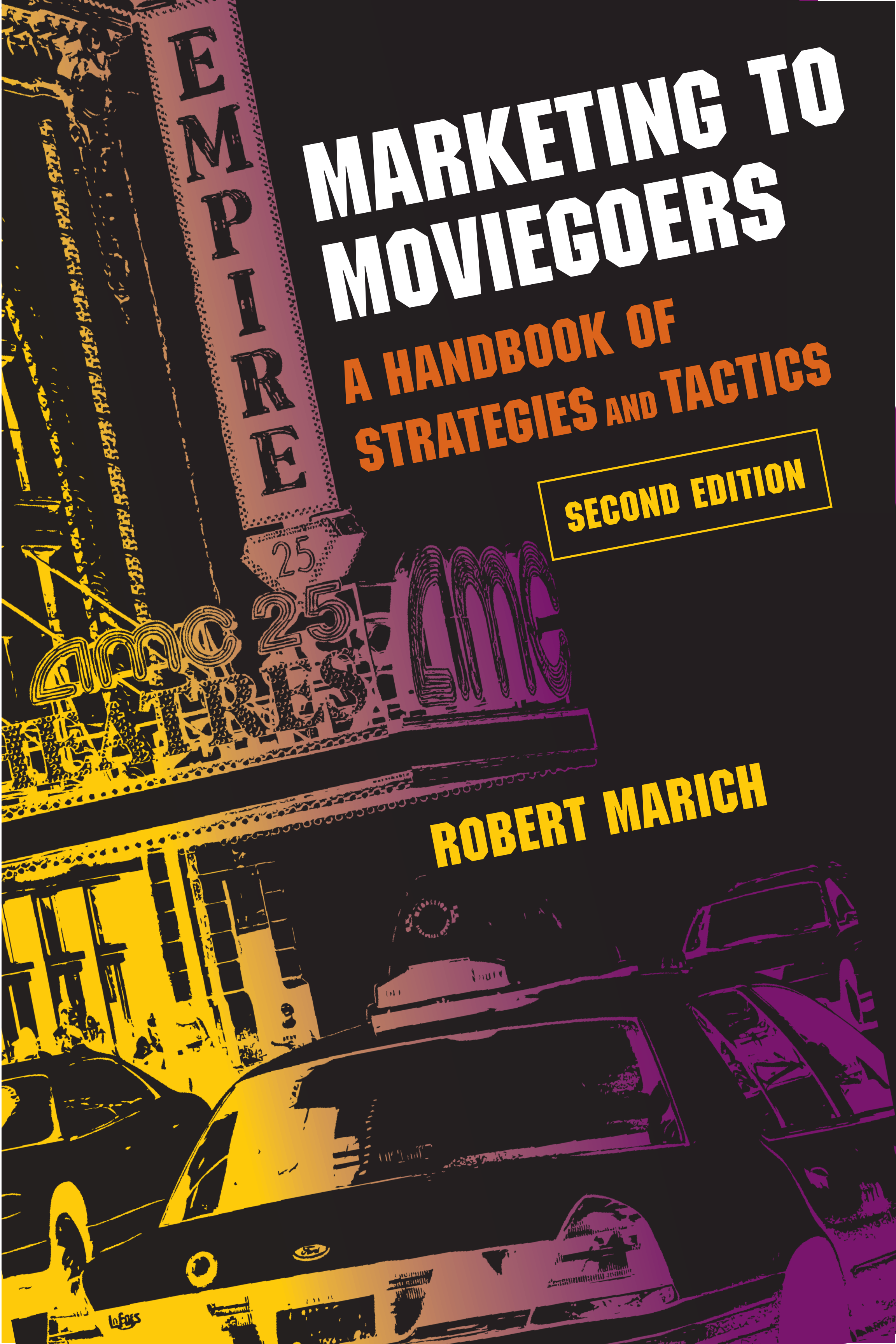
MARKETING TO MOVIEGOERS

A HANDBOOK OF STRATEGIES AND TACTICS

SECOND EDITION

ROBERT MARICH



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Preface

> Painting is easy when you don't know how but very difficult when you do.
>
> —Edgar Degas

When I was a cub reporter in the early 1980s, I broke into business covering Hollywood as an epochal shift engulfed movie marketing. The incumbent film executives had spent their entire careers in publicity with an emphasis on newspapers for both advertising and publicity efforts. In the late 1970s, shifts in the core movie business gradually made television advertising the centerpiece of marketing.

The major studios began importing marketing executives from the packaged-goods business, literally plucking them off Madison Avenue. The very insular old-timers were suddenly working shoulder-to-shoulder with younger and worldlier newcomers who alone seemed to hold the key to the magic of the television medium. Yet, the old-timers were not supplanted and managed the transition until they retired.

There are two pearls of wisdom I still remember from this previous generation of movie-marketing executives. The first is to always "sell the sizzle and not the steak." If one is marketing a monster movie, the trailer and advertising should show terrified people but not the monster. Leave the moviegoers intrigued enough to want to buy a ticket to see that. Interestingly, the opposite philosophy prevails today, because film marketing has entered an era of the "tell-all trailer."

The other pearl, from the early 1980s, is that film marketing is a puppet show and, as I frequently was told when I tried to extract information for my film-marketing stories, "Why should we tell you how we pull the strings?" The old-timers I encountered referred to their careers in entertainment as "working in the trenches"—which reflected camaraderie—and anybody outside the movie business was a "civilian." In another quirk of the era, their job titles often included the word *exploitation*, which is a long-lost bit of jargon.

By the early 1990s, sophisticated marketing techniques such as advertising testing and product placement in films became firmly rooted in the business but still the inclination to secrecy prevailed. Anita Busch, who was the first reporter to cover entertainment marketing on a daily basis for the Hollywood trade papers, recalls the chilly reception when she called one of the old guard of marketing executives at a major studio, "He said to me, 'You cover marketing? Well, we don't talk about marketing here.' And with that, he hung up on me."

Marketing to Moviegoers: A Handbook/Second Edition draws on my personal resources of information and contacts from covering the movie and television business for a quarter century. I knew this book was a great idea when every fifth person that I talked to in Hollywood while gathering information said he or she wanted to write a book like this, too.

I also acknowledge the following film industry executives, journalists, and supporters: Richard Abramowitz, Brian Ackerman, Rob Aft, Meredith Amdur, Christian Anthony, Steve Apkon, Louis Balaguer, Michael Barker, Elinor Actipis, Tim Baskerville, Henri Bollinger, Martin Brochstein, Brad Brown, Vincent Bruzzese, Donald Buckley, Anita Busch, Scott Carman, Geoff Cottrill, Jay Craven, Dave Davis, Anna Marie de la Fuente, Richard del Belso, Carl Di Orio, Jeff Dowd, Lawrence S. Fried, Mark Gill, Nancy Gerstman, Jeff Godsick, Kevin Goetz, Karen Gold, Mitch Goldman, Rafi Gordon, Shannon Treusch Goss, David Hancock, Scott Hettrick, Doug Hirsch, Devery Holmes, Lee Isgur, Jason Klein, Paul Lenburg, Mitch Levine, Pamela Levine, Burt Levy, Marvin Levy, Doug Lowell, Marie Silverman Marich, Rick Markovitz, Dan Marks, Ira Mayer, Vera Mijojlic, Andy Mooney, Susan Nunziata, Steve Ochs, Tom Ortenberg, Gordon Paddison, Janice Roland, Nikki Ruschell, Emily Russo, Roger Schaffner, Lynne Segall, Tony Seiniger, Henry Shapiro, Tom Sherak, David Stern, Howard Welinsky, and Shelley Zalis. A half dozen other film executives were extremely helpful, but they asked not to be identified.

I'd also like to thank the team at Southern Illinois University Press, especially editor-in-chief Dr. Karl Kageff. SIU Press showed enthusiasm and the vision that the movie sector needed a comprehensive book explaining marketing, which is critical but often is underappreciated.

I'd also like to thank the library of the Academy of Motion Pictures Arts and Sciences in Beverly Hills and the New York Public Library for the Performing Arts (at Lincoln Center). I could spend the rest of my life happily immersing myself in their books and archives.

And with those thoughts and acknowledgments, I sign off. Now I can catch up on movies that I missed while updating the second edition of this book.

MARKETING TO MOVIEGOERS

Introduction

> You can fool all of the people all of the time . . . if the advertising is right and the budget is big enough.
>
> —Hollywood producer Joseph E. Levine

It's been just three years since the first edition, yet there have been surprising changes in domestic theatrical distribution.

This makes the updates all the more vital for *Marketing to Moviegoers: A Handbook/Second Edition*. Tens of thousands of words of text and scores of tables and photos are revised or completely new. A dozen executives quoted in the book are interviewed for the first time or reinterviewed for new comments and their first-edition quotes discarded. Thousands of words that appeared in the first edition were cut, yet this second edition is still eleven thousand words longer because of significant additions.

The changes in the movie industry that are chronicled in these pages are dizzying:

- New media such as Web sites and SMS cell-telephone messaging exploded on the movie-marketing scene in terms of both paid advertising and publicity. Emblematic of the change is the closure in 2007 of print monthly magazine *Premiere*, which in the 1990s was Hollywood's most important platform to create buzz for new films. Now that happens at Web sites.
- Because new media fragments audience, film-marketing costs keep spiraling. Domestic advertising spending for the top tier of major films is $20–50 million now, versus $15–35 million just a few years ago. (Those

figures don't include additional millions of dollars more for creating trailers, producing ads, conducting audience research, and the like.)

- Major studios still need pricey prime-time–broadcast network ads that cost as much as $1 million for a thirty-second commercial because there's no viable alternative to blanket the nation. There are few examples of Web-centric campaigns propelling films to box-office success, though this medium is growing more important.
- Indies have trimmed their ad spending after finding incremental outlays didn't yield commensurate economic returns.
- In box office, there's trouble in the middle as fewer films seem to reach the $40–80 million range, which is the sweet spot for independents. The top films are doing better than ever, and this keeps aggregate box office stable. But the void in the middle makes cinema more of a feast-or-famine business.
- Movie researchers struggle to assemble accurate audience samples and data as the digital era means that moviegoers are mobile and thus more difficult to track. Further, moviegoer behavior is more difficult to predict than just a few years ago as their media-consumption habits are changing.
- Finally, we lost a major studio since the prior edition! There are now six, with MGM no longer a member of major-studio trade group the Motion Picture Association of America (MPAA).

Marketing to Moviegoers: A Handbook/Second Edition demystifies theatrical marketing, which is booking films in cinemas and coaxing audiences to see those films. Theatrical marketing requires a combination of science, art, and good old-fashioned showmanship. The first eight chapters of this book neatly outline the key components in film marketing, while providing interesting history, real-world metrics, and metrics in generic templates. So get ready for the theory with a dose of reality! The extensive revisions and updates in this edition are most evident in the middle of the chapters. The introductory passages and history sections at chapter endings did not require extensive updates, although in some cases these, too, were overhauled. Data tables have been updated, and new graphics were added to this second edition.

This book is unique in that it is in an easy-to-navigate handbook format, is focused on consumer marketing, and covers the tight-lipped Hollywood major studios. Other books that purport to cover major-studio marketing do so in an amorphous case-study format that is rambling and does not segment information. There are film-marketing handbooks, but from what this author has seen, they are focused on the independent-film market. And many of these wander from a focus on moviegoers to instead delve into business-to-business issues such as film finance, which are well covered by numerous books.

The humorous epigraph quote at the start of this section by Joseph E. Levine, which plays off a famous Abraham Lincoln comment, addresses the notion that audiences will respond to a crafty ad message when delivered with advertising tonnage. Levine, who passed away in 1987, was the film impresario whose eclectic credits range from the Oscar-winning period drama *The Lion in Winter* to *Santa Claus Conquers the Martians*. Levine pioneered the coupling of heavy spending on spot television advertising with saturation theater bookings in a city to make box-office hits out of unlikely films such as *Hercules*, an Italian import released in 1959.

These days, it's the Hollywood majors that have taken that message to heart. No other film companies in the world come close to their power or acumen. Three chapters of *Marketing to Moviegoers: A Handbook/ Second Edition* delve into subject matter that other marketing books devoted to independents don't cover much or at all. These disciplines are the province of the majors: audience research (chapter 2), tie-in promotions (chapter 4), and merchandising (chapter 5). In particular, this book's audience-research chapter thoroughly explains in 10,100 words a segment of marketing that isn't found in any other book. Others simply allude to test screenings and tracking surveys in passing.

Anyone in the film business will benefit from knowing the tricks of the trade as practiced by the major studios, just as anyone who wants to know how to make wine should study the French. In addition, this book devotes two sections to independents (chapters 10 and 11) to illuminate that sector of the film business as well.

Some pundits call Hollywood's emphasis on big movie-marketing campaigns an exercise in madness. But movie distributors are not fools. Box office is increasingly front-loaded, with around half of a big major-studio film's gross now coming from the opening week, versus 20% in 1990. This is smart because Hollywood-film distributors collect a higher percentage of box office in the first weeks of a film's release, and their percent take from theaters declines in later weeks (even though theaters are still doing well). Also, heavy spending in theatrical marketing that drives box office is a springboard for a movie collecting more money out of pay television and VCR and DVD.

The size of Hollywood is widely underestimated. The six major studios are forecast to generate $39 billion in 2008 from worldwide sales of theatrical films to all media: theaters, DVD/video, and TV, according to Carmel, California–based Adams Media Research. What is little understood, even in most of Hollywood, is that total global spending on release prints and theatrical advertising actually surpasses the costs of making films by 15%. This is little appreciated, because standard U.S. industry data does not show that this is the case. Those U.S. figures compare the total cost of producing films with only the United States and Canada portion of theatrical marketing costs, which ignores additional marketing costs overseas. The overseas theatrical marketing expenses run into the billions of dollars each year.

Movie marketing used to be an insular and backwater function in the Hollywood ferment. However, with film-advertising expenses soaring and competition for moviegoers on the rise—just look at how young males are consumed by video games—marketing is now top of mind in the film business. Film producers, film creative executives, and movie financiers want to understand how films will be launched and at what price.

Movie marketing directly has an impact on other industries, too. Consumer-goods companies—such as fast-food restaurants, automakers, and soft-drink companies—mount massive tie-in promotions with films. The companies that make movie-themed products, from simple caps to expensive jewelry, are joined at the hip with movie marketing. At schools that teach film, marketing is—or should be—part of the curriculum.

Theatrical release is increasingly being compressed to six to eight weeks, which is a short window. Film marketers have just one chance to get it right, because few films in all of history have ever recovered from a poor opening weekend. Each film in theatrical release is a new product that needs to be explained, positioned, and promoted to consumers on its way to that short and fragile shelf life.

1

Creative Strategy

> Prepared for the first almost-free parliamentary elections in Poland in 1989, the [election] poster shows Gary Cooper as the lonely sheriff in the American Western *High Noon*. . . . It was a simple but effective gimmick that, at the time, was misunderstood by the Communists. . . . Cowboys in Western clothes had become a powerful symbol for Poles. Cowboys fight for justice, fight against evil, and fight for freedom, both physical and spiritual. Solidarity trounced the Communists in that election.
>
> —Lech Walesa, president of Poland, 1990–95

Challenges in conceiving creative messages for movie ads come in all sizes and shapes. For a *Spider-Man* film, don't be boringly earnest or too literal, because moviegoers are already familiar with the property. Other times simply serving up what is expected works great, such as the animated *Bee Movie* conveying that it's a silly comedy with the tagline "Hold on to Your Honey." For star vehicles, the ads need to satisfy the core fan base of the star, which no marketer would want to turn off, while injecting a new wrinkle to rope in other audience segments.

Because most movies are based on original concepts, the ad messages need to position the film in its appropriate genre, so aficionados of that genre can easily find the movie. The ad message should also serve up notions about what makes a film special to attempt to broaden audience appeal. Incorporating quotes from reviewers once a film opens, highlighting such text as "hilarious," "gripping," "magical," and "one of the best movies of the year" can also attract moviegoers.

Perhaps the most daunting challenge is selling movies that audiences really don't want to see. That may seem a contradiction, but is a curious fact of life in Hollywood's filmmaking creative process. Screenwriters, film-company development executives, stars, and directors sometimes take a turn for artistry or misjudge popular tastes, which results in films that have little audience appeal.

A case in point is the series of Iraq- and Afghanistan-related war films that flopped in quick succession during late 2007. They were serious and hardly "feel good" films that audiences seek for entertainment. These included *Redacted*, *Rendition*, *Lions for Lambs*, *In the Valley of Elah*, *The Kingdom*, *Grace Is Gone*, *A Mighty Heart*, and *Taxi to the Dark Side*. In its year-end box-office report, a *USA Today* article stated, "Look at the lowest-grossing movies of the year, and they are littered with stories with something political to say." In the case of *Lions for Lambs*, the star wattage of Tom Cruise and Robert Redford illuminated a meager $15 million in U.S./Canada box office in what was said to be a $35 million production released by MGM. In advertising these films, Hollywood marketing executives decided to hide the hot-button war themes and instead vainly reposition the films as thrillers, engrossing character dramas, or as star vehicles (for Cruise in *Lions for Lambs* and Tommy Lee Jones in *Elah*). Not even Harry Potter could conjure a magical spell on the audience to make these stiffs come alive in the mass market, even though some were well-crafted filmmaking.

One aspect of the topical Iraq-war–film fiasco is instructive about creating movie ads in general. The ads that are straightforward descriptions of the movies themselves often fall flat in the marketplace, as was the case for the 2007 release of *Death Proof*, an R-rated tribute to 1970s exploitation films with cult followings today. The stylish ad campaign faithfully recreated the feel of period ads, but it didn't resonate with the contemporary youth audience, which was unfamiliar with the three-decades-old source movies. In designing campaign messages, marketers often find the primary thrust of a movie problematic. Then they search for other aspects of films—subplots and secondary-character relationships—to stress in advertising.

Hands down, the best marketing-campaign building blocks are pieces of the film, which marketers have mined for ages. Some are so powerful they even work in completely different contexts, as this chapter's epigraph from Lech Walesa indicates. The image of Gary Cooper as the sheriff in the 1952 Western drama *High Noon* was adopted by the Solidarity movement as its campaign poster for the 1989 election that brought democracy back to Poland.

Overview

The most important concept to keep in mind when creating movie ads is that most film releases are analogous to "new product" launches. Certainly, consumers are predisposed to various elements of familiarity in a movie, such as well-known actors or films based on preexisting properties such as popular novels. Tom Hanks and Harrison Ford are de facto brand names as heroic good guys, and the *Harry Potter* books have legions of fans. Yet, films with popular stars and films based on popular books bomb all the time.

Thus, familiar elements simply represent marketing hooks, because the movie most likely will be viewed as a freestanding consumer product—its own branded product. It's tricky to introduce new brands to consumers. Coca-Cola—an acknowledged master at consumer marketing—stumbled with the seemingly can't-miss introduction of the New Coke brand in 1985. New Coke had beaten old Coke in taste tests, yet New Coke flopped in the marketplace and the original formula was brought back.

A few types of films have brand image without a marketing campaign first planted in the minds of moviegoers. There's the occasional film sequel (which is a brand extension of sorts) and the rare theatrical re-release of an old film. The Disney name draws a sizable family audience. A few filmmakers have a somewhat branded image because of consistency in their films. Spanish director Pedro Almodovar makes witty and stylish comedies aimed at sophisticated tastes, so his films have a built-in demand from a loyal core audience. But these are altogether a small minority.

Key copy lines—the short slogan that presents a movie to consumers—are dreamed up with a selling proposition used to market the film in multiple media from newspaper ads to in-theater signage (see fig. 1.1). Warner Bros.'s 2007 science-fiction *I Am Legend* stressed a human story and mystery with "The last man standing is not alone." Society's uneasy interaction with technology is the theme of Warner/DreamWorks 2001 release of *A. I. Artificial Intelligence* with the advertising text, "His love is real. He is not." The terror of *Alien*, the Twentieth Century Fox thriller from 1979, was conveyed with, "In space, no one can hear you scream." Miramax/Dimension's 2003 sullen comedy *Bad Santa* is positioned directly opposite the popular Christmas icon with the key copy line, "He doesn't care if you're naughty or nice."

Memorable words within films sometimes end up in advertising. "Love means never having to say you're sorry" propelled Paramount's 1970 weeper *Love Story* to blockbuster results. "Show me the money" captures the dog-eat-dog world of business and sports in the 1996 release of Sony/TriStar's *Jerry Maguire*. Various key copy lines for the original *Star Wars* in 1977 were unsatisfying in evaluation prior to release, so "a long time ago in a galaxy far, far away" was plucked from the movie's opening text crawl as a compromise. The phrase moves one to thoughts about magical distant worlds.

The best movie ads create a special atmosphere and project elements that are subliminal. Colin Brown, editor-in-chief of the United Kingdom–based

Fig. 1.1. Types of in-theater movie signage

door panel a poster of 20x60 medium stock paper; extremely rare size; very few have survived

lobby card a poster of 11x14 heavy stock paper, originally made in sets of eight. Most sets have a title card, which was essentially a miniposter with credits and artwork. The other seven "scene" cards showed different scenes from the movie.

one-sheet poster the standard-size poster, which is 27x41 thin paper stock

six-sheet poster a poster of 81x81 thin stock paper, usually in three or four different pieces that fit together

three-sheet poster a poster of 41x81 thin stock paper, usually in two or three different pieces that fit together

reissue a poster printed for the release of a movie subsequent to its original release

window card a poster of 14x22 heavy stock paper. Usually, the top four to six inches are blank for the theater to print its name and sometimes the playdates on.

Source: Posteritati (www.posteritati.com)
Note: All sizes are in inches.

trade newspaper *Screen International,* was impressed that the Fox Searchlight advertising for 2006 satirical comedy *Little Miss Sunshine* seemed to take ownership of the color yellow that was a signature of its marketing materials. "Whenever you saw yellow, it reminded you of the movie," said Brown. "To me, the way a movie gets presented is almost as important as the movie itself. The artwork and the ambiance projected by the marketing is part of the movie experience."

Through the first week of theater release, films are largely defined by their creative message in ads because most moviegoers have not seen the films and can't judge for themselves (see fig. 1.2, a–d). Once films have been in theaters for a week, advertising can do little to alter the public's impression because word-of-mouth among moviegoers and reviews from media outlet shape public perception.

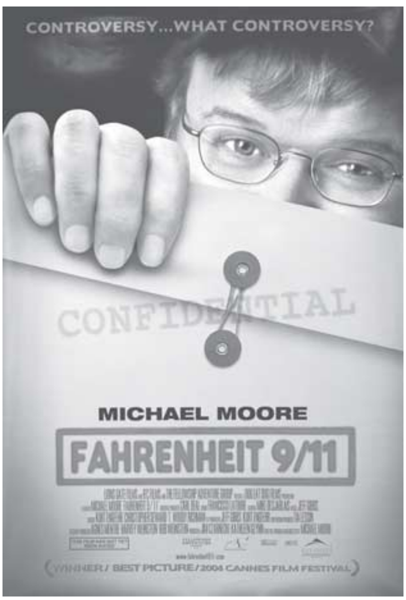
In creating advertising material, the top priorities are cinema trailers, which are also used on the Internet, and television commercials. Hollywood film marketers view them as the most persuasive in convincing moviegoers to buy cinema tickets. They reason that film itself is an audiovisual medium, so the audio and visual qualities of cinema trailers and television commercials best convey flavor and nuances. Also, Web sites post trailers and TV commercials free, providing a huge promotional platform. Radio lacks visuals. Print advertising such as posters and outdoor billboards lack audio and are limited to still photos for visual.

The creative process is the most elaborate at the major-studio level because of the large amounts of money at stake. A major-studio film typically opens with a launch campaign consuming $20–50 million in paid ads placed via

Fig. 1.2. Movie advertising must be effective.

(a) A great film from 1968, MGM's *2001: A Space Odyssey* was not well served by the lifeless scientific drawing in its poster art that ignored its central man-versus-machine human drama.

b) This teaser poster aims to pique audience interest with the iconic "no ghosts" logo but does not mention the title, *Ghostbusters,* which Columbia Pictures released in 1984.



(c) The dark humor of anti–Iraqi war documentary *Fahrenheit 9/11* is showcased in the print ad for 2004 joint release by Lionsgate Releasing and IFC Films.

(d) The teenage pregnancy theme is visualized by the side view of the protagonist of *Juno,* which Fox Searchlight released in 2007. The movie won an Oscar for best original screenplay and also was nominated for an Oscar for best picture, best director, and best actress in a leading role, among other awards.

television, newspaper, magazine, the Internet, and outdoor billboards. The studios don't want ineffectual ads to undercut the anticipated impact of the media buy, so they try out a dozen or more concepts, tossing out most after conducting consumer research and using just a few ads in the final campaign (see chapter 2).

For the majority of films that are released with national ratings, the Advertising Administration—a separate but related group to the national rating organization—reviews advertising and promotional materials to ensure they are consistent with the film's classification. Ad materials must display prominently a film's audience classification to help audiences judge a film's suitability. The Advertising Administration checks trailers, television commercials, print ads, and certain promotional materials, such as in-theater lobby stands, for such things as child abuse, sex, violence, nudity, drug use, cruelty, depictions of death, mentions of bodily functions, crude language/behavior, and denigration of ethnic/minority groups. Film trailers, the first wave of marketing materials to appear in public, often run before a film is classified and are obligated to indicate the film is not yet rated.

Besides the Advertising Administration evaluation, ad materials are subject to review by media outlets such as broadcast television networks, which make sure the materials contain no objectionable elements. Localized media such as newspapers can apply standards that are peculiar to their region, requiring costly modifications. For example, some visual-media outlets do not allow ads that picture guns pointed at the audience.

Since 2000, the Federal Trade Commission has been monitoring whether movie ads comply with industry self-regulation to market movies to age-appropriate audiences. In 2007 in its sixth follow-up report, the FTC found film ratings prominently displayed in advertising materials, which it praised, but was critical that text explaining the ratings sometimes is too small to read: "In some instances, television ads did not display any rating reasons." The FTC usually encourages self-regulation and voluntary compliance rather than taking formal legal action. Hollywood-film distributors and marketing executives are eager to keep enforcement on that consultation basis, and most film marketers avoid practices that would antagonize the FTC and the U.S. Congress, to which the FTC reports periodically.

Outside Agencies

To get fresh ideas, the major studios usually hire two to four outside creative boutiques—ad agencies that develop advertising materials—to develop a trailer. Two to five outside shops are hired to create television advertising. For key art, which is the central design of print ads that becomes a signature for the movie, one to three boutiques usually are hired.

Multiple outside vendors may be working simultaneously on the same portion of the campaign, with output from only one vendor actually used in the main advertising effort. Often, a new agency is added if the first wave of submissions is deemed off the mark. The materials from vendors not making the cut for the main campaign may just be tossed. Passed-over materials that have strong appeal to narrow audience segments can be used for cable television commercials or are placed on Internet sites that are a good fit for their particular creative thrust. For example, a commercial with strong appeal to women—but deemed not so effective for men—can be used on cable and Internet platforms tilting to women.

Rates paid by for a trailer or television commercial campaign run from $25,000 (for independents) to $250,000 (for studio films). Key-art posters cost from $10,000 to $200,000, and the signature design developed here is used in print ads, too. The wide range for price reflects the gulf between the six deep-pocket major studios and the smaller independent distributors, which tend to spend at the low end of the scale.

The more-costly boutiques earn their money by employing accomplished creative talent, using the latest equipment for high technical quality and operating virtually twenty-four hours a day for fast turnaround. The total cost to conceive of and polish creative materials into a finished advertising campaign for a big Hollywood film ranges from $1 million to $3 million, depending on how many outside ad shops are involved. Independents spend drastically less, often using one shop to create both the trailer and television commercial. Independents also may opt for less-expensive shops, not the top Hollywood boutiques hired by the major studios. Outside boutiques argue that their prices are not out of line. A rule of thumb in the advertising business is that the creative costs should be about 5% of the media buy. The major studios routinely spend $30 million to buy television, print, and other media advertising for their big films. Using the 5% rule, this correlates to paying $1.5 million to create the ads.

From the 1970s to the 1990s, the top creative boutiques serving major studios tended to have reputations for specializing in specific types of films, although they sometimes downplayed this for fear of becoming too pigeonholed. Powerful Hollywood producers, directors, and actors would twist the arms of the distributors to hire their favorite creative shops for their films. For instance, Clint Eastwood has used the same poster designer for his films for three decades.

