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The Big [motion] Picture: Analyzing The Factors Affecting The International Motion Picture Industry

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THE BIG [MOTION] PICTURE: ANALYZING THE FACTORS AFFECTING
THE INTERNATIONAL MOTION PICTURE INDUSTRY

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Dedication

First and foremost, I would like to thank God for the journey He has allowed me to travel, thus far. Without Him, none of this would have been possible. I dedicate this work to the two driving forces in my life—my Mother and my Daughter—always keep learning.

THE BIG [MOTION] PICTURE: ANALYZING THE FACTORS AFFECTING THE
INTERNATIONAL MOTION PICTURE INDUSTRY

by

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DISSERTATION

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"If I have seen further, it is by standing on the shoulders of giants."

—Isaac Newton

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Abstract

The motion picture industry is one of the largest private sector employers in the United States, supporting 1.9 million jobs, and providing its workforce approximately \$104 billion in total wages in 2011 (Motion Picture Association of America, 2012b). With U.S. films distributed in over 140 countries, not only is the industry successful domestically, it is one of the country's leading exports, reaping more than \$23.9 billion in 2012 (Motion Picture Association of America, 2012a). Despite the importance of the global marketplace, we know very little about the factors that influence the success of movies internationally. My study partially addresses this issue by developing a model, which attempts to capture and provide insight into some of the factors that affect the global performance of movies.

The first major goal of this study is to offer a thorough review of the research conducted on the motion picture industry. It integrates findings to uncover research themes and possible gaps in the literature. The literature analysis is based on 69 articles, published in six top marketing journals: the *Journal of Consumer Research*, the *Journal of Marketing*, the *Journal of Marketing Research*, the *Journal of the Academy of Marketing Science*, *Marketing Science*, and *Psychology & Marketing*. Findings suggest that this research domain is understudied, particularly in the international arena. As a result, drawing upon the signaling theory, the second major goal of this study is to address a fundamental research question: which factors contribute to the success of American movies internationally? Based on an integrative analysis of American movies introduced over the past seventy-five years, a model is developed to determine the variables directly impacting revenue generation for U.S. films in an international context.

Keywords: motion picture industry, movies, international movie performance, signaling theory, culture

Table of Contents

Acknowledgements.....	v
Abstract.....	vi
Table of Contents.....	vii
List of Tables.....	ix
List of Figures.....	x
Chapter 1: Introduction.....	1
Chapter 2: Conception to Completion—The Development Process of a Movie.....	4
2.1 Production.....	4
2.2 Distribution.....	7
2.3 Exhibition.....	8
Chapter 3: Literature Review.....	11
3.1 Literature Review Objective.....	11
3.1 Literature Review: Method.....	11
3.3 Literature Review: Profile of Studies.....	12
3.4 Literature Review: Results.....	13
3.5 Conclusion and Future Research Directions.....	29
Chapter 4: Theoretical Framework and Hypotheses.....	31
4.1 Introduction.....	31
Chapter 5: Method.....	41
5.1 Sample and Procedure.....	41
5.2 Measures.....	42
Chapter 6: Results.....	44
Chapter 7: Discussion.....	47
7.1 Contributions and Implications.....	47
7.2 Limitations and Future Research.....	48
7.3 Conclusion.....	49

References.....	50
Appendix A.....	58
Appendix B.....	76
Curriculum Vita	78

List of Tables

Table 3.1: Motion Picture Industry Publications by Journal (1946-2012)	58
Table 3.2: Profile of Studies on the Motion Picture Industry	59
Table 3.3: Theory Usage by Article (14 of 69 Publications – 20.3%).....	60
Table 3.4: Performance and Model/Framework Creation	61
Table 3.5: Timing, Seasonality, and Sequential Distribution	62
Table 3.6: Sequels.....	63
Table 3.7: Product Placements.....	64
Table 3.8: Critic Ratings, Word of Mouth, and Recommendation Systems.....	65
Table 3.9: Phenomena in the Context of Movies.....	66
Table 3.10: International Studies	67
Table 4.1 Global Box Office.....	68
Table 4.2 International Box Office	69
Table 4.3: Top 10 International Contributors by Country for 2012	70
Table 4.4 Top Rated Films of 2008	71
Table 5.1: Variable Descriptions	72
Table 6.1: Descriptive Statistics	73
Table 6.2: Pearson Correlation Matrix.....	74
Table 6.3: Summary of Regression Analysis.....	75

List of Figures

Figure 2.1: The Value Chain for Motion Pictures	76
Figure 4.1: The Impact of Global Blockbuster Power on Movie Earnings	77

Chapter 1: Introduction

Globalization is one of the most important drivers of business strategy. The free market, political events, and technological advances have all spurred an increase in global business initiatives among firms. Globalization is considered to be “the presence of the same lifestyles, products, consumption patterns, and cultural experiences across the globe...” (Firat, 1997). As a result of this phenomenon, the importance of borders has significantly diminished.

The globalization of markets has been a topic of debate for many researchers since Levitt’s seminal article in 1983. The emphasis of this debate has recently shifted from “understanding and explaining between-country differences to identifying transnational similarities; and from country-by-country functional adjustment of marketing mix elements to seeking global cross-functional integration” (Sheth and Parvatiyar, 2001). Friedman (1994) points out that as cultures interact, they impact each other. Therefore, cultures should not be studied in isolation. Hollis (2011) further suggests that because values, customs, and beliefs vary, it is not surprising that what succeeds in one country may fail terribly in another. Globalization’s continued importance means that an increasing number of companies are wrestling with how to best communicate across cultural boundaries. Certainly, an optimal approach to entering the global marketplace may lead to ample opportunities for business growth.

Along with the opportunities afforded by globalization come challenges. A cursory examination of the current balance of trade in the U.S. reveals a sustained deficit (US Census, 2012). Surprisingly, one category shows a trade surplus—cultural goods (e.g., books, magazines, music, and movies). This finding is particularly evident in the theatrical motion picture industry.

One of America's favorite forms of entertainment, movies, has gained considerable popularity through the years. In 2012, 225 million people attended a movie, comprising more than two-thirds (68%) of the United States/Canadian population. According to the Motion Picture Association of America (MPAA from this point forward) report, the entire movie value chain from production to distribution of picture and television shows represents "...one of the nation's most valuable cultural and economic resources" (MPAA, 2012b).

The motion picture industry is one of the largest private sector employers in the United States, generating 1.9 million jobs, and providing its workforce with approximately \$104 billion in total wages in 2011 (MPAA, 2012b). This industry directly provides jobs in areas ranging from production, manufacture, distribution, and marketing of the experiential good. Indirectly, it supports jobs and wages of thousands of workers in a multitude of companies. According to the same MPAA report, the industry is made up of approximately 108,000 businesses located all throughout the country.

As such, it has garnered quite a bit of attention from the academic arena. According to Eliashberg, Elberse, and Leenders (2006), there are five major reasons for the interest and recent surge of research in this area of inquiry. The industry is

1. highly important to the global economy,
2. culturally significant and attracts high levels of attention,
3. rich with secondary data that makes it attractive for research,
4. driven by tradition, conventional wisdom, and simple heuristics, and
5. valuable in providing insights that may help us better understand similar industries.

With U.S. films distributed in over 140 countries, not only is the industry successful domestically, it is one of the country's leading exports, reaping more than \$23.9 billion in 2012

(MPAA, 2012a). With average movie production costs at more than \$114 million per film in 2012 (Northern State University, 2013), studios heavily rely on international revenues to recoup their investments and make a profit. However, despite the fact that a growing number of studios derive a large percentage of their revenues from global operations, understanding why American movies are successful internationally remains largely unexplored.

The major goals of this dissertation are twofold. First, it offers a thorough review of the research conducted on the motion picture industry. By examining previous research, factors that lead to a richer understanding of the industry as a whole are identified. The analysis integrates findings to uncover research themes and possible gaps in the literature, which assist in providing direction for fruitful research endeavors. The literature analysis is based on 69 articles, published in six top marketing journals: the *Journal of Consumer Research*, the *Journal of Marketing*, the *Journal of Marketing Research*, the *Journal of the Academy of Marketing Science*, *Marketing Science*, and *Psychology & Marketing*. Findings from this literature analysis suggest that this research domain is understudied, particularly in the international arena.

Second, and more importantly, building upon signaling theory, the main goal of this dissertation is to ascertain why some American movies are more successful than others internationally by identifying and analyzing signals used to evaluate movie success at a macro level. By adopting this theoretical framework, the dissertation then develops a model that identifies the factors which directly impact U.S. movie performance in an international context.

Before embarking upon this journey, it is important to offer a behind-the-scenes look at the three key stages in the theatrical motion picture industry. The following section describes the stages that motion pictures move through from conception to completion.

Chapter 2: Conception to Completion—The Development Process of a Movie

Eliashberg, Elberse, and Leenders (2006), provide an insightful look into past research on the movie industry from 1929 to 2005. The authors break down the U.S. theatrical movie industry into three key stages: *production*, *distribution*, and *exhibition*. *Production* encompasses all of the activities needed to produce a copy, or “print,” of a motion picture (Eliashberg et al., 2006). *Distribution* refers to the interactions that occur between distributors and their consumers—exhibitors and audiences (Eliashberg et al., 2006). Finally, *exhibition* is comprised of the activities undertaken by theater chains and individual theater sites (Eliashberg et al., 2006). These stages are visually depicted in Figure 2.1 (see Appendix B), an adaptation of Eliashberg et al.’s (2006) figure. Each one of these stages forms part of the motion picture value chain and comes before the “consumption” of a movie. Next, I shed more light on each one of the stages.

2.1 PRODUCTION

Developing a motion picture requires a series of creative decisions involving multiple players and sizable economic investments. Taking a basic idea and then materializing it into a film exhibited on the big screen requires a substantial investment from a variety of players, such as the creative talent, technicians, publicity specialists, and distribution experts. The development process varies from one film to the next. However, there are some general components that form part of every film. *Oz the Great and Powerful* (2013) was filmed using multiple crews in two U.S. studios, while *Skyfall* (2012) was filmed using multiple crews across five different countries (IMDb, n.d.a; IMDb, n.d.b). Initially, the process begins with a conversation about an idea. The idea varies in thoroughness, ranging from a general discussion of an undeveloped idea to a fully completed screenplay. A short encapsulation of a movie idea is

known as a “pitch” (Bergan, 2011). Conversely, a completed screenplay is referred to as a “spec” (Eliashberg et al., 2006). The story line for a movie may be based on a “literary property, a new idea, or a true event” (Vogel, 2001, Squire, 2004 as cited in Eliashberg et al., 2006). For example, *The Hunger Games* (2012) is based on the 2008 science fiction novel written by Suzanne Collins, *Looper* (2012) is an original science-fiction screenplay, and Oscar-winning *Argo* (2012) is based on the 1980s CIA-Canadian secret operation involving Iran.

Writers typically seek the assistance of literary agents, acting as intermediaries between the writers and the producers. Serving as a broker of sorts, a literary agent assists a writer in submitting a first draft of a screenplay for review to several producers. If a producer is interested in the draft, the writer and the producer enter into an option agreement. An option agreement is a legal document giving the producer the right to purchase the complete screenplay. The writer is then paid and the literary agent receives a percentage of that payment (Eliashberg et al., 2006).

