pop song predicted, and now, researchers have found, cross-channel discounts for online movie sales don't cannibalize online rentals of the same movie.

Analyzing data from a major movie studio that distributes its catalog of titles online, Jing Gong, a doctoral candidate in information systems and management at Carnegie Mellon University, and her co-authors measured the impact of price discounts on own- and cross-channel [sales](#) of digital movies. They confirmed their expectation that digital movie consumers are highly sensitive to price. They also, to their surprise, discovered that price promotions of a particular movie in a digital sales channel did not eat into video-on-demand rentals, but in many cases increased them.

In "Substitution or Promotion? The Impact of Price Discounts on Cross-Channel Sales of Digital Movies," Gong and her Carnegie Mellon faculty co-authors, Michael D. Smith and Rahul Telang, tracked the sales and rentals of some 372 catalog [movies](#) over 14 weeks. They found that promotions online tended to benefit not only the originating distribution channel but also competing channels. For example, a consumer browsing a deal website may learn of an iTunes sale of the downloadable version of *Gone with the Wind*, click over to iTunes, notice that the video-on-demand rental may cost even less, and then decide to rent rather than buy.

The authors explain that online markets by their nature encourage information spillover - in this instance, discounts on a particular product

that are published on third-party websites, blogs, or online discussions may increase the awareness of all promoted products and lift sales across all channels.

"Our study offers new insights for studios and online platforms to better understand cross-channel effects between purchase and rental markets, and to optimize pricing strategies across channels for higher overall profits," the authors write. The paper will be published in the June issue of the *Journal of Retailing*.

More information: Gong, Jing, et al, Substitution or Promotion? The Impact of Price Discounts on Cross-Channel Sales of Digital Movies, *Journal of Retailing* (2015), [dx.doi.org/10.1016/j.jretai.2015.02.002](https://doi.org/10.1016/j.jretai.2015.02.002)

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