In recent years, film producers have become less interested in directing distributors to hire specific creative boutiques, in part because the producers' emphasis has shifted away from creative materials to monitoring the weight of ad spending. Also, when advertising concepts from many shops are tested for the same ad campaign, a producer's favorite shop sometimes does not produce the ad campaign that scores the best in the ad-creation process. The creative-ad boutiques are mainly located in Los Angeles with a few in New York City and with staffs of from five to fifty employees. They include Ant Farm, Art Machine, Aspect Ratio, BLT & Associates, Cimarron Group, Craig Murray Productions, Create Advertising Group, Crew Creative, Intralink, New Wave Creative, and Trailer Park.

Creative shops work hard at handling all genres because being specialized is a liability if a shop's main genre runs dry. For their part, the boutiques increasingly solicit creative assignments outside their core Hollywood work today as a cushion for down time in the feast-or-famine movie business. The boutiques seek work for video release campaigns, self-promotion image campaigns by television channels, casino advertising, and other leisure industries.

In an attempt to rein in costs, major studios occasionally have tried to bring creative work in-house, rather than using outside boutiques. At the moment, Universal Pictures—at the behest of its controlling owner General Electric, which has a reputation for stringent management procedures—and Walt Disney operate the biggest in-house creative departments of the major studios. Under previous management, Paramount Pictures made a big push to keep work in-house in the early 1990s. This and other broader in-house drives fizzled because of pressures to tap high-profile, outside creative shops for big films, for which the stakes are highest. The result was that only the smaller films were available for in-house studio work.

Talent Presentation

Hollywood is something of an anomaly in the business world because the people who create the product—the filmmakers and actors—often exert extraordinary influence on the marketing. Contracts of top film talent may specify a minimum type size for their names in ads. They also may have other stipulations about their presentation in film credits. Some contracts include approval rights for all images of an actor used in ads, which limits options for the advertising creative message.

Labor unions for top Hollywood talent—actors, directors, and writers—include provisions for their members to be listed in ads, which inject a degree of consistency in presenting names in advertising. For example, the basic agreement of the Directors Guild of America (DGA) stipulates that signatory companies—the major studios and others—list the director's name no less than "15% of the size of type used for the title of the motion picture, but in no event less than the size and style of type for any credit accorded any persons other than actors." So that puts directors on equal footing with producers, writers, and others. Directors must also be named on all one-sheet posters, per the DGA contract.

Marketplace sensibility figures into various labor-guild rules. Given that actors are the biggest audience magnets, actors are permitted to be the only persons listed in ads under certain conditions. For example, looking again at the DGA's basic agreement, a director's name can be dropped from big outdoor billboards if the advertisements are simple and list only actors. The DGA's basic agreement

> allows outdoor-type with a director's credit when the advertisement contains only the name and either the likeness or photograph of one starring actor or likeness or photographs of two or more starring actors, as well as the title of the motion picture, key art, logos and motion picture rating and copyright notice. . . . If the (outdoor) advertisement contains five or more personal credits (or mentions), the director's credit shall be boxed. If the advertisement contains six or more personal credits (or mentions), the director shall also be accorded an additional credit above the title in the form A Film By, which shall be not smaller in size of type than the Directed By credit."

Another passage of the DGA agreement allows stark print ads also not to include the director, but the director's name must be included if the print ad has more than twenty-five words or contains any quote of critic reviews or "the name of any person" connected to the film, again except star actors. In addition to the labor-guild requirements, individuals may negotiate further rights in advertising billing. For example, a lead actor's contract may specify that no other actor's name be listed in larger type. Besides creative persons in labor unions, independent film companies and producers also angle for prominent billings in ads for their movies.

Contract language may specify that one of several independent film companies that worked on a film is entitled to billing "no smaller than any other possessory credit on a separate line." A *possessory credit* is an extra citation for a filmmaker stating A Film By or some similar phrasing that designates a creative signature on a film, which often appears above the title in ads that contain full billing.

Directors, producers, and writers often battle for such possessory credits in what goes beyond director or other guild basic agreements. A contract for a cinematographer, who is in the second tier of creative talent, may specify that the cinematographer be listed in type size equal to the director and writer but only in full-page ads in Los Angeles and New York newspapers and in ads in specified trade newspapers. Because Hollywood executives read those media, cinematographers and others angle for inclusion in these hometown outlets, figuring this will enhance their career standing.

Talent contracts often specify that no other person in the same class gets superior placement or a larger type size. When two top stars vie for top billing, the solution can be to place both names in identical type and side by side.

Because the left-hand position is considered better, the name on the right might be elevated slightly to achieve parity. The jockeying isn't just egotistical, because billing can determine salary and standing on future films. Regarding talent's right to consultations, distributors often go to great lengths to appease talent concerns about advertising, hoping to cement a relationship so that talent will be inclined to make other films for the studio. In some cases, top talent has a right to veto ad materials and not merely be consulted (these are individually negotiated and not part of industry-wide labor contracts). Talent includes actors, directors, producers, and writers.

In approving ads, it is not just the talent that is knocking on the marketing department's door. Other constituencies within a major studio (or independent film company working with a major) also may need to be included in the consultation process for approvals of creative materials. A film company's top executives, the distribution department that books films at theaters, and the development/production department often are involved to various degrees. Figuring out which constituency should review what material and at what point in the ad-creation process puts movie-marketing executives on a constant treadmill of simply soliciting input and approvals. As a result, one of the arts in marketing is employing deft people skills for dealing with objections from creative talent and executive constituencies. "Some advertising executives excel at presentation," wrote author Fred Goldberg in *Motion Picture Marketing and Distribution: Getting Movies in a Theatre near You* (1991). "They establish the proper setting and atmosphere, deliver a slick introduction, and present each layout separately. . . . The best layouts are generally the last [to be presented]. The layouts are passed around the room to give everyone a chance to comment."

A common challenge of the ad executives is defending a decision to leave out a powerful participant's favorite scene from trailers and television commercials. Often, film companies battling with talent in disagreements over advertising are least inclined to compromise on television commercials, because this is the most costly medium for ad buys. As a compromise, talent might be allowed to get its way with changes to print ads, meaning the key art. Talent is often satisfied with this compromise, because it is the one-sheet poster that eventually hangs in their offices, not the trailer or TV commercial.

Conceptual Approaches

Selecting and developing a marketing approach mesh art and science, and the process starts before the movie is even made. With input from filmmakers, top executives and the marketing department at a film distributor make an early estimation of the film's prime demographic audience. This prime target will be the emphasis in the early stages of developing advertising materials but may be modified along the way as the film takes final form and as marketing research samples audiences for feedback. Identifying the primary audience is crucial because this audience is most easily motivated and is expected to be the first wave of ticket buyers. The risk in not making a strong pitch to the prime audience is that this audience won't show up in force on opening day. Making advertising overly broad can result in no audience segment being influenced.

Developing concepts for creating advertising is a commercial art that does not easily lend itself to systematic description. "You want to hit an emotional chord," said David Stern, owner of Culver City–based Create Advertising Group. "Can you get someone to feel something? In *Spider-Man 3*, the advertising made audiences relate to Peter Parker's struggle between the good he exemplified and the dark forces, which we all encounter in our lives." Advertising and trailers need to convey an overall point of view to make an impression on moviegoers. It's not enough to simply excite or pique interest with intriguing scenes if they are disconnected. Moviegoers want to be told a story, so it's crucial to communicate a plot and show it has a trajectory.

Early concepts for television commercials and trailers are mapped out on storyboards, which are still photos or drawings in sequence. The creative boutique presents storyboards to the film distributor to get feedback, after which the concept is advanced to a rough cut, is modified before being developed further, or is dropped to start over. Trailer makers often skip storyboards, going from text script directly to a rough cut. Intuition, imagination, and experience play a role. The following points are considered in the creative process:

- Are there well-known stars—actors and a director, for example—and do they have an audience that will show up opening weekend? The latter point—whether the audience will really follow the stars—is crucial because some actors may be familiar faces but are not necessarily audience magnets.
- Is the story intriguing and unusual, which can be a key selling point?
- Will the film be dependent on opinions of film critics, and are the critics' reviews expected to be positive? The art-film audience is driven by reviews, while the youth audience is not.
- Does the film's title communicate what the film is about? If so, ads can build up other aspects of the film. If not, the ad message will have to position the film in its genre so that the audience is given a starting point of reference.
- Will the audience take a rooting interest in a sympathetic character? Is this character experiencing a crisis that should be presented in ads?
- Are there subplots that can be highlighted to attract a broader audience? Advertising for *Rocky* in 1976 emphasized the romantic travails of the

Sylvester Stallone character in what was a male action film set in the boxing world.
- Does the film transport the audience to some magical place that could be a selling point?
- Is the music memorable and a selling point that can be used in trailers and television advertising?
- Are there colors, backdrops, or props that are signatures of the film that should be carried over to advertising?
- If a film carries or is expected to carry a restrictive audience rating, is the creative aimed at an appropriate audience?

A corollary to zeroing in on a prime audience is settling on what kind of movie is being marketed. The assignment to create ads comes before a film is finished and, in some cases, before principal photography starts. Creative talent may feel that its film is an epic love story in turbulent times, while top studio brass believes it commissioned an action-adventure film with a little bit of romance. "Completed motion pictures sometimes do not exactly conform with the type of film the studio believed it was making when it originally green lit the project," Chris McGurk told a U.S. Senate hearing in 2000 on film marketing practices when he was MGM vice-chairman and chief operating officer. "In addition, completed pictures often appeal to an audience different from the one that they were originally supposed to reach." In one famous example, Universal Pictures executives were surprised to find that the 1998 sequel *Babe: Pig in the City* was darker than its warm predecessor was in 1995. The sequel's audience classification initially was PG; it was reedited for a G, which was the rating of the original.

Another cause of poor positioning is well-known actors going against their type. For instance, a film with the world's top martial-arts star would be expected to have plenty of action and appeal to male teens and young adults, yet the 2004 remake of *Around the World in 80 Days* starring Jackie Chan was a family film. The road movie did not connect with audiences, grossing around $24 million domestically via distribution by Walt Disney in 2004 (independent producer Walden Media reportedly spent $120 million to make the film). In another disconnect between a star's image and his character, madcap-comedy star Jim Carrey took a dark and serious turn in *The Cable Guy* for Columbia Pictures in 1996. The domestic box office was an underwhelming $60.2 million.

Teaser Campaigns

The main blast of advertising hits the consumer market just days before a film is released, but sometimes it is preceded by a teaser campaign, which starts weeks or months in advance. If a teaser trailer is not part of the marketing plan, then the first main advertising produced is the print campaign. Perhaps the most memorable teaser was the early campaign for *Ghostbusters*, the 1984 comedy blockbuster from Columbia Pictures that grossed a blockbuster $239 million in domestic box office. Columbia placed the comical signature art—a white ghost pictured within a red-colored cross-out (see fig. 1.2b)—in small ads in an assortment of media, including media slots not normally associated with movie ads. Those early ads did not always clearly explain that the ad was for a movie, but they created a mystique and established the key art in the minds of consumers.

The objective of teaser campaigns is to create awareness, convey a sense of genre to position a film in the minds of moviegoers and pique interest so that audiences will want more information later (see fig. 1.3). The teaser arrives too early to attempt a hard sell, because a film needs to be introduced first as a new product. Besides, if moviegoers are convinced to see a film by the teaser campaign, the effort is simply wasted because the film is many weeks or a few months from playing in theaters. Teaser trailers usually are short—typically 90 to 120 seconds—because the more compact the teaser trailers are, the more likely theaters will screen them. The regular trailers placed in theaters just a few weeks before release usually run 120 to 150 seconds.

Fig. 1.3. A flying dragon dominates the teaser ad for Fox's *Eragon* in 2006 on a billboard in New York City. Besides the title, the ad presents the text "Riders Wanted." Photo by Robert Marich.

Another reason teaser trailers are short is the lack of available footage from the film, so there's not much to show at this early stage. If early footage is available, it's usually not so complete as to be able to present a film's entire story. Thus, a typical ploy is to present rapid-fire, quick cuts as a montage for teaser trailers, or what is called a scenic trailer. In such trailers, voiceover narration and music provide the sense of unity. "You have to start from dailies [raw film footage] because the time frames for making movies are getting shorter," said Stern. "You generally want a teaser campaign at Christmas for a summer movie and a teaser in summer for a Christmas movie. It's very tricky working with dailies because you haven't yet seen a cut of the movie, and you don't fully have the director's point of view for the film." The main television ad campaign also can be preceded by a teaser television commercial, sometimes just 15 seconds long to create awareness, which is less expensive to place than the conventional 30-second spot.

The most significant teaser is a commercial on the Super Bowl—the professional-football championship game in early February—which has what is considered a huge audience at upwards of ninety million viewers. The price of a 30-second Super Bowl is quoted at around $3.0 million, so teaser ads tend to be highly polished and contain film footage. They also make a harder sell than most other teaser commercials, which appear in less-costly time slots. "It has to look like a large, expensive, and important motion picture if it's in the Super Bowl," said movie creative ad executive Tony Seiniger. "It's what I call an 'event' spot."

In after-game surveys, movie ads tend to rank at the bottom of audience favorites, but that does not mean they are not effective. The lesser popularity of these ads may be due to the limitation placed on the creative team of only using clips from the film and to the popular ads being the advertising industry's most elaborate productions.

Because teaser campaigns usually start well before a film has received its audience rating, the industry's Advertising Administration ensures that trailers are suitable for all audiences. No scenes that would garner a PG or more restrictive rating are allowed. Although much of the early marketing planning focuses on specific prime-target demographics, trailers must be crafted to play also to a broader audience. The trailer will be screened before assorted types of films—comedies, dramas, or adventure films—so the audience will be diverse. No film marketer wants to let slip away the chance to rope in a secondary-audience demographic.

Trailers

Movie trailers usually are free samples of a movie that are packaged to communicate a sense of story. The obvious goal is to convince the audience to come back for more when the film opens in theaters. Although the tendency is to pack trailers with thrills and chills, there's pressure to keep trailers to two-minutes' running time, because theaters usually will choose to play shorter trailers instead of longer trailers.

Regular trailers, which run in theaters sometimes months after teaser trailers tend to emphasize fuller scenes from the film, as opposed to the teasers, which usually use footage from the film itself only sparingly or in a general montage (see fig. 1.4). The regular trailers—which build on a general awareness moviegoers already should have with the film—tend to hold nothing back, making a complete and compelling pitch for audiences to see the film. Because the film is about to open, a soft-sell approach with subtleties is avoided at this

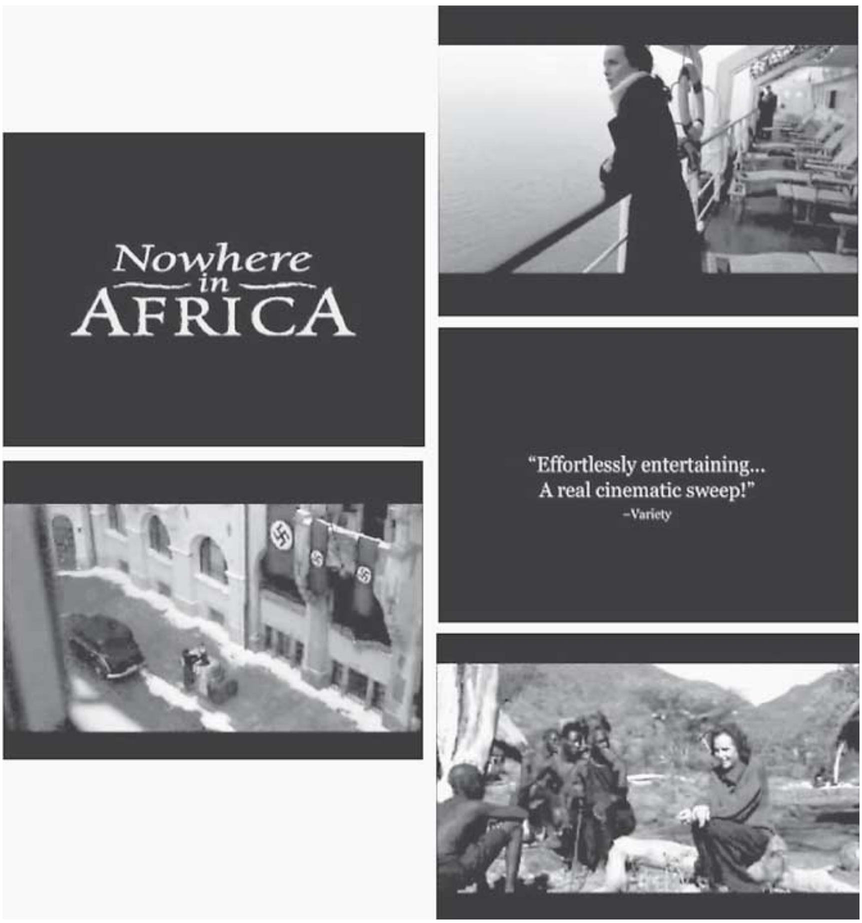


Fig. 1.4. In its U.S. movie poster, Zeitgeist Films presents the story trajectory of a family fleeing Nazi Germany and a film critic quote for 2003 German import *Nowhere in Africa*. Source: Zeitgeist Films.

stage. "We want a dramatic trajectory for a trailer," said Nancy Gerstman, copresident of Zeitgeist Films, the U.S. distributor of *Nowhere in Africa*, which won the Best Foreign Film Oscar for 2002. "Even if it doesn't tell the whole story, it should tell some of the story. And trailers should have good flow."

The trailer shops receive film footage immediately once a film starts principal photography or if the distributor acquires a movie from a third party. "When we buy a picture, we start working on the trailer the next day," said Michael Barker, copresident of Sony Pictures Classics, the specialty-film arm of major studio Sony/Columbia. It's a bit overwhelming for trailer shops to receive footage in dribs and drabs as a film is being produced. When the footage arrives, the trailer makers do not know what will and won't be used in the final movie.

To make compelling trailers, special footage is sometimes filmed during principal photography solely for use in a proposed trailer. Rapid planning is required because talent may be available in costume and on location for only a limited time. Such special shooting is done for about half the major studio films and is on the rise because of demands to generate extra content. The extra content is given to Web sites to promote theatrical release, incorporated into making-of minidocumentaries geared toward telecast on cable television networks (see chapter 6), and included as bonus material in the DVD version of a film.

Another source of extra material for use in trailers and television commercials is special effects, which can be created all or in part by computers. Perhaps the most famous special effects scene made for marketing materials was a snippet giving moviegoers the visual perspective of an arrow shot from a bow in *Robin Hood: Prince of Thieves*. The scene of the flying arrow splitting another arrow was so arresting that it was later edited into the film, a 1991 Warner Bros. release starring Kevin Costner.

For the 1979 release of the Universal comedy *The Jerk*, one trailer offered no footage. Instead, it featured the star Steve Martin giving what is allegedly a private, closed-circuit message to theater operators telling them the movie is boring in the middle, which he said would be good for popcorn sales.

For major studio films that use several outside creative boutiques, the studio typically lets each boutique see the trailers of its competitors once trailers are submitted. This creates what is called a *trailer derby*. After evaluating the work of rivals, each boutique refines its version in another round of creative work. The studio typically chooses just one or two trailers as its main trailers. Major studios evaluate the first round of trailers, seeing rough versions of several trailers from each shop. The studios can ask for revisions after further consultations or deem them ready to be tested by research outfits (see chapter 2) once the trailers are technically more polished. With feedback from studio brass and test audiences, trailer shops may revise their trailers again. In some cases, one creative shop may be dropped during the trailer derby to simplify the next round of evaluation if the shop's initial work is deemed to be far off the mark. When all submitted trailers are deemed ineffective, the film distributor may opt to splice together bits from different shops out of desperation, which yields what is called a *Frankenstein trailer*.

Two trends are worth noting. The first trend is not to be shy about being derivative. A trailer that reminds moviegoers of hit films from the past is considered effective in selling the new film, and a new trailer may imitate the style of an old trailer. Another movement in trailer design is to be comprehensive in telling the story in a film, especially giving a clear sense of the ending climax. In the past, trailers were not always so inclusive. In fact, they intentionally were not explicit about a film's ending. The trailers with the comprehensive approach tend to score better in audience testing, which is one reason this technique is popular these days for hard-to-sell films that struggle in consumer-research evaluations. *Wall Street Journal* film critic Joe Morgenstern labored to write a review that didn't reveal a crucial plot twist in Paramount Classics' release of the French-import drama *Intimate Stranger*, not wanting to ruin the film for readers. In a July 2004 review column, he wrote that he then came across "eye-catching [television] spots in which an announcer reveals, in voice-over, that *Intimate Strangers* is 'the story of a woman who bares her soul to an accountant when she mistakes him for a therapist.' So much for keeping secrets in the age of tell-all trailers." (Morgenstern won the Pulitzer Prize in 2005, marking only the third time a film critic won U.S. journalism's top award.) Paramount alien-invasion drama *Cloverfield* broke the conventions of the telling-all era in an effort to get moviegoers to ask each other "what was that?" Attached to the studio's *Transformers* blockbuster in summer 2007, the *Cloverfield* trailer was difficult to fathom, presenting grainy handheld image of a roof party in New York that is interrupted by fireballs in the sky. But no movie title is presented. Its sparse text simply cited the January 18, 2008, release date and named the producer J. J. Abrams (who is director of *Mission: Impossible III*). The tactic worked because the sci-fi film piled up $40.1 million in domestic box office its opening weekend.

Trailers themselves can become the talk of Hollywood. Fans are known to buy a ticket for a film just because they know it has a trailer for an upcoming film. In 1998, a chunk of the audience for drama *Meet Joe Black* walked out after the trailer for *Star Wars: Episode I—The Phantom Menace*, which is what they came to see. With Web circulation of trailers becoming prevalent, there's less urgency these days for moviegoers to go to theaters to see them. Some audiences were shaken by 9/11 memories after seeing trailers for Universal's *United 93* and Paramount's Oliver Stone film *World Trade Center* in 2006, particularly audiences in New York City. A *Titanic* trailer that ran five minutes was a hit with audiences in 1999 and theaters screened it despite its more than two-times-normal running time.

Moviegoers sometimes gripe that all the best scenes were in the trailer, so the film itself was something of a letdown. Creative executives say that it's their job to make the trailer as engaging as possible, which means shoehorning in the good parts of a film.

Television Commercials

One view of television commercials is that they are minitrailers, which are themselves minimovies. Each creative boutique assigned to a film will make three to ten commercials called *rough television spots*, which are commercials made for internal review but not so polished as to be suitable for telecast. The inspiration for the creative approach comes from direction provided by the film distributor and from the creative shop's own evaluation of film materials.

After rounds of consultations, the distributor picks somewhere between four and ten commercials at a time for audience testing. The best commercial with the broadest appeal typically is designated for broadcast network television. Others with narrower appeal—such as commercials that tests found were effective in reaching teenagers or young adult women—can be used on cable television networks that are demographically focused. Television commercials often are the object of the most frenzied revisions because they can be run on short notice, unlike an ad in a monthly magazine. In contrast, trailers in theaters play to layers of small audiences over months.

For television commercials, marketers can draw from a movie's subplots to try to entice a secondary audience. Advertising might pump up a small romantic interlude in an action-adventure film to court the female audience for a film with strong male appeal. For example, Disney gave prominence to the character portrayed by the comely Keira Knightley in the 2004 action period drama *King Arthur*.

Television outlets have their own standards for acceptable content in advertising, which often vary according to the part of day a commercial is telecast.

Creative/Print Ads

Outside creative boutiques usually are hired to create the key art, which is the poster and print-media materials. When ads are created in-house, the procedures are much the same. Studio brass still reviews and approves the work.

After receiving direction from film distributors and possibly creative talent, the outside shops devise sketches of proposed concepts—the roughs, so called because they are unfinished but drawn to actual size. The roughs are presented to the film distributor for evaluation, after which a more polished version is created. A concept can be modified or abandoned along the way. As a concept is developed further, it eventually takes the form of a *comp*, or *comprehensive layout*, which is polished but still subject to discussion and modification. "Print is much more difficult than television spots and trailers because you have to pretty much focus on a single image," said creative expert Seiniger. "You don't see many montages in print today, thank goodness. They don't reduce down very well in newspapers, and they look busy. So you try to come up with what I call the single image. By the very nature of the single image, you have to make a choice to appeal more to one segment of the audience than others."

A mainstay of print is the *endorsement ad* using quotes from film critics. Sentences or phrases from reviews praising the film are incorporated in the advertising, along with the name and media outlet of the critic. Even films with uneven reception in the marketplace invariably have critics from small media outlets with upbeat reviews whose praise can be plucked for reproduction in ads.

Films with famous casts often make that their star actors the prime selling point, beyond genre of the film or other elements, using a floating-heads presentation (see fig. 1.5). This simply displays full faces of the stars but is not directly connected to any backdrop or scene. Examples range from the 2002 Miramax release *Gangs of New York* that shows Leonardo DiCaprio, Daniel Day-Lewis, and Cameron Diaz to the 1990 Warner release of *Goodfellas* with Ray Liotta, Robert De Niro, and Joe Pesci. With top actors today having consultation or limited veto rights on advertising, the path of least resistance for any star-laden movie is pumping up the top-billed performers.

Most films voluntarily submit to the national ratings service, and there are sometimes disputes with the Advertising Administration whether the creative message is consistent with a film's classification. One tiff involved the controversial documentary *Fahrenheit 9/11* (see fig. 1.2c). The distributors Lionsgate and IFC Films appealed a decision preventing ads for the film from including a quote from Chicago-based critic Richard Roeper saying, "Everyone in the country should see this film." The original decision was upheld because it is inappropriate for an advertising message to exhort all to see an R-rated film, which requires children under age seventeen to be accompanied by a parent or adult guardian. According to the Motion Picture Association of America (MPAA) Advertising Handbook, "Phrases such as, 'for the whole family,' 'family entertainment,' or 'a movie for everyone' cannot be used in any advertising unless the film has received a G or PG rating."

Taking the quote chase to an extreme, in 2001 Sony Pictures was caught manufacturing quotes that were attributed to a fictitious critic. The films

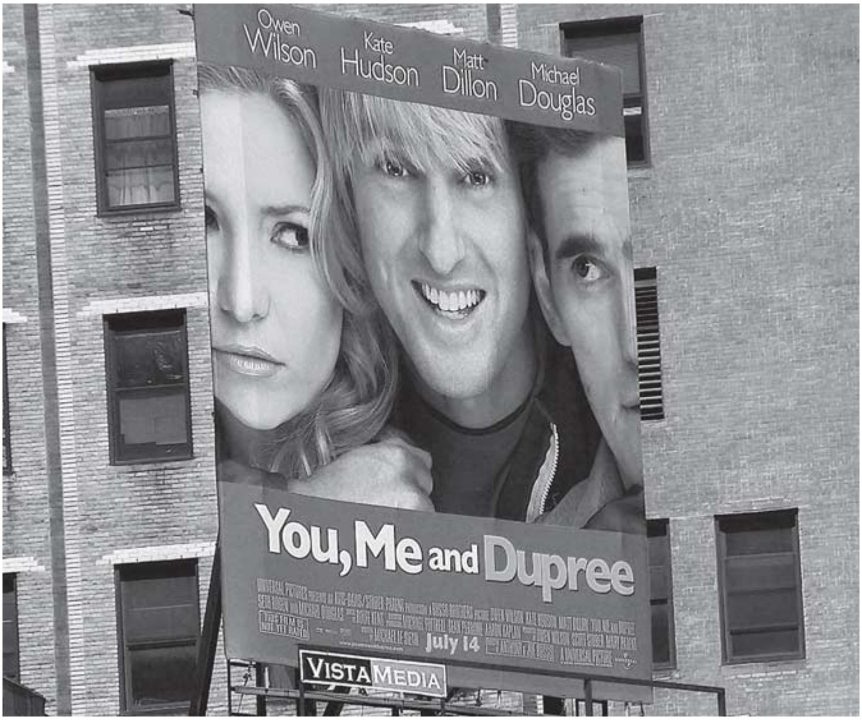


Fig. 1.5. *You, Me and Dupree* highlights its youth-market stars Kate Hudson, Owen Wilson, and Matt Dillon and for its three's-a-crowd plot on a New York City billboard for the 2006 Universal release. Photo by Robert Marich.

receiving praise included *A Knight's Tale* and *Hollow Man*. Sony Pictures reportedly agreed to pay $1.5 million to settle a class-action lawsuit. Such extreme abuses in movie advertising are rare.

Besides reviews from critics, another form of endorsement is the touting of strong opening box office, which presents the opportunity to advertise the film as a crowd pleaser. A film that ranks number one in national box office one week can be marketed as "America's most popular movie" for the next seven days. If a comedy ranks third behind two dramas in the closely watched weekend box office, then it can be advertised as "American's number one comedy!" Film distributors sometimes accuse one another of inflating box office to gain promotional advantage. Freewheeling independents, with fewer corporate constraints, often are singled out. In 1997, Miramax issued a press release acknowledging that a previously announced figure for opening box-office for its horror film *Scream 2*—which became a genuine hit—was a sizable $6 million too high. With the downsizing, *Scream 2* lost its claim on the record for biggest nonsummer opening. It's believed Miramax was forced by parent company Disney to make a correction so that Disney shareholders wouldn't claim later they were misled.