After this phase is complete, extensive financing is required to advance the project into the production phase. A producer is generally responsible for securing the funding necessary to make the movie (Bergan, 2011). More specifically, financing may take one of two routes: (1) financing through the affiliation of the producer with a studio or (2) financing solely through the producer’s efforts. As thoroughly elaborated within Eliashberg et al. (2006), financing through the affiliation of the producer with a studio is less problematic, but requires that the producer cede some rights associated with the film and its subsequent contributions. Typically, a producer gives up rights related to sequels and associated marketing opportunities by signing a studio contract (e.g., spin-offs and merchandising). The tradeoff is that the producer increases the odds of securing funding through bank loans and studio capital. Additionally, the producer enhances prospective distribution and exhibition deals for the movie. In turn, studios benefit from this

relationship by guaranteeing themselves an inflow of movies produced by firms with a solid movie portfolio. Conversely, acquiring financing is substantially more challenging if the producer is not affiliated with a studio. In this case, it is the obligation of the producer to obtain movie funding through alternative sources. This is particularly problematic because it limits the distribution options for independently working producers (Eliashberg et al., 2006).

While pursuing these financing efforts, producers simultaneously engage in numerous other preproduction activities associated with the development of the movie. Tasks such as recruiting the director, cast, and crew may also form part of the producer's responsibilities depending on his/her level of involvement. The crew consists of a director of photography, production designer, costume designer, composer, and an editor (Bergan, 2011). The producer may also be involved in finding optimal shooting locations and being part of the design process (e.g., sets and costumes). Locations may be real, for example, New York for *I am Legend* (2007) or a substitute such as using Morocco for Abu Dhabi in *Sex and the City 2* (2010). During this phase of the movie making process, producers establish a production budget. The production budget for a film accounts for factors such as the script, anticipated postproduction expenses, star salaries, and financing possibilities (Eliashberg et al., 2006). The production budget for *Pirates of the Caribbean: At World's End* (2007) astoundingly totaled over \$300 million making it one of the most expensive films ever produced. Johnny Depp made an amazing \$55.8 million by starring in that film.

Production is the “actual process of shooting the movie” (Bergan, 2011). The production phase usually lasts a few months. During production, the talent of actors, cinematographers, costume designers, directors, lighting technicians, and designers play a critical role (Bergan, 2011). Postproduction consists of activities such as editing, dubbing, creating special effects,

and adding music. Most films are shot out of sequence; therefore, thousands of frames must be assembled in an order that best conveys the story line. During the postproduction phase, scenes may be shortened or reordered so that the end product reflects the initial vision (Bergan, 2011). At this point, the film receives its rating from the MPAA (Eliashberg et al., 2006). The MPAA designates one of the following ratings to each film: (1) G = general audiences, all ages admitted, (2) PG = parental guidance suggested, some material may not be suitable for children, (3) PG-13 = parents strongly cautioned, some material may be inappropriate for children under 13, (4) R = restricted, children under 17 require accompanying parent or adult guardian, and (5) NC-17 = no one 17 and under permitted (MPAA, 2013). Movie ratings are designed to give audiences an idea of the prevalence of certain elements contained within a movie (e.g., sex, violence, and language).

2.2 DISTRIBUTION

Once a movie has been completed, it is ready for distribution. The distributor is typically the studio that financed the movie (Bergan, 2011). There are three categories to consider when evaluating studios: major studios (majors), independent filmmakers, and mini-major studios (mini-major). The lines between each group are blurred, with studio groups taking on various types of roles. For example, each of the major studios has an autonomous division that is responsible for independent movies (Eliashberg et al., 2006).

The major studios, referred to by the industry as the big six, include Paramount (Viacom), Columbia Tristar (Sony), Buena Vista (The Walt Disney Company), Twentieth Century Fox (News Corp.), Universal (NBC Universal), and Warner Bros. (Time Warner) (Eliashberg et al., 2006). Each of the aforementioned studios produces, finances, and distributes its own films. A second group consists of independent filmmakers, financed by one of the major

studios, including Paramount Vantage (Paramount), Sony Pictures Classics (Sony), Fox Searchlight Pictures (Twentieth Century Fox), and Focus Features (Universal) (Eliashberg et al., 2006). A third group, the mini-majors, includes MGM, New Line Cinema, Miramax, and Lion's Gate (Eliashberg et al., 2006).

There are many activities to consider during the distribution stage. Prior to licensing and physically delivering the prints to theaters (exhibitors), the distributor must strategize on the movie's release date. Peak seasons for motion picture introductions are during Christmas and summer, yielding the highest revenues, on average, per movie introduction (Kridler and Weinberg, 1998). In addition, the distributor is responsible for creating an optimal marketing program for the promotion of the movie. This program includes market research, advertising (through various vehicles such as television, radio, print, and online), movie trailers, posters, and point of purchase displays. The studio is also responsible for scheduling stars for interviews to increase the movie's publicity and highlight the actor/actress appearance in the upcoming film. For example, stars such as Tom Cruise, Angelina Jolie, Joseph Gordon Levitt, and Natalie Portman have all promoted their films on the *Late Show with David Letterman*. Once decisions for these issues have been deliberated, the next phase of the movie value chain is exhibition.

2.3 EXHIBITION

Exhibition refers to making the movie available to the target market, typically through theatrical distribution. Prior to and during the theatrical release of a film, studios are responsible for generating buzz for the film (Eliashberg et al., 2006). For example, Mel Gibson's film *The Passion of the Christ* (2004), was intended for a very specific target audience but ended up becoming one of the highest grossing movies in history, earning more than \$370 million to date

(Holtzman, 2012; boxofficemojo, 2014). The controversial content instilled within the film caused a tremendous amount of buzz, causing an increase in attendance levels.

There are several metrics used by practitioners to evaluate the success of a movie introduction. The most common metric for measuring film success is U.S. theatrical box-office gross. Practitioners use theatrical performance as a proxy for film success in other distribution venues (e.g., video rentals, DVD purchases, video-on-demand, etc.). Movies grossing more than \$100 million cumulatively in U.S. theaters are typically considered “blockbusters” (Eliashberg et al., 2006). For example, *Avatar* (2011) grossed over \$760 million in the U.S. and has grossed over \$2.7 billion worldwide.

The exhibition sector has moved toward exhibiting in multiplexes (facilities with 8 to 15 screens) and megaplexes (those with more than 16 screens) (Eliashberg et al., 2006). In 2012, the United States had over 39,900 screens, of which 81% were located in either digital multiplexes or megaplexes (MPAA, 2012a). Despite an increase in widespread venue options, theatrical exhibition faces several challenges as a result of technological advances.

The sale of affordable, large screen, digital-home theaters gives consumers a direct alternative to theater attendance (Eliashberg et al., 2006). This is particularly important when factoring in the widespread availability of DVD copies, DVD rentals, video-on-demand, and other streaming options, which all directly impact theatrical attendance. DVD sales, are in fact, considered one of the most profitable forms of distribution, often highly complementing theatrical distribution (Bloomberg Businessweek, 2012). The blockbuster, *Hunger Games* (2012), sold 3.8 million DVD copies the first weekend it was released (Bloomberg Businessweek, 2012). DVD rentals have increased, as a result of distributors such as Redbox. In

addition, many video-on-demand and streaming distributors, including Crackle, Hulu, and Pay-per-view, are successfully selling single views of films.

Jointly, *production*, *distribution*, and *exhibition*, are the fundamental stages of analysis for any film. Now that an explanation for the value chain for motion pictures has been provided, the next step is to become familiarized with the extant literature.

Chapter 3: Literature Review

3.1 LITERATURE REVIEW OBJECTIVE

The major objective of the literature analysis is to offer a comprehensive review of previous studies conducted on the motion picture industry. The idea is that a better understanding of past research will uncover research themes, as well as gaps, that can be examined in future studies. While the desired emphasis here is on research that has been conducted with an international context in mind, there appears to be so little in this particular domain, that it is necessary to take a more holistic approach (i.e., both domestic and international) to this research review. The ultimate goal of this literature analysis is to stimulate further inquiry into the motion picture industry by offering research and practitioner-oriented implications from the extant body of research, classifying the types of studies conducted, identifying the countries where the studies were carried out, developing a clear understanding of the measures that were explored, and summarizing the major findings of the studies under scrutiny.

3.1 LITERATURE REVIEW: METHOD

In order to classify the articles and extrapolate trends in the motion picture literature, I examined all full-text, peer-reviewed publications from leading marketing journals, including the *Journal of Consumer Research*, the *Journal of Marketing*, the *Journal of Marketing Research*, the *Journal of the Academy of Marketing Science*, *Marketing Science*, and *Psychology & Marketing*. The Business Source Complete (EBSCO) database was searched, using the keywords ‘movies,’ ‘motion pictures,’ ‘film,’ and ‘cinema,’ along with the title for each of the six journals listed above. A total of 128 articles published between 1946 and 2012 were identified during this initial search wave. Sixty-nine articles were considered for this review, while the remaining fifty-six erroneously tagged articles were dropped from the study. Table 3.1

(see Appendix A) provides the number of published articles by journal along with respective journal citations within other publications and impact factor scores for 2012.

In general, all variables discussed in these articles focused on factors that influenced film success. Using the literature review method employed by Kureshi and Sood (2010) as a model, this analysis includes the following details: longevity and intensity of the research stream, methodological approach, theory of interest, level of analysis, marketing mix variable(s) of focus, and major findings.

3.3 LITERATURE REVIEW: PROFILE OF STUDIES

Table 3.2 (see Appendix A) summarizes the motion picture industry publication trends over the past eight decades, while a more detailed discussion is presented in the following section. The first academic article on the motion picture industry appeared in press in 1946. After a long period of little or no interest from the academic community, research in this particular area gathered momentum in the 1990s with the publication of 11 articles (15.9% of total publications). As the industry's contribution toward the national economy increased, so did academic interest in this area. Fifty articles, or approximately 72.5% of all articles, on the industry were published after 1999. A content analysis of 69 articles from 1946-2012 revealed that most of the research conducted on the motion picture industry was either domestic or single-country focused. Very little research on this industry addressed issues in an international context (7.2%).

An examination of the methods employed by the authors revealed that most studies were empirical (63.8%) in nature. Secondary data were used in the majority of the articles. Conceptually, a great majority of the articles (60% of the nine) were commentaries on special issues featured in the *Journal of Marketing, Psychology & Marketing*, and *Marketing Science*.

Of particular interest was the level associated with the studies that were executed. Macro-level studies, dealing with company-level data were the predominant focus (26 studies-37.7%). Micro-level research, concentrating on investigating individual-level phenomena in the context of the motion picture industry, seemed to play a lesser role (17 studies-24.6%). Finally, there were eleven studies (15.9%) that employed dual-level research, analyzing individual level phenomena, while using company-level data.

Another form of categorization relied on the marketing mix framework coined by Neil Borden in 1953 (American Marketing Association, n.d.). This concept, often referred to as the 4Ps, includes the following categories: product, price, promotion, and place (distribution). Each article was reviewed and catalogued based on its primary contribution toward one of the 4Ps. Product and promotion were of main interest to researchers, closely followed by place (distribution). A pricing focus formed part of a sole publication. Only one publication was related to multiple categories, specifically promotion and place (distribution).

Central to any research study is a strong theoretical foundation. Surprisingly, an overwhelming majority of the 69 studies (79.7%) lacked a foundational theory; only 14 (20.3%) based their investigation on a theory. Table 3.3 (see Appendix A) outlines the authors, year of publication, and theories used in the fourteen articles that employed theory usage within the sample of interest.

3.4 LITERATURE REVIEW: RESULTS

The most popular areas of research were divided into seven major categories: (1) Performance and Model/Framework Creation, (2) Timing, Seasonality, and Sequential Distribution, (3) Sequels, (4) Product Placements, (5) Critics, Word-of-Mouth, and Recommendation Systems, (6) Phenomena in the Context of Movies, and (7) International

Studies. Each of the empirical articles was then classified into one of these seven categories. A description of each of these categories is provided below.

3.4.1 Performance and Model/Framework Creation

The U.S. motion picture industry has grown exponentially within the last half-century and thus, so has consumption and audience expectations. With this growth, the popularity of the motion picture industry has led to an increase in studio production and marketing efforts. Increased demand and production has also caused an impending need for a clear understanding of audience composition, economic factors, and cultural contributions. While clearly multifaceted and challenging, capitalizing on these factors can dramatically impact consumer receptivity and gross profit, thereby, potentially generating a higher return. Pritzker (2009) stated “...marketing movies is a high-risk, high-reward enterprise. In a competitive, often overcrowded market, opening on the wrong weekend or failing to motivate the target audience means a film costing tens or hundreds of millions of dollars—and years of effort—can be dead in the water in two days.” Pritzker’s (2009) statement confirms the importance of strategically using these factors to avoid the misallocation of resources.

As a result of the desire to minimize risk and maximize returns, researchers have focused on developing forecasting models to determine potential revenues associated with the introduction of a film (Sawhney & Eliashberg, 1996; Swami, Eliashberg & Weinberg, 1999; Eliashberg, Jonker, Sawhney & Wierenga, 2000; Foutz and Jank, 2010; Chintagunta and Lee 2012). In addition, researchers have carefully scrutinized some of the leading variables playing a role in the performance equation for films (Neelamegham and Chintagunta, 1999; Desai and Basuroy, 2005; Ainslie, Dreze, and Zufryden, 2005; Elberse, 2007; Gil and Hartmann, 2009; Joshi and Hanssens, 2009; Seog and Hyun, 2009; Wiles and Danielova, 2009; Moon, Bergey,

and Iacobucci, 2010; Joshi and Mao, 2012). The following section highlights some of the major findings associated with performance and model creation (Table 3.4 in Appendix A).

A major area of concern when creating a movie is securing appropriate financing for the film. Seog and Hyun (2009) created a film production model used to determine producers' options when financing a film. According to the authors, there were two primary funding sources, conventional institutional investors and/or Netizen investors. While conventional funding was the traditional route, Netizen investing provided producers with "internet funding" for a film (Seog and Hyun, 2009). A benefit to Netizen investing was the investor's ability to stimulate demand for a particular film by actively spreading information about the film over the internet, serving a dual role as consumers and investors. The word-of-mouth effect created by Netizen investors was often more valuable than the investment itself (Seog and Hyun, 2009).

Other models of interest included those which helped producers decide which movies were likely to have the highest return on the investment. For example, the BoxMod I model was created to help exhibitors decide how long to exhibit a new movie based on early box office data. It showed that a movie's potential was greatly enhanced by major stars, awareness inherited by sequels, and positive critic reviews. It also suggested that movies with MPAA ratings of "R" were likely to do poorer, on average (Sawhney & Eliashberg, 1996). However, the authors pointed out that one of the limitations associated with this initial phase of the model was its need for a richer set of data, potentially including promotional spending and production budgets.

The SilverScreeener model was developed and implemented to help select and schedule movies for a multiple-screens theater during a fixed planning horizon, to maximize an exhibitor's cumulative profits. The authors found that the general heuristic that arose favored choosing

fewer “right” movies and running them for a longer period of time (Swami, Eliashberg, and Weinberg, 1999).

Neelamegham and Chintagunta (1999) developed a model used to forecast new movie performance in the domestic and international markets. The authors found that, for all the countries used in the dataset, the most influential factor on viewership was the number of screens on which a movie was released.

MOVIEMOD was created as a prerelease market evaluation model designed to generate box-office forecasts and support marketing decisions (number and types of screens as well as advertising) for a new movie, after the movie had been produced but before it was released (Eliashberg, Jonker, Sawhney, & Wierenga, 2000). Six behavioral states associated with attendance were incorporated into the model: undecided, considerer, rejecter, positive spreader, negative spreader, and inactive (Eliashberg et al., 2000). The authors found that the variables influencing the transitions from one state to the next were as follows: movie theme acceptability, promotion strategy, distribution strategy, and the movie experience (Eliashberg et al., 2000). The model’s performance forecast for the identified sample was within 5% of the actual performance.

Foutz and Jank (2010) introduced a forecasting model based on functional shape analysis of virtual stock markets. This model used virtual stock market price as a proxy for the dynamic demand expectations of a film prior to its release. The authors discovered the prerelease forecasting method resulted in an error of only 4.73%, a clear advantage over many of its competitors.

Chintagunta and Lee (2012) developed a pre-diffusion model used to analyze whether information on the history of purchase intentions was a useful predictor of actual purchase

behavior. The authors found that including intention-to-purchase information assisted in predicting behavior. More specifically, the most recent intentions were the most informative for a consumer. Moreover, the inclusion of consumer history of intentions improved model fit and forecasting performance as opposed to simply including a one-time measure.

Joshi and Mao (2012) intriguingly analyzed book-based movie performance and found that these types of films typically outperformed non-book-based films at the theater on opening weekend. This performance advantage dissipated after the initial weekend of introduction. Moreover, the authors found that book and movie content similarity increased the movie's opportunities for a successful introduction.

Additional variables tested as having an influence on performance were genre familiarity, star power, and critics' reviews. Desai & Basuroy (2005) analyzed the combined influence of these factors on performance and found that each variable played an important role in determining the success of a film. For more familiar genre movies, the star power and the valence (gravity) of critics' reviews had less of an impact on the movie's performance. On the other hand, for less familiar genre movies, stronger star power and more positive reviews had a positive influence on the movie's performance. The authors also found that for movies with high levels of star power, positive critics' reviews influenced performance, versus those with low levels of star power that were unaffected by the valence of critics' reviews.

Actors and actresses also received attention as a single variable of interest. Elberse (2007) found that a strongly casted movie became stronger with the addition of a star possessing a track record of box-office successes or a strong artistic reputation. Advertising budgets, ratings, and satisfaction were also found to affect movie performance (Joshi & Hanssens, 2009; Moon, Bergey, & Iacobucci, 2010).

Performance was operationalized in a variety of manners, including box-office revenues (Sawhney & Eliashberg, 1996; Swami, Eliashberg, & Weinberg, 1999; Neelamegham & Chintagunta, 1999; Eliashberg, Jonker, Sawhney & Wierenga, 2000; Desai & Basuroy, 2005; Elberse, 2007; Gil & Hartmann, 2009; Moon, Bergey, & Iacobucci, 2010), market share (Ainslie, Dreze, & Zufryden, 2005), market value (Wiles and Danielova, 2009), and stock valuation (Joshi & Hanssens, 2009; Foutz and Jank, 2010).

3.4.2 Timing, Seasonality, and Sequential Distribution

A movie's overall value is highly dependent on the timing of its introduction and the strategy associated with its distribution. The U.S. motion picture industry holds remarkable value as it is "one of the most visible and critical industries in terms of economic and cultural contributions," (Desai and Basuroy, 2005) generating billions of dollars in annual revenue. According to the MPAA, the U.S. motion picture industry grossed \$34.7 billion in 2012. However, while pecuniary figures are perceptually grand, the film industry has yet to find equilibrium between production and reception, most times resulting in a loss of profit.

Basuroy, Desai, and Talukdar (2006), stated "that 70% of movies fail to recoup costs" (as cited in Rosen, 1993). Over a decade later, Joshi and Hanssens (2009) reported, "most studios release between 10 and 22 movies in a typical year, and that only a handful of these turn out to be profitable." A gap in marketing efforts and consumer receptivity is apparent, and while it is true that cumulative studio statistics show a majority of films produced have resulted in profit-loss, the potential for a high, fiscal return is evident. Joshi and Hanssens (2009) explained this potential by stating, "in the U.S. alone, box office receipts grossed \$9.4 billion in 2006, making it one of the most successful years in its 100-year history...[furthermore] a single movie can have a large impact on the annual profit of the studio." This figure has now increased to \$10.8 billion in

2012 for the U.S.-Canadian market (MPAA, 2012a). The issues surrounding the profit-loss nature of U.S. motion picture production are a main concern to the industry. For this reason, prime timing opportunities for a film's introduction, seasonality associated with the industry, and issues related to sequential distribution is important. This section focuses on the research that has been conducted in these areas (Table 3.5 in Appendix A).

In an industry, where demand leads distribution for most movies (Krider, Li, Liu, & Weinberg, 2005), appropriately determining when and where to introduce a film is of critical value. Timing of film introductions received ample attention from researchers (Krider & Weinberg, 1998; Hennig-Thurau, Henning, Sattler, Eggers, & Houston, 2007). Krider and Weinberg (1998) examined competitive motion picture timing and found that a movie's drawing power was based on marketability (the movie's ability to stimulate consumer demand prior to release, based on variables such as actors, directors, story, and special effects) and playability (the movie's ability to maintain audience attendance after release, resulting in a long run of the movie by relying on positive word-of-mouth).

Not only was timing of a movie's introduction vital, studios recognized the importance of the movie industry's seasonal nature. Radas and Shugan (1998) found that the shape of the movie life cycle was important for the development of a timing strategy centered on the seasonality of the industry. The authors found 12 levels of seasonality in the movie industry used to optimize the introduction of a movie. They also proposed that studios time a movie's introduction so that growth began in the off-season, but majority of sales occurred at the beginning of the peak-season.

The success of a movie in theaters was considered a predictive indicator for the movie's potential in other distribution channels. Luther (1950) studied the factors contributing to drive-in

theater distribution in the 50's. The author found that drive-in theater patrons were quite different from conventional theater goers in age, family status, and preference. Drive-ins were primarily a source of entertainment for families with small children, whereas conventional theater attendees preferred going to the movies with people other than family members. Most notably, drive-in patrons considered drive-ins a supplement to conventional theaters, rather than a substitute for them. Now, drive-ins are no longer a distributor that plays a major role in movie introductions. Instead, studios must juggle issues pertaining to other sequential distribution channels.

Lehmann and Weinberg (2000) analyzed the sequential distribution of movies and showed that sales in the first channel of distribution could be used to improve decisions and profitability in subsequent channels. Hennig-Thurau, Houston, and Walsh (2007) evaluated the timing and distribution of movies released over three sequential channels of distribution (theater, home video, and video-on-demand) and found that making a movie simultaneously available in theaters and rental outlets generated the most revenue for studios, but seriously harmed theaters. Elberse & Eliashberg (2003) operationalized sequential distribution as distribution in the domestic market followed by distribution in the international market and found that the U.S. served as a useful benchmark for international success. Hennig-Thurau, Houston, and Walsh (2006) developed a model that analyzed the sequential distribution of movies from theatrical exhibition to video rental availability and found a strong relationship between advertising, short-term box-office revenues, and video-rental revenues. When dealing with critic reviews, the authors found that reviews heavily correlated with short-term box-office exhibition, but had no effect on video rental success. Moreover, movie awards positively impacted long-term box-office exhibitions, but had no influence on the preference of rental consumers.