Titles

An evocative title can be the most effective single element of creative material in a broad marketing program, because a film's name is relentlessly pushed into the marketplace with giant billboards, television ads, and print ads. There's not much room to maneuver for films based on books or preexisting properties, of course, but for the majority of films, the slate is effectively clear, because a title is a malleable item. Scriptwriters may affix titles to their screenplays, but these titles are subject to change. Once a film is cast and about to start production, it is advisable to have settled upon a name because at this point the film starts to generate publicity.

The major studios' trade group—the MPAA—operates Title Registry Bureau, which is an industry clearinghouse. The MPAA's six major studio members are obligated to use the bureau, and independents that are not MPAA members may opt to use it. Usually, a film company has done a full copyright search before attempting to register a name with the bureau. Film companies currently have claims on 120,000 different film names in MPAA's registry. The independents stretch the most at serving up catchy titles. These include Miramax-distributed *Sex, Lies and Videotape*, Lionsgate-distributed *House of 1,000 Corpses,* Nu Image's *Diary of a Sex Addict*, and Vestron/Lionsgate's *Dirty Dancing*, which actually wasn't all that risqué.

There's a long-running affinity with punchy one-word titles, such as hits *Enchanted*, *Elf*, *Gladiator*, and *Seabiscuit* (based on a book). Some one-word titles are still a mouthful, such as *Ratatouille*. Disney figured that consumers would pay attention to advertising to learn how to pronounce the French word. Further, this title seemed to fit the movie, because it is an actual French dish and because it has the word *rat* in it. Other titles under consideration included *Rats!* and *Chef's Tail*. The solo-word–title strategy rips a page out of the playbook of the magazine industry, which also embraces catchy one-word titles, such as *People* and *Newsweek*. Two-word movie titles are also trendy in movies, such as *American Gangster*, *Fred Claus,* and *Finding Nemo*.

Of 2007's top forty-two grossing films that were not sequels, thirty-three had titles of two words or less (excluding *the* and *a*), while just nine used three or more words. The longest nonsequel titles were *I Now Pronounce You Chuck and Larry* and *Tyler Perry's Why Did I Get Married?* Sequels accounted for the eight movies in the top fifty in 2007 but are in a special class because they actually need some verbiage to create a separation from predecessors, such as *Pirates of the Caribbean: At World's End*. Even some sequels kept it tight such as *Shrek the Third* and *The Bourne Ultimatum*, which is the third theatrical of the thriller series. Perhaps moviegoers were fatigued by *The Assassination of Jesse James by the Coward Robert Ford*, which bombed at the box office despite a cast of Brad Pitt and Mary-Louise Parker.

Mainstream films undergo occasional titles changes, which often amount to fine-tuning. DreamWorks's animated film *Shark Tale* started as *Sharkslayer*. In 1983, Lucasfilm felt an initial title of *Revenge of the Jedi* was not copasetic with the chivalry-minded Force, so the title was later revised to *Star Wars: Episode VI: Return of the Jedi*. Universal's low-budget cheerleader saga *Bring It On* in 2000 originally was titled *Cheer Fever*, which was dropped reportedly because research indicated the title had no appeal to boys.

Changing the title of a TriStar Pictures release from *Cop Gives Waitress a $1 Million Tip*, which left nothing about the plot to the imagination, could not save the retitled *It Could Happen to You* from being a box-office bomb in 1994. *It Could Happen to You* was used at least three times in the past by other films. Legendary Warner Bros. studio chief Jack Warner became personally involved in changing the name of a Marilyn Monroe film to *The Prince and the Showgirl* in 1957 from its source stage play called *The Sleeping Prince*. "We can sell tickets with this title and get rid of adverse publicity caused by reviews" from the stage play, Warner stated.

After an MPAA arbitration, Disney adopted the name *The Village* for M. Night Shyamalan's thriller after MGM's United Artists unit pressed a claim to the original title, *The Woods*, for one of its films. *The Village* opened to a dazzling $50.7 million over a three-day weekend in August 2004, although the film faded quickly. Columbia/Revolution had to give up *Skipping Christmas* (retitled *Christmas with the Kranks*) in 2004 after the MPAA agreed with a DreamWorks complaint that the title sounded too similar to DreamWorks's *Surviving Christmas*. *Skipping Christmas* was based on a John Grisham best-selling book, but *Surviving Christmas* was staked out first. Universal's 2004 retelling of the famous horror saga *Van Helsing* used a title drawn from the name of a vampire's nemesis found in Bram Stoker's 1897 book *Dracula*. The title attempted to create a separation from the various movies that have used a Dracula title over the years.

Hollywood is not shy about playing off corporate names and brands for movie titles. Examples are New Line Cinema's raunchy comedy *Harold and Kumar Go to White Castle* in 2004 (White Castle is a regional restaurant chain famous for its small, square hamburgers), Metro-Goldwyn-Mayer's *Harley Davidson and the Marlboro Man* in 1991, Twentieth Century Fox's *The Adventures of Ford Fairlane* in 1991, and Orion Pictures's *Cadillac Man* in 1990 and *The Coca-Cola Kid* in 1985. In a 1989 case, MGM turned aside a lawsuit clearing the way to distribute *Ginger and Fred* after dancer-actress Ginger Rogers objected to the title.

History of Creative Advertising

In the first half of the twentieth century, movie theaters took a central role in marketing films that they exhibited. They modified distributor-supplied art posters for local tastes and placed newspaper advertising.

As the century progressed, theaters increased reliance on Hollywood distributors, which became more sophisticated in making impactful creative materials. Through the 1950s, creating movie advertisements was an uncomplicated business. The major studios operated big poster departments that churned out graphic ads that were hand drawn because they were easier to reproduce in color than photographs.

By the 1970s, the landscape for the modern movie creative-advertising business started to take form. There was a shift to using photos in posters because advances in graphic-arts technology made photo printing feasible. A drawback to hand-drawn graphics was that the whole graphic had to be redrawn from scratch if changes were made.

In addition, the major studios were under siege as television siphoned audiences, and the independents pioneered innovative television advertising campaigns for movies. The majors plunged into television advertising as the 1970s progressed, diversifying from print media such as newspapers and magazines and following the lead of independents. Because of the demands of multimedia ad campaigns, the majors began contracting with outside boutique agencies to create marketing materials on an assignment basis. Powerful filmmakers accelerated the shift by insisting important creative work on their films be done by outside boutiques instead of the studios' in-house staffs. The filmmakers wanted to use the outside shops because of their reputations for excellence and because filmmakers had often worked with them in the past on films at other studios.

The late Saul Bass, who started in movie advertising in 1954 and later created renowned title sequences to start films, was on the vanguard of the movement to independent creative shops. Working with filmmakers like Alfred Hitchcock, Otto Preminger, and Martin Scorsese, Bass was most famous for creating opening sequences whose look and images often carried over into advertising. He was in the first of a wave of independent creative shops that proliferated in Hollywood advertising by the 1980s. Other pioneers of the modern era include Tony Seiniger, whose work spans *Jaws* in 1975 and *Terminator 3: Rise of the Machines* in 2003, and Steve Frankfurt, who created the advertising campaign for Paramount's *Rosemary's Baby* in 1968.

In the late 1980s and the early 1990s, mainstream advertising agencies began buying film creative shops to get a foothold in the Hollywood ad business. However, the trend fizzled because of economic travails in the mainstream ad agency business. Both Frankfurt and Seiniger sold their agencies. Frankfurt worked at his shop, which was owned by Bozell Kenyon & Eckhardt from 1974 to 1989, and then left. Seiniger bought back his shop from J. Walter Thompson in 1995 to go independent again.

The digital revolution has marched into the creative ad business. Print ads increasingly are made on computer screens, eliminating the need for handwork. Although the process is quicker, some lament that computers make for a more sterile, less personal type of advertising. Today, vintage original movie posters are collectibles, selling from hundreds to hundreds of thousands of dollars. The most valuable seem to be the 1930s horror films. Most are also available as inexpensive reprints, and these marketing materials are part of the moviegoers' enduring romance with cinema.

2

Market Research

> I don't want any yes-men around me. I want everybody to tell me the truth, even if it costs them their jobs.
>
> —Samuel Goldwyn

Movies experience a charmed life early in their existence because layers of cheerleaders surround them. The upper-management executives who made the decision to produce a film (or acquire a finished movie for distribution) feel vested with a sense of ownership. The creative talent that sold the project to the movie company and then made the film itself becomes more certain that it is sitting on top of a blockbuster with each hurdle that it clears. The publicity and distribution departments are presented the film by the top brass—their bosses who approved the film in the first place—and also by the enthusiastic creative talent.

Then, reality sets in. The task of getting the first opinions from outside this small, adoring circle of admirers falls to the research department. It exposes the film to a small slice of the outside world—the test audiences. In the best case, the audience reaction is what the inside admirers expected. In other instances, the public's reaction is mixed but not disastrous. Then there's the worst-case scenario, which would make even the legendary producer Samuel Goldwyn wish that he hadn't insisted on the unvarnished truth.

Of all the components of the theatrical distribution process, research is the least understood and the most misunderstood. The dichotomy exists because research is the most secretive part of the marketing process, and its impact is supposed to never be seen or heard by the outside world. "Research serves the straightforward purpose of providing more information," said Henry Shapiro, vice-president and general manager of entertainment research company MarketCast. "It's a tool for risk management and resource allocation and a relatively inexpensive source of insurance that introduces accountability and objectivity into the marketing process. But it's certainly not a replacement for the gut instincts of creative executives."

Boiled to its essence, consumer research is the science of polling a small, defined sample of people. Done correctly, consumer research provides information that is representative of a larger population. In Hollywood, the main role of research is to help identify target audiences for films and to determine which advertising and promotions have the most impact on each one, without sending confusing or irrelevant messages. "Moviegoers today have so many more choices for entertainment consumption than just a few years ago and more ways to learn about movies," said Shelley Zalis, chief executive officer of Online Testing Exchange Research (OTX). "On any given weekend, they no longer just think about what movie they want to see, but they can watch their favorite TV show that they recorded, play a new video game on their surround-sound big-screen television, or watch the newest DVD in their home theater."

Seven distinct types of research can be done in the movie business. All types elicit responses from groups recruited from the moviegoing public.

- concept testing. This type of research, which is rarely used, evaluates audience reactions to film ideas and casting for proposed films in development.
- title testing. In a related activity to concept testing, alternative titles for a film are evaluated in audience testing at an early stage to settle on one by the time a film finishes production.
- positioning study. A finished script is analyzed to evaluate strengths and weaknesses of the prospective movie. The goal is to shed light at a very early stage on what to emphasize in subsequent marketing.
- test screening. Viewings of both nearly finished and finished films often are conducted before a chosen audience prior to theatrical release. Sometimes, even *rough assemblages*, the first, crude version of a film, are test screened. Such showings are also referred to as *preview screenings*.
- advertising testing. Response to marketing materials, usually trailers, television advertising, and ads on the Internet, is evaluated. The objective is to find out what ads are most and least effective with various demographic target groups.
- tracking survey. This method gauges the public's awareness of an array of movies on a weekly basis prior to theatrical release. A final phase of tracking is a forecast of opening-weekend box office just before a film opens.

- exit surveys. When films are in commercial release in movie theaters, moviegoers are intercepted immediately after they view a film to elicit their reactions in what are called exit surveys. The goal is to identify the demographic groups supporting a film and the impact of various marketing materials.

Two methodologies are used for the above: qualitative (quality) and quantitative (quantity). For qualitative, researchers typically use a focus group, which brings together six to twelve moviegoers who are probed as a group for their views. In contrast, quantitative research involves asking a pool of moviegoers the same list of questions, and answers are tabulated. Consumers are queried individually and not as a group. Both methodologies are explained in detail later in this chapter.

Except for concept testing, research comes into play in Hollywood after a film gets a green light to go into production. Research is mostly designed to prepare a marketing strategy. The only significant way research shapes the final film is via test screenings of finished films before a recruited audience. If the test audience is dissatisfied or confused about parts of films that can be tweaked, filmmakers may try to reshape a film by enhancing narration or recutting or adding existing footage or by inserting newly filmed footage. Like in any big industry, Hollywood companies can order up custom research on any topic, and this does not fall into any specific research category.

Quirks of Hollywood

A common presentation of findings divides the audience into four big groups, called *quads*, for quadrants. The grouping structure divides the audience into male and female and then again into ages over twenty-five and ages under twenty-five. This type of data presentation is found in virtually all types of movie research. Film industry executives are particularly attuned to results in the two quads for ages under twenty-five because the youth demographic dominates the cinemagoing audience.

Another aspect of movie research is that findings often become embroiled in studio politics. Results can be used as ammunition by warring parties when studio executives and creative filmmakers lock horns over a film as it is being prepared for release. "The combat has been underway for a while, and suddenly we walk on to the battlefield," joked one research executive. That sets up research findings as something of an unofficial tiebreaker for disputes surrounding a film, which puts research executives in an uncomfortable position. Research executives say the solution is to listen to both sides and to ensure their key issues are designed into questionnaires in order to get an audience response. Then, let the chips fall where they may when the verdicts of audience samples are tabulated.

Over the past few decades, some long-time Hollywood executives publicly took a dismissive attitude toward modern research techniques. Some were from the old school, preferring to rely on personal experience and intuition—meaning their gut. Others simply didn't want to admit using data from test audiences, especially creative talent cultivating the image of being artisans. One newly installed studio chief—fresh from a career as an independent producer—vowed in 1990 to break his studio's reliance on research, which he dismissed as "voodoo." The track record for his films turned out mixed. Robert Altman's 1992 dark comedy *The Player*—which was scripted by Michael Tolkin—contained this biting dialog exchange that mocks a film test screening in suburban Los Angeles.

> *Idealistic Executive*: You sold it out. I can't believe it. How could you let him [another studio executive] sell you out? What about truth? What about the reality?
>
> *Filmmaker*: What about the way that old ending tested in Canoga Park? Everybody hated it. We reshot it. Now everybody loves it. That's the reality.

Disparagement is less prevalent because mainstream Hollywood executives and filmmakers give audience research respect (although perhaps not executives in the independent-film sector). The reason is that today's mainstream-Hollywood generation has years of experience with research that is mostly on target. Executives and filmmakers have received research findings that spotted unexpected audience reactions, helped make films play better, improved advertising effectiveness, and improved the bottom line. They recognized that research is a useful tool that at least should be one part of their broad decision-making process, but old taboos slowly fade. In a rare acknowledgment of preview screenings, Disney television advertising for *The Guardian* actually cited the 2006 action-adventure film as "one of the best-playing and highest-scoring movies in the history of Touchstone Pictures." In general, research remains an unmentionable to many in Hollywood, despite being welcome. Yet, references to research results increasingly creep into trade-press coverage of box office, regarding prerelease forecasts of box office and exit-survey findings. In 2008, the *Los Angeles Times* introduced a predictive Friday story about weekend box office and downgraded the Monday analysis because box office is so thoroughly covered in the press.

Although some may view movie research's function as exotic or a black art, in reality research applied to theatrical movies uses the same scientific methods practiced in every other corner of the consumer-marketing world. The methods may be universal, but some aspects separate Hollywood from the other businesses. For example, the creators of the product are exalted film directors, actors, and producers who have more clout in the marketing process than the faceless engineers or designers who create new cars or toasters.

Most film research simply assesses consumer attitudes toward movies, which is sufficient for Hollywood's purposes. Big consumer-goods companies also research consumer behavior, which is another strand of research not widely in use in Hollywood. However, behind the scenes, there is occasional exotic audience research conducted to track and assess general perceptions of venues showing movies, price/value of concessions, transportation convenience, and other cinema-related issues. On rare occasions, an audience test screening for a film assesses facial reactions of moviegoers. Creative talent wants to know if climatic scenes really do "wow" the audience and whether the film does sustain and build audience involvement. Importantly, scenes that interrupt or reduce audience involvement or that create unexpected confusion are easily identified using this technique.

Another quirk for Hollywood is that films usually have short shelf lives in theatrical release, typically just six weeks, so there's almost no chance for a resurrection if there's an initial stumble. That perishable quality—that a film is unlikely to ever return once it is out of the theaters—makes movie research all the more important because there's really just one shot to get the sales pitch right.

Theatrical films are also unique because the same film is sold over and over in different release windows, such as airlines, premium pay TV, DVD, and broadcast TV (whereas most consumer products are sold just once by the manufacturer). Thus, research data compiled for theatrical release has value to other distribution divisions that market the same films in subsequent windows.

Of course, not all films and their ad campaigns get research treatment. Independent distributors with modest advertising campaigns for low-budget films often dispense with research completely or use it only sparingly. Independent films whose maximum theatrical circulation is not expected to surpass six hundred to eight hundred theaters at any time during their theatrical run typically don't receive formal testing because the ad campaigns involved are modest.

The closest thing to test screenings for most independent films is showings at film festivals, at which filmmakers informally witness audience reactions. These can be used as guides for making changes, such as cutting scenes to reduce running time. Ensemble drama *Even Money* reportedly received some reedits after a South by Southwest Film Festival premiere before going into a limited 2007 theatrical run via Yari Film Group. An exception is the duo of Harvey and Bob Weinstein, who revolutionized the indie sector in the 1990s, in part by relying heavily on test screenings and reediting films after evaluating feedback. While some indie filmmakers took offense, giving Harvey the nickname “Harvey Scissorhands,” audiences seemed to be appreciative with the more-watchable result.

Distributors of foreign language films aimed at the art-house crowd typically don’t conduct significant research. As a class, these films don’t hit six hundred to eight hundred theaters. Also, their distributors in the United States often can do little else but shorten these imported films because they don’t have access to original elements residing overseas that are necessary for extensive recutting.

Overview

Film distributors—and consumer-goods marketers generally—are secretive about their consumer-research activities on which they spend tens of millions of dollars per year. Research is mainly the province of Hollywood’s major studios as a component of their costly marketing campaigns. The majors distribute mainstream films, so understanding a film’s strengths and weaknesses in the seemingly amorphous moviegoer market is crucial.

To make sense of the whole population, researchers generally divide the market into demographic groups according to age, frequent/infrequent moviegoer, and other categories. After putting each section under a microscope, so to speak, researchers reassemble the pieces to make a mosaic to define the prime-audience segments for each film. The same mosaic identifies audience segments least interested in a given film, which has a value in curbing waste in marketing efforts.

For most films, audience research focuses on the segment of the American population who are regular moviegoers, that is, those who see at least six movies a year in cinemas. This segment currently is 35% of the U.S. population; about half of that “frequent” segment is from twelve to twenty-nine years of age, and it is this group that makes or breaks most films. Film companies rarely find it useful to spend funds to track the light moviegoing population, although this could be done. Typically, three or four moviegoing audience segments are identified as prime targets. These target groups can be young men (ages fifteen to twenty-one), tweens (ages eight to twelve who aren’t teenagers yet), young women with children, or certain genre movie aficionados. These prime target groups are key because they are most likely to arrive in theaters on premiere weekend if effectively reached with group-specific ads and promotions. “Each target must be reachable, sustainable, substantial, and measurable,” said Hollywood research executive Paul Lenburg. “If you don’t have all four, it’s not viable. Successful movies attract two or more target groups with tailored advertising and media campaigns that complement and supplement one another without creating confusion.”

Film distributors hire outside vendors to conduct research legwork. The major studios each tend to have a handful of full-time research executives as part of the larger domestic theatrical marketing staff who provide oversight. In a preparatory phase, the small research departments at the major studios collect information internally about marketing goals that filmmakers and top studio brass want explored in research. Studio research executives also solicit input from others in the marketing unit, such as departments devoted to creative advertising, publicity, and distribution sales (the latter licenses films to theaters).

Hollywood has four main specialist movie-research outfits. The oldest is National Research Group (NRG), which is part of media conglomerate Nielsen Co., whose other businesses include Nielsen television ratings and the trade newspaper *Hollywood Reporter*. Another player is MarketCast, which is owned by media giant Reed Elsevier that also owns *Variety*. OTX Research (Online Testing Exchange), which was founded in 2000, is owned by ZelnickMedia, whose chairman is ex–major-studio executive Strauss Zelnick and the investment arm of media investor Robert Pittman. The newest entrant is IAG Research. Although film companies rely on outside vendors, both parties are sticklers about keeping results confidential to try to avoid seepage of test results at an interim stage. Leaks, which nonetheless occur, can undermine the paid advertising and publicity campaigns that come later.

A minority of directors, producers, and actors are dismissive of conducting research on their films for varying reasons. They can be suspicious because research is a science that they don't understand and can't control, unlike most other parts of the filmmaking process. Further, filmmakers, many of whom view themselves as artists, argue that research pushes films to the safe middle ground and waters down breakthrough movies.

From time to time, allegations are made that research findings are manipulated or even faked, although this doesn't seem plausible. Film distributors aren't inclined to pay for made-up data, and research has a good track record in identifying audience attitudes that later prove to be correct. One reason for allegations of fabrication may be misconstruing what is simply a hurried pace that is normal for processing raw audience data, so isolated lapses occur sometimes. A film that is completed one or two months before its release date requires rapid evaluation with moviegoer research to meet deadlines of film companies.

Another knock is that film companies simply use research as a shield. If a film opens badly, marketing executives point to test results indicating they produced the best release campaign possible. If not a shield, perhaps movie research can be viewed as a comforter in the film business where job security for executives is fleeting, audience tastes fickle, and the pace rapid fire because of a succession of film releases. Filmmakers also worry that poorly testing films will be abandoned by distributors. For their part, distributors might be inclined to open a film that tests poorly as broadly as possible in theaters, because poor word of mouth can be expected to deter audiences in subsequent weeks. This tactic points to distributors spending heavily before the release date but not afterwards. Another gripe is that film distributors sometimes inflate the positives in test results shown to talent simply to persuade talent to stop tinkering with a film that the distributor is already satisfied with.

In answering critics, research executives counter that their contribution is simply one piece of input, and film companies have multiple sources of information. Research findings are supposed to be a tool, not a crutch or a bludgeon. A common retort from researchers is this: Doesn't it make sense to find out from the audience what it thinks at the earliest stage possible?

Current Crises

Research practitioners talk of crises in the movie field this decade on at least three fronts: (1) it's increasingly difficult to recruit test audiences that are representative of the moviegoing population, (2) consumer behavior is more difficult to predict as their entertainment options multiply, and (3) movie research increasingly leaks out.

The first point—it's getting harder to assemble audience samples that match the real world—is a problem for consumer research in every industry. Up until about the turn of the century, simply phoning up households (fieldwork inviting people to screenings or randomly solicit participation in a telephone survey) reached a fairly wide audience spectrum. However, today's households increasingly enter their phone numbers on the do-not-call list, opt for unlisted telephone numbers, use call blocking, use call waiting, or rely completely on mobile cell phones. It is not always clear where cell-phone users live, making it difficult to categorize a respondent by geography.

Also declining, the time-honored process of soliciting persons at shopping malls for tests is being undermined by one of many shifts in consumer behavior. Some segments of the population now do most of their shopping exclusively at big discount stores, such as Wal-Mart, which are not part of diversified malls. It's tougher for audience recruiters to gain access to single-store shopping locations because of the lack of general public areas. "[Shopping] mall intercepts and phone surveys may be getting a little outdated," said Pamela Levine, copresident of domestic theatrical marketing at Twentieth Century Fox. "But they still provide you with reasonably good, broad-stroke information on whether you have a hit or you are in trouble."

A third area is the leak problem, which is specific to the movie industry. Movie research increasingly is circulated widely within the film industry, which is a problem (see "Test Screening Travails" and "Tracking Surveys" later in this chapter).

Film distributors may add a fourth crisis point: the cost of research (although higher expenses are mostly a function of demanding more types of information). A thorough research effort for an important major studio film runs $500,000 to $1.5 million. The biggest task is testing twenty to thirty television commercials for their effectiveness.

Despite some knocks, Hollywood seems addicted to using research. It is only common sense to check consumer reaction to a film's positioning and its advertising materials before unleashing preopening advertising campaigns of $20 to $50 million for major-studio films. Besides simply confirming that an approach works, research often turns up the unexpected. The female audience may find an action film has surprising appeal because of the likeability of the film's star or makes an emotional connection in some other way, so it would be a mistake to downplay marketing efforts aimed at the female demographic. Another unexpected discovery might be that audiences find a subplot in a film riveting, which means marketing efforts can push the sidelight as well as the main story line.

In 2000, the Federal Trade Commission (FTC) issued a report that was critical of audience recruitment in research, which the industry has since remedied. Of forty-four films that the FTC examined that ultimately received R ratings, test screenings and ad tests for thirty-three were conducted in an audience sample with children as young as age ten. The FTC's fifth follow-up report in 2007 did not mention any test-screening problems.

Concept Testing

In a chronological context, getting consumer feedback on film projects in development is the earliest type of movie research. However, such concept testing is used only sparingly and is not as significant to the distribution or the marketing process as the other types of research. Concept testing is controversial because creative talent often is suspicious that its use is the reason their promising movie ideas are rejected. Obviously, the phrasing in presenting movie concepts is key. A film about a dying person can be described as a classic tragedy or a poignant relationship drama.

Title Testing

Movie titles also are evaluated in this early stage of testing because the title is used in all marketing efforts and can be a tool for establishing the branding of a film. "You need to get this settled early because you don't want the cast and crew walking around in silk jackets that have a discarded title emblazoned on the back," says one filmmaker. A film might have up to forty titles under consideration at the beginning. Most title tests boil down the list by waves of testing to focus on a few viable choices. One goal of the title is to impart the correct genre to the main target audience.

Many times, a title elicits a strong moviegoer response in testing but turns out not fit the movie. These are usually enrolled in the central Title Registry Bureau of the major-studio trade group Motion Picture Association of America (MPAA) to be used for other films or else traded to other studios in exchange for desired names.

For title testing, two types of testing are done: *monadic tests* or *sequential monadic tests*. Typically, a sequential monadic design is used to winnow down a large number of names. This type of questionnaire presents the movie titles one at a time for evaluation, with no more than eight titles evaluated in a standard title-test questionnaire. At the end, the person taking the test is asked for his/her overall preference. This can be accompanied by a description of the movie's concept and a question about the appropriateness of each title for the movie. Large samples and careful rotations of titles are used. The technique is different when a small pool of movie titles is under consideration. In that case, pure *monadic tests* are conducted, which means only one title is presented for assessment, this time in depth. The benefit is there's no chance respondents will compare titles, which is a possibility when multiple titles are presented. Depending on the number of titles evaluated using a monadic design, the final sample size of moviegoers often is relatively large. A sequential monadic design allows the benefits of the monadic design, assesses the contribution of additional titles, and provides both preference and appropriateness measures. Sequential monadic typically requires a smaller sample than a pure monadic survey, so it is more cost effective.

Positioning Studies

Film companies can commission custom research for movie ideas as the subjects of one-time research. "Custom brand studies are useful for properties being considered for adaptation from other media, such as comic books or TV shows, or for older movies that are being redone, or for sequels," said MarketCast's Shapiro. "Marketers want to know what type of awareness the property already has and what type of brand associations, whether positive or negative. Among people that are fans of the original, what are their thoughts about an adaptation? For those with no built-in awareness, familiarity, or fondness, can enthusiasm be stimulated out of nothing?"

When distributors want to get a head start on designing a marketing campaign, they order a *positioning study*, which is on the upswing in Hollywood. A positioning study is used to develop a detailed movie marketing plan at a very early stage based on a script and casting. This helps identify alternatives for marketing the film to viable target segments of moviegoers. Such information helps studio decision makers forecast marketing spend and that, in turn, provides a glimpse of a given film's overall economics. With regression models, which make predictions to a larger population from results obtained with one variable and other fixed values, positioning studies are used to analyze the strengths and weaknesses of a film's potential assets prior to production and during production. In some cases, trial footage is created for showing during the research process. In a search for hooks to sell a film, this type of research elicits moviegoer reactions to all elements of the film including casting. A key objective of positioning studies is to identify the best elements to promote, which immediately gives a focus to advertising and promotional efforts for a movie. "With a sample of eight hundred and compact scenarios developed with the studio, we can make very early recommendations about the best way to market and position a movie," said MarketCast's Shapiro. Researchers say there's a financial benefit to using positioning studies because the studies eliminate the need to make a wide range of creative materials and to do the extensive testing of those items. "The positioning study finds blind alleys that would otherwise only be identified through repeated trailer testing," Shapiro said.

Focus Groups

The old business saying, "What you don't know can kill you" very much applies to movie research. Filmmakers, the top brass at a film company, and the marketing department may think they know who the audience will be for a film and how the audience will react to the various components of a film. However, the conclusions are the product of groupthink from insular executives, even if they have considerable experience in predicting moviegoer responses.

The focus group often is the starting point to test preconceived ideas of film executives about the consumer market and, even more important, to discover unanticipated issues. The focus group brings together six to twelve moviegoers to discuss a film or its promotional materials in a closed room for an hour and a half to two hours under the direction of a moderator. Sessions often are videotaped, and executives observe the sessions behind one-way mirrors. Focus groups provide qualitative information (subjective responses that defy simple statistical interpretation) from which executives can benefit by simply watching nuances of participants. Conducting a focus group for a film costs around $7,000. This covers expenses in preparing questions, renting a facility, recruiting participants, and analyzing the discussion.

In the consumer-goods world, some focus groups are conducted by telephone or, in a new technique, via the Internet, but these methods often are impractical for films because of the difficulty in presenting film clips without risk of piracy and the need to explain unfamiliar concepts to participants. Telephone focus groups are useful when addressing sensitive subject matter because participants can't see each other and thus may speak more freely.

Leakage to movie Web sites or other media is more likely with telephone and Internet focus groups, in comparison to sessions held at a central site where materials are always under the control of researchers.

Because of its purpose to confirm theories about consumers and to uncover the unexpected, the focus-group study often is conducted before test screenings of a film. Findings from a focus group help identify topics to be explored in later, larger tests. Focus-group results are not projectable to any population because the sample is too small. "Consider the focus groups only to be a thermometer that allows you to test the 'temperature' of consumers' reactions to your research topic," states Holly Edmunds in her book *Focus Group Research Handbook* (1999). "Focus groups should never be utilized to make a final decision."

The focus group discussion might uncover secondary characters in a film who are well liked and thus should be highlighted in marketing. Conversely, focus groups' discussions might reveal that a famous actor in a film doesn't elicit a favorable response. This finding would prompt the researcher to put more emphasis on evaluating other elements of a film later in mass preview screenings to search for alternative hooks for the marketing campaign. Typically, a minimum of four focus-group sessions is recommended, just in case gender and age differences skew group interactions in one or two. Large groups tend to be unwieldy, although capable moderators can pull this off. Limiting the number of participants to twelve allows each participant a chance to speak. Also, the larger the focus group, the more likely that some participants may refrain from expressing independent ideas, or some may dominate the conversation.

Recruiting a desired demographic makeup for a focus group is perhaps the most important aspect. Two weeks before the focus group is held, recruiters search for prospective participants, who fill out short questionnaires for demographic information. Once the actual participants are selected from the recruitment roll, they are invited to the focus group and typically promised \$20 to \$100 as an incentive to show up as promised.

Whereas recruiting uses science principles, moderating the focus-group sessions requires the art of interpersonal skills, of which the foremost requisite skill is the ability to control the session and be impartial. The moderator also must put the participants at ease, keep any one person from dominating the discussion, steer participants away from bickering with each other, and coax shy participants to speak (shy people buy movie tickets so Hollywood wants to know what they think!). The moderator's job is to move the discussion from point to point while encouraging spontaneity within a framework. Some focus groups have two moderators in rare instances because their interactions can put participants at ease. In addition, each participant may not relate well to a given moderator, so having two moderators increases the likelihood that at least one moderator will be sympathetic.

Test Screenings

When films are finished or nearly finished, such as a rough cut without final music or some special effects, *test screenings* (also called *preview screenings*) are conducted. These screenings usually are outside of Hollywood at a rented commercial cinema. Audiences are recruited in advance and then sent follow-up confirmations (see fig. 2.1).

The location often is a Los Angeles suburb, although a minority of preview screenings are held in distant cities. The cost of conducting such a screening typically runs $7,000 to $15,000 for an audience of two hundred to four hundred persons. That expense covers theater rental, a projectionist, audience recruitment, and data analysis, including a final written report and/or presentation. Major studios conduct from one to five test screenings per film, but three is a common number. An outside research vendor usually is hired to run the test screening.

Test screenings have two general objectives. One is to evaluate the *playability* of the film itself—the degree that audiences like a film after seeing it. The other is to obtain insights useful in assessing *marketability*, which gauges the degree of difficulty in selling moviegoers an unseen film. Marketability probes elements to determine which will hook a target audience and which will not. It is entirely possible that a film that plays poorly in test screenings is a relatively easy sell to audiences, though bad buzz from moviegoers after premiere can be expected to dim its box-office prospects. Sometimes, a film has separate production and marketing audience screenings, although issues from both types are addressed to some degree at each preview.

After seeing a film, audiences are asked for their opinions on a five-point scale of excellent, very good, good, fair, and poor. A two-sided, single-sheet questionnaire quizzes them about what they liked and didn't like, including story, characters, scenes, and the film's pacing, and whether they will recommend the film to others. As is always the case in the science of consumer research, audience members also provide demographic information about themselves individually, so their opinions can also be sorted by various categories. By culling answers only from respondents in a certain demographic group, researchers project an average score that a film gets on the five-point scale, for example, from males ages seventeen to twenty-nine. Also, a focus group of a small, preselected group of moviegoers usually is conducted immediately following the screening. Much of the data drawn from test screenings is quantitative information suitable for statistical analysis and thus projectable to a larger population (see table 2.1). When executives say a film tested with a 73% for "the top two boxes," 73% of the target audience chose excellent or very good on the five-point scale. Scores falling below the 55 to 65% range for the top two boxes are a cause for worry.

Test findings might point to making changes either to the movie itself to improve its playability or to its marketability. The sample might single out

Fig. 2.1. Sample invitation confirmation to a test screening

Film Industry Research Company
153 Third Avenue
Los Angeles CA 90001
(323) 123 4567

September 2008

Dear Moviegoer,

Thank you for accepting our invitation for a private screening of a chilling suspense thriller that will be a major theatrical film. This movie has been rated R and is not yet in release.

Admission is for you and only one guest. We ask that your guest be either approximately your age or within the eighteen-to-forty-nine age group. No one under eighteen will be admitted, due to the R classification of this film.

This invitation is nontransferable and is intended only for moviegoers ages eighteen to forty-nine who are not associated with the entertainment industry. Anyone who presents an invitation that is not in this age group or is associated with the entertainment industry will not be admitted.

Although the screening starts at 8 P.M., it is recommended that you arrive at the theater door by 7:30 P.M. Seating is on a first-come, first-serve basis. Seating is not guaranteed regardless of when you arrive.

INSERT SCREENING DATE

INSERT SCREENING TIME

INSERT SCREENING LOCATION

INSERT PARKING INFORMATION

We look forward to seeing you! Thank you for your cooperation.

Table 2.1. Sample test-screening summary, December 15, 2008

Movie title: PG-13 *Romantic Drama*

Total cards tabulated: 403

Walk-outs and spoiled cards: 7

			Males				Females			
	Total persons		Under age 25		Over age 25		Under age 25		Over age 25	
Overall audience	**Count**	**%**	**Number of persons**	**%**	**Number of persons**	**%**	**Number of persons**	**%**	**Number of persons**	**%**
Totals	**403**	**100**	**109**	**100**	**85**	**100**	**88**	**100**	**121**	**100**
Excellent	143	35	31	28	24	28	39	44	49	40
Very Good	135	33	40	37	29	34	27	31	39	32
Total excellent and very good ("top two")	**278**	**68**	**71**	**65**	**53**	**62**	**66**	**75**	**88**	**72**
Good	84	21	21	19	23	27	75	19	23	19
Fair	35	9	15	14	9	11	4	5	7	6
Poor	6	1	2	2	0	0	1	1	3	2
Definitely recommend	**231**	**57**	**54**	**50**	**43**	**51**	**62**	**70**	**72**	**60**

one or more scenes that initially were thought not to be significant. Evocative scenes are prime candidates for inclusion in television commercials and trailers. Results from test screenings may lead marketers to conclude that a horror film without excessive blood but lots of intricate plot turns plays surprisingly well to females, who often are written off in advance as not interested in the genre. "In general, women are more likely to become involved when they have an opportunity to figure out what might happen next," said researcher Lenburg. "They like the challenge of twists and turns. On the other hand, men don't like being confused. The visual and simple work best."

Kevin Goetz, president of the worldwide motion-picture group at OTX, commented about the qualitative data, "Often what's not mentioned is as important as what is mentioned. If a particular scene or character is not mentioned either in the audience questionnaire, comment cards, or during the focus group, it could indicate that no problem or issue exists, or it could mean that a specific scene or character that the filmmaker or studio thought would be a big audience pleaser or integral to the film's playability simply is not."

There are many stories about films that were reedited because of reactions from test screenings. Filmmakers and film companies often deny changes were made because of research findings; they are loath to admit that unfavorable test screenings are largely responsible for a reshoot decision because doing so makes them seem slaves of research. Whatever the motivation, an estimated 80% of major-studio films experience reshoots after principal photography to create new scenes, although not all are as drastic as changing endings. Such extra filming was less frequent decades ago but was still done. Endings were changed occasionally, even in Hollywood's Golden Era of the 1930s, as with *Wuthering Heights* in 1939. The original opening prologue of the 1950 classic *Sunset Boulevard* was set in a morgue but was replaced because audiences found the prologue too dark.

These days, filmmakers and distribution executives frequently go into previews thinking a film needs fixing, so research mostly confirms a preexisting suspicion and helps isolate specific areas. Famously, one ending of the 1987 thriller *Fatal Attraction* had the Glenn Close stalker character survive the climax, but test audiences reportedly found that ending unsatisfying. So the character was killed off in the final version of the Paramount Pictures release. *The Departed* reportedly received test screenings and edit tweaks on its way to the 2006 Oscar for Best Picture. Other examples include offbeat romantic comedy *The Break-Up,* which achieved blockbuster success in 2006 after a new, happy ending was used, a change reportedly coming after test screenings. A serious ending was inserted in Metro-Goldwyn-Mayer's comedy *Legally Blonde* after test audiences found the original comedic ending unsatisfying. According to a 2001 article in the *Wall Street Journal*, a character that audiences disliked was cut completely from *American Pie 2*, and new scenes were shot to give more screen time to another character.

If a film is made under the jurisdiction of the Directors Guild of America, the DGA's contract confers to the film's director creative rights that have an impact on test screenings (all the major studios are DGA signatories). Among several rights of consultation that directors have in a DGA labor contract is one that allows the director to deliver the first version of a film and to demand at least one screening of this version to a general moviegoer audience of at least one hundred persons. Distributors are obligated to invite directors to certain preview screenings on a five-day notice, and failure to do so can trigger a right of a director to force a repeat preview. If the first preview for a film is out of town, the distributor is obliged to pay for the director's travel expenses for that one screening.

In some cases, directors prepare for possible changes in advance or simply do not have films previewed at all. Director Steven Spielberg said that he shot two endings in principal photography before getting any feedback for *The Terminal,* his whimsical airport yarn from summer 2004 that stars Tom Hanks. Among those films that were reportedly not previewed or subsequently changed is New Line Cinema's *Lord of the Rings* films, and they achieved blockbuster status and Oscar kudos anyway.

Test screenings and previews are not panaceas for all films. There are some films that no amount of reedits and scene reshoots can save from later performing poorly in theatrical release. In most cases, edits could not easily fix these troubled films.

Test-Screening Travails

The previewing screening process is experiencing its own crisis. One problem is that results tend to leak out within the movie industry starting in the 1990s. Film distributors worry that simply screening a flawed film will trigger a bad buzz even if the film can be easily fixed. This has resulted in film executives retooling films before the first test screening rather than waiting for the first wave of audience research.

Another problem is that enterprising participants in test screenings can post on the Internet unauthorized reviews that become widely circulated. Pranksters who in 2004 claimed to have previewed Twentieth Century Fox's *Alien vs. Predator* (2004)posted commentaries, that were pulled when the studio convinced the managers of these Web sites that the commentaries were written by people who hadn't actually seen the film. The mainstream press also jumps on buzz from preview screenings.

This crisis is blamed for increasingly long running times of films in theatrical release. An ideal running time is 90 to105 minutes (a few true epic-event films each year run longer). But with leak worries, test screenings are held closer to release dates, and sometimes there are fewer. The result is longer running times as evidenced by the following films: in 2005—*Munich* (164 minutes) and *Memoirs of a Geisha* (145 minutes); in 2006—*The Good Shepherd* (167 minutes); and in 2007—*Lust, Caution* and *American Gangster* (both 157 minutes). The trend to long theatrical releases is illogical. Greater length means that theaters can squeeze in fewer runs each day, which cuts into box office and economic return. Longer versions seem more appropriate for later DVD and TV windows to induce moviegoers to view the same titles again. But filmmakers and distributors seem unwilling or unable to hold anything back.

For decades, apocryphal stories circulated in Hollywood about filmmakers supposedly packing a preview audience with friends in order to get good scores out of test screenings. In past decades, test screenings were less structured and almost always in the Los Angeles area, so slipping in a few friends and family may have been possible in theory. However, these days the audience-recruitment process is rigorous, and dissemination of questionnaires to the preselected audience is carefully controlled. The majority of test screenings that are around Los Angeles have a dividend of roping some of the region's ubiquitous tourists. This provides some perspective from out-of-towners.

Being close to Hollywood allows film company executives and talent to be present to get a "feel" for the audiences and their reactions. For the minority of preview screenings conducted out of town, cities near Los Angeles usually are chosen so executives and talent can make round trips in the same day. The New York City–New Jersey area is a secondary favorite metropolitan area for out-of-town previews. Other popular cities for out-of-town screenings are Sacramento, San Jose, and Phoenix/Scottsdale. More-distant cities that sometimes are used include Austin, Minneapolis (*Titanic*), and Milwaukee because they have sophisticated movie audiences. Steven Spielberg is said to like previews in Dallas, which was used to screen *Jaws* and *Close Encounters of the Third Kind*.

Test screenings also figure into business-to-business transactions in which the producer of a finished independent film seeks a domestic distributor to handle its release. In such cases, acquisition executives from distributors view films in private industry screenings to determine if they will make a bid for distribution rights. A distributor might be interested in a screened film but is not ready to make a firm financial offer based on just a viewing by its own executives. The distribution company then asks the producers to allow it to conduct a test screen with a general moviegoing audience to gauge consumer response.

Such a conditional offer puts the producers of the independent film in a dilemma. First, if the test screenings go badly and the distributor decides not to acquire the film, that information tends to become known within the industry, and the film in question becomes an even tougher sell elsewhere. Furthermore, the distributor conducting the test screening typically will not let the film's producers get involved or give them access to results.

Testing Advertising and Trailers

The most important promotional materials to be tested are trailers and television commercials because they are proven to be the most effective in selling movies to consumers. Given that dozens of versions of trailers and television commercials are commissioned by major studios for big films, a lot of advertising concepts are being tested.

Several hundred moviegoers typically participate in ad tests. This is a sample size necessary to be projectable to the target populations. The cost of testing a cluster of three to ten commercials runs somewhere between $12,000 and $14,000 by some estimates. A full campaign boils down dozens of trailers and television commercials made in rough form to a final count usually of three trailers and six to ten television commercials. For films scheduled for release in off-peak periods, the marketing department may weed out some television commercials and test only what it feels are the best to save money. Usually, all trailers are tested. Ad tests often are structured as monadic tests, in which each respondent sees one advertisement at a time and is questioned extensively about his/her response. "You may find the romantic angle works better for women, and the comedy angle plays better to men in the same film," notes MarketCast's Shapiro. "It's an exercise in comparisons."

The Internet is the new wrinkle in the past few years as a vehicle to test promotional material. Respondents who are recruited and evaluated in advance can self-administer tests at home on their computers. The test materials go to just a select audience and have antipiracy encoding so that they cannot be easily copied. The test materials lack rewind capability and never reside on the hard drive of a respondent's computer. One advantage of using the Internet is that results can more easily be tabulated for instant analysis. The testing of trailers and commercials is experiencing considerable upheaval in terms of where testing is conducted. For years, respondents have been enlisted at movie-theater lobbies or shopping malls, where they immediately view materials on site or are recruited for mass screenings in private auditoriums at a later date. These are termed *nonrandom intercepts*, because the recruiter picks respondents out of a crowd.

Movie marketers want to learn which ads play well with which audience segments. This is particularly important for television commercials destined for cable television because most cable networks are demographic specific. For example, MTV draws the youth audience, ESPN pulls men, and Lifetime corrals women. Marketers are looking for television commercials that they initially thought would play well only to a narrow audience, for example, just male teenagers, but in fact have impact across a broader audience. Commercials with broad audience appeal are necessary for broadcast network television. Even though commercials are purchased on broadcast network television based on delivery of a specific demographic (for example, men ages eighteen to thirty-four), there is always considerable audience spillover to other demographics, so broadcast ads need to play to a wide audience.

The process of testing promotional material has some peculiarities. First, trailers, which run from 90 to 150 seconds, tend to get higher approvals from audiences than do 30-second television spots. These days, trailers sometimes provide a summary of a film, meaning they tell the whole story. Some pundits complain this is a poor strategy because there's nothing left to the imagination, as was the case with trailers in past eras. Others see using longer trailers in a more positive light: "If your movie or movie trailer is testing poorly, simply recut the trailer to tell more of the story, and your scores will go up," said one marketing executive.

Tracking Surveys

Tracking surveys, the weekly surveys quantifying consumer awareness of films, are perhaps the most ubiquitous single strand of research in Hollywood. Four movie-research outfits conduct tracking surveys, so different sets of data are always floating around Hollywood. A given film appears in tracking surveys about six weeks before theatrical release when the movie's trailers enter theaters, and its commercials appear on television. At this point, the film is locked into a premiere date that can't be changed.

After each big wave of teaser advertising and publicity washes over moviegoers, film-marketing executives expect the awareness levels to rise. The outside research firms compare the tracking results for a new film hurtling toward theatrical opening against benchmarks of past similar movies. This is called *checking against norms*, meaning normative historical data. If a film is tracking poorly compared to norms, there's an immediate panic at the film distributor, after which the advertising creative may be tweaked or advertising spending levels changed. The scramble usually is designed to ratchet up performance in areas where a new film lags norms of comparable films. Based on tracking results and its own evaluation, a distributor could decide that a film's box-office prospects are so poor that it gives up on the film and slashes marketing spend.

In tracking surveys, typically, research vendors survey consumers several times a week or even daily; one thousand to two thousand consumers are polled each week, and results are tabulated in a summary (see table 2.2).

Tracking surveys are conducted as telephone surveys or via the Internet. To make sure unlisted numbers are included, survey takers dial numbers randomly. To exclude jaded film-industry people, surveys tend to exclude Beverly Hills, Hollywood, and other areas with a high concentration of film-industry workers. However, call waiting, call blocking, and Internet dial-ups that block telephone lines for long periods tend to put a large chunk of the high-income population out of reach, which has made getting a representative sample increasingly difficult. It's estimated that upwards of 10% of the population don't use conventional telephone landlines anymore for voice communications, up from 0.4% in 2000. This group is heavy with frequent moviegoers. Moviegoers are presented all the significant films in a release period, because a main objective of the surveys is to compare films, especially those opening at or around the same time. Usually, thirty to thirty-five films are included in a normal report. The most widely cited tracking data are for the broad moviegoing audience, but various demographic segments can be isolated, as is the case with any research polling a large sample. Tracking surveys typically are not useful for films going into narrow release—fewer than six hundred to eight hundred theaters—because these types of films lack the marketing campaign that registers with the broad consumer market.

The most significant finding is desirability of a film as rated on a five-point scale and expressed in percentages. The top survey choice is that respondents are "definitely interested" in seeing a given film; other choices are "probably interested," "might/might not be interested," "probably not interested," and "definitely not interested." A final category often is "have seen" for films already in theaters. Two key questions in tracking surveys are:

- Which film titles have moviegoers heard about without giving them any choices or prompts (this measures unaided awareness)?
- Which three movies in theaters are the first choices of filmgoers?

"While the new measures we have added to tracking help us gain a more detailed understanding of moviegoing behavior, unaided awareness, and first choice in theaters are still the most important measures at predicting box office," said Vincent Bruzzese, senior vice president for the worldwide motion picture group at OTX.

The weekly data are sold to multiple film companies and are the only type of movie research that is consistently shared because each Hollywood film distributor cannot afford to bankroll its own private tracking study. Major studios are thought to pay around $250,000 per year for weekly tracking surveys, whereas independent distributors tend to buy on an a la carte basis just for their wide-release films. Research companies tend to customize reports. Film companies can get great depth of data for their own films in tracking

Table 2.2. Tracking-survey summary

			Level of awareness[2]		Level of interest[2]						
Distributor[1]	**Release date (September 2008)**	**Description**	**Unaided awareness (%)**	**Total awareness (%)**	**Definite interest (%)**	**Probably interested (%)**	**Might/ might not be interested (%)**	**Probably not interested (%)**	**Definitely not interested (%)**	**First choice (%)**	**Have seen (%)**
Studio X	12	offbeat animated drama	20	87	25	18	17	18	22	17	21
Indie Distribution	19	quality adult drama	5	54	27	35	6	2	30	8	5
Major Releasing	19	popular studio comedy	24	95	38	23	19	12	8	24	17
Distributor Z	19	glossy adventure film	17	84	29	21	25	7	18	9	13
Constant Films	26	female comedy	12	81	31	25	10	9	23	9	0
Studio X	26	youth comedy	14	90	28	32	14	11	15	7	0

NOTES: 1. Distributor names and movie titles are made up. A typical tracking survey lists thirty to thirty-five films.
2. All figures in the level of awareness and level of interest are percentages. Rows do not add up to 100 because respondents can answer yes to multiple questions.

studies, and research companies to provide sketchier information on films from rival distributors.

An outgrowth of tracking is a prediction of opening-weekend box-office revenue, which is issued just before each film premieres. The margin of error in predicting three-day opening weekend box office is between 15% and 20%. Thus, when a 20% accuracy range is used, and a $10 million weekend is forecast, the survey is deemed accurate if actual box office falls anywhere between $8 and $12 million. The bigger the forecast, the wider the accuracy range stated. For example, if a $50 million opening is forecast, the range is a rather wide $40 to $60 million at 20%.

Although the industry follows tracking surveys very closely because they usually are correct, thus providing valuable marketing intelligence, there are instances where they are off are growing. Moviegoer habits are changing in this digital age, which makes recruiting survey participants difficult. In late 2007, the apocalyptic tale *I Am Legend* rolled up $77.2 million in domestic box office for its three-day opening weekend, well above the mid-50s expected. Kids' fare *Alvin and the Chipmunks* opened at $44.3 million for its three-day weekend, about twice as much as tracking estimates. Early in 2007, the sword-and-scandal epic *300* opened at $70.9 million, versus $30 million expected. *Golden Compass* brought in just $25.7 million, which was below forecasts clustered from $30 to $40 million. The comedy *The Heartbreak Kid* mustered $14 million for its opening weekend, short of forecasts of $15 to $20 million.

Because tracking focuses on the regular moviegoer population segment, some misses are to be expected such as the children's audience for *Alvin and the Chipmunks* and religious devotees who embraced *The Passion of the Christ.* With an $83.8 million premiere weekend in 2004, *Passion* eclipsed tracking estimates of just $15 to $30 million. Another kids' film famous for low tracking is the first animated *Ice Age,* which became a blockbuster grossing $176.4 million in 2002. In 2005, *Diary of a Mad Black Woman* posted $21.9 million, far exceeded opening estimates that didn't have a handle on its black audience. Perhaps the first big miss of the current era came in June 2000. Tracking indicated that Columbia's colonial-era war drama *The Patriot* would beat Warner Bros. disaster drama *The Perfect Storm* on opening weekend. However, *The Perfect Storm* won the three-day opening battle with $41.3 million in box office, versus $22.4 million for *The Patriot* (both films proved to be hits).

Again, the forecasts that did not come true are in a small minority. In 2006, *Snakes on a Plane* became a prerelease sensation on the Internet, but tracking correctly forecast its opening weekend would be just so-so. Indeed, tracking forecasts sometimes seem right Friday night, but the next day off target due to strong audience buzz—either positive or negative—that blasts off virally from e-mails and social marketing, such as MySpace and Facebook. The dry comedy *Borat* progressively caught fire over its opening three-day weekend with the youth audience.

While it's fun sport to watch if opening-weekend forecasts are on target, research pros emphasize that this is not the most important aspect of tracking. The specific box-office guess comes at the end of the six-week tracking arc, when it's too late to overhaul marketing. The most important tracking data is the early weeks when there is time for distributors to adjust marketing tactics and, they hope, improve box office. However, if a tracking survey shows a film is lagging—performing below the norms—a possible scenario is that movie theaters may give up on the movie before it even opens.

The new twist is the wide circulation of tracking surveys in the film business because of unauthorized leaks. Research firms only sell to film distributors. But Hollywood trade-press newspapers make references to tracking expectations in box-office stories, and some bloggers cite them, too, although blogger insights sometimes read more like industry gossip. Movie-theater operators who are not subscribers also seem to get tracking data. "It changed the way the business is done," said Tom Sherak, founder of Revolution Consulting Services in Los Angeles and a veteran film executive. "Movie tracking helped the marketing departments at the studios sell their movies, but it has turned into a sales tool that exhibitors try to use to negotiate favorable financial terms if films are not outstanding in tracking. The studios still use tracking surveys because they are useful."

Exit Surveys

When films are in theaters, there's an opportunity to elicit information from an important target audience—the people who actually bought tickets for movies—by conducting exit surveys (see fig. 2.2). These surveys are conducted at theater locations by survey takers who intercept moviegoers moments after they have seen a film. One key finding is the demographic profile of respondents buying tickets, so film distributors are no longer relying on prerelease guesses. Another key finding is whether the respondent will recommend the film to peers, which can have an impact on how heavy or light future waves of ad support will be.

Exit surveys also represent a method to check the accuracy of research done prior to theatrical release. Film-marketing researchers want to know if the audience profile matches expectations and, if not, how it was different. Respondents also are queried about which advertising or promotional materials triggered their decision to attend the film and which creative materials were not persuasive or memorable. The response to these questions also can quantify the impact of critic reviews, talk show appearances of talent, and contest promotions.

Fig. 2.2. Sample questionnaire for exit survey

List ALL ways you have already heard about this movie.
Note: Check as many as apply

- o in-theater trailer
- o in-theater lobby poster
- o television commercials
- o television reviews
- o television talk shows
- o radio reviews
- o radio news/talk show
- o newspaper ads
- o newspaper reviews
- o magazine reviews
- o magazine articles
- o Internet banner ads
- o Internet articles/features
- o Internet movie listings
- o Internet official Web site
- o entertainment Web sites
- o outdoor billboards
- o comments from friends/relatives
- o in-store promotion
- o official movie contest

Before coming to the theater today, which were key to choosing to see this film?
Note: Check all that apply

- o lead actor #1
- o lead actor #2
- o lead actor #3
- o lead actor #4
- o the story
- o comedy genre
- o action genre
- o reviews
- o music
- o in-theater trailer
- o television ads
- o my child wanted to see this film
- o recommendation of a friend

How long ago did you make your choice for this movie?
Note: Pick only one

- today
- prior two days
- over prior week
- over prior month
- more than one month

Did you choose to come today, or did someone else choose?
Note: Pick only one

- I chose it.
- Someone else chose it.
- I chose together with someone else.

With whom did you see the film today?
Note: Check all that apply

- alone
- spouse or date
- friends
- my children
- my children and other children
- my parents or other nonspouse family member

Gender

- male
- female

Age

- under 12
- 12–17
- 18–24
- 25–34
- 35–49
- 50–65
- over 65

Including today, how often did you go to the movies in the past two months?
Note: Pick only one

- 1 time
- 2 times
- 3 times
- 4 times
- 5 times
- 6 times or more

Your favorite types of movies are?
Note: Check all that apply

- children
- all family
- action adventure
- suspense thriller
- serious drama
- physical/visual comedy
- dialog-driven comedy
- documentary
- foreign language

Before coming today, how did you select this theater and showtime?
Note: Check all that apply

- looked at all movies listed in newspaper before deciding
- looked at all movies listed in a magazine before deciding
- looked at all movies on an Internet site before deciding
- looked at other media not listed above before deciding
- used newspaper only to select theater and start time
- used magazine only to select theater and start time
- used Internet only to select theater and start time
- used cell-phone SMS messaging
- others in my party identified theater and start time

After seeing the movie, how would you rate the film?
Note: Pick only one

- excellent
- very good
- good
- fair
- poor

After seeing the movie, how likely are you to see it again in a theater?
Note: Pick only one

- definitely
- probably
- might/might not
- probably not
- definitely not

After seeing the movie, would you recommend others see it at a theater?
Note: Pick only one

- definitely
- probably
- might/might not
- probably not
- definitely not

After seeing the movie, would you recommend others see it on DVD, online download, or pay TV?
Note: Pick only one

- definitely
- probably
- probably not
- might/might not
- definitely not

After seeing the movie, did it meet your expectations?
Note: Pick only one

- better than I expected
- about what I expected
- not as good as I expected

After seeing the movie, what will you talk about to friends regarding the movie in a positive light?
Note: Check all that apply

- lead actor #1
- lead actor #2
- lead actor #3
- lead actor #4
- the story
- comedy genre
- action genre
- subplots
- clever dialog
- music
- the ending

After seeing the movie, how interested are you in renting it on video?
Note: Pick only one

- definitely
- probably
- might/might not
- probably not
- definitely not

After seeing the movie, how interested are you in buying it as a DVD?
Note: Pick only one
- o definitely
- o probably
- o might/might not
- o probably not
- o definitely not

After the opening-weekend release of Pixar animated hit *Wall-E* in June 2008, exit surveys indicated more than one-third of ticket-buying adults did not come with children. That heartened distributor Walt Disney by indicating that the film had crossover appeal beyond the children's market, and its marketing efforts targeting adults without kids provided a payoff.