Facilitated by technological advancements, consumers have the ability of taking the distribution of movies into their own hands, often illegally. Hennig-Thurau, Henning, and Sattler (2007) analyzed the effect of illegal consumer file sharing of motion pictures on performance and found that illegal consumer file sharing resulted in substantial cannibalization of theater visits, DVD rentals, and DVD purchases. The estimated annual revenue losses totaled \$300 million in Germany (Hennig-Thurau, Henning, and Sattler, 2007).

3.4.3 Sequels

Sequels are considered a form of brand extension, often demonstrating a positive interaction effect on box-office returns (Basuroy, Desai, & Talukdar, 2006; Sood & Dreze, 2006; Hennig-Thurau, Houston & Heitjans, 2009; Joshi and Mao, 2012). Donnie Wahlberg, a well-known American actor and producer stated, "...there's a real danger in doing a sequel. There are some benefits, but that all hinges on how well you execute. Quite frankly, most sequels don't execute well." Contrary to Wahlberg's belief, research findings suggest that most sequels do quite well, contingent upon the inclusion of specific criteria. The research articles related to sequels are found in Table 3.6 (see Appendix A).

Naming of sequels is one of the critical components associated with sequel success. There are varying approaches to coming up with the name of a sequel. Some sequels simply include numbers after the original movie name, denoting a particular order. Other sequels are introduced with a completely new name or a varying version of the original title. Sood & Dreze (2006) found that numbered sequels (e.g. Spiderman 2) versus named sequels (e.g., Transformers: Dark of the Moon (Part 3)) experienced differing levels of success. Numbered sequels improved when the sequel was dissimilar from the original movie, whereas named sequels did not depend on similarity. Moreover, numbered sequels had a higher likelihood of

being assimilated with the original movie, leading to lower evaluations, faster response times, and reduced recall of the sequel's plot (Sood and Dreze, 2006).

Content was another criterion considered when introducing a sequel. Joshi and Mao (2012) discovered that content similarity hindered movie success for sequels. In addition to studying content between sequels, the authors also evaluated the effect that book-to-film contributions had on box-office returns. Joshi and Mao (2012) found that book-based movies outperformed non-book-based movies on opening weekend. Furthermore, the authors discovered that films based on bestselling books must closely mirror the book content if they were to be successful.

Sequels were also studied as an influential variable affecting celebrity brands. Luo, Chen, Han, & Park (2010) found that a celebrity's brand equity depreciated significantly over time. To mitigate the depreciation, the authors recommended that celebrities increase their volume of appearances in movies in order to contribute toward their brand equity. Therefore, appearing in sequels served as an advertising mechanism, sustaining or potentially increasing brand equity.

While research indicates that consumers are often disappointed with sequels, studios know to take advantage of them for two major reasons. Hennig-Thurau, Houston, and Heitjans (2009) provided evidence that introducing a brand extension (sequel) in motion pictures (1) generated higher average revenues and (2) reduced project-specific risk. Therefore, many studios take advantage of the brand equity developed through their initial film introduction and subsequently capitalize on future related ventures.

3.4.4 Product Placements

As outlined by Wiles and Danielova (2009), product placement (also referred to as “brand integration”) is the inclusion of branded products or identifiers through audio or visual means within mass-media programming. Product placement is incorporated into a vast majority of films (Table 3.7 in Appendix A). Auty & Lewis (2004) studied product placement effects on children and found that it was not simply exposure to a film that affected children’s choice. Rather, it was previous exposure coupled with a reminder in the form of recent exposure that affected children’s choice. Pechmann & Shih (1999) found that exposing youths to antismoking advertisements before a film containing smoking, effectively repositioned the smoking within the film from being alluring to unacceptable behavior.

More importantly, product placements were analyzed as a source of value toward the introduction of new films (Wiles & Danielova, 2009; Karniouchina, Usley, & Erenburg, 2011). Karniouchina, Usley, & Erenburg (2011) found that product placements increased firm value when strategically planned. Wiles and Danielova (2009) explored the effect of product placements on market value and found that product placements increased the likelihood of film success and were associated with positive movements in firm stock prices. More specifically, placement modality, character associations with the placement, and blatancy also significantly affected the value of a placement.

3.4.5 Critic Ratings, Word-of-Mouth, and Recommendation Systems

Though movies are one of America’s favorite past times, exhibitors need to worry about getting consumers in the door for certain films. This task is influenced by critic ratings, word-of-mouth, and recommendation systems available to consumers, as evidenced by the research that has been conducted on these topics (Table 3.8 in Appendix A). Movie critics and recommendation systems have a strong influence on consumers (Eliashberg & Shugan, 1997;

D'Astous & Touil, 1999; Holbrook, 1999; Basuroy, Chatterjee, and Ravid, 2003; Desai & Basuroy, 2005; Holbrook and Addis, 2007; Plucker, Kaufman, Temple, & Qian, 2009; Chen, Liu, and Zhang, 2011; Chung and Rao, 2012). Impact depends on a variety of factors, including timing of critic reviews, causal analysis of the critic review, and other mediating factors involved, such as star power and genre familiarity. Plucker, Kaufman, Temple, & Qian (2009) found that ratings between experts, self-proclaimed novices, and true novices overlapped considerably. This provides evidence that lines between these categories are blurry, but not without importance.

Holbrook (1999) analyzed critic and consumer reviews in terms of popular appeal versus expert judgments. Popular appeal was defined by the authors as “preferences of ordinary consumers,” whereas expert judgments were defined as, “preferences of professional critics” (Holbrook, 1999). The author discovered that ordinary consumers and professional critics rely on different standards of evaluation when judging the quality of a movie. Conversely, the author found that, though both sets of consumers differed in their evaluative criteria, they shared a weak, but present, convergence in tastes. Holbrook and Addis (2007) extended on the idea of expert judgment evaluation versus popular appeal by testing whether the weak link between expert judgment evaluation and ordinary consumer evaluation was a result of a deeper set of issues. More specifically, the authors concluded that controlling for contaminating influences revealed that consumer taste was more closely associated with expert judgment than initially thought in Holbrook (1999).

Consumer and critic film preferences directly impact a film's performance. With respect to box-office receipts, Basuroy, Chatterjee, and Ravid (2003) found that critics' reviews both influenced and predicted weekly box-office revenues over an eight week time frame.

Additionally, the authors found that negative reviews harmed performance more than positive reviews helped performance over that time frame. This negative review impact was moderated by star power and large budgets, as noted in the authors' findings.

Stock returns were explored by Chen, Liu, and Zhang (2011) as a metric of performance directly affected by reviews. The authors examined the effect of third-party reviews from professionals and the media on stock returns and found that reviews had a significant impact on stock returns in the direction of the review's valence. This finding only existed for pre-release reviews and was found to be the most impactful on the release date of the movie. Interestingly, advertising helped increase the positive impact of reviews and assisted in cushioning the negative reviews.

3.4.6 Phenomena in the Context of Movies

Movies have been used as a context to study various phenomena (Table 3.9 in Appendix A). For example, researchers have studied movies and the incorporation of signs and symbols (Holbrook & Grayson, 1986), values (Beckwith, 2009), and content effect on audiences (Holbrook, 1993; Pechmann & Shih, 1999; Garlin & McGuiggan, 2002; Andrade & Cohen, 2007, Ferguson, 2009; Addis & Holbrook, 2010; Cooper, Schembri, & Miller, 2010; Loveland, Smeesters, & Mandel 2010).

Interestingly, Rimberg (1965) focused his attention on Soviet consumption of motion pictures. The author reported statistics associated with Soviet motion picture audience demographics, attendance, and preferences for a 1965 sample. Other authors conducted studies which analyzed more specific concepts.

For example, Holbrook and Grayson (1986) evaluated the incorporation of signs and symbols in the film "Out of Africa," and discovered that the use of such concepts allowed

researchers to better understand consumption behavior. Similarly, Beckwith (2009) analyzed particular values exhibited by protagonists in a sample of blockbuster movies and revealed that the content analysis was useful in providing insights about the personal values of the consumers that chose to attend the movie showing. Denzin (2001) interlaced the appeal of critical cultural studies with the analysis of Hollywood “hood” films and their effect on moral discourse related to democracy, race, gender, class, nation, freedom, and community.

The inclusion of concepts within a movie’s storyline was of particular interest to researchers concerned with audience interpretation and internalization of such concepts. Pechmann & Shih (1999) studied the effects of smoking in movies on a sample of youths and discovered the allure associated with smoking was countered by showing the youths a set of anti-smoking advertisements prior to the movie. In another content-based analysis, Cooper, Schembri, and Miller (2010) evaluated the brand narratives in James Bond movies. The authors found three distinct brand-self narratives for the Bollinger brand, Aston Martin brand, and the Jaguar brand. Each depicted the archetype of lover, hero, or outlaw, respectively. Curiously, each brand created a consumption/identity ideal for the consumers and assisted in aligning personal ideals with brand-based ideals.

Andrade & Cohen (2007) tested the consumption of negative feelings in the context of suspense/horror film watching and indicated that individuals seeking to watch horror films experienced the same negative feelings as those who purposefully avoided these films. Addis and Holbrook (2010) evaluated the effects that attraction, reverence, and escapism had when consumers evaluated movies. These authors found that younger opposite-gender stars, older directors, and unfamiliar, temporal settings produced positive consumer evaluations for a movie.

The authors attributed these findings to romantic attraction, reverence for mature directors, and escapism from an ordinary setting.

Nostalgia, in the context of motion picture preference, was first analyzed by Holbrook in (1993) wherein the author developed a nostalgia scale used to measure nostalgia proneness. Using this scale, the author found that though age and nostalgia proneness were connected to nostalgia-related consumer preferences, the two measures were not redundant. Older participants tended to prefer earlier films, whereas younger participants preferred more recent films. On the other hand, participants high on nostalgia proneness preferred more tender or musically related films, whereas those low on nostalgia preferred violent or military based films. Loveland, Smeesters, and Mandel (2010) expanded on the analysis of nostalgia in the context of movies by testing consumer movie selection after nostalgic priming. The authors found that consumers for whom the “need to belong” was stronger, preferred nostalgic movies.

Garlin and McGuiggan (2002) studied the relationship between movie content preference, level of involvement, and choice of media preference (i.e., television, video, or cinema). The authors found that respondents were most involved with movie choice at the cinema as opposed to the other channels of distribution.

Complementing the study of specific phenomena associated with films, Ferguson (2009) evaluated the degree to which screenwriters’ creativity and integrity aligned with the creative process of movie creation. The author determined that screenwriters whom experienced a greater alignment between personal and professional integrity produced more innovative output.

3.4.7 International Studies

There seems to be scant interest in the academic arena for research on movies in an international context (Table 3.10 in Appendix A). For example, out of a total of 69 articles

published in top journals on U.S. theatrical motion pictures, only four specifically focused on international issues.