When television commercials are found to be ineffective, the ads may be changed if time permits. Typically, there's not enough time to start from scratch, so all that's possible is dusting off and tweaking commercials that were passed over. Newspaper and radio ads can be changed on fairly short notice, too, although these ad forms are thought to be less persuasive than television commercials.

Audiences are also quizzed regarding which parts of the films they liked or didn't like and anything they found confusing. The well-liked parts can be played up in future advertising. All the findings end up with the distributor's home-video department, which has weeks to shape its own marketing for video release for the same film.

History of Research

Test screenings of Hollywood films go back to the golden era of the 1930s when audience recruitment, measurement, and sampling techniques were less sophisticated. The television era was a catalyst for more-systematic and scientific methods as broadcasters measured audience reactions to programs and advertisers tested their commercials. In the 1950s, an engineer working for Columbia Pictures developed a handheld dial that audience members could use during theatrical film screenings and in this way give instantaneous reactions to what they saw and heard. Jack Cohn and Harry Cohn, the legendary heads of Columbia at the time, supported and funded the technology, and they used it on a limited basis.

By the early 1960s, an advertising and marketing executive at Screen Gems, a unit of Columbia, asked permission to develop the hand dial for television-program and advertising research, which was conducted at the Directors Guild Theater on Sunset Boulevard. Early experiments were successful. The studio created a research business called Audience Studies Inc. (ASI), and its own facility, Preview House, was built on Sunset Boulevard. Audiences, recruited by both telephone and on-the-street intercepts in high-traffic areas within thirty miles of the facility, provided reactions by turning the handheld dial and filling out written questionnaires. Broadcast networks, advertisers, advertising agencies, and film studios used ASI.

By the late 1960s, ASI and NBC Television experimented with an in-home test that used cable television. Early in the 1970s, NBC decided to use this system, and ASI set up operations in many cable systems across the United States. Through the 1960s and 1970s, ASI was the leading theatrical-film research supplier until its entertainment and advertising divisions were sold off separately.

In 1978, National Research Group (NRG), founded by Joe Farrell, entered the market and became the most influential player in the modern era of film research. NRG became the research vendor to all Hollywood studios, which dramatically increased their spending and reliance on audience testing. Farrell became a godfather-like counselor to Hollywood majors with NRG's tracking studies. Big parts of Farrell's appeal were his database and historical knowledge, giving him the ability to draw on marketing data from past films to apply to new releases. The media giant now known as Nielsen Co. acquired NRG in 1997 from advertising agency Saatchi & Saatchi. Farrell left NRG in 2002 to become a film producer. Today, four film-research companies are active in film: IAG Research, MarketCast, Nielsen's NRG, and OTX Research.

By the 1980s, the major studios had collected enough accurate historical data to apply sophisticated modeling techniques and to forecast potential ticket sales and box-office receipts. The major studios, wanting to keep closer tabs on their audience, also have ramped up their research activities since the 1970s by hiring executives from Madison Avenue with experience in the sophisticated packaged-goods world.

Over the past decade, movie research experienced crises, including the wider and wider circulation of tracking studies and the Internet influence on the business with on-line postings of unsophisticated and sometimes inaccurate information based on leaks from test screenings, and the unauthorized recording of films by test-screening attendees who later sent the recording over the Internet or transferred it to video and DVD for pirate sales or sales overseas. The Internet has also changed film research by allowing respondents recruited by research companies to view movie commercials, trailers, and other materials on their computer screens at home. Participants can take self-administered tests, and the results are compiled almost immediately because responses are recorded electronically.

3

Paid Media Advertising

> I know that half of my advertising budget is being wasted, I just don't know which half.
>
> —John Wanamaker

A famous retailing mogul uttered the preceding pithy statement more than a century ago, and his humorous observation still has relevance to the movie business today. Film distributors sense they are overspending but can't quite figure out where, which makes them reluctant to institute cuts.

As a rule, films don't recover from failed theatrical openings, and so ad campaigns usually are framed in terms of the release launch, which is the weeks period leading in to opening weekend. At the high end for the top tier of major-studio films, this generally involves $20 to $50 million in advertising, of which over half is deployed in the final two weeks, mainly on broadcast, cable TV, newspapers, outdoor billboards, magazines, radio, and new media such as the Internet. Ad spending for second-tier studio movies and independent films is lower. There is also ad spending after a movie's premiere, but it's a lesser amount than the preopening blast. Film distributors pay the full expense for national marketing, not theaters.

Despite some proclamations to the contrary, new media such as the Web are no panacea so far for the movie business. Costly broadcast-network TV advertising is still the only way to reach huge audiences with speed and certainty for the critical film-premiere week. The ad-expenditure escalations have transformed the media-buying function from a dull backwater into the front lines in Hollywood's war on rising film-marketing costs. Buying advertising used to be a robotic exercise of simply soliciting television channels, radio outlets, and print media to obtain a price quote for advertising that achieves a requested audience delivery. What was once a boring science is today where a lot of innovation—the art—is found in movie marketing, with cutting-edge Internet ads and demographically focused cable-television buys.

Hollywood is a big spender. The movie sector ranks as about the fifth-largest category for paid advertising on a national basis with about the same spending as the department-store and fast-food–restaurant categories. In 2007, movie marketers spent $3.734 billion to buy advertising in the United States (see table 3.1), according to Nielsen Monitor-Plus. Ad rates look to spiral upward more in 2008 because of the once-every-four-years effect of the convergence of the summer Olympics and presidential election, which generate one-time surges in ad rates.

Mounting an advertising barrage is the most certain method of rousing moviegoers for a movie opening. Film distributors control the exact message delivered and pick the timing when the message is sent; they know in advance how large an audience will probably see the message because independent measurement companies estimate audience size of electronic and print media. Publicity and promotions also help launch movie releases but are slower to reach large audiences, and their media weight is less certain.

Table 3.1. U.S. movie-advertising spending by media, 2007

Media	Advertising spending ($ million)	Movie spending (%)	Movie spending to all spending[1] (%)
Network television	1,170	31	5
Cable television	1,063	28	4
Spot television	578	16	2
Syndicated television	83	2	4
Spanish language net television	86	2	3
Local newspaper	455	12	3
National newspaper	108	3	6
National Sunday supplement	2	>1	>1
National magazine	26	1	>1
Local magazine	3	>1	1
Outdoor billboards	94	3	2
Spot radio	60	2	1
Network radio	6	>1	1
Total	**3,734**	**100**	**3**

Source: Nielsen Monitor-Plus

Note: 1. This column is the percentage of movie ads to total U.S. ad spending for all industries.

"The distributor must shape and create an audience with advertising and promotional campaigns that have only one quick shot to succeed immediately upon theatrical release," notes Hal Vogel in the seventh edition of *Entertainment Industry Economics* (2007). "As a result, expenditures on the marketing of films have long tended to rise considerably faster than the overall rate of inflation and restraint in such expenditures is rarely seen. Distributors have no choice but to spend aggressively on marketing if only to defend against and offset the efforts of many other films and entertainment pursuits vying to be noticed at the same time."

The case is frequently made that the size of an advertising launch does not always directly correlate with box office. Big films with big marketing campaigns bomb all the time. There are occasional exceptions. *My Big Fat Greek Wedding*, which cost just $5 million to make, achieved blockbuster box office of $241.4 million with a relatively modest $30 million in ad spending over its long theater run. The rub is that a good film with weak advertising support will underperform in box office.

Overview

Spurred by competitive pressures and a buoyant business climate, movie-marketing expenses skyrocketed a startling 31% per film for Hollywood's major studios in from 2000 to 2007, according to the trade group Motion Picture Association of America (MPAA), which tracks all mainstream releases, both big and small at the major studios.

Major studio releases in 2007 averaged $35.9 million per film in total spending for consumer marketing in the United States, according to the MPAA (see table 3.2). This figure is often misinterpreted and merits analysis. The MPAA figures encompass more than just buying ads, such as commercials on TV and pages in newspapers; these figures include costs for creating trailers, research costs, and other nonmedia items.

Often, the MPAA marketing-spend figure is compared with pure ad-spend figures from other industries, which is an apples-to-oranges comparison, because other industries don't make film trailers. Further, these expenditures are made directly by film distributors and do not include tie-in promotion advertising from consumer-goods partners, such as restaurant chains, soft-drink companies, and automobile makers (see chapter 4).

The advertising spending for major studio–owned independent subsidiaries, such as Fox Searchlight and Disney's Miramax, also has been climbing for years. Studio-affiliated independent (indie) distributors averaged $25.7 million in total consumer-marketing ad spending per film in 2007, up from $11.2 million in 2002. In 1999, the comparable figure was just $6.5 million (see table 3.3). These indie style affiliates have been adding more-substantial films to their slates, and ad rates for media buys continue to climb.

Table 3.2. U.S. major-studio spending on marketing, 1983–2007

Year	Prints[1] ($ million)	Advertising[2] ($ million)	Total marketing ($ million)
2007	n/a	n/a	35.9
2006	3.8	30.7	34.5
2005	3.8	32.3	36.1
2004	3.7	30.6	34.3
2003	4.2	34.8	39.0
2002	3.3	27.3	30.6
2001	3.7	27.3	31.0
2000	3.3	24.0	27.3
1999	3.1	21.4	24.5
1993	1.9	12.1	14.0
1983	1.0	4.2	5.2

Source: Motion Picture Association of America
Notes: 1. Prints are bulky film release prints used by theaters.
2. Advertising category includes costs of publicity, movie trailers, and creating marketing materials.

For independent films, the range for ad spending in release campaigns runs from tens of thousands of dollars to $10 million. In the 2001–4 period, the high end of the range was around $15 million but came down because indie marketers found that the incremental spend didn't commensurately increase box office and found less spending is a better strategy. For both majors and indies, the longer a movie is in theaters, the more its media spend will tilt toward newspapers and the Web because of the need to maintain the "directory" ads containing specific theater playdates.

Film distributors tend to hire outside media-buying advertising agencies to handle purchases of advertising (see fig. 3.1). These agencies follow a budget that originates from the distributor. Because the advertising-placement process is highly complex, it is best suited for specialist media-buying agencies.

The outside ad agency media buyers have the clout to negotiate the lowest prices from electronic and print media, given the high volume of their ad spending from handling numerous clients. In the broader advertising business, mainstream ad agencies—battered by clients grinding down prices for most of their services—still find that their media-buying units are their most profitable businesses.

Media-buying agencies are highly compartmentalized. Media-planning executives draw up a detailed outline and using segments of radio, newspapers, cable television, magazines, and the like negotiate with their category of media outlets to price advertising. At the major studios, the marketing departments

Table 3.3. U.S. major studio–affiliated indies spending on marketing, 1999–2007

Year	Release prints ($ million)	Advertising[1] ($ million)	Total marketing ($ million)
2007	n/a	n/a	25.7
2006	2.1	15.7	17.8
2005	1.8	13.3	15.1
2004	1.3	10.1	11.4
2003	1.8	12.8	14.6[2]
2002	1.4	9.8	11.2[2]
2001	1.2	8.3	9.5
2000	0.7	9.0	9.7
1999	0.8	5.7	6.5

Source: Motion Picture Association of America

Notes: Studio-affiliated indies are independent-style film units owned by major studios such as New Line Cinema, Miramax, Sony Pictures Classics, and the like. Figures are for the United States.

1. Advertising category also includes costs of publicity, movie trailers, and creating marketing materials.

2. These figures are as originally reported without later adjustments.

Fig. 3.1. Media-buying agencies for top film distributors

Media-buying agency	Film-distributor client
BBDO	MGM
DDB/Needham	Universal Pictures
Grey Advertising	Warner Bros.
Initiative Media/Interpublic	Lionsgate
Mediaedge: CIA/WPP Group	Paramount Pictures (DreamWorks Animation)
MindShare	Summit
Palisades Media	Weinstein Co., Roadside Attractions, First Look Studios, ThinkFilm, IFC Films
PHD/Omnicom	Overture Films
RPA	MGM
StarCom	Disney
Universal/McCann	Sony/Columbia
WPP Maxus; MediaStorm	Miramax
Zenith	Twentieth Century Fox[1]

Note: 1. Fox does some media buying in-house.

have executives dedicated to overseeing media planning and ad buying by outside agencies. The media objectives come out of the broad marketing plan set by the film distributor, based on its knowledge of which demographics are the most promising for a given film. Because each film is a new product launch (except sequels and the rare reissue), the pressure is on to quickly assemble the media options available at a reasonable price that fulfill the plan.

"There's no client that's as demanding as a movie account," said Roger Schaffner, president of Palisades Media Group, a media buyer in Santa Monica, California, whose clients include film distributors. "Every day, you are looking at the [audience] tracking research. You could learn that, hey, men are buying into this romantic-comedy movie, so you've got to start advertising to men. This means that we need advertising creative that will appeal to men. So we ask, when will this be ready so we can start buying advertising targeting men? That's just one example of what could happen."

Another quirk of the business is that producers of independent films who license films to distributors often require that distributors promise to spend a minimum amount of advertising in theatrical release. Producers seek this contractual obligation so distributors can't later decide to bury the film with a truncated release. At major studios, the same objective is pursued differently. Producers of studio films compare the ad spending for their films versus others. Producers of films that will be released by majors and independents often bring in their own marketing consultants to keep an eye on marketing-department staff at the film distributors.

Crisis in Media Buying

The opportunity to reach the mass market inexpensively is fast vanishing as a consequence of media fragmentation. Cable-television networks cut into broadcast-television audiences. Lower printing costs have opened the door for more-specialized magazines and newspapers, which nip at the heels of traditional print giants.

Aggregate network television audiences have been eroding at mid-to-low single-digit percentages each year, yet the cost of the standard thirty-second commercial has remained flat or risen modestly. This formula of paying the same or more for a commercial delivering less audience has resulted in high single-digit annual increases to the cost per thousand (CPM) viewers. With key audiences becoming harder to reach rapidly in broadcast TV due to fragmentation, film marketers have had to purchase specialized media—and at even higher CPMs—to supplement their broadcast spending. So each year, mass-market films require more ad buys simply to maintain constant audience-delivery levels but have no choice because broadcast TV remains effective. "We are pushing for new ways to break through to audiences beyond the thirty-second television spot," said Pamela Levine, copresident of domestic theatrical marketing at Twentieth Century Fox.

In theory, as media is becoming more niche oriented, films with narrow appeal should gain an advantage because more options are available for advertising to demographically concentrated audiences. So far, no such advantage is visible, probably because increased media clutter—more movies, TV shows, video games, and so forth—offsets the gains in advertising options.

Besides fragmenting media, the North American population is increasingly more diverse because of immigration and uneven birth rates among the various ethnic populations. This greater diversity steps up the pressure on film marketers to buy more ads to reach scattered pools of moviegoers.

Monitors of Marketing Practices

Hollywood got a black eye for dubious media-buying practices when a Federal Trade Commission (FTC) report (issued in 2000) documented embarrassing examples of advertising for films with restrictive ratings aimed at inappropriately young audiences. In the aftermath, the major studios adopted a voluntary code of conduct, organized through the trade group MPAA. The FTC's goal is for more-meaningful self-regulation by the movie, video game, and music industries.

In its original 2000 report to Congress, the FTC found that of forty-four R-rated films analyzed, media plans for twenty-eight films "contained express statements that the film's target audience included children under 17." Ads for another seven films were bought in media that were heavy with an underseventeen audience, though did not specifically state that youngsters were a target. The original FTC report did praise the movie industry's Advertising Administration, which approves advertising materials, such as commercials, for enforcing standards effectively. After this report was issued, Hollywood executives were hauled before Congress to testify.

"Clearly there were times during the period discussed in the FTC report where we allowed competitive zeal to overwhelm sound judgment and appropriate standards in the marketing of some of our R-rated films," Robert Iger, then-president and chief operating officer of the Walt Disney Co., said at a U.S. Senate hearing. Alan Horn, Warner Bros. entertainment president and chief operating officer, said, "We will step up our vigilance in our media buys and our marketing using the [FTC] definition of what constitutes a substantial portion of the audience. That is 35% of the measurable audience. In other words, we will not advertise our R-rated movies in venues in which over 35% of the audience is under the age of 17."

Thirty-five percent is the important self-regulation benchmark for the major studios, whose executives agreed not to place ads for R-rated films in media where audience measurement indicates 35% of the audience is under the age of 17, meaning inappropriate.PG-13 and lower films are not subject to similar rules. The issue for R-rated films may never quite die, because any advertising medium with a large audience is never homogenous, and children inevitably will be a small part of programming that attracts mostly adults. Also, because children are allowed to see R-rated films when accompanied by a parent or adult guardian, it's not automatic that such films are inappropriate.

"No matter how carefully we target our advertising, some people under 17 will inevitably see ads for R-rated movies in specific media with broad demographic reach," Stacey Snider, then-Universal Pictures chair, testified in 2000. "*Monday Night Football* is a classic example of that and also a good place to advertise movies. Here we may market to men and young adults, but some younger football fans, whose parents let them watch, will also see our ads. By the way, they also might see ads for other products that their parents might not want them to consume."

A follow-up FTC report in April 2007—the sixth sent to the U.S. Congress—was upbeat about the movie sector: "The industry continues to do a good job of disclosing ratings and rating reasons in TV and print ads, and on studio websites." But the FTC still identified a few areas that need improvement, such as keeping ads for R-rated movies off Web sites with inappropriately young audiences, says its report *Marketing Violent Entertainment to Children*. The FTC report reviewed theatrical marketing plans for nine R-rated movies released in 2006 and found distributor marketing plans fairly diligent in not placing ads where they would be seen by ages younger than seventeen. There were some areas of concern. One of the R-rated films identified "high school students" and another cited "high school/college base" as core audiences, the FTC report stated. That's borderline acceptable because seventeen- and eighteen-year-old high school students are appropriate but not younger students.

At issue more recently has been whether advertising and promotion for PG-13 films should also be restricted, like the under-seventeen cutoff for R-films. Some advocates from outside Hollywood are pressing for this kind of change saying violence is rising in PG-13 films because of shifting ratings standards. The FTC, sympathetic to this criticism, asked Hollywood to study the issue, which has also gotten scrutiny from the industry nonprofit Children's Advertising Review Unit (CARU).

CARU, which is a unit of the Council of Better Business Bureaus as a self-regulation entity for the advertising industry, monitors all products aimed at children ages twelve and under. If CARU finds an advertisement for a film rated PG-13, R, or NC-17 in any medium primarily directed to children under twelve, CARU examines the circumstances. If deemed an inadvertent placement, CARU will drop the matter after a film distributor pulls the ad and promises to refrain from repeating. If CARU feels the placement was not inadvertent, it refers its findings to the MPAA's Advertising Administration for potential action. The Advertising Administration replies back informally to CARU on its findings.

In a 2008 finding, CARU questioned whether Universal Pictures's advertising for the PG-13 *The Incredible Hulk* was aimed at an appropriate children's audience when telecast between 5:00 and 5:30 P.M. during *SpongeBob SquarePants* on the Nickelodeon basic cable network. Other films cited by CARU for ad placements for PG-13 films in media with children audiences included Warner Bros.'s *Get Smart*, Disney's *Wild Hogs*, and Sony Pictures's *Stomp the Yard*.

Strategies

Whether to emphasize *reach* or *frequency* is the first fork in the road when mapping out a plan for media buying. *Reach* (also called *cume*, short for *cumulative*) refers to the percentage of households or population in a target that see an advertisement at least once in a measurement period. Each household or person is counted only once, no matter how many times he or she sees the same advertisement. Therefore, reach is a measure of the breadth of an advertising campaign.

Frequency is a percentage that expresses the number of times households or persons in a target audience are exposed on average to advertisements in a measurement period. In frequency, there is double and triple counting of the same household or person. Therefore, frequency is a measure of depth and implies a more focused audience target.

Reach is a metric that is valuable when evaluating multiple media buys that overlap. The media planner attempts to determine unduplicated audience delivery to minimize the size of the target audience that won't see the advertisement. The major studios tend to emphasize reach because their goal, given their big advertising budgets and the mainstream nature of their films, is to cast a wide net to snare moviegoers. Independent distributors lean to frequency because their films tend to be niche oriented, so they want to saturate the small core target audience for a given film. Also, indie film ad budgets are smaller than those of major studios, so indie campaigns make an impact only when they are concentrated.

Another important metric that cuts across all media buys is *cost per thousand* or *CPM*, which is the expense per 1,000 households or persons in the audience. CPM is a measure of efficiency. A network that charges $250,000 for a thirty-second commercial in a program delivering an audience of 12.5 million viewers in the target demographic is charging a CPM of $20.00 (or $20.00 cost per 1,000 persons). The CPM metric can be used to compare relative cost for programs with different audience deliveries and different ad prices stated in dollars.

The effectiveness of media can also be measured by its speed in delivering audiences, which is called *load*. Fast-load media, such as network television, reach millions of moviegoers in an instant (see table 3.4). Therefore, broadcast media deliver audiences quickly. Slow-load media, such as outdoor billboards, can reach large numbers of moviegoers but at a rate that is a relative trickle. This group of media requires days, weeks, or even months to achieve delivery of large audiences. Magazines are a slow-to-moderate–load outlet, given that they often are passed around and sold over a period of time.

Television is the major component of advertising spending at both the major studios and indies affiliated with major studios that the MPAA quantifies. In 2007, the majors allocated 21.6% of the $32.2 million average marketing expense per film to network television (see table 3.5). Spot broadcast television—local ads bought by national advertisers—was the second-biggest single category in 2007 at 13.9%. These two categories together were 35.5% of ad spending. The majors bought advertising in cable television and television syndication as well, but these figures were not broken down by the MPAA. In 2006, network television was 18.3% of the studio affiliate ad spending of $15.7 million per film, with newspaper at 15.4% and spot television at 13.3% (see table 3.6).

When determining the size of the advertising launch, film distributors take into account their estimate of a film's likely box office and whether the film faces heavy or light competition from other films (see table 3.7). A media-buying plan for a given film is measured against the anticipated ad campaigns of other films being released at or near the same time, particularly those films vying for a similar audience demographic. Major studios rely on audience-tracking surveys in the six weeks leading up to release to gauge moviegoers and competition (see chapter 2). When evaluating benefits of ad budgets, distributors often estimate the impact each additional dollar spent on theatrical advertising will have on revenue that the film returns. When the combined forecasted return of film-rental revenue from cinema, DVD/video, and television is less than the cost of incremental theatrical-ad spending, the theatrical campaign has reached the point of diminishing returns.

In advertising buys, the top two metropolitan areas—New York City and Los Angeles—tend to get extra weight because the film community resides in those cities. Filmmakers watch how their movies are promoted and judge the weight of the media buy in comparison to other films. Newspapers ads often are larger in these two cities than elsewhere in an effort to impress the film community.

Consumer usage of most media is seasonal. Television viewing rises during the winter in northern climates (ad rates also go up) because audiences tend

Table 3.4. Comparison of media load speeds

Media	Audience accumulation speed[1]	Buying lead time	Geography	Reach	Demographic concentration
cable, national	fast	moderate	patchy national	moderate	high
cable, spot	fast	short	patchy local	moderate	high
magazines, national	slow to moderate	long	national	moderate	moderate
newspapers	moderate	moderate	local	moderate	moderate
outdoor billboards	slow	long	local	wide	low
radio, national	fast	short	national	moderate	high
radio, spot	fast	short	local	moderate	high
television, network	fast	varies	national	wide	moderate
television, spot	fast	short	local	wide	moderate
Web search	slow	short	national	wide	varies
Web sites	varies	short	national	moderate	varies

NOTE: 1. *Load speed* indicates how fast or slow a medium delivers audience.

Table 3.5. Allocation of advertising spend in media by major studios, 1999–2007[1]

Year	Newspaper (%)	Network TV (%)	Spot TV (%)	Internet/ online (%)	Trailers (%)	Other media[2] (%)	Other nonmedia[3] (%)	Total ad spending ($ million)
2007	10.1	21.6	13.9	4.4	4.2	24.	21.8	**32.2**
2006	10.8	21.2	13.9	3.7	4.3	24.4	21.6	**30.7**
2005	12.7	23.1	12.8	2.6	4.4	22.4	22.0	**32.3**
2004	12.9	23.0	13.2	2.4	7.6	22.2	18.9	**31.0**
2003	14.0	23.0	15.6	1.4	4.5	21.9	19.5	**34.3**
2002	13.5	23.0	17.6	0.9	4.5	21.4	19.1	**27.1**
2001	13.1	25.4	16.9	1.3	5.1	20.2	17.9	**27.3**
2000	15.6	23.8	18.3	0.7	6.4	18.8	16.3	**24.0**
1999	17.6	23.5	19.8	0.5	7.8	15.4	15.5	**21.4**

Source: Motion Picture Association of America

Notes: 1. Figures are for the United States only.

2. *Other media* encompasses cable, network radio, spot radio, magazines, and billboards.

3. *Other nonmedia* includes production/creative services, exhibitor services, promotion, publicity, and market research.

Table 3.6. Allocation of advertising spend for MPAA-owned indies, 1999–2006[1,2]

Year	Newspaper (%)	Network TV (%)	Spot TV (%)	Internet/ online (%)	Trailers (%)	Other media[3] (%)	Other nonmedia[4] (%)	Total ad spend[5] ($ million)
2006	15.4	18.3	13.3	4.5	5.0	22.6	20.9	**15.7**
2005	15.5	21.7	12.6	2.5	5.6	23.3	18.8	**13.3**
2004	12.9	23.0	13.2	2.4	7.6	22.2	18.9	**n/a**
2003	14.0	23.0	15.6	1.4	4.5	21.9	19.5	**n/a**
2002	21.4	26.7	5.4	0.9	6.2	21.8	17.5	**11.0**
2001	18.6	42.8	3.2	0.4	5.2	9.9	19.9	**8.3**
2000	20.5	36.4	6.1	0.5	5.5	13.8	17.3	**9.0**
1999	23.8	35.4	6.8	0.3	4.1	10.5	19.1	**5.7**

Source: Motion Picture Association of America

Notes: 1. MPAA indies include Fox Searchlight, New Line, Miramax and other indie-style film distributors owned by major studios.

2. Figures are for the United States only.

3. *Other media* encompasses cable, network radio, spot radio, magazines, and billboards.

4. *Other nonmedia* includes production/creative services, exhibitor services, promotion, publicity, and market research.

5. *Ad spend* excludes release prints.