The earliest international study appeared in print in 1952. Carroll (1952) categorized various markets around the world based on performance associated with the foreign distribution of films. The study attempted to determine which films from the United States' annual production should be selected for distribution in particular countries. The results suggested that the success of a film in the U.S. was not necessarily an indication of how well the film did in a foreign market, in general, or in any country or group of countries in particular. This finding goes against the current, well-established practice in the industry. One of the major problems associated with the study was its failure to incorporate culture into the analysis. It would be interesting to perform the same analysis using the influence of cultural paradigms, such as Project Globe (House, Javidan and Dorfman, 2001), Schwartz (1999), or Hofstede (1984). Surprisingly, subsequent to Carroll (1952), there were no other studies about movies and international markets until 1999.

Neelamegham and Chintagunta (1999) developed a model to forecast new movie performance in domestic and international markets. The authors estimated new product performance by using a Bayesian model and Poisson count in 14 different countries (Australia, Brazil, Canada, France, Germany, Holland, Italy, Japan, Mexico, South Africa, Spain, Sweden, UK, and the U.S.). The results indicated that the most influential factor affecting viewership was screen allocation. Moreover, results showed that well-established stars had a positive and statistically significant effect on viewership. With respect to genre, the authors suggested that “thriller” was the genre of preference across the 14 countries of interest.

Elberse and Eliashberg (2003) developed an econometric model to study the sequential release of films, first domestically and then internationally. Specifically, they focused on new movie introductions in France, Germany, Spain, and the UK. The authors found that variables such as movie attributes and advertising expenditures, which were usually assumed to have a direct influence on audiences, mostly influenced revenues indirectly through their impact on exhibitors' screen allocations. In addition, the authors found that the longer the time lagged between the domestic and the foreign release of a film, the weaker the relationship between market performance—an effect mostly driven by foreign exhibitors' screen allocations. More specifically, the longer a studio waited to release a movie internationally, the less the studio was able to capitalize on the buzz marketing associated with the film (Elberse and Eliashberg, 2003).

Hennig-Thurau, Henning, Sattler, Eggers, & Houston (2007) evaluated the timing and order of movie distribution in the U.S., Japan, and Germany. The authors presented a model of revenue generation across four sequential distribution channels, namely movie theaters, DVD purchase, DVD rental, and video-on-demand. Results suggested that simultaneous release of movies in theaters and home-video rental generated maximum revenues for movie studios in the United States, but had detrimental effects on intermediaries, such as theater chains (Hennig-Thurau, Henning, Sattler, Eggers, & Houston, 2007).

3.5 CONCLUSION AND FUTURE RESEARCH DIRECTIONS

Despite decades of research on the movie industry, the present study reveals that empirical research on this industry is still at a nascent level. Although compared to earlier studies, more recent studies have made significant progress through the use of more robust methods of investigation. The international component is an opportunity of particular interest because it is a driving contributor toward the industry's bottom line. Taking advantage of this

opportunity, the main study of this dissertation focuses on the international variables driving performance. Specifically, it addresses one important research question: which factors contribute to the success of American movies internationally? The next three chapters describe the main study, which attempts to uncover these factors in a systematic way.

Chapter 4: Theoretical Framework and Hypotheses

4.1 INTRODUCTION

Most films do not make a full return on their investment solely from domestic box office revenues. Therefore, studios look toward recouping their investment through international box office receipts. The U.S. theatrical motion picture industry is highly competitive around the world. According to a 2012 report published by the MPAA, the motion picture industry is one of the few industries that consistently generated a positive balance of trade, in virtually every country in which it did business. According to this report, global box office receipts totaled \$34.7 billion in 2012, an increase of 6% from 2011. Of that amount, \$23.9 billion came from international box office receipts, an increase of 32% from 2011. There has been a steady increase in international box office contributions, as a whole, over the past five years. As seen in Table 4.1 (see Appendix A), the majority of box office revenues contributing to the motion picture industry are attributed to the international arena. This is particularly important as major film companies continue to receive a growing portion of their revenue from foreign distribution (U.S. Bureau of Labor Statistics, 2010-2011).

The MPAA categorizes the international box office into three major geographic regions: (1) Europe, Middle East, & Africa (EMEA), (2) Asia Pacific, and (3) Latin America. As noted in Table 4.2 (see Appendix A), the highest contributor over the past five years, based on region, continues to be the EMEA region. However, this region's contribution has declined throughout the years, as the contribution of the Asian Pacific region has gained momentum.

When it comes to contribution by specific country, the largest international contributor was China, closely followed by Japan, securing \$2.7 billion and \$2.4 billion, respectively (MPAA, 2012a). Table 4.3 (see Appendix A) lists the top 10 international box office contributors by specific country for 2012.

Another report, provided by the European Audiovisual Observatory (EAO), examined movie performance across six major geographical groupings: Europe, Americas, Australia, Asia, Africa, and the Middle East. A breakdown of the top 20 films of 2008 based on the geographical groupings is provided in Table 4.4 (see Appendix A). Nineteen out of the top twenty worldwide films were either U.S. produced or U.S. international co-productions; twelve out of those nineteen films were solely U.S. produced and the remaining six were international co-productions. Thirteen out of these nineteen films also had greater international box-office revenues than U.S. box-office revenues, highlighting the importance of the international contribution toward recouping a film's investment and making a profit.

In this chapter, I discuss the theoretical framework of my study, which serves as the foundation for the hypothesized effects. More specifically, the chapter introduces the idea that global movie performance largely depends on signals received by both movie attendees and cinema operators. These signals are inextricably linked and they serve as the basis for both a consumer's decision to view a movie and a theater operator's decision to make this movie accessible to the consumer. I provide more details that explain these signals and the role that they play in influencing performance in the next sections.

Signaling theory is based on the reduction of information asymmetry between two parties (Spence, 2002). Signaling theory plays an important role in evaluating behavior when two parties have access to different information (Connelly, Certo, Ireland, and Reutzel, 2011). A dyadic relationship in signaling theory consists of two distinct parties, a *signaler* and a *receiver*. *Signalers* have the ability to obtain information that outside parties would consider useful when making a decision (Connelly et al., 2011). The signaler sends a *signal* to the receiver in an attempt to deliberately communicate positive information about the attributes of an organization,

its products, and/or services (Connelly et al., 2011). In turn, a *receiver* is an outsider who lacks information, beneficial to the decision-making process, and is interested in potential information being sent by the signaler.

This theory is quite useful in analyzing film success in the motion picture industry. A movie is considered an “experiential product,” evaluated by consumers based on its enjoyment value, making it difficult for consumers to ascribe a quality evaluation before watching the movie (Basuroy, Desai, Talukdar, 2006; Eliashberg and Sawhney, 1994). Therefore, prior to consumption, consumers look for “signals” which movie distributors or marketers of movies provide in order to distinguish between high- and low-quality movies. Consumers, in this case, are considered the *receivers* of signals and distributors the *signalers*.

Employing signaling theory, a framework (Figure 4.1 in Appendix B) and the first three hypotheses are developed. Hypotheses 1-3 evaluate the impact of prominent signals on motion picture performance through the mediating relationship of theaters. Hypothesis 4 is developed to evaluate international film performance while considering a critical cultural dimension: individualism/collectivism.

Among the very first “consumers” of movies are exhibitors. Exhibitors must choose among numerous movie options when deciding to schedule a movie at a theater. Studios (distributors) communicate various signals to exhibitors, to convey positive movie attributes and minimize the information asymmetry the exhibitors may experience when deciding to engage in theater allocations. Studios may choose to highlight key signals such as the movie’s production budget, director, and cast to try to increase the movie’s perceived quality and decrease information costs and risks perceived by the exhibitors. Therefore, there is an incentive for studios releasing high-quality movies to provide signals to exhibitors and, in turn, for potential

exhibitors of the movies to use the signals when forming their quality perceptions and making managerial decisions associated with the film.

Global Blockbuster Power is the construct introduced to capture the four major signals that studios provide exhibitors in an attempt to minimize information asymmetry. *Global Blockbuster Power* consists of *star power*, *genre*, *critic reviews*, and *production budget* as the signals that jointly impact exhibitors' managerial decision making. *Global Blockbuster Power* is expected to serve as an important signal, which exhibitors will use in order to make theater allocations. Depending upon the strength of the *Global Blockbuster Power* signal, exhibitors will allocate their scarce resources (i.e., movie screens) accordingly. Based on this information, the following hypothesis was developed:

H1: *Global Blockbuster Power* is directly and positively related to *theater allocation*.

Next, the relationship between *theater allocation* and *movie performance* is investigated. Theater allocation serves as one of the most critical variables of interest in the motion picture industry literature. Past research has consistently identified theater allocation as a significant factor affecting the viewership for a movie, both domestically and internationally (Jones & Ritz, 1991; Sawhney & Eliashberg, 1996; Neelamegham & Chintagunta, 1999; Swami, Eliashberg, & Weinberg, 1999; Ainslie, Dreze, and Zufryden, 2005). "Opening weekend screens...are factors that strongly affect moviegoers, and that movie studios can still influence close to the release date" (Ainslie, Dreze, & Zufryden, 2005, p. 513). Theater allocation impacts the accessibility level for any given film, directly affecting a movie's performance. Importantly, the number of theaters allocated to a particular movie also serves as a strong signal for moviegoers themselves, in addition to any other signals that they may have received directly through promotional means such as previews, trailers, movie promotions, and advertisements. Arriving at a multiplex movie

theater and seeing that screens have been allocated to a particular movie is a strong signal about the popularity (actual or potential) of that movie. For example, Jones and Ritz (1991) show that a retailer's level of theater adoptions is an important factor of movie viewership in the domestic market; Neelamegham and Chintagunta (1999) extend this finding to apply to international markets. Therefore, we propose that theater allocation serves as a signal sent by exhibitors to consumers to influence their likelihood of purchase. With this information, the following hypothesis was developed:

H2: *Theater allocation is directly and positively related to movie performance.*

The next hypothesis examines the relationship between *Global Blockbuster Power* and *movie performance*. Past marketing studies employing signaling theory have operationalized *consumers* as the *receivers* of signals and *sellers* as the *signalers* in the dyadic relationship (Bastrop, Desai, & Talukdar, 2006; Rao, Qu & Ruekert, 1999; Kirmani and Rao, 2000; Connelly et al., 2011). The use of these signals is particularly important when evaluating experiential products—products whose quality may only be judged after purchase (Nelson, 1974). According to Dawar and Parker (1994), signals serve as heuristics used to determine quality across product/service offerings when the consumer: (1) senses the need to reduce the perceived risk associated with a purchase, (2) lacks experience and/or ability to adequately evaluate quality, (3) experiences low levels of involvement, (4) is not used to spending time assessing quality, or (5) has a particular information search preference or requires additional information.

As part of the motion picture industry, consumers must choose among numerous movie alternatives when deciding to watch a movie at a theater. Studios communicate various signals to consumers, to convey positive movie attributes and minimize the information asymmetry the end-consumer may experience. The signals encompassed within *Global Blockbuster Power* not

only impact theater allocation as determined by exhibitors, but directly influence movie attendance by end-consumers, thus, impacting movie performance.

Star power serves as a powerful signal for both exhibitors and end-consumers. Stars have often been considered high equity brands, garnering a substantial portion of the production budget (Desai & Basuroy, 2005; Elberse, 2007). High-profile stars have been paid up to \$25 million dollars for their participation in films (Elberse, 2007). Prior research has determined that stars are a heuristic that consumers readily use to determine whether or not to watch a new movie and provide a clear signal about the potential quality of a film (Sawhney & Eliashberg, 1996; Neelamegham & Chintagunta, 1999; Desai & Basuroy, 2005; Ainslie, Dreze, & Zufryden, 2005; Elberse, 2007; Joshi & Hanssens, 2009; Joshi & Mao, 2012; and Chintagunta & Lee, 2012). The higher the star's "economic reputation" (historical box office performance) and "artistic reputation" (awards and award nominations), the greater the star's ability to positively impact a movie's performance (Elberse, 2007).