Table 3.7. U.S. ad spending for diverse films, 2003–7

Title	Total ad spend ($ million)	Domestic box office ($ million)	Genre	Distributor	Rating	Premiere
50 First Dates	30.1	120.8	Romantic comedy	Sony-Columbia	PG-13	2/13/2004
American Gangster	33.7	130.2	Drama	Universal	R	10/19/2007
Cold Mountain	39.9	95.6	Drama	Miramax	R	12/25/2003
Day After Tomorrow, The	31.6	186.7	Action drama	Fox	PG-13	5/28/2004
Dodgeball: A True Underdog Story	18.2	114.3	Comedy	Fox	PG-13	6/18/2004
Elf	30.6	173.4	Comedy	New Line	PG	11/7/2003
Enchanted	44.6	127.8	Fantasy adventure	Disney	PG	11/21/2007
Garfield: The Movie	19.6	75.4	Family	Fox	PG	6/11/2004
Jeepers Creepers 2	11.0	35.7	Horror	UA	R	8/29/2003
Kill Bill Vol. 1	23.4	70.1	Action	Miramax	R	10/10/2003
Kill Bill Vol. 2	16.5	66.2	Action	Miramax	R	4/16/2004
Man on Fire	27.1	77.9	Action drama	Fox	R	4/21/2004
Mystic River	46.5	90.1	Crime drama	Warners	R	10/8/2003
Notebook, The	19.9	81.0	Romance	New Line	PG-13	6/25/2004
Passion of the Christ, The	24.6	370.3	Drama	Newmarket	R	2/25/2004

Pirates of the Caribbean: Curse of the Black Pearl	32.5	305.4	Fantasy adventure	Disney	PG-13	7/9/2003
Punisher, The	18.8	33.7	Action	Lionsgate	R	4/16/2004
Scary Movie 3	22.6	110.0	Horror	Dimension	PG-13	10/24/2003
Scooby-Doo 2: Monsters Unleashed	26.7	84.2	Family	Warners	PG	3/26/2004
Seabiscuit	31.1	120.2	Drama	Universal	PG-13	7/25/2003
Shrek 2	34.6	436.7	Family	DreamWorks	PG	5/19/2004
Spider-Man 2	28.4	373.4	Fantasy adventure	Sony-Columbia	PG-13	6/30/2004
Spider-Man 3	41.7	336.5	Fantasy adventure	Sony-Columbia	PG-13	5/4/2007
Super Size Me	0.8	11.5	Documentary	IDP	n/a	5/7/2004
You Got Served	13.1	40.6	Music drama	Sony-Screen Gems	PG-13	1/30/2004

Source: Nielsen Monitor-Plus

to remain indoors due to inclement weather. During the summer in the same northern climates, people head outside, television viewership declines (as do the ad rates). Out-of-home media such as outdoor billboard advertising becomes more valuable. In the eastern United States, advertising at mass-transit platforms, such as bus shelters and commuter-train stations, reach a large audience. Mass transit is less of a factor in the west, where there is an automobile culture. The college-campus market also is very seasonal because enrollment is drastically down during summer vacation and holidays. The availability of the children's audience is impacted by school holiday schedules.

The pricing of broadcast-media advertising functions like an auction. Television and radio outlets have fairly fixed inventory, which means slots for commercials. Any ad slot that is unsold close to airdate usually is discounted to ensure its sale. If the slot remains unsold at broadcast time, the broadcaster gets no revenue whatsoever. Conversely, when buying demand is brisk and few ad slots are vacant, broadcasters raise ad rates significantly for their scarce remaining unsold commercial inventory. Given that movies demand precise timing—most films premiere on Fridays, and the films' opening-weekend box office largely determine their ability to hold playdates—marketing executives don't have the leeway to shop for discounted commercial slots over a broad time range. Concentrating ads immediately before release is imperative so that films open strongly.

For print media and new media, advertising inventory is more adjustable, so pricing is not as variable as in broadcasting. Print publications increase or decrease the page count in a given edition to match the scale of advertising volume. Web sites have many pages with ad slots, although the home page is obviously most important. All media usually have extra fees for a premium position, such as being the first in a crowded pod of television commercials. In magazine media, a back page and the page opposite a main feature story are among prized positions.

Conventional wisdom holds that youth-oriented movies such as lowbrow comedies and action films can't be resuscitated after poor opening, so there's reluctance to spend heavily to save this category of struggling film. The youth audience tends to come early or not at all. For more-sophisticated movies appealing to adults, mediocre attendance may be shored up with a fresh advertising approach or greater ad spending. The adult audience is influenced by good reviews and word of mouth, and it tends to be slow to jump on films, unlike the youth demographic.

Buying Mechanics

A formal media plan outlines the cost of ads by medium on a day-by-day basis. Spending by medium usually is presented in weekly subtotals. This spending also is segmented by media—radio, newspaper, magazines, on-line, and outdoor (see again table 3.1). The segments are then subdivided into individual media outlets, such as specific television channels. Separate from the calculation of ad spending in dollars, media buyers construct a parallel chronological grid to quantify impressions on audience. Dollar spending across media is comparable, but audience impressions are not. Because a television commercial is considered more valuable than a newspaper advertisement, which lacks audio and moving video, and so cross-media impression comparisons are not meaningful.

An important strategy is to selectively increase media weight in geographic areas using spot television and radio. *Spot advertising* is local advertising purchased by national marketers such as movie companies. If a mainstream movie has special appeal in Texas, a film distributor could opt to increase film bookings in the Lone Star State and support the heavier theater bookings with spot advertising in Dallas, Houston, and other Texas cities. Also, spot buys are made in geographic areas where it is felt national advertising does not effectively reach the target audience, so the aim is to offset underdelivery by national ad buys.

Television

Television is the most popular medium with film marketers because television commercials deliver both video and audio, although marketers gripe that the medium is too expensive. Television is broadly divided into broadcast network, broadcast spot TV, syndication (ad hoc lineups of broadcast TV stations to cover a region or the nation), national cable TV and spot cable (cable-system interconnects). The cable TV category also encompasses satellite TV and telephone-company IPTV.

TV is compelling because U.S. households average 8 hours and 14 minutes of TV viewing per day, according to Nielsen Media. "No matter what we've tried to do as an industry—using the Internet, radio, magazines, and trailers—most people still find out about their movies from television," said Tom Sherak, founder of Revolution Consulting Services in Los Angeles.

Television media buys focus on a target audience usually defined by age and gender, such as men ages eighteen to thirty-four. With over-the-air broadcasting, spillover into other age groups is considerable, because broadcast audiences are diverse. Cable-television networks tend to be niche oriented, so their audiences are more demographically concentrated, such as sports-minded male viewers for ESPN or women for Lifetime. Each rating point is 1% of a given population. For example, there were 112.8 million television households in the United States at the start of 2008, according to Nielsen Media; so a 1 rating in national households translates to 1.13 million TV households. Each household averages more than one resident, so another rating metric is persons, not households. For 2008, each rating point per person ages two and older is a population of 2.86 billion (the ages two-plus is a common benchmark in ad spend because no advertiser wants to pay for delivery of infants in a media buy). When a media buy specifies 200 rating points against a specific audience, say women ages eighteen to thirty-four, that translates to each woman in the target seeing the ad twice on average. Of course, some women in the target audience will actually see the commercial three times or more and others just once or not at all, but the average is two impressions per capita.

For broadcast spot television, the United States is divided into 210 metropolitan markets, or urban areas. Some programs attractive to film distributors are available only in local ad buys, such as local television news and games of hometown sports teams televised on local television stations. Spot cable television—usually local slots within national cable networks that individual cable systems get to sell—is more geographically specific than spot broadcast. Spot cable commercials can be as localized as a single cable system's franchise area, although cable systems typically band together to offer interconnects to give media buyers wider geographic coverage in a metro area.

Another alternative for national coverage is syndicated shows on broadcast television stations. These are nonnetwork programs on an ad hoc lineup of broadcast channels that have national ads. Syndicated shows selling national ads are televised on broadcast-television stations that reach anywhere from 75% to 99% of all television households in the United States. Syndicated TV shows under 75% coverage are not national. Programs from the big-four broadcast networks routinely attain national clearances in the high 90s.

The top marketing platform for domestic theatrical releases is Thursday-night network-broadcast TV, because theatrical films usually open in theaters the following day. The networks, knowing movie advertisers are desperate to place ads on Thursdays, jack up rates that night, which makes that evening a bonanza in network TV economics. On Thursday night, ABC's hospital drama *Grey's Anatomy* and CBS's crime drama *CSI* are popular for movie ads. These prime-time series commanded from $500,000 to $800,000 per thirty-second ad in the 2007–8 season, due to their strategic Thursday slots, large audiences, and appealing audience demographics. In comparison, the average thirty-second spot in prime time on a big-four network works out to around $160,000. All these ad estimates are in-season mostly with premiere episodes and thus exclude summer reruns when audience levels and ad rates fall. High-rated shows on other nights, including ABC's *Desperate Housewives,* also command top dollar—for this show, a thirty-second ad costs from $600,000 to $800,000. Offsetting those high-fliers are sub-$100,000 commercials in series like *Dateline NBC* and Fox's *Cops.*

Every year, advertisers have to pay more simply to reach the same size audience because overall ad demand props up rates, even as audience levels slide. CPMs for broad demographics, such as adults ages eighteen and over currently run in network TV about $18 per thousand viewers and rise from there as audience targets narrow in description and become more desirable. In addition to rising rates, movie advertisers have to contend with the rise of the DVR, the digital video recorder, which was in 19% of U.S. television households at the end of 2007, with that number expected to double in five years. Easy-to-use television-recording devices with large storage capacity via hard drives, DVRs usually have an ability to skip through advertising (some cable-system DVRs cannot). Buying a pricey Thursday-night TV commercial that gets delay-viewed on Monday is useless to opening-weekend box office.

In 2007, movie and retail-store advertisers declined to go along with an industry compromise to count up to three days of delayed viewing with a DVR in a total audience for TV shows. Both have time-sensitive commercials—stores often promote limited-time discount sales. "Evolution is happening quicker and quicker, from technology to consumer taste for the celebrity of the moment," said Jeffrey Godsick, president of marketing at Fox/Walden Films. "Consumer attitudes change at a lightning pace, and now the consumer is in charge of when and where they view content. Because of DVRs, it's when and if they will view commercials. Technology enables marketing but it also forces us, in a good way, to be flexible and keep current on the latest everything."

Ad-skipping fears due to digital video recorders have led advertisers to flock to nonscripted programs in which there is an urgency to watch in real time, such as sports and contests. Ad rates for Fox's *American Idol*—whose competition dimension encourages real-time viewing—climbed to $850,000 to $1 million per thirty second spot in the 2007–8 season. The talent-contest TV series draws a total audience in the mid-30s of millions, which is at least 10 million more than other regularly scheduled series.

Syndicated programs are the lowest-cost vehicles for national coverage via broadcast television, as measured by CPMs, because syndicated programs sell their ad inventories at lower rates than broadcast-network television. The drawback to syndicated programs is that they pull in smaller audiences than network programs, especially as television stations have cut back on time periods allocated to syndication shows. The priciest syndicated series regularly bought by movie advertisers include *Entertainment Tonight* at around $120,000 per thirty-second spot and the *Oprah Winfrey Show* at $90,000, again for in-season and nonrepeat episodes. The cheapest national broadcast-television buy on a CPM basis is to combine syndicated television shows and the lowest-rated programs on the Fox and CW networks.

Self-regulation calls for film distributors not to place R-rated film ads in programs where there's a significant audience under age seventeen, so late-night talk shows are ideal platforms for R films. A thirty-second commercial on the NBC's talk show hosted by Jay Leno costs about $75,000, and the CBS talk show hosted by David Letterman costs about $60,000. Going later still, Conan O'Brien's NBC talk show averages $25,000, and ABC Television's Jimmy Kimmel talker gets around $15,000. Another popular program for movie ads outside of prime time on broadcast networks is NBC's *Saturday Night Live* at $130,000. Again, rates apply to in-season, nonrepeat shows.

High-profile events boost the price on thirty-second commercials. The Super Bowl is the most expensive, with thirty-second spots going for $3.0 million, but this price gets advertisers a huge audience—averaging upwards of ninety million U.S. viewers—who often watch ads repeatedly because it's a favorite event to copy off air with DVRs. Since 1991, about a hundred movie ads have run in the Super Bowl with varying degrees of success. The placement really became popular in 1996 with Fox's *Independence Day*, whose gripping shot of the White House being blown to smithereens by aliens played well to the male audience. Disney—with two of four movie ads in the 2007 telecast—and Warner Bros. are the biggest studio buyers in recent years (see table 3.8). The price for a thirty-second ad during the Academy Awards Oscar telecast has been $1.6 million recently. This event has a viewership that fluctuates greatly at upwards of forty million U.S. viewers, depending on whether films nominated for Best Picture are mainstream or arty (the latter diminishes viewing audience). NBC reportedly sold prime-time thirty-second commercials for the 2008 summer Olympics at an average of $800,000.

The Television Bureau of Advertising (TVB), a trade-group association, makes its case for including a big spot-broadcast buy in movie campaigns. Disney's *Chronicles of Narnia: The Lion, the Witch, and the Wardrobe* and Fox's *Fantastic Four* each put $3.5 to $4 million into spot TV, or 12% and 11%, respectively, of their measured ad spend. Those films outperformed expectations at the box office. In contrast, TVB estimated that the highly anticipated *King Kong* from Universal only allocated 5% of its measured ad spend in spot TV, with middling box-office results.

In cable TV, ad buying is more complex than in broadcasting. Cable-network circulation and audience levels vary greatly. Although the price per commercial is lower, audiences also are smaller than broadcast TV, which means cable buys require a larger number of commercials than broadcasting to achieve any audience level. "The broadcast networks sell 99% of their inventory in fixed times and programs as opposed to the cable networks, which sell over 50% of their time in rotations," said Lawrence S. Fried, vice-president of national sales at ad-rate researcher SQAD, Inc. "This, combined

Table 3.8. Movie ads in the Super Bowl, 2005–8[1]

Title by year	Distributors	Premiere	Film BO ($ million)[1]	Rating
2008				
Chronicles of Narnia:				
Prince Caspian, The	Disney	5/16/2008	141.6	PG
Iron Man	Paramount	5/2/2008	318.2	PG-13
Jumper	Fox	2/14/2008	80.2	PG-13
Leatherheads	Universal	4/4/2008	31.2	PG-13
Semi-Pro[2]	New Line	2/29/2008	33.4	R
Wall-E	Disney (Pixar)	6/27/2008	n/a	G
Wanted	Universal	6/27/2008	n/a	R
You Don't Mess with Zohan	Sony/Columbia	6/6/2008	n/a	PG-13
2007				
Hannibal Rising	MGM/Weinstein	2/9/2007	27.6	R
Meet the Robinsons	Disney	3/30/2007	97.8	G
Pride	Lionsgate	3/23/2007	7.0	PG
Wild Hogs	Disney	3/2/2007	168.2	PG-13
2006				
16 Blocks	Warner	3/3/2006	36.9	PG-13
Cars	Disney	6/9/2006	244.1	G
Mission: Impossible III	Paramount	5/5/2006	134.0	PG-13
Pirates of the Caribbean:				
Dead Man's Chest	Disney	7/7/2006	423.3	PG-13
Poseidon	Warner	5/12/2006	60.7	PG-13
Running Scared	New Line	2/24/2006	6.9	R
Shaggy Dog, The	Disney	3/10/2006	61.1	PG
V for Vendetta	Warner	3/17/2006	70.5	R
World's Fastest Indian	Magnolia	12/7/2005	5.1	PG-13
2005				
Batman Begins	Warner	6/15/2005	205.3	PG-13
Be Cool	MGM	3/4/2005	56.0	PG-13
Constantine	Warner	2/18/2005	76.0	R
Hitch	Sony/Columbia	2/11/2005	179.5	PG-13
Longest Yard, The	Paramount	8/30/2005	43.0	R
Pacifier, The	Disney	3/4/2005	113.1	PG
Robots	Fox	3/11/2005	128.2	PG
Sahara	Paramount	4/8/2005	68.7	PG-13
War of the Worlds	Paramount	6/29/2005	234.3	PG-13

SOURCES: Complied from BoxOfficeMojo.com and *USA Today*

NOTES: 1. In 2008, the rate-card price was $2.8 million for a thirty-second commercial.

2. The *Semi-Pro* ad in 2008 was fifteen seconds, not thirty.

with the smaller number of units purchased, makes broadcast buys much more manageable for the ad agencies to postanalyze themselves." Rotations scatter ads across a channel.

In the quest for male television viewers, media buyers also have to decide whether to go for low unit price—the cheapest CPM—or larger audiences with a higher CPM. A male audience may be cheaper on the History Channel cable network on a CPM basis than on ESPN, but the sports channel has bigger total audiences. "Men are the hardest to find on television," said Palisades Media's Schaffner. "Women generally watch more television, and they are [also] available in daytime and early morning."

The price of broadcast network advertising depends on whether the ad is purchased preseason or in-season. Most is sold on a long-lead basis during May through July in the *upfront market*, which is a selling period before the television season starts in the last half of September. Once the season is under way, ad selling continues in what is referred to as the *scatter market*. In a normal year, about 70% of broadcast network advertising is purchased in the upfront market and 30% in the scatter market. Commercials bought in the scatter market usually are 10% to 25% more expensive on a CPM basis than similar ads bought in the upfront market. Unfortunately, movie marketers often are forced into the higher-price scatter market because premiere dates of films are uncertain or subject to change.

The trend has been for advertisers to buy less upfront and instead purchase later in-season in scatter. But in late 2007, broadcast network scatter was largely sold out, with the last remaining ads priced 20% to 40% above the rates quoted in the upfront. That indicates one reality—scatter rates fluctuate wildly, unlike the upfront. A small slice of broadcast-network television advertising—estimated at 5% within scatter—is heavily discounted if it remains unsold days before airdate; purchasing of such commercials is called *opportunistic buying*. These commercials are sold in such a hurry they typically can't be included in an advertiser's formal media plan.

The broadcast networks promise minimum levels of target-audience delivery, which are called *guarantees*, for ads purchased in the long-lead upfront market. But there are no guarantees for ads in the scatter market, because those ads run close to when purchased. Cable networks and syndicated programs make audience guarantees for most of their commercials and rarely experience sell-outs. Television outlets make up any shortfall from guarantees with *make-good ads*, which are additional commercials. The make-goods deliver more audience to compensate for an audience shortfall the first time around. Media-buying agencies compile postbuy analysis reports to measure whether audience target goals were met and to determine if TV outlets should provide free ads for not achieving guarantees.

For movie marketers, cable-television networks are attractive because their thematic focuses deliver demographically concentrated audiences. For example, Nickelodeon attracts kids, sports channels corral males, and news channels are a magnet for high-income and literate adults. However, cable systems, satellite TV, and other pay TV platforms have patchy geography. Subscription-television outlets are connected to about 85% of all TV households.

Individual cable channels also have patchy coverage, because carriage varies. Some channels may be on extra-charge tiers not taken by all subscribers. At the high end, the ESPN channel is seen in 83% of all U.S. TV households, which is the maximum circulation of any subscription-TV channel. At the lower end of the scale, the Outdoor Channel is in 28% of all television households, though it is attractive with its concentrated 80% male audience.

Radio

The United States has thirteen thousand–plus licensed full-power radio stations, of which two-thirds are part of some radio network, meaning advertisers can buy both national network and local commercials. Besides free over-the-air, radio also includes satellite direct-subscription radio. Radio outlets emphasize highly targeted programming, such as album-oriented rock or talk shows, so their audiences tend to be highly concentrated in specific demographics. To be effective in pitching movies, radio is a platform that needs commercials designed specifically for the medium and not simply audio tracks lifted from television commercials. Radio does have a unique attribute in that on-air talent sometimes reads commercials, which marketers say is impactful because of implied endorsement from the reader. For example, controversial shock-jock Howard Stern will do such “live reads” for films that he likes.

Broadcast radio ratchets up ad load in a boom times, with many stations averaging fifteen to twenty minutes of commercials each hour. In recent years, some radio outlets cut back ad load to try to appease listeners and advertisers fatigued by commercial overload.

Newspapers

Daily newspapers are mostly local in geographic coverage and thus are the prime platform for listing theater playdates and show times for specific films, in what is called *directory advertising*. Three dailies are national: *USA Today*, the *Wall Street Journal*, and, via its national edition, the *New York Times*.

A newspaper-ad campaign often starts the Sunday before a given film’s Friday theatrical opening. In some cases, an upcoming movie is advertised on two consecutive Sundays before the film’s release. Sunday entertainment sections are the largest of the week and often are kept for reference by readers until the following Sunday. Prestige films appealing to sophisticated adult audiences are the best prospects for prerelease, Sunday ads because the literate adult audience is an avid reader of newspapers.

Research indicates 44% of U.S. adults read at least one newspaper each day, which is a good penetration rate, but that's been falling for decades. In general, newspapers are battling to hold their place in the media world. In a new trend, free daily newspapers have sprouted in eastern U.S. cities, deluging commuters with free copies at transit terminals that are another potential ad buy for movie advertising.

Some film distributors feel newspaper advertising does not have a big influence on moviegoers' choices of which films to see. They reason that by the time a moviegoer thumbs through a newspaper to get playdate information, he or she has already decided which film to see, having been influenced by television advertising and trailers. Not surprisingly, newspapers disagree, saying their entertainment sections are vital to persuading moviegoers because advertising runs next to lots of stories about movies and stars. That's not the case for movie ads in most other media.

"No studio has ever called us and told us to stop writing about movies because newspapers are not important," said Burt Levy, director of arts and entertainment advertising for the Chicago Sun-Times News Group. "They can't get to our doorstep quick enough when it comes to us writing about their movies." The lead film critic at the *Sun-Times* is the nation's best-known—Roger Ebert, the first journalist to win the Pulitzer Prize for film commentary. Levy noted that comedy *Knocked Up* ranked second in national box office its premiere weekend but first in Chicago, where its distributor Universal made a larger-than-normal buy of full-page ads over each of the three days. But Levy said it's hard to convince Hollywood of the connection between newspaper ads and box office.

Newspapers work hard to court movie advertisers. One initiative is a willingness to sell odd-sized ads, such as placing characters from the same movie at opposite sides of a two-page spread that has editorial content in the middle. In an innovation, the *Los Angeles Times* used a scented ink for a 2007 color page ad for *Mr. Magorium's Wonder Emporium*, the Fox/Walden children's fantasy film. Prestige films still get splashy ads with quotations from reviews when film critics heap praise. Some newspapers are making gains with big new multiplex theaters that advertise to build a brand profile. Regarding cuts in newspaper ad spend, there are fewer or smaller preopening Sunday advertisements and day-before-opening ads on Thursdays (for Friday premieres).

Daily newspapers in Los Angeles and New York City are lavished with movie spending as film distributors try to impress the filmmakers who live in those cities. Various estimates suggest that newspapers in those cities pull over 10% of their advertising revenue from movies, which is double the percentage of newspapers outside those film-industry centers. Newspapers in Los Angeles and New York are fighting to keep the movie business. The *Los Angeles Times* invested in its movie pages, including in 2005 launching a product during the Hollywood-awards season. The *Envelope* was printed in eleven editions on special Hi Brite paper in a four-color, oversized format. Later, the concept was carried over to the Web with www.theenvelope.com in 2006.

Also in 2006, the newspaper reconfigured its entertainment product *Calendar* and split it into two distinct sections that gave more separation to movies. The newspaper shifted movies out of a Thursday tabloid-size arts section to broadsheet, which movie advertisers prefer, and introduced new advertising units such as cover spadeas that wrap around the spine of sections and main news cover ad strips, which are a staple unit for the Hollywood trade newspapers but never before sold in a traditional newspaper. "We're reinventing what we're doing in the entertainment category to make the product more appealing to the studios and our readers," said Lynne Segall, vice-president of entertainment advertising for the *Los Angeles Times*. She credits those changes and improved movie-industry health in lifting the newspaper's film-advertising revenue 14% in 2007. The *New York Times* also sectioned off its awards coverage under the *Red Carpet* title but later dropped that umbrella title.

The price of ads depends on what day of the week the ads run, as well, of course, as the size of the ad. For the *Los Angeles Times*, a black-and-white page ad for movies runs $23,000 to $45,000 weekdays (paid circulation of about 800,000) and $47,214 for Sunday (paid circulation 1.2 million); a Sunday four-color ad is $56,669. For the *New York Times*, the rate is about $100,000 for a black-and-white weekday page in the national edition (paid circulation 936,000) and $127,386 for national run in Sunday (paid 1.1 million). For the *Chicago Sun-Times*, a black-and-white page is $13,745 weekdays (paid circulation of 363,000) and $23,102 when the paper enlarges to standard pages. Most newspaper advertising in big cities is handled by Allied Advertising of Boston, Massachusetts, and Terry Hines & Associates of Burbank, California, and is co-op (cooperative), with film distributors paying most of the cost and theaters chipping in. One reason is that the same film is booked at several theater chains, leaving it to the distributor to pull together an umbrella ad that is film specific. But the trend is for film distributors to reduce their co-op obligations, leaving local movie theaters to fill any gaps.

The newspaper sector is more than just the high-profile dailies in city-center metropolitan areas. Cities have suburban dailies and weeklies that saturate portions of a metropolitan area. An assortment of weekly newspapers focus on entertainment, and the alternative press typically cover the arts, society, and politics. Other weeklies target specialized audiences, such as ethnic and religious groups. In an unusual example of mass advertising targeting a business community, Disney and Walden Media placed a two-page, four-color ad in a 2004 edition of the *Wall Street Journal* to announce their collaboration on *Chronicles of Narnia: The Lion, the Witch, and the Wardrobe*, which is the family film that was a global blockbuster a year later.

Newspapers are the front line in the occasional battles over racy film advertising. Children can potentially read every page of a newspaper. In contrast, broadcast media do not have that problem because they can segregate films with restrictive audience classifications to late-night television. Distributors for films with restricted ratings or with no rating at all want newspaper ads to promote local playdates, and this desire sometimes results in friction. For example, in 2001, newspapers balked at suggestive ads for the unrated *The Center of the World*, distributed by Artisan Entertainment, which now is part of Lionsgate. The ad pictured a naked woman with a lollipop in her open mouth and just one leg crossed over her crotch. The copy line was "Warning. Sex. Come closer. Enter." Some newspapers let the text run without graphics, while others rejected the text but let more-subdued art run.

Magazines

The magazine category is segmented by the frequency of publication, mainly the monthlies to the weeklies; geographic reach; and reader demographic concentration. The medium is not heavily bought by film distributors.

Magazines can be appealing because specialized publications deliver specialized readerships that are tightly focused by demographic. For example, there are four national gay magazines, dozens of pet magazines, and dozens of magazines devoted to parenting. For a movie ad to make an impact, it should be designed for use in magazines and not simply be creative material really intended for newspapers.

Magazine ad rates are based mostly on circulation, both subscription and single sale on newsstands. At the high end, a page ad in *People* magazine costs around $240,000. A page in the newspaper supplement magazine *Parade* is around $850,000. In addition, magazines supply research with estimates of total readership, which is higher than circulation, because numerous persons can read the same magazine.

Media buyers affix the highest value to readers within the household for which the magazine was purchased, figuring these individuals will scrutinize the magazine closely, and affix less value to pass-along readers outside the primary household. As a selling point for ads, the magazine industry says consumers are very engaged in the medium because reading articles takes concentration. Magazine marketers argue that consumers devote less attention to other media.

Out-of-Home Media

Advertising platforms outside the home are part of the movie-advertising mix, although these platforms usually are slow-load media in which audience impressions are made over relatively long periods of time. This sector, which traditionally once meant just outdoor billboards, is exploding with diversity and now encompasses TV screens at check-out counters, mobile-phone messaging, and telephone-kiosk panels. The latter, placed on public telephones, can be translucent sheets that are rear-lit.

Out-of-home ads also include:

- building sheds. Shed ads are signage attached to temporary sidewalk structures erected to protect pedestrians during building construction.
- building spectaculars. These huge canvass signages are placed on structures and often held in place by a pole frame and cables. They are not conventional billboards (see fig. 3.2).
- in-store ads such as TV monitors at check-out lines.
- mass transit. These ads include the exteriors of buses, signage at bus/train stops, and street furniture, the latter including bus-stop benches that are attached to sidewalks and that display ads.
- taxi tops. These are signs on roofs of taxi cabs.
- oddities. One example is a banner pull, which is an airplane towing a sign above a crowd at a sporting event or crowded beach.

Conventional outdoor is still the anchor. Sony Pictures is the tenth-largest advertiser in conventional outdoor billboards, followed by Warner Bros. at number sixteen and Paramount at number nineteen in 2006, according to the Outdoor Advertising Association of America. McDonald's restaurants topped the list. Outdoor billboards typically cost single-digit thousands to $20,000 per month, depending on their location. They are sold based on their audience exposure, called *showings*, in a specified time frame; and are the equivalent of rating points in television. A billboard with a one-hundred-showings audience would be seen by the equivalent of the entire population in its market. Outdoor billboards and other out-of-home advertising methods generally are effective in reaching an urban in-city audience, because this population is geographically concentrated. A fringe benefit is that out-of-home signage that doesn't get replaced quickly (which happens when there isn't another advertiser waiting in line) helps promote the DVD release.

Film companies and Hollywood talent are fond of placing billboard ads on the West Side of Los Angeles, which is the heart of the movie business, to "speak" to the movie industry. This generates a buzz within the film com-

Fig. 3.2. Jack Black stands several stories tall in a building spectacular on the side of Madison Square Garden for Paramount's *Nacho Libre* in 2006. Photo by Robert Marich.

munity. The prime locations are the Hollywood–Beverly Hills–Santa Monica area. These Los Angeles–area billboards cost from $10,000 to $50,000 per month, but on the Sunset Strip in Hollywood, the prices range from $30,000 to $40,000 per month.