Genre is another signal that allows consumers to determine whether a particular movie is worth watching at the theaters. According to past research, "consumers rate a movie's genre as the most important, and probably the first, factor they consider in deciding to see specific movies" (Austin & Gordon, 1987; De Silva, 1998 as cited within Desai and Basuroy, 2005). A host of studies have used genre as a variable of interest when evaluating a film's success (Litman, 1983; Sawhney & Eliashberg, 1996; Neelamegham & Chintagunta, 1999; Desai & Basuroy, 2005; Ainslie, Dreze, & Zufryden, 2005; Joshi & Hanssens, 2009; Moon, Bergey, & Iacobucci, 2010; Joshi & Mao, 2012; Chintagunta & Lee, 2012). Most notably, international findings suggest that there is a clear distinction between genre preferences and geographic location. Inter-country differences suggest the UK, Canada, Australia, and Italy prefer action

films; Japan and Mexico prefer thrillers; and the U.S., Sweden, Germany, and South Africa prefer romance films (Neelamegham & Chintagunta, 1999).

Consumers often turn to *critic reviews* as another important signal when deciding whether or not to watch a movie. Prior research has found that “more than a third of Americans seek the advice of critics when selecting a movie” (Simmons, 1994). Critics are frequently privy to the initial screenings of new movies, making them one of the first links in the diffusion of information (Desai & Basuroy, 2005). Moreover, their professional status increases their perceived credibility in consumers’ minds. Research has suggested that critic reviews influence a movie’s performance (Litman, 1983, Sawhney & Eliashberg, 1996; Desai & Basuroy, 2005; Joshi & Hanssens, 2009; Moon, Bergey, & Iacobucci, 2010; Joshi & Mao, 2012; Chintagunta & Lee, 2012).

Production budget has been positively correlated to a movie’s performance and signals to consumers the studio’s anticipated success for the film (Joshi & Mao, 2012). A movie’s production budget is used as a source of advertising to create buzz for a film (Joshi & Mao, 2012). In addition, the higher the production budget, the higher the likelihood that the movie contains special effects and innovative display. As a result, the following hypothesis was developed:

H3: *Global Blockbuster Power* is directly and positively related to *movie performance*.

Finally, hypothesis 4 examines the effect of *culture* on international motion picture performance. Though signaling theory is useful to analyze the effects particular signals have on a dyadic relationship, not all signals are perceived in the same way by their intended audience, particularly when factoring in culture. Most studies concerning signal use have been conducted

in the U.S. (Dawar & Parker, 1996). Therefore, it is difficult to determine whether results on signal use are generalizable or specific to an American context.

Culture is defined as “shared motives, values, beliefs, identities, and interpretations or meanings of significant events that result from common experiences of members of collectives and are transmitted across age generations” (House et al., 2002). Many authors have highlighted the importance of exploring differences in culture, as related to consumption. Triandis (1993) states, “there is a need for leadership and organizational theories that transcend cultures to understand what works and what does not work in different cultural settings.”

Clustering is an efficient way of exploring and analyzing similarities and differences across cultures. A cluster is comprised of a set of countries that share cultural similarities (Cattell, 1950; Hair, Ghiselli, & Porter, 1966; Ronen & Shenkar, 1985; as cited in Javidan and House, 2002). Two of the most well-known cross-cultural studies that explore cultural clustering are Hofstede (1984) and The Globe Project (Global Leadership and Organizational Behavior Effectiveness Project) (House, Javidan, Hanges, and Dorfman, 2002).

Hofstede (1984) explores differences in national cultural dimensions and introduces a framework used to evaluate cross-cultural communication. The study analyzes cultural values and their effects on behavior. The original theory introduced four cultural dimensions: individualism/collectivism, uncertainty avoidance, power distance, and masculinity/femininity and later added a fifth, long-term/short-term orientation. The author analyzes these dimensions across 40 countries and geographically clusters nations into 6 regions sharing similar values.

The Globe Project extends on Hofstede’s (1983) study. Within the study, culture is operationalized by using measures reflecting two kinds of cultural sub-dimensions: “(a) psychological attribute agreement among members; and (b) observed and reported practice

agreement among collectives such as ‘families, schools, work organizations, economic and legal systems, and political institutions’” (House et al., 2002). The authors explore culture and leadership across 61 nations and group these nations into six major clusters based on 9 dimensions, expanding on the five original dimensions introduced by Hofstede (1984). These clusters have a population of 2.5 billion people and contribute over \$20 trillion toward GDP.

Of particular interest to this research is the individualism/collectivism cultural dimension, forming part of both studies. *Individualism/collectivism* measures the degree to which individuals are likely to integrate into groups (Hofstede, 1984). Countries considered high on individualism value personal time, freedom, and challenge. Conversely, countries considered high on collectivism value training, use of skills, physical conditions, benefits, and lifelong group membership (Hofstede, 1984). The Globe Project expands on this measure by splitting the dimension in two: Collectivism I-Societal Collectivism and Collectivism II-In-Group Collectivism. Collectivism I-Societal Collectivism is defined as “the degree to which organizational and societal institutional practices encourage and reward collective distribution of resources and collective action” (House et al., 2002). Collectivism II-In-Group Collectivism is defined as “the degree to which individuals express pride, loyalty, and cohesiveness in their organizations or families” (House et al., 2002).

Based on this literature, it is argued that foreign performance will differ significantly between collectivistic and individualistic countries as a result of movie-going practices and attendance. Since group activities are more prevalent and pronounced in collectivistic countries, collectivistic countries are likely to exhibit a significant difference in international performance of blockbuster films than individualistic countries. Based on the theoretical background taken from culture, the following hypothesis is developed:

H4: Collectivistic countries are more likely to have a higher, proportionally significant, level of box office gross for blockbuster films than individualistic countries.

With the development of these hypotheses and an overview of the study's theoretical foundation, the next section describes the method used to evaluate this study.

Chapter 5: Method

This study analyzes the use of signals of movie quality by consumers, as well as cross-cultural impact on movie performance. To accomplish this and empirically contribute to the signal use and cultural factor debate, an extensive dataset has been created using data on the motion picture industry. The following sections describe the sample, procedure, and measures associated with this study.

5.1 SAMPLE AND PROCEDURE

The specific movie sample for this study consists of the top-ranked movies of all-time based on worldwide box office performance. The selection of the movies is based on a movie ranking list available through the Box Office Mojo website. This approach yields a dataset comprised of 552 movies. The dataset contains the following movie attributes for each film: ranking, domestic box office revenue, foreign box office revenue, box office revenue per country, distributor, release date, runtime, opening weekend revenue, writer, producer, and composer.

In addition to the descriptive movie attributes mentioned, there are specific independent and dependent variables of interest, serving as signals, that are included as part of the dataset. The following section describes each of these variables and its respective operationalization (Table 5.1 in Appendix A).

The three major data sources used for this study are the Internet Movie Database (IMDb), Box Office Mojo, and Rotten Tomatoes websites. The IMDb is a searchable database containing an extensive set of movie variables for over 2 million movies. The information on the IMDb website is acquired from a variety of sources, but is mainly sourced from information submitted by people in the industry and website visitors (Netizens) who wish to add the data. This data is

then reviewed by the company's Database Content Team and verified with studios/filmmakers before it is posted to the website (IMDB, 2012). Box Office Mojo is an online box-office reporting service which produces news, analyses, and box-office tracking information. Box Office Mojo was acquired by IMDb.com, Inc. in July 2008 (Box Office Mojo, 2012). Finally, Rotten Tomatoes is an online film review aggregator, providing critic review ratings from both professional movie critics and general movie-goers. The website is owned by Flixster and was acquired by Warner Bros. in 2011 (Flixster, 2014).

5.2 MEASURES

There are six key independent variables of interest that form part of the proposed framework. Global Blockbuster Power encompasses the first four critical signaling variables: (1) star power, (2) genre, (3) critic reviews, and (4) production budget. Mirroring the method introduced by Ainslie et al. (2005), star power is operationalized by using a star index. The Forbes Star Currency index is used to evaluate the cast forming part of a movie by providing a rating on a 1 to 10 scale. Genre is based on research by Austin and Gordon (1987) and assists in classifying movies into five major categories: thriller, romance, action, drama, and comedy. These categories are then ranked by experts in the industry to provide an index of perceived success on a scale ranging from 1-100. Similar to Chintagunta and Lee (2012), the critic reviews variable is operationalized by using the well-known Rotten Tomatoes website, which provides a composite rating of 1-100 for each film based on the evaluation of professional critics.

The model also includes variables labeled theater allocation and culture. Theater allocation refers to the number of theaters exhibiting the film during the movie's theatrical exhibition peak, obtained from the Box Office Mojo website. Finally, culture is operationalized by taking a sample country scoring high on individualism, Germany, and a sample country

scoring high on collectivism, India. The evaluation of individualism and collectivism for each of these countries is based on the national behavioral cluster operationalization used in Hofstede's (1984) and the Globe Project (House et al., 2002).

Because the point of interest is evaluating the signals impacting theatrical motion picture success, the dependent variable of interest is movie performance. Consistent with prior research (e.g., Neelamegham and Chintagunta, 1999), movie performance is operationalized as and total foreign box office receipts. These figures are obtained using the Box Office Mojo website for each movie forming part of the sample.

Chapter 6: Results

The measures for genre, star power, critic reviews, and production budget were aggregated to form the Global Blockbuster Power construct. Descriptive statistics and correlations among the variables are provided in Table 6.1 and Table 6.2, respectively.

The sample contained movies produced during the 1939 to 2013 date range. More than 69% percent of the movies were introduced since the year 2000. Production budgets ranged from \$60,000 (The Blair Witch Project) to \$300,000,000 (Pirates of the Caribbean: At World's End), skewed toward higher levels of investment. Critic reviews ranged from a 100% review score to a mere 6%.

Because the measures forming part of the Global Blockbuster Power index use varying scales, it was necessary to standardize the four variables (genre, production budget, critic reviews and star power). To test hypotheses 1-3, the procedure proposed by Zhao, Lynch, and Chen (2010) and Preacher and Hayes (2004) was performed. In this analysis, Global Blockbuster Power was the independent variable, foreign total gross was the dependent variable, and number of theaters was the mediator. The bootstrap confidence interval of indirect effect was estimated using a level of confidence of 95% and 10,000 samples, which satisfies the minimum requirement of 5,000 samples according to Hair, Ringle, and Sarstedt (2011). The results showed a mean indirect effect of Global Blockbuster Power ($a \times b = .3611$), with a 95% confidence interval excluding zero [.2443 to .4822]. Additionally, the direct effect of Global Blockbuster Power on total foreign gross was also significant ($c = .5530, p < .0005$). These results suggest that theaters partially mediate the relationship between Global Blockbuster Power and foreign total gross (Zhao, Lynch, and Chen, 2010). Thus, the results support H1, H2, and H3. However, the results only suggest a partial mediation.

In addition to the Preacher and Hayes (2004) procedure, a series of regression models were estimated using the Baron and Kenny (1986) procedure. According to this procedure, Baron and Kenny (1986) state that three regression equations must be estimated to test the linkages of the mediational model: first, regressing the mediator on the dependent variable; second regressing the dependent variable on the independent variable; and, third, regressing the dependent variable on both the independent variable and the mediator.

First, the measure for theaters was regressed on total foreign gross. As can be seen, total foreign gross was positively and significantly correlated with the criterion. Second, total foreign gross was regressed on the Global Blockbuster Power measure. These results also provide a positive and significant outcome. Finally, total foreign gross was regressed on both theater allocation and Global Blockbuster Power. Both the independent variable and the mediator are significant, suggesting there is not full mediation. Since the *p*-value for GBP did not inflate, mediation is questionable. This is consistent with the Preacher and Hayes (2004) procedure findings. Table 6.3 provides the results from this analysis.

To test hypothesis 4, a proportions difference test was conducted to determine if performance differs significantly between collectivistic and individualistic countries. Specifically, a one-tail test was conducted. The countries of interest were Germany and India. These two countries were selected because of their significant contribution to the motion picture industry. Germany forms part of the EMEA region, which currently contributes the most to the industry. India is part of the Asia Pacific region that is quickly gaining momentum and growing in prominence. Moreover, Germany is ranked high on individualism and India is ranked high on collectivism. First, the top fifty films forming part of the entire data set were identified based on world-wide box office gross as a basis for comparison between the two countries. Next, the

average total gross for those fifty films was calculated per country. This figure was then divided by the sum total gross for all films forming part of the data set per country. Finally, these proportions were tested, using the proportions difference test, to determine the significance of difference. Results show hypothesis 4 is supported (Diff. -0.0056; $z = -1508.533$; $p < .0001$).

Chapter 7: Discussion

7.1 CONTRIBUTIONS AND IMPLICATIONS

The major objective of this study is to determine if particular signals may be used to evaluate the potential success of a motion picture in an international context. Using the procedures proposed by Zhao, Lynch, and Chen (2010), Preacher and Hayes (2004), and Baron and Kenny (1986), the most prominent signals used to evaluate film success are tested through a mediation analysis. In addition, the individualistic/collectivistic dimension introduced and expanded on by Hofstede (1984) and The Globe Project (2002), respectively, is used to analyze the effect of culture on international motion picture performance. Findings are interesting in several ways.

The results of the Preacher and Hayes (2004) and the Baron and Kenny (1986) procedures show that, for motion pictures, Global Blockbuster Power is positively related to total foreign gross. In addition, the findings indicate that the effect of Global Blockbuster Power on total foreign gross is partially mediated by theater allocation. That is, motion picture performance is not solely and necessarily contingent upon theater allocation. Moreover, the results of the proportions difference test show that there are, in fact, significant differences in performance levels between individualistic and collectivistic countries. Therefore, not only is signaling important to performance, but determining if a country is collectivistic or individualistic may also serve as a performance contribution indicator.

The study contributes to the literature in the areas of signaling, culture, motion pictures, and international marketing. It expands the body of knowledge associated with the motion picture literature by specifically analyzing the signals leading to motion picture success on an international level and comparing a major cultural dimension leading to varying degrees of

international performance. Furthermore, by focusing on experiential products, the study provides insight into these effects in similar types of industries.

7.2 LIMITATIONS AND FUTURE RESEARCH

This study is not without limitations. The literature analysis examines articles from six of the top marketing journals, acquired from the EBSCO database. Future studies should include a more comprehensive listing of articles in the field of marketing. Researchers may also benefit by including articles from journals in the various business disciplines, such as management, accounting, information systems, finance, and economics. In addition, other forms of published materials, such as books, magazines, and newspaper articles, should also be considered.

Moreover, although using real world data to analyze the phenomena in question instead of “stated” data from an experimental setting enhances the external validity of the findings, it potentially sacrifices the internal validity. Therefore, there may be alternative explanations for the findings associated with the movies in the sample of interest. However, the stated framework and associated hypotheses are based on a sound theoretical foundation, providing an appropriate lens for examining the phenomena.

In addition, this project does not address all of the potential variables affecting movie performance domestically and internationally (e.g., advertising budgets or specific promotional budgets). Furthermore, it is impossible to account for every possible variable affecting motion picture performance. However, by accounting for the most impactful signals affecting adoption from various types of consumers, this project captures the effects that the most prominent signals have on movie success in international markets.

7.3 CONCLUSION

The present research finds that both consumers and management decision makers are challenged with discerning between key signals when selecting a motion picture to watch or schedule. Signals, specifically production budget and critic reviews, serve as the drivers impacting performance. Interestingly, genre and star power are not as strong as previously considered in prior research. Overall, the findings stress the importance of management's decision to allocate theaters to movies with high production budgets and positive levels of critic reviews, while not ignoring the direct effects that these two signals have on consumer perceptions of films. With respect to culture, management must carefully consider the effects of collectivism and individualism on performance, when deciding to schedule a film internationally.

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Appendix A

Table 3.1: Motion Picture Industry Publications by Journal (1946-2012)

Journal Name	Impact Factor	Total Number of Citations within Other Publications	# of Published Articles on Motion Picture Industry
Journal of Marketing	5.47	14,013	19
Marketing Science	2.36	3,663	19
Psychology & Marketing	1.14	1,957	11
Journal of Marketing Research	2.52	10,160	9
Journal of Consumer Research	3.10	9,349	8
Journal of the Academy of Marketing Science	2.67	4,529	3

Table 3.2: Profile of Studies on the Motion Picture Industry

Methodological Aspects	Study Demographics							
	Total (N=69)	1940s (N=3)	1950s (N=2)	1960s (N=1)	1980s (N=2)	1990s (N=11)	2000s (N=38)	2010s (N=12)
Level of Analysis								
Empirical								
Macro	26	-	1	-	-	5	14	6
Micro	17	-	1	1	1	4	8	2
Macro/Micro	11	-	-	-	-	2	5	4
Conceptual								
Literature Review	4	2	-	-	-	-	-	2
Commentary	9	-	-	-	-	1	-	8
Theoretical	2	1	-	-	-	-	1	-
"P" of Interest								
Product	15	1	-	1	1	1	8	3
Price	1	-	-	-	-	-	1	-
Promotion	25	-	-	-	-	5	11	9
Place (Distribution)	13	-	2	-	-	5	6	-
Promotion/Place	1	-	-	-	-	-	1	-
Theory								
Present	14	-	-	-	1	3	6	4
Absent	55	3	2	1	1	8	32	8
Study Focus								
Domestic/Single Country	64	3	1	1	2	10	35	12
International	5	-	1	-	-	1	3	-

Table 3.3: Theory Usage by Article (14 of 69 Publications – 20.3%)

Publication:	Foundational Theory:
Holbrook and Grayson (1986)	Semiology Theory
Sawhney and Eliashberg (1996)	Queuing Theory
Pechmann and Shih (1999)	Forbidden Fruit Theory/Excitation Transfer Theory
D'Astous and Touil (1999)	Attribution Theory
Denzin (2001)	Qualitative Inquiry Movement/7 th Movement
Hennig-Thurau, Houston, and Walsh (2006)	Cognitive Categorization Theory
Liu (2006)	Theory of Information Accessibility
Basuroy, Desai, and Talukdar (2006)	Signaling Theory
Andrade and Cohen (2007)	Theories on Affect/Behavioral Decision Theory
Hennig-Thurau, Henning, and Sattler (2007)	Utility Theory
Addis and Holbrook (2010)	Identification Theory
Moon, Bergey, and Iacobucci (2010)	Behavioral Learning Theory/Signaling Theory/Prospect Theory
Karniouchina, Uslay, and Erenburg (2011)	Habituation Tedium Theory
Joshi and Mao (2012)	Accessibility-Diagnosticity Framework

Table 3.4: Performance and Model/Framework Creation

Author	Year	Focus
Sawhney & Eliashberg	1996	BoxMod I Model
Swami, Eliashberg, & Weinberg	1999	SilverScreener Model
Neelamegham & Chintagunta	1999	New Product Performance Forecast
Eliashberg, Jonker, Sawhney, & Wierenga	2000	MOVIEMOD Model
Desai & Basuroy	2005	Genre Familiarity, Star Power, and Critics' Reviews on Performance
Ainslie, Dreze, & Zufryden	2005	Movie Life Cycles and Market Share
Elberse	2007	Actors and Performance
Gil & Hartmann	2009	Metering Price Discrimination
Joshi & Hanssens	2009	Advertising and Stock Valuation
Seog and Hyun	2009	Financing as a Marketing Strategy
Wiles & Danielova	2009	Product Placement and Market Value
Foutz and Jank	2010	Demanding Forecasting using Virtual Stock Markets
Moon, Bergey, & Iacobucci	2010	Ratings, Revenue, and Satisfaction
Chintagunta and Lee	2012	Intentions and Purchase
Joshi and Mao	2012	Brand Equity of Best Sellers

Table 3.5: Timing, Seasonality, and Sequential Distribution

Author	Year	Focus
Luther	1950	Drive-In Theater Distribution
Krider & Weinberg	1998	Timing of Film Introductions
Radas & Shugan	1998	Seasonality and Timing
Lehmann & Weinberg	2000	Sequential Distribution (Movies and Video)
Elberse & Eliashberg	2003	Sequentially Released (Domestic vs. International)
Krider, Li, Liu, & Weinberg	2005	Lead-Lag Puzzle
Hennig-Thurau, Houston, and Walsh	2006	Success Drivers Across Sequential Channels
Hennig-Thurau, Henning, and Sattler	2007	Consumer File Sharing
Hennig-Thurau, Henning, Sattler, Eggers, & Houston	2007	Timing and Order of Distribution

Table 3.6: Sequels

Author	Year	Focus
Basuroy, Desai, & Talukdar	2006	Sequels and Advertising Expenditures
Sood & Dreze	2006	Sequels as Brand Extensions
Hennig-Thurau, Houston, & Heitjans	2009	Monetary Brand Extension Value
Luo, Chen, Han, & Park	2010	Celebrity Brands and Sequels
Joshi and Mao	2012	Brand Equity of Best Sellers

Table 3.7: Product Placements

Authors	Year	Focus
Pechmann & Shih	1999	Smoking in Movies and Advertising Moderation
Auty & Lewis	2004	Children and Product Placements
Wiles & Danielova	2009	Product Placements and Market Value
Karniouchina, Usley, & Erenburg	2011	Product Placement and Life Cycles

Table 3.8: Critic Ratings, Word of Mouth, and Recommendation Systems

Author	Year	Focus
Eliashberg & Shugan	1997	Critics as Influencers or Predictors
Holbrook	1999	Popular Appeal vs. Expert Judgments
D'Astous & Touil	1999	Consumer Evaluations based on Critics' Judgments
Neelamegham & Jain	1999	Consumer Choice Process for Experiential Goods
Ansari, Essagaier, & Kohli	2000	Internet Recommendation Systems
Basuroy, Chatterjee, and Ravid	2003	Box Office Effects of Critics, Star Power, and Budgets
Desai & Basuroy	2005	Critic Reviews and Interactive Influence
Liu	2006	Word of Mouth Impact on Performance
Holbrook and Addis	2007	Expert Judgments vs. Popular Appeal
Plucker, Kaufman, Temple, & Qian	2009	Expert and Novice Evaluation Comparisons
Chintagunta, Gopinath, & Venkatraman	2010	Online User Reviews
Chen, Liu, and Zhang	2011	Media Critics and Movie Reviews
Chung and Rao	2012	Internet Rec. Systems