In 2001, Sony Pictures placed an outdoor billboard in New York City and Los Angeles for action film *XXX* a year before the film opened in order to start a buzz. In 2004, director Vincent Gallo made a bid for attention with a billboard ad in West Los Angeles in which actress Chloe Sevigny, star of his film *The Brown Bunny*, appears to be engaging in a sexual act with him. Protests resulted in the ad being taken down. The movie, about a motorcycle racer's search for true love, was distributed by Wellspring Media.

New Media Overview

New media could also be called complicated media for movie marketers, because they are multifaceted and fast evolving, unlike traditional analog media. A unique characteristic is the ability for movie marketers to establish a direct connection to moviegoers when they click links in Web ads (termed *click-throughs*) or sign up for e-mail mailing lists. That's unlike traditional analog media—such as television and magazines—that are not inherently interactive and always stood as a buffer between film distributors and moviegoers. Also, new media offers under one roof both directory and persuasion advertising opportunities. Directory provides specific playdate movie information—what newspapers listings did exclusively in the analog era—but in improved interactive and searchable platforms such as Web sites. New media can also deliver video film trailers and TV commercials, which are film marketers' most persuasive advertising.

Finally, the strict line that traditional media place between paid advertising and editorial content blurs in new media, which creates cross-promotion opportunities for movie marketers. So new media is not so easily pigeonholed, and its still-evolving quality makes it the Wild West of today's media landscape for the movie business.

New-media advertising is much more than banner ads on Web sites, encompassing search-engine marketing, SMS (short-message service) text messaging via cell phones, dynamic insertion of ads in on-line worlds and emailing (see fig. 3.3). Plentiful data on consumer usage, which is lacking in most analog media, makes new media popular with marketers. The digital data collection provides counts on click-throughs, page views, email signups,

Fig. 3.3. Types of new-media advertising

official Web site either a stand-alone Web site or one hosted within a third-party Web site as a promotion, such as MySpace

sponsorship/social marketing tie-ups with MySpace, FaceBook, Gawker, the Onion, MovieFone, Fandango for movie pages and contests

flash display ad basic Web display and banner ad

rich-media display ad elaborate Web display and banner ads with multiple interactive touchpoints and often audio, video, the like; the interactive elements measure consumer response

trailer placement film trailers posted, often free, on Web sites; premium placement for exclusivity

viral campaign sparking peer-to-peer street buzz highly effective, but results unpredictable

e-mail blast piggybacking on third-party e-mail services, but opt-ins for studio-originated lists slip as users filter out mass e-mails.

cell phone/wireless phone ideal for delivering playdate information for nearby theaters; often coupled with a Web site; expected to be big growth area for film

on-line virtual display ads and/or themed locations for virtual communities and on-line video games

search marketing buying key words for topics related to movies; also search optimization to boost traffic for movie-related Web pages

behavioral marketing identifying Web users based on movie-page visits or searches on a topic. Movie marketers can target consumers with banner messaging and e-mail and responses to interactive elements such as on-line contests. Despite all its golly-gee capabilities, new media still isn't so powerful yet to carry a film in theatrical release, so film marketers still must buy traditional media to reach a big-enough audience to launch films.

The current volume estimates that movie distributors allocated 8% to 10% of their domestic advertising spend on new media in 2007—mainly Web site–related efforts. That's above the 6.5% average for ad spend across all industries. Other sources put movie spending on new media in the low single-digit percentage in the time frame, but that miscalculates by lumping in nonpaid media items such as costs of making film trailers. "I think in five years you'll see new media spending for movies at 30%," said Christian Anthony, co–chief executive officer of new media ad agency Special Ops Media. "You can't ignore the effectiveness, the ability to measure results, the technology that allows consumers to interact, and that more and more content is going on-line. The ad spending will follow because consumers are moving on-line."

The movie-ad spend stated in dollars ranges from hundreds of thousands of dollars to $3 million for a major studio release in 2007 (see table 3.9). Indie films with smaller budgets allocate less, often with a higher percentage going to new media, because traditional media are more costly and thus out-of-reach of smaller ad budgets.

New-media ad spend is certainly fast rising. In 2001 in the midst of the big dot-com bust, major studios were spending $20,000 to $100,000 per film on new media, with a big chunk going for publicity and not advertising. "You can put millions of dollars in advertising," said Amy Powell, senior vice-president—interactive marketing at Paramount Pictures. "But unless you have innovative content to get the clicks, you're wasting your money."

Table 3.9. On-line-ad spending by Hollywood major studios

Year	Online spend[1] ($ million)	Change from previous year (%)
2006	259	45.3
2007	370	42.7
2008[1]	508	37.3
2009	650	28.1
2010	760	16.9
2011	857	12.8

Source: eMarketer, September 2007

Note: 1. eMarketer uses historical MPAA on-line-ad spend as a benchmark for projections.

New-Media Planning

The planning for new-media campaigns ideally begins six to ten months before a movie premieres. Web sites tend to attract specific demographics, which calls for using a targeted approach. "Our creative approach is to speak to audience segments one at a time [using different digital media and different creative messages] and not simply have a broad general start," said Dwight Caines, Columbia TriStar Motion Picture Marketing Group executive vice-president of worldwide digital marketing strategy. "We tend to begin our campaign appealing to whatever segment is the main affinity group to whip up its enthusiasm. Members of affinity groups hang out with mainstream moviegoers and pass on their enthusiasm."

The campaigns themselves are mounted in waves that typically start three to five months before a film opens, with each successive ripple becoming more pronounced and a more specific sell for to the film. Often, signature film-marketing materials, such as the key-art poster, are not ready for the first wave, so a hurdle is often a lack of approved source material available months in advance. The new-media efforts reach a fevered pitch four to six weeks before a film opens, hopefully propelled by earlier waves and hitting broader swaths of the Web consumers.

Given the early start, new-media advertising requires that film marketers cast a wide net internally to start. "Within our domestic theatrical marketing division, all of the disciplines—creative, publicity, media, research, promotion, and interactive—are involved in the formation of marketing strategy with management and filmmakers," said Warner Bros. senior vice-president interactive marketing Donald Buckley. "Timelines are constructed, and we acquire all the film assets we need to begin" the Web campaign after those consultations. "With the movie *300*, the early teaser one-sheet became an iconic base for our Web site."

Film distributors tend to rely on one or more specialist ad agencies to execute new-media advertising campaigns. New-media specialist agencies used by film companies are clustered in Los Angeles, New York City, San Francisco, Chicago, and Boston. They include Big Spaceship, Deep Focus, Heavenspot, Project C, 65 Media, Special Ops Media, and Vibes Media. Internet ad agencies also structure their services much like mainstream advertising agencies by working through an account team that marshals other services within the agency, such as the creative department and the media-buying department.

Another mantra is more cross-platform promotions, meshing two or more platforms in a single effort. This means interconnecting ads, such as having a newspaper ad include a movie's Web site address, and perhaps some text urging newspaper readers to view the Web site.

Flash versus Rich-Media Display Ads

The centerpiece of most movie new-media campaigns is display advertisements, which take up a fraction of the page either at the top (banner) or other locations. Web pages can contain more than one display ad, and some imaginative movie creative place on the same page two ads that play off each other. The two types of display ads are the *standard flash ad* and the separate *rich-media ad*.

Flash ads are less dynamic and typically are limited to one click through capability but are simple to create and place. The alternative rich media have multiple interactive capabilities and typically incorporate audio, moving parts, expansion capability, and/or video. "Some ad units allow us to create virtual minisites within, with streaming video, galleries, in-ad gaming, and other experiential content," said Buckley. Click-through rates on entertainment-oriented flash ads tend to be a fraction of one percent, versus 5% to 10% for rich-media movie ads. While it's easy to get excited about rich-media ads, they have drawbacks. They cost more to produce than flash ads, and media outlets may charge more for rich-media placements. Some Web sites restrict unwanted rich-media features, such as floating elements that some consumers find annoying.

A favorite tactic of distributors is placing a dedicated, branded movie page in a popular Web site. The social MySpace Web site charges hundreds of thousands of dollars for official movie pages, which MySpace users can link to and interact with. Fox's *Live Free or Die Hard*, Warner's *300* and Disney's *Pirates of the Caribbean: Dead Man's Chest* are among the legions of films with their own MySpace destinations. Film marketers tap into the MySpace audience that makes 1.3 billion page views per day (tops for any Web site) and gets 105 million unique visitors per month.

In general, movie distributors tend to like high traffic Web sites and movie-related Web sites for placements. These kinds of Web sites include FaceBook; general portals such as Yahoo, AOL, and MSN; and any genre-focused Web site with lots of traffic. Display-ad buys also go to nonmovie Web sites and pages that relate to a film's theme and affinity groups—such as animals, politics, or automobiles—that reach very specific audiences that a given film targets.

Official Web Sites

A key component of Internet marketing is the official movie Web site, which typically costs $20,000 to $200,000 to build. Audiences for sci-fi, horror, and fantasy films tend to be early adopters of technology and expect movie Web sites to be elaborate. The Web sites incorporate many of the elements found in press kits—star biographies, pictures, and story description—but are geared for moviegoers and not professional journalists. Web sites also list the film classification (which is mandatory for films rated in the United States), theater playdates, trailers, sweepstakes/contests, games, and downloads of movie-themed images and audio. Once a film opens, critic reviews may be posted as well.

One big change since film distributors pounced on new media in 2000 is that the official movie Web site is no longer the centerpiece of campaigns. Movie marketers say it doesn't make sense to try to build Web traffic from scratch for a newly erected official destination when they can place content and ads on established Web sites that already have huge audiences. There's no guarantee the official Web site will attract heavy usage prior to a film's release. These days, film marketers sometimes invest more in the official Web site than they feel is necessary simply to appease film talent who want an impressive home destination. At the start of this century, film marketers seeded official Web sites with waves of new content in bids to get audiences to return, but now new material often lands on heavily trafficked third-party Web sites.

One recent development in the official Web-site arena is the creation of secondary sites designed to provide depth on characters or stories. This kind of information is often lacking on the primary official Web site, which tends to emphasize practical playdate information over details about the content. For example, a second Web site for DreamWorks's *She's the Man* in 2006 focused strictly on the film's Amanda character by letting Web users explore her cluttered but personal dorm-room desk. The Amanda-focused Web site at www.shesthesite.com was separate from the flagship official Web site www.shestheman-themovie.com. Jason Klein, co–chief executive officer of Special Ops Media, said Amanda's Web site was "a discovery site. Our target audience of teens could actively interact, explore, and be engaged by the brand for an extended period of time in a way that would possibly be distracting for people who just want the basic information" that is the mission for the movie's separate, main Web site.

The profiles of secondary sites vary. Warner Bros. teased comic-book fans with snippets of the Joker character for its Batman movie *The Dark Knight* via Web sites www.IBelieveInHarveyDent.com and www.IBelieveInHarveyDent-Too.com, both of which presented a façade of a phony Gotham City political candidate. Web surfers who drilled down found the Joker was behind the façade. The tragic death of Joker actor Heath Ledger in January 2008 interrupted the effort.

For *Evan Almighty*, Universal Pictures also had a Web site www.GetOn-BoardNow.org with an environmental message tied to the comedy. Paramount put up a rough-hewn Web site www.stuntmanforever.com tied to its *Hot Rod* youth action comedy. The secondary Web site, which went up before the main official Web site www.hotrodmovie.com, presented itself tongue-in-cheek as being from the younger stepbrother of the film's main character and did not directly reference the movie.

Posting Content and Sharing It

Throughout movie history, the best-selling tool for movies is pieces of the film, which traditionally were presented as in-cinema film trailers. With new media, trailer circulation is mushrooming.

In a what represented the biggest splash imaginable, Walt Disney bought a ninety-second TV commercial on Fox's *American Idol* TV program in early 2007 that was designed to drive viewers to watch a nine-minute clip of the animated *Ratatouille* at www.disney.com. It's not known what Disney paid for the commercial, but at the time *American Idol* was getting around $750,000 for a thirty-second commercial (its ad prices rose the following season). This is another example of advertising integration, linking broadcast television with a Web site in a single effort. A thirteen-minute short film that was a prequel to spiritual-quest drama *The Darjeeling Limited* was downloaded free on iTunes an impressive five hundred thousand times in 2007, but *Darjeeling* grossed just $11.8 million for Fox Searchlight. The short—*Hotel Chevalier*—got better reviews and had the sizzle of a nude shot of actress Natalie Portman (who has a brief cameo in the film).

Besides simply posting content that is viewed passively, film marketers give bits of film and collateral materials to Web users they can manipulate. Fox's *Alvin and the Chipmunks* allowed users to create content at www.munkyourself.com that could be passed on via e-mails. A goal is usually for users to share content on-line with friends, which carries an implied endorsement by the sender. "It's a new way of messaging and gives us multiple layers of consumer engagement," said Gordon Paddison, executive vice-president/new media marketing at New Line Cinema.

Search Engines

Search-engine marketing—placing paid ads in results of Google and others—is typically used by specialty-product companies, but movie distributors sometimes buy early in a movie campaign before other ads arrive. Google tied in with two movies for on-line games: Columbia's *Da Vinci Code* in 2006 and Universal's *Bourne Ultimatum* the following year–whose plots both fit mysteries and searches. Besides the movie title itself, key words are some genre or aspect of the movie so ads reach an affinity group. Ad rates vary, and some key words are prohibitively expensive.

Wireless

Movie advertisers are targeting cell phones and other personal-communications devices for text messaging to deliver movie playdate information and for interactive marketing (see fig. 3.4). Film distributors began adding a small, specific cell-phone component to new-media ad plans in a noticeable way in 2007, which was film marketing's cutting edge at the time. Moviegoers who are out-on-the-town can request SMS cell-phone messages with local movie-playdate information. Moviegoers who sign up for movie information in other media often can opt to have SMS messages sent to their cell phones. About four out of ten cell-phone users say they have received SMS messages, so potential audience is large but far short of the entire cell-phone base.

Fig. 3.4. A Web banner asks users to input their mobile phone number and postal zip code to receive phone SMS e-mails for Rogue Pictures 2007 comedy *Hot Fuzz*. The promotions included local cinema information.

Cell phones were the hub of a 2007 Warner Bros. promotion for epic battle drama *300* at a Detroit Red Wings hockey game in 2007. During a break, the arena announcer told the audience to ready their cell phones, and then video from the film appeared on the arena's big-screen video monitor. After the *300* clip presentation, the announcer told the audience to text WINGS and their zip codes to the 43KIX (which is 43549 on their phone's touch pad) for a contest offering a free screening ticket to the movie. "Each person was sent back a message to them informing them if they won or not and how to 'opt out' of future messages," said Chris Geromini, executive vice-president at Terry Hines & Associates, an ad agency that specializes in generating movie show-time listings. "On the film's opening day, they were sent show times for theaters in their zip codes via free text message with an embedded link to purchase [tickets] using their phone."

Wireless movie marketing will progress as cell-phone technology does, using video phones and more Web-integrated devices like Apple's iPhone. One recent trend in wireless marketing is banner ads on mobile Web sites with click-throughs that take users to a mobile film page built for specific movies.

Other New Media

Movie marketers are also allocating marketing spending on other new media, such as e-mail blasts and ads in on-line video games, although e-mail marketing is showing a decline. E-mail blasts were an early favorite years ago when most households were equipped with narrow-band Web connections that made using Web sites difficult (turning Web pages was slow). Zippy e-mails were a popular alternative medium, and movies routinely built lists of fifty thousand moviegoers who signed up. But with spam filters and a deluge of unwanted junk e-mail, moviegoers became reluctant to opt in, and the sizes of e-mail blast lists have declined.

One intriguing new ad buy that straddles the line between new and old media demonstrates the hybrid nature of new media. Since 2005, on-line film-rental service Netflix has sold movie advertisements on mailer wrapper flaps that enclose its DVDs. The ads—which are in color and printed on paper—are old-media analog, but Netflix movies are ordered on-line via the Internet. Netflix advertisements have included major-studio releases *Spider-Man 3*, *I Am Legend*, and *Walk Hard: The Dewey Cox Story*, and indie releases *An Inconvenient Truth, Babel, Waitress, A Mighty Heart*, and *Atonement*. Advertising is based on a $34 CPM, which goes up to $55 for geographic targeting.

History of Media Buying

In film's early days, from silent films to World War II, paid advertising mostly focused on newspapers, which were the nation's main information purveyors.

In 1922, the Capitol Theatre in Manhattan at Fifty-First Street and Broadway placed movie ads in the following fourteen Manhattan newspapers: *World*, *American*, *Times*, *Journal of Commerce*, *Morning Telegraph*, *Herald*, *Evening Telegraph*, *Tribune*, *Globe*, *Daily Star*, *Women's Wear*, *Garment News*, *New York Review*, and *Hotel Reporter*. Today, most of those newspapers are gone, and Manhattan has three general-interest daily newspapers, plus two free dailies.

Starting in the late 1950s, independent distributors innovated with the first saturation advertising campaigns that broke ground for the modern era. Independents concentrated theater bookings in one city at a time and supported each opening with heavy spot-television advertising. After an independent film played out in one city, its release prints were moved to another city that would get the same saturation treatment, until a film eventually covered the entire country. The independent pioneers included producer/distributor Joseph E. Levine, who released dubbed voice-track Italian import *Hercules* in 1959, the first of a string of "sword and sandal" period epics that were a foundation of Avco Embassy Pictures. Another notable indie distributor of the era noted for saturation television advertising was Sunn Classic Pictures, which released family films such as *The Life and Times of Grizzly Adams* in 1977.

In this era of the 1950s, the major studios did not embrace costly television advertising because their films did not saturate a city but instead played off gradually. Major-studio films would open initially just in the flagship theaters in a city's downtown area. After ending downtown runs, film prints would move to successive waves of second-run theaters in the same city, eventually covering the city. As a consequence, the major studios concentrated advertising in newspapers showing specific playdate information.

By the late 1960s, television programs were draining audiences away from cinemas, and the business model of the major studios no longer worked. To revive their business, the majors began adopting strategies used by independents, particularly wider distribution of films supported by television advertising campaigns.

By the late 1970s, distributors such as Warner Bros. paid $4.2 million for television advertising for *Superman*, yet majors were still outspent by indie distributors such as Pacific International, which pumped $4.6 million in spot television to support *The Late Great Planet Earth*. The studios didn't start making long-range broadcast-network TV buys in the upfront market until the 1980s, preferring instead to purchase in the more-expensive scatter market that was closer to air dates and the release of a film.

It's ironic how the tables have so completely turned. Today, the majors are the masters of the saturation booking/advertising strategy, with vast openings in thousands of screens simultaneously. They buy ads in the upfront market and place commercials on the Super Bowl, TV's most expensive buy.

The independents now are marginalized into narrow advertising because it's no longer economically feasible to mount saturation regional or city-by-city rollouts. No film distributor can tie up a film in a succession of small saturation runs because that process would delay the lucrative video release. Thus, independents are forced to distribute films nationally, where they are unable to achieve the mass scale of the deep-pocket majors.

A survey by the MPAA indicated that the major studios spent 68% of their advertising on print media (newspapers and magazines) in 1989. These days, print-media spending by major studios is about 12%.

Hollywood's Web era began with a jolt in 1999 when *The Blair Witch Project*—the faux documentary with a production budget of only tens of thousands of dollars—was carried to an astonishing $140.5 million in domestic box office by a low-cost, Web-centric, viral campaign. The Web was seeded with mysterious content driving users to the equally mysterious official Web site, which, in turn, was regularly infused with new content to keep visitors coming back.

British sci-fi import *28 Days Later* is considered the next-ranked film that succeeded in cinema primarily due to its Internet marketing. The yarn about bloodthirsty zombies overrunning the United Kingdom cost $8 million to make and rolled up a sizable $45.1 million in domestic box office. Its advertising campaign from distributor Fox Searchlight minimized traditional ad spending in television, even though *28 Days Later* opened broadly at 1,260 theaters in June 2003. The distributor spent an estimated and then-sizeable $1 million in Web advertising such as banner ads and mounted *28 Days Later* sneak previews in twenty-eight cities, supported by Internet publicity, to build word of mouth.

However, so far, few other films have succeeded in cinema release relying on Web-centric campaigns. New-media vehicles for film marketers include official Web sites, ads on third party Web sites, e-mails, circulation of film segments, dynamic insertion of ads placed in on-line destinations, and search marketing.

4

Promotional Tie-Ins and Product Placement

> Ever since Clark Gable took off his shirt in *It Happened One Night* and sales of men's undershirts plummeted, popular-culture entertainment has proven its ability to sell products and services and to transform brands.
>
> —Steven J. Heyer, beverage-industry executive

With Hollywood's major studios spending billions of dollars annually on release prints and advertising in the United States and Canada, there's pressure to enlist third parties to help carry the marketing load. Thus, film distributors turn to *tie-in promotions*, which are cross-marketing deals in which consumer-goods companies put movies in their ads. In exchange, the consumer-goods outfits get to associate their products with films, hoping that a little Hollywood magic will rub off. Another type of promotion is the *product placement*, in which brand-name items are visible in the films themselves. Companies whose products are identifiable in films may provide some form of compensation, whether tie-in-promotion support (promoting a movie in their own advertising or putting movie promotions in stores), cash payments, and/or lots of free product/services to the film when it is in physical production.

The tie-in promotion and product placement fields are becoming increasingly sophisticated as movie marketers and their consumer-goods partners expand the scope of their alliances and contractually specify responsibilities of each party. One trend this decade is for such alliances to continue beyond just theatrical release. The association of a consumer-goods outfit with a film might continue to the downstream-release windows of home video and television.

With a promising script and proven creative talent behind it, a film project aimed at the broad market can line up impressive tie-ins the necessary months to a year in advance. Promotional partners who made the commitment to Paramount/DreamWorks PG-13 action-adventure *Transformers* got the halo effect from a 2007 blockbuster grossing $319 million in the United States and Canada. According to the *Licensing Letter*, the *Transformers* promotions included:

- Burger King sold twenty-five million movie-themed kids meals supported by TV ads.
- Pepsi's Mountain Dew offered prizes worth nearly $7 million via bottle-cap promotions tied to the Web site www.transformyoursummer.com.
- Kraft sent twenty-five million Lunchables-brand chilled meals to supermarkets, supported by five weeks of TV ads.
- General Motors, which integrated four vehicles in the movie, including its Hummer H2, mounted a "Transform your ride" promotion supported by in-theater ads and TV spots.
- eBay conducted a $5,000 video contest "Transform it with eBay" that solicited entries from the general public and sold movie props from the film.
- Vespa motor scooters and Footlocker shoe stores mounted a joint sweepstakes and store point-of-purchase promotion supported by ads.
- Steve & Barry's clothing stories sold *Transformers* tee shirts for a bargain $7.98 and offered consumers a chance for a free trip to fan-gathering BotCon (an enthusiast convention).

A few years earlier, the DreamWorks romantic comedy *The Terminal* seemed a movie built for tie-ins with forty stores in product placements for its centerpiece airport set. Retail outlets Auntie Anne's Pretzels, Borders, Burger King, the Discovery Store, Godiva Chocolatier, Starbucks, Swatch, and Verizon Wireless are conspicuous in the film. Each company was responsible for building its own store façade—at an estimated cost of tens of thousands of dollars each—saving DreamWorks on set-construction costs. In addition, Air Canada, All Nippon, Asiana, Star Alliance, United Airlines, and US Air are seen in *The Terminal*. Actress Catherine Zeta-Jones portrays a uniformed United Airlines flight attendant who becomes romantically involved with the Hanks character. The film did well with $77 million in 2004 domestic box office.

Such promotional tie-ins today are part of the Hollywood landscape, but the reality is that activity is off from a peak a few years earlier. Consumer-goods marketers came to dislike the unpredictable nature of films and their short lives in theaters. "Consumer companies and brands have heard a lot of movie pitches over the years," said Terence Keegan, executive editor of newsletter

Entertainment Marketing Letter. "The phrase you hear over and over from them is that the film property has to 'fit the brand' for a promotion to make sense." One ripple effect of this thinking is that consumer marketers are less interested in broad movie alliances but rather narrower hookups. That points to deals with one movie at a time, not multi-title commitments.

Movies compete for promo dollars against television programs, whose tie-ins are on the upswing. TV shows are suitable for real-time contests where viewers vote via mobile-phone e-mail SMS and on the Internet. Beverage giant Coca-Cola reportedly paid $20 million to tie up with Fox's reality-TV series *American Idol*, getting drink cups with its red logo placed on the desks of judges. The exposure is valuable given that *Idol* got $850,000 to $1 million for a regular thirty-second commercial during the 2007–8 season.

Promotions Overview

Film-marketing executives at distribution companies are fond of saying that they've never met a movie producer who didn't want promotional tie-ins with consumer-goods companies (see table 4.1). The advertising firepower and reach in the marketplace of fast-food restaurants, carmakers, national store chains, consumer electronics, and mobile-phone service providers are welcome support for theatrical release (see table 4.2).

Consumer-goods companies spend millions of dollars—and in some cases tens of millions of dollars—in advertising that simultaneously promotes their products and the movie. Hollywood's promotional partners seek a halo effect from a movie for their consumer goods or services. Combining car, liquor, apparel, and other categories can marshal $100 million in tie-in-advertising support on a worldwide basis for big films such as the James Bond spy thrillers. That's the very top-end films only. Typically, deals don't involve large amounts of cash payments but rather specified tonnage of paid advertising promoting the movie as well as the promotional sponsor. Speculation abounds in Hollywood about buckets of money going to film companies, but those rumors are mostly not true.

For a comparison of ad scale, in 2007 Hollywood's major studios spent an average of $32.2 million per film of their own money on advertising and related marketing in the United States, according to the Motion Picture Association of America (MPAA). The crucial distinction between advertising directly by the film distributor and ads of promotional partners is that the ad campaigns of the film distributor presents a creative message fully focused on the movie, while the tie-in support is a piggybacked message about the movie in the partner's ad, which is mostly about the consumer good.

Movie promotions are a tricky business that can challenge the most astute consumer marketers. Starbuck promotions with Paramount Classics *Arctic Tale* and Lionsgate's *Akeelah and the Bee* did not result big box office for the movies, despite the promotional weight of Starbuck's 10,684 U.S. coffee shops.

Movie distributors want tie-in ads to arrive in the marketplace concurrent with theatrical release. Consumer-goods outfits dicker over the quantity of consumer advertising and promotion they deliver and the extent to which the movie is pitched in those efforts. The consumer-goods companies also negotiate for specified access to movie logo, footage, sounds, music, and, in some

Table 4.1. Types of consumer-goods companies that use entertainment for promotion, 2007

Rank	Type of industry	%[1]
1	Fast food restaurants	22.0
2	Retailers[2]	15.8
3	Online services	9.7
4	Soft drinks and water	6.1
5	Packaged foods	6.1
6	Beer, wine, and spirits	5.5
7	Consumer electronics	5.0
8	Candy and snack foods	4.6
9	Auto manufacturers	4.1
10	Magazines[3]	3.5
11	Apparel and footwear	3.5
12	Health and beauty aids	3.5
13	Games and toys	2.8
14	Telephone services	2.6
15	Consumer goods[4]	1.9
16	Associations	1.9
17	Sports leagues and teams	1.9
18	Hotels and motels	1.7
19	Airlines	1.5
20	Book publishers	1.1
21	Credit cards	1.1
22	Car rentals	<1.0
23	Photo supply and services	<1.0
24	Travel and tourism	<1.0
25	Health-care organizations	<1.0

Source: *The Entertainment Marketing Letter*. © 2008 EPM Communications, Inc., www.epmcom.com

Notes: 1. The total of the percentage surpasses 100% because of multiple tie-in partners.

2. Mass merchants, department stores, and video chains are included.

3. Comic books are included.

4. This category is a catchall for everything from luggage to soap to watches to petroleum products.

cases, actors for use in consumer-goods ads. With a deal in hand, consumer-goods outfits plug movies in numerous ways, from Internet sweepstakes to partnerships with media such as newspapers.

Contests are a staple of promotions, with consumer entries providing a measurement of consumer engagement. For Disney's 2007 blockbuster *National Treasure: Book of Secrets*, Mercedes Benz and other partners provided $550,000 in prizes, which included actual treasure from salvage outfit Odyssey Marine Exploration, which also was a partner in the film. The contest was a treasure hunt, which fit the film's road story tied to American history. In its first movie promotion in a decade, Volvo provided a car as prize in another treasure-hunt contest, this time for Disney's 2006 release of *Pirates of the Caribbean: Dead Man's Chest*. The contest took place in 357 car dealerships (Ford owns Volvo) to generate store traffic.