Table 3.9: Phenomena in the Context of Movies

Authors	Year	Focus
Rimberg	1965	Soviet Audience Reaction
Holbrook & Grayson	1986	Signs and Symbols
Holbrook	1993	Nostalgia and Consumption
Pechmann & Shih	1999	Smoking
Denzin	2001	Social Perception of Brown and Black People
Garlin and McGuiggan	2002	Content Preference, Choice, and Involvement
Andrade & Cohen	2007	Negative Feelings
Ferguson	2009	Creativity/Integrity and Screenwriting
Beckwith	2009	Values of Protagonists
Addis and Holbrook	2010	Consumer Identification and Films
Cooper, Schembri, and Miller	2010	Brand-Self Identity
Loveland, Smeesters, & Mandel	2010	Nostalgia

Table 3.10: International Studies

Author	Year	Focus
Carroll	1952	Foreign Distribution-39 countries
Neelamegham & Chintagunta	1999	New Product Performance Forecasting-13 countries
Eliashberg, Jonker, Sawhney, & Wierenga	2000	MOVIEMOD-Netherlands, U.S.
Elberse & Eliashberg	2003	Sequentially Released Films (Domestically and Internationally)-U.S., France, Germany, Spain, UK
Hennig-Thurau, Henning, Sattler, Eggers, & Houston	2007	Timing and Order of Distribution-U.S., Japan, Germany

Table 4.1 Global Box Office

	2008 (Billions)	2008 (%)	2009 (Billions)	2009 (%)	2010 (Billions)	2010 (%)	2011 (Billions)	2011 (%)	2012 (Billions)	2012 (%)
U.S./Canada	\$ 9.6	35%	\$ 10.6	36%	\$ 10.6	34%	\$ 10.2	31%	\$ 10.8	31%
International	\$ 18.1	65%	\$ 18.8	64%	\$ 21.0	66%	\$ 22.4	69%	\$ 23.9	69%
Total	\$ 27.7	100%	\$ 29.4	100%	\$ 31.6	100%	\$ 32.6	100%	\$ 34.7	100%

*Motion Picture Association of America, 2012a

Table 4.2 International Box Office

	2008 (Billion)	2008 (%)	2009 (Billion)	2009 (%)	2010 (Billion)	2010 (%)	2011 (Billion)	2011 (%)	2012 (Billion)	2012 (%)
Europe, Middle East, & Africa	\$ 9.7	53.6%	\$ 9.9	52.7%	\$ 10.4	49.5%	\$ 10.8	48.2%	\$ 10.7	44.8%
Asia Pacific	\$ 6.8	37.6%	\$ 7.2	38.2%	\$ 8.5	40.5%	\$ 9.0	40.2%	\$ 10.4	43.5%
Latin America	\$ 1.6	8.8%	\$ 1.7	9.0%	\$ 2.1	10.0%	\$ 2.6	11.6%	\$ 2.8	11.7%
Total	\$ 18.1	100%	\$ 18.8	100%	\$ 21.0	100.0%	\$ 22.4	100%	\$ 23.9	100%

*Motion Picture Association of America, 2012a

Table 4.3: Top 10 International Contributors by Country for 2012

Ranking	Country	Billions
1	China	\$2.7
2	Japan	\$2.4
3	United Kingdom	\$1.7
4	France	\$1.7
5	India	\$1.4
6	Germany	\$1.3
7	South Korea	\$1.3
8	Russia	\$1.2
9	Australia	\$1.2
10	Brazil	\$0.8

*Motion Picture Association of America, 2012a

Table 4.4 Top Rated Films of 2008

Country	US Produced Films <i>and</i> US- International Co- Productions	US Produced Films
WORLDWIDE	19/20	12/19
EUROPE		
European Union	23/25	15/23
France	14/20	10/14
Germany	15/20	12/15
Italy	13/20	10/13
Spain	18/20	11/18
United Kingdom	20/20	11/20
Russian Federation	14/20	9/14
<i>Other Western Europe</i>		
Austria	10/10	7/10
Belgium	7/10	5/7
Netherlands	9/10	6/9
Portugal	9/10	4/9
<i>Nordic Countries</i>		
Denmark	6/10	3/6
Finland	7/10	4/7
Norway	7/10	3/7
Sweden	8/10	4/8
<i>Central and Southeastern Europe</i>		
Czech Republic	4/10	3/4
Hungary	10/10	6/10
Romania	10/10	5/10
Slovak Republic	7/10	5/7
Poland	6/10	3/6
Turkey	0/10	0/10
AMERICAS		
US	20/20	12/20
Canada	17/20	11/17
<i>Latin America</i>		
Mexico	10/10	6/10
Brazil	9/10	6/9
Argentina	9/10	6/10
Venezuela	10/10	6/10
Peru	10/10	7/10
Chile	10/10	7/10
AUSTRALIA	20/20	14/20
ASIA		
Hong Kong	8/10	5/8
People's Republic of China	4/10	1/4
Japan	8/20	5/8
India	0/10	0/10
South Korea	6/10	3/6
AFRICA		
Egypt	0/0	0/0
Morocco	4/10	3/10
MIDDLE EAST		
Arab Emirates	10/10	6/10
Lebanon	6/10	4/6

*Tabulated from EAO report

Table 5.1: Variable Descriptions

Variable	Description	Measure	Source
TFGross	Total foreign gross for movie i	Total foreign box office revenue for movie i in US dollars	Box Office Mojo
Theaters	Number of theaters	Widest release of theaters for movie i	Box Office Mojo
Critics' Reviews	Critics' reviews for movie i	Following Chintagunta and Lee (2012), movies are evaluated on a 1-100 scale by critics	Rotten Tomatoes
Genre	Genre percentage for movie i genre	Following Austin and Gordon (1987), weighted variable indicating movie i is a thriller, romance, action, drama, or comedy	Box Office Mojo/Expert Survey
Production Budget	Production budget for movie i	Production budget for movie i in US dollars	Box Office Mojo
Star Power	Total star power for movie i	Following Ainslie et al. (2005), provide a rating on a 1-10 scale	Forbes Star Currency Index

Table 6.1: Descriptive Statistics

Variable	Items	Mean	Standard Deviation	Skewness	Kurtosis
TFGross	552	238390320	176962074	3.5934376	24.2704850
CR	552	63.74457	24.26042	-0.4631525	-0.8075394
Genre	552	22.30072	9.53455	-0.9774846	0.0380591
PB	552	82429638	62860736	0.5734951	-0.2129780
SP	552	5.33020	1.95213	-0.9088520	1.3202626
Theaters	552	2991	987.54831	-1.3316063	1.6447444

TFGross=Total Foreign Gross; PB=Production Budget; CR=Critic Reviews; SP=Star Power.

Table 6.2: Pearson Correlation Matrix

	1	2	3	4	5	6
1. Genre	1.00					
2. PB	0.24*	1.00				
3. SP	0.08	0.10	1.00			
4. CR	-0.20*	-0.15*	-0.00	1.00		
5. Theaters	0.23*	0.57*	0.13	-0.19*	1.00	
6. TFGross	0.03	0.36*	-0.00	0.13	0.34*	1.00

* $p < 0.05$.

PB=Production Budget; SP=Star Power;

CR=Critic Reviews; TFGross=Total Foreign Gross.

Table 6.3: Summary of Regression Analysis

Model	Beta	Std. Error	Std. Beta	<i>t</i>	Sig.
1	0.901	0.115	0.327	8.109	0.000
2	1.045	0.118	0.359	8.845	0.000
3	0.466	0.037	0.477	12.477	0.000
4	0.553	0.129	0.194	4.180	0.000
	0.775	0.132	0.266	5.860	0.000

1. Dependent Variable: TFGrossStd; Independent Variable: GBPStd
2. Dependent Variable: TFGrossStd; Independent Variable: TheatersStd
3. Dependent Variable: TheatersStd; Independent Variable: GBPStd
4. Dependent Variable: TFGrossStd; Independent Variable: GBPStd and TheatersStd

Appendix B

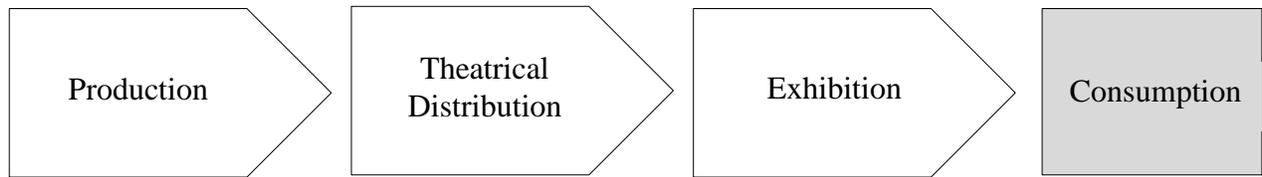


Figure 2.1: The Value Chain for Motion Pictures

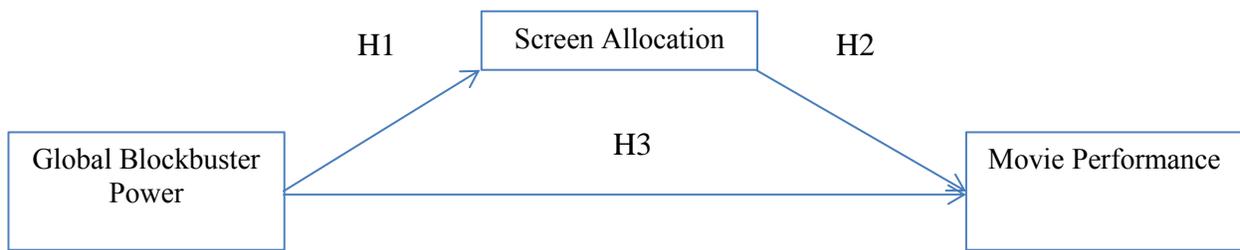


Figure 4.1: The Impact of Global Blockbuster Power on Movie Earnings

Curriculum Vita

Dalila Salazar was born in Tustin, California. The only child of Jose L. Salazar and Manuela G. Salazar, she graduated from Canutillo High School, El Paso, Texas, in the spring of 2002 and attended The University of Texas at El Paso in the fall with the Gates Millennium Scholarship and the Presidential Excellence Scholarship. She was selected outstanding senior in marketing and received her Bachelor of Business Administration degree from The University of Texas at El Paso. In the fall of 2006 she was accepted Masters of Business Administration program. She received her Masters of Business Administration in the fall of 2008 and was named outstanding graduate student in business. In the fall of 2008, she entered the International Business Ph.D. Program at The University of Texas at El Paso. While pursuing her degree, she worked as an assistant instructor for the Department of Marketing and Management. She received the Excellence in Undergraduate Instruction from 2011-2013. She has published her research in the Journal of Managerial Psychology, Journal for Global Business Advancement, and the Americas Conference on Information Systems Proceedings. Her dissertation, The Big [Motion] Picture: Analyzing the Factors Affecting the International Motion Picture Industry, was supervised by Dr. John Hadjimarcou.

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