A key issue for tie-ins is that a movie's audience matches the consumer bases of the partner goods companies. It's an obvious point, yet occasionally there are disconnects. For example, in 1998 when DreamWorks's *Small*

Table 4.2. Entertainment marketers' tactics in media promotions, 2007

Tactic	Usage (%)
E-mail	85
Event marketing	75
Blogs	64
Social networking Web sites	62
Viral	59
User-generated content	53
Mobile-phone text messaging	51
Internet service providers (e.g., AOL, MSN, Yahoo!)	49
Internet search optimization	47
Street teams	47
Fan-generated Web sites	45
Internet paid search	45
Direct mail	43
Podcasts	43
Mobile phone audio and video	40
Out-of-home media	38
Message boards	36
Video-on-demand	30
Avatars	15
TiVo–DVR showcases	11

Source: *The Entertainment Marketing Letter*, © 2007 EPM Communications, Inc., www.epmcom.com

Soldiers received a PG-13 rating instead of the anticipated PG rating, Burger King hurriedly revamped its tie-in promotion campaign by not targeting children, which would have been inappropriate given the film's classification, and by posting warnings. To reach the all-important youth market, the top categories for movie-related promotions tend to be fast-food restaurants (in marketing vernacular called QSRs for quick-service restaurants), snack foods, and breakfast cereals (see fig. 4.1). Automobiles and liquor are the big categories for movie tie-ins for the adult demographic. Soft-drink beverages and mass merchants (such as Wal-Mart) are important categories straddling both the youth and adult demographics.

On the local level, radio stations are popular tie-in promotion partners for what are single-metro-area efforts. Film distributors align their movies with radio outlets whose audiences are a good fit, arranging for private screenings for a film prior to its general release. The radio stations give away screening tickets via on-air plugs for the film. Typically, the distributor arranges one screening, which costs roughly $5,000 per day for facilities rental, movie-print delivery, and staff expenses. Any multiple screenings are held back-to-back on the same day to reduce expenses.

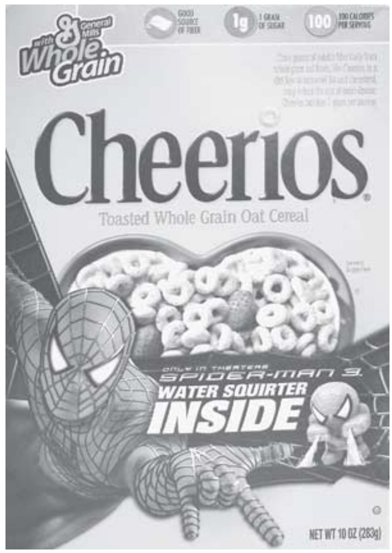


Fig. 4.1. Sony/Columbia's *Spider-Man 3* gets plugged in 2007 on boxes of Cheerios breakfast cereal that contain a squirt gun inside.

Other promotions are events that are akin to road shows. In December 2007, Twentieth Century Fox organized a mass sing-a-long of Christmas carols at the gigantic Mall of America in Bloomington, Minnesota, to promote the animated release *Alvin and the Chipmunks* (see fig. 4.2). Not only did the film become a hit but the movie soundtrack also ranked among the top twenty–selling music albums. Six thousand people—many wearing red Santa hats—participated in the *Alvin* caroling, which generated a large color photo on the front page of the local section of the St. Paul *Pioneer Press*, stories on three local TV stations, and coverage by various Web sites. Malls are an out-of-home platform that Fox likes because other movies are not being advertised there. The studio also has a deal with General Growth, which manages 125 shopping malls in which Twentieth Century Fox is the exclusive movie marketer.

The most sought after tie-ins are with family films, typically rated G (all ages) or PG (some content may not be suitable for children) on the five-point

Fig. 4.2. Six thousand people sing “Christmas Don’t Be Late” at Mall of America in Minnesota at an event organized to promote the Fox’s 2007 *Alvin and the Chipmunks* movie. Source: Mall of America.

movie-classification scale. The consumer-goods partners are particularly sensitive that their movie tie-in ad campaigns don’t push PG-13 or R movies to youngsters, because the Federal Trade Commission has been spot-checking film company practices in a series of reports dating back to 2000. In 2007, the advocacy group Campaign for a Commercial-Free Childhood asked the FTC to formally monitor promotions of PG-13 movies, citing ads tied to *Transformers* that were placed by Kraft (for its Lunchables) and Burger King. The organization said those promo ads appeared on kids’ TV channels in programs rated TVY (appropriate for all children). In a 2008 response letter, the FTC declined to formally take action but said its “staff believes . . . [the film] industry should assess its current approach.” The FTC supports industry self-regulation with FTC oversight. At the present, industry curbs get really tough starting with R-rated films.

Besides single-picture alliances, consumer-goods companies also tie-up with studios’ parent companies and other divisions of the same company, such as theme parks. These other-promotion partnerships under the same corporate umbrella can smooth the way for extensions to promotion alliances for individual pictures. However, these can also be a limiting factor because it would be tricky for the film distributor to do promotions because rivals are in the same category.

Walt Disney, whose corporate assets include ESPN sports and ABC Television, claims to have 130 media properties available for promotional tie-ins. In 2007, the Disney Theme Parks and Resorts division signed a ten-year sponsorship agreement with apparel outfit Hanesbrands (Champion and Hanes clothing) and Rayovac batteries' parent Spectrum Brands. Wal-Mart inked a yearlong sponsorship on the Disney Channel tied to Disney TV property *High School Musical*. In 2005, electronics/engineering giant Siemens signed a twelve-year sponsorship-and-branding deal with Disney's resorts and theme parks.

Consumer-goods companies also like films that are sequels because their reception in the marketplace is easier to predict than original films. However, for film distributors, sequels probably are the least needy for promotional lifts because they are extensions of their well-known predecessor films.

Talent in Promotions

A frequent sticking point in tie-in promotions is whether star actors will allow use of their likenesses, which cement the connection in the public's mind between consumer goods and a movie. Animated movies are easier to work with than live action, given that actors only are involved in voicing.

Often, movie stars decline or seek extra compensation on the grounds that lending their names, likenesses, or voices is making an implied endorsement to a consumer-goods product. Consumer-goods marketers typically refuse to pay movie talent for participating in their movie promotions because the companies maintain they are already shelling out ad support (and possibly goods and services) for the movie itself. Consumer-goods outfits view working with actors as particularly sticky. In addition to their business representatives, stars often involve their personal hairstylists and wardrobe advisers, who can object to carefully laid plans for promotions simply on aesthetic grounds. When talent refuses to lend itself to a promotion, the consumer-goods partner is left with using movie logos, props, and backdrops to communicate its association with a film.

Another tactic is to use substitutes for actors. In its radio advertising that was a promotional tie-in to the DreamWorks release, McDonald's restaurants employed soundalikes for Mike Myers and Eddie Murphy, two of the stars of *Shrek the Third*. *Spider-Man* star Tobey Maguire restricts use of his likeness in promotions of the Columbia Pictures release, so his supernatural character wears a mask or is pictured from the rear in materials of promotional partners. Another work-around is using co-star Kirsten Dunst, who is more agreeable, and/or the villains. Kevin Costner's refusal to allow his likeness to be used by Ralston Purina disrupted a big cereal promotion tied to *Robin Hood: Prince of Thieves* released by Warner Bros. in 1991. There are instances of stars lending their image to tie-in partners. Both John Travolta and Halle Berry let Heineken beer use their likenesses in a reported $10 million ad campaign supporting *Swordfish*, the Warner Bros. thriller from 2001.

Another complication is that actors increasingly make their own personal deals as celebrity endorsers for products between acting gigs, which can conflict with later movie promotions. Typically, actors limit their personal promotions to high-end products or services and avoid mass-market endorsements where an actor's image risks being cheapened by heavy advertising exposure. For example, Montblanc used Nicolas Cage as "ambassador" for its wristwatches, and Raymond Weil hired Charlize Theron—Best Actress Oscar winner for *Monster* in 2003, but Raymond Weil sued Theron in 2007, alleging she breached their 2005 contract by wearing competitors' wristwatches in public. The lawsuit said she was paid "substantial funds," and the watchmaker had spent $20 million in advertising containing her image.

For years, Arnold Schwarzenegger has been at the top of the list of promotion-minded actors, and the marketing savvy he accumulated in Hollywood is credited with helping him win election as the governor of California. "He really understands marketing and learned how to use it to the benefit of the movie and himself," recalls former entertainment journalist Anita Busch, the first reporter to cover entertainment marketing on a daily basis for the Hollywood trade papers. "He would spend the time to sit down with the merchandising and the licensing people involved to learn everything."

Restricted-Audience Films

Arranging tie-in promotions becomes more difficult as film ratings become more restrictive, such as PG-13 and R, because marketing to a children's audience would be inappropriate. Still, tie-in avenues are available for restricted-audience films.

Warner Bros. lined up an estimated tens of millions of dollars of promotional support from Samsung for *The Matrix: Reloaded*, which was released in 2003. The electronics firm received product placement for its cell phones in the R-rated film. Also, the PowerAde beverage contributed more than $10 million in promotional support for a tie-in for a *Matrix* film. For the vampire action adventure film *Van Helsing*, the West Coast fast-food restaurant chain Carl's Jr., which includes the Hardee's, La Salsa, and Green Burrito restaurant chains, signed up as a promotional partner with the film's distributor Universal Pictures. *Van Helsing* was not a family-friendly movie given its horror genre and PG-13 rating, although it did gross $120 million domestically after its 2004 release. The three-thousand-restaurant Carl's Jr. chain mounted regional blood drives in partnership with the American Red Cross, which was a cheeky association that played off blood-sucking vampires in the film. Star Hugh Jackman appeared in public-service ads (PSAs) for the promotion. Carl's Jr. also offered forty-four-ounce collector cups and mint tins. Science fiction films, which on the surface can be too sophisticated for a children's audience, can work as movie tie-in promotions with giveaway plastic action figures of unusual characters.

For another seemingly tough-sell movie, Warner Bros. corralled up-market brands Diamond Trading Co. (De Beers Group), the seven-hundred-store Kay Jewelers, Kahlua (spirits brand from Allied Domecq Spirits), and Jaguar for its 2004 release of *Catwoman*. All the elements were in place for impressive synergy, but the movie got downbeat reviews and generated mediocre box office. In the PG-13 movie, the *Catwoman* character portrayed by Halle Berry puts a diamond ring on her right hand, which plays into the Diamond Trading ad campaign suggesting that single women wear rings in such a manner. The advertising tag line in the Diamond Trading ad is, "Your left hand says 'we.' Your right hand says 'me.'" Jaguar incorporated *Catwoman* footage in its television commercials. The film's theatrical release also had tie-ins with mainstream consumer-product outfits Coca-Cola and imaging giant Eastman Kodak. Interestingly, star Berry was a presenter for Revlon advertising, although the cosmetics outfit was not part of the movie's promotional partners.

Film-marketing executives are relentless in searching for new ways to promote what is the century-old medium of the motion picture. Blazing trails enhances personal reputations and career advancement for film marketing executives. However, not all cutting-edge placements work. Columbia Pictures pushed the marketing envelope by convincing Major League Baseball to place *Spider-Man 2* logos on the bases and in the on-deck circles of fifteen MLB parks over the weekend of June 11–13, 2004. Fans mounted an outcry that this went too far in commercializing of the national pastime, so the placement was downsized to a smaller, less-ambitious effort. Reportedly, the baseball promotion would have cost the studio $3 to $4 million as originally conceived, with chunks of the money going to the participating baseball teams.

Restaurant Promotions

The up-and-down nature of the film business is cooling enthusiasm by restaurant chains, which are more cautious than a few years ago about putting their weight behind tie-in promotions (see fig. 4.3).

The mighty McDonald's chain, which did not renew an exclusive promotion deal for Disney animated movies in 2006, signals that it wants to engage in fewer movie tie-in involvements. "We no longer ask for stand-alone event or game or a licensed character tie-in just for the sake of having it," Dean Barrett, senior vice president of worldwide marketing at McDonald's, told the Promotion Marketing Association in 2004. "When we market entertainment, we send mixed messages everywhere while our brand goes nowhere." McDonald's said its new strategy calls for tying into a broader range of entertainment partners,

Fig. 4.3. In 2007, Fox arranged *The Simpsons Movie* promotions with Burger King (placemat and two drinking cups) and 7-Eleven convenience stores (scratch-and-win card, shown in lower center).

including fashion, music, and sports. With fourteen thousand restaurants in the United States and fourteen hundred in Canada, McDonald's is a potent movie-marketing partner. Under the expired Disney deal, the restaurant giant reportedly paid Disney $100 million in royalties beginning in a ten-year span starting in 1996 and gave tens of millions of dollars in movie tie-in ad support to each Disney film involved. The McDonald's tie-in included theme parks, television programs, home video releases, and theatrical releases.

McDonald's entered into the exclusive deal when Disney movies basked in the euphoria after *The Lion King*, the studio's 1994 animated release, proved to be a blockbuster at the box office and in promotions. McDonald's wanted to prevent additional Disney films from aligning with rival Burger King, which was the tie-in partner for *The Lion King* and Disney's *Toy Story*. But then Disney's animated films experienced uneven performance, including 2002 flop *Treasure Planet* with just $38 million in domestic box office.

Although restaurant chains are more selective these days, given that some tie-in promotions underperformed in relation to expectations, they still are a significant force. DreamWorks Animation, Hollywood's other animation powerhouse, maintains its ties to Burger King, whose 7,171 restaurants in the United States and 360 in Canada serve up movie promotions in a relationship dating back to 2001. For DreamWorks's animated family film *Shark Tale* released in October 2004, Burger King gave away ten different movie toy items over a five-week period to support the film. Other *Shark Tale* tie-ins were in place with Coca-Cola for its flagship Minute Maid and Hi-C brands, Pillsbury, Betty Crocker, Hewlett-Packard, and Krispy Kreme. Fast food chains, such as Wendy's (with sixty-three hundred North American restaurants), KFC, Subway, and Taco Bell have not been particularly active in movie promotions, which is an indication of a cooling by retailers this decade from the peak in the late 1990s.

Car Promotions

The automobile category is particularly lucrative because it is a huge business with commensurate ad and promotion spending. Car tie-ins are infrequent and are limited to films delivering adult audiences, but when they are done, they can be promotional gushers.

Ford reportedly provided $30 million in promotion support for MGM's James Bond spy film *Die Another Day*, Mitsubishi laid out $25 million in advertising to link to *2 Fast 2 Furious* from Universal Pictures, Jeep spent an estimated $10 million promoting *Tomb Raider: The Cradle of Life* from Paramount Pictures, including sponsored theater-stand displays in cinemas, and Mazda spent $8 million on ads promoting *X2* from Twentieth Century Fox. The James Bond films distributed by MGM seem to perpetually change their commercial affiliations. Prior to the Ford link with 2002's *Die Another Day*, the James Bond film franchise agreed to a product placement for the then-new BMW Z3 roadster for the 1995 release of *GoldenEye*, to which BMW contributed an estimated $25 million in promotional support.

For Twentieth Century Fox's July 2004 release *I, Robot*, German carmaker Audi adapted a futuristic concept car for use in the movie that was seen in Fox advertising for the film. In the movie, actor Will Smith, who portrays a homicide detective, drives the silver Audi with butterfly doors around Chicago in the year 2035. The carmaker's corporate logo of interlocking rings is visible in a film trailer and in the movie on the steering wheel. Audi also displayed the vehicle at automobile shows, giving the movie another promotional boost.

Not all car promotions go smoothly. Volkswagen got some good screen time in a *The Bourne Ultimatum* car chase and more exposure in hit *Knocked Up*, but reports indicate the car company was not satisfied with its 2005 multipicture product-placement deal with Universal Pictures. VW declined to elaborate.

In most cases, car companies provide vehicles for use in filming, which alone can reduce production costs by hundreds of thousands of dollars.

Cell Phone and Other Promotions

The mobile phone, which is a relatively new product, is a promotional-partner category that now rivals cars, beverages, and restaurants in importance to movie marketers. Mobile-phone service providers are pushing enhanced services, so they are expected to eventually deliver film clips and other entertainment content to new-generation videophones. This already occurs in Japan and South Korea. Outside the United States, movie distributors mount some of their biggest tie-in promotions with cell-phone companies in Asia and Europe. In those regions, teenagers and young adults are addicted to wireless phones because fixed-line service is poor.

Another reason mobile-phone tie-ins are bigger overseas than in the United States is that one or two service providers tend to dominate each foreign territory, making it easy to arrange for national coverage. But for the United States, each provider typically has some coverage gaps in the vast continent-wide landscape.

Mobile-phone outfits favor partnerships with television programs over movies because the weekly frequency of television programs is ideally suited for interaction with mobile phones. They can be used for fan voting each week, as is the case for *American Idol*. Film marketers still are making inroads, with spring 2008 Paramount release *Iron Man* having snared LG Electronics MobileCommUSA for a promotion.

Among the major studios, Columbia is particularly active in mounting mobile-phone promotions given that it has a large digital-media division attached to the studio. Its parent company is directly in the cell-phone business via the Sony Ericsson joint venture that manufactures handsets. Service providers tend to be the promotional partners for movie distributors because they have ongoing customer relationship.

Movie distributors and theater circuits are getting more active in mounting promotions with mobile telephones because of the ability to deliver geographically relevant playdate information to moviegoers. Once they capture e-mail addresses with locations of recipients, they can send e-mail alerts about upcoming films. Theater chains are particularly aggressive overseas, where the mobile-phone culture is more deeply ingrained. In the United States, the theater circuits emphasize Internet service, targeting personal computers for e-mail communications to moviegoers because home-computer penetration and usage are high.

In general, technology companies are a growing category. In July 2008, DreamWorks Animation SKG made Intel is official supplier of computer-chip technology, replacing a three-year pact with Advanced Micro Devices. Intel gets to tout its microprocessor connection to glamorous DreamWorks movies in its consumer marketing. Also in the tech category, Hewlett-Packard is DreamWorks longtime computer supplier that mounts promotional tie-ins to DreamWorks films, and the computer maker gets plugs from the film company.

Film Festivals

Film festivals are a growing sector for promotions, as marketers of consumer goods and services tap what they see an affluent fest-going audience. Festivals can make 30% to 80% of their revenue from such tie-in promotions, depending on how much or little local municipalities subsidize. There is an excess of film festivals, with some mounted by cities simply to bolster tourism. The lesser fests in the crowded events calendar are not particularly desirable as promotion partners to corporate America, given small crowds and in some cases unattractive demographics of attendees.

Festivals usually create several levels of sponsorships, which are priced commensurate with promotional delivery. The bottom level typically is reserved for local services venders, such as transportation, equipment, meals, refreshments, and facilities providers. The top level is filled by a few big-spending sponsors that get the most rub off from fest glitter. Popular promotional categories are luxury goods such as watches, beauty aids, and apparel; automobiles; consumer electronics products such as cell phones; financial services such as credit cards; airlines; and local media outlets such as magazines and newspapers. Technology is another industry active in sponsoring fests, ranging from Internet Web sites such as Yahoo to equipment outfits as Dell Computers to software outfits like Microsoft. A budding new sponsor category is pay-TV channels, which tie to film genres such as foreign films to promote their video-on-demand. Subscription-TV provider RCN is a sponsor of two Washington, D.C., fests celebrating Indian films—DC Meets Delhi and Indian Visions—which promote RCN's video-on-demand (VOD) offering of Asian films.

The big film festivals remain highly desirable as sponsorship targets with big audiences and media coverage. The Sundance Film Festival, the top indie fest in the United States, receives hundreds of thousands of dollars from each of its corporate sponsorships. Over the years, these have included Hewlett-Packard, Volkswagen of America, *Entertainment Weekly*, and Microsoft. The event draws upwards of fifty thousand people loaded with Hollywood's elite. Elsewhere, with fifty sponsors, New York City's Tribeca Film Festival confers the Cadillac Award—in a sponsorship by the General Motors car—for winners of an audience vote and is also tied to Chanel fragrances. Low-cost Suzuki automobile was a sponsor of the Eighth New York International Latino Film Festival.

The top-end festivals are famous for giving away to Hollywood elite in attendance elaborate the gift baskets, which are also referred to as *swag bags* and *goodie bags*. Sometimes these swag bags or downsized versions are also given to big buyers of tickets and non-Hollywood VIPs. Gift bags for Hollywood awards and top film festivals contained items worth tens of thousands in aggregate, and values can be in the thousands of dollars for lesser fests. Items include coupons for free cosmetic surgery, designer sunglasses, handheld electronic devices, beauty products, perfume, free spa vacations, free salon visits, free meals at swank restaurants, and clothing accessories such as silk scarves, jewelry, and expensive watches. Goodies bags are on the decline after the Internal Revenue Service mounted a crackdown in 2006 to assess taxes on these gifts, with the result that swag-bag issuers give recipients the standard IRS Form 1099 that specifies the fair market value as income to be declared on taxes.

Promotions at Theaters

Movie theaters are increasingly a battleground for marketing, as cinemas solicit advertising not connected with movies. The courting of nonfilm advertisers for on-screen ads and lobby promotions resulted in disputes with movie distributors, who want to use those spaces to promote their films. In recent years, clashes declined as both sides did not press controversial initiatives.

In an early high-profile clash, Regal Cinemas balked at allowing lobby-stand displays for *Lara Croft Tomb Raider: The Cradle of Life*, which also promoted tie-in partner Jeep Wrangler in June 2003. Regal cited a policy against giving free theater access to third-party brands without receiving financial compensation. Paramount Pictures, distributor of the movie, reportedly shifted bookings from forty-seven Regal cinemas to other theaters that cooperated by allowing access for the *Tomb Raider*–Jeep promotional materials.

Exhibitors—movie-theater operators—sell around 1.5 billion tickets annually in the United States, which they seek to monetize through in-cinema advertising. Interestingly, the rival pay-television medium is among the noncinema advertisers targeting theaters. In summer 2004, pay-television service Starz! mounted a sweepstakes that included distributing scratch-and-win cards at theaters.

Product Placement Overview

Product placement is arranging for brand-name items to receive exposure in films, television programs, and other media. Product placement—inserting brands in films—is a separate activity from tie-ins in that these efforts promote brands outside of films.

Interestingly, film executives say that in most instances, when a recognizable product lands in a movie, it is without a formal placement contract. The product simply fit the needs of the movie's script. Often a product-placement company—working on behalf of consumer-goods marketers—simply provides the product and arranges any legal clearances necessary for its usage in a film. In many cases, the production may receive large quantities of the product used in product placement, such as beverages, for cast and crew. A case in point is the 2004 car-caper film *The Italian Job*, which presented the Mini Cooper automobile in a starring role. Yet, Mini Cooper parent BMW simply supplied cars to the production and technical support in modifying cars for stunt scenes. Because the cars were selling briskly and already were in short supply, there was no promotional investment. The Paramount Pictures release generated a robust $106.1 million in domestic box office in its remake of a 1969 film. The 1992 surprise comedy hit *Wayne's World* contained scenes in which characters tell a television executive they won't "sell out" and then are seen brandishing a Pizza Hut box, Doritos chips, and Reebok apparel. The film's distributor Paramount Pictures did not receive compensation for those satirical plugs.

Consumer-goods outfits are increasing product-placement efforts because they are worried that digital video recorders (DVRs) are enabling television viewers to skip their television commercials. Consumer-goods outfits believe embedding their brands in films themselves (and television shows) will partly offset the anticipated loss of impact on consumers from skipping of television commercials via DVRs.

The industry custom is for film productions and consumer-goods companies to work through a middleman—the product-placement company. These placement brokers charge clients fees in the tens of thousands of dollars a year to place their branded consumer products in movies, television shows, and music videos. These boutique brokers are located in the Los Angeles area, and some are divisions of big advertising-agency conglomerates.

Hollywood talent agencies also arrange for product exposure for consumer-goods outfits that are clients, such as packaged-goods giant Procter & Gamble, Coca-Cola, and brewer Anheuser-Busch. Product-placement executive Brad Brown makes the case for using middlemen, saying, "You need to have someone who knows the landscape, who knows the people in Hollywood, and who knows what's fair and reasonable. This includes having relationships with studios and independent producers, knowing the client's products, and being able deliver to productions as promised." In 1982, Brown started Pepsi-Cola's involvement with Hollywood, which he continues today as president of Brown Entertainment Group in Los Angeles.

Product placement requires long-lead planning because it should be in place before the production of the movie itself. In cases where deals are made late and if creative talent agrees to cooperate, short scenes with the branded product are shot after principal photography for inclusion in a film. A deeper relationship combines an in-film placement and movie promotion in the advertising of the partner. For example, actors in Miramax's live-action family film *Spy Kids 2: The Island of Lost Dreams* wore Payless ShoeSource shoes, and the footwear chain, then with 4,952 stores, supported the film with its national ad campaign. A *Spy Kids*–branded line of footwear with the movie logo on the tongue of the shoe retailed for $14.99.

An effort is made the formal placement subtle and clever, of course. In Twentieth Century Fox's PG-13 comedy romp *Dodgeball: A True Underdog Story*, a sports arena is adorned with advertising placards that provide a touch of realism and a bit of fakery for humor. Visible ads include Lumber Liquidators, which is a genuine company with a placement deal (providing flooring for the sets of Average Joe's and Globo gyms in the movie). The arena also has a placard ad for the studio's sister company Fox Sports and parodies a rival channel with a banner for "ESPN 8: The Ocho," which plays off a gag in the film about too many TV sports channels covering too many obscure sports.

Rare instances of cash payment typically involve only thousands or tens of thousands of dollars and mostly from a few competitive product categories such as beer. Product placement executives say fee figures bandied about in public are often exaggerated. Also, contracts these days often specify payments are not made until after a movie is finished and going into release, just in case a crucial scene containing the branded product is dropped by the director or film company in final editing. The contractually specified payment typically is held in an escrow account.

Consumer-goods companies generally try not to call attention to their product placements, but overt commercialization seems to work if it is expected. Audiences relish the cavalcade of brand-name glamour visible in the James Bond spy film thrillers. MGM's 2002 release of *Die Another Day* was loaded with product placements for the Ford Thunderbird automobile, Revlon cosmetics, the Norelco Spectra shaver, Bollinger champagne, 7-Up, Swatch/Omega wristwatches, Philips cell phones, Kodak, British Airways, and Samsonite luggage.

Filmmakers can offer screen credit for providing products, but some consumer-goods companies feel those screen credits are of little value because they appear at the end of a list of credits that audiences seldom watch. Also, some consumer-goods outfits prefer keeping the formal association anonymous so as not to shatter the illusion that a branded product's appearance was anything but spontaneous.

For their part, stars often are unaware of a product-placement deal, especially if there is no follow-on promotional tie-in in theatrical release. The product is simply on the set the day of shooting. If there is a tie-in advertising later, the consumer-goods partner typically needs the talent's permission for use of personal images, voice, or persona in its movie-related ads.

An obvious requirement is that a brand-name item fit in with a film's scenario, which is easy for many everyday products if films have contemporary settings. In MGM's 2001 thriller *Hannibal*, the homicidal villain portrayed by Anthony Hopkins breaks into an FBI agent's home and finds a cell phone that was a product placement for Verizon. The telephone company provided a mock Verizon phone bill as a prop. In other cases, a film's scenario may be a difficult fit for product placement, such as a historical epic, sci-fi film, or fantasy. Even contemporary films set in familiar surroundings can present problems. When movie stars portray characters who are placed in working-class neighborhoods, luxury products obviously are poor fits.

For the assassination drama *In the Line of Fire*, a hardscrabble FBI agent portrayed by Clint Eastwood is seen eating supermarket-brand Breyers ice cream, because an upscale ice cream would seem out of place for the no-nonsense character. Breyers got the placement for simply providing quantities of its product to the 1993 Columbia Pictures release.

Story-point Product Placement

For consumer-goods marketers that cajole filmmakers to include their branded products in films, the Holy Grail is getting a story-point placement. Here, the product is not just seen, but it is handled by actors, is integral to the story, or is referred to in dialogue. Consumer research indicates that brand recall for products in the background is about 25% but shoots to greater than 50% for story-point placements.

A Lincoln-Mercury's Navigator sports utility vehicle (SUV) in Fox Searchlight's road comedy *Johnson Family Vacation* is referred to as Mr. Hip Hop in the film, which was released in July 2004. In New Line Cinema's 1999 wacky comedy *Austin Powers: The Spy Who Shagged Me*, the lead character portrayed by Mike Myers says at one point, "Get your hand off my Heinie, baby," which plays off Heineken beer that is a promotional partner of the film.

In Twentieth Century Fox's 1988 comedy *Big*, the playful character portrayed by Tom Hanks extracts a soft drink from his private, in-home Pepsi vending machine without paying. "I rigged this up so you don't need quarters," brags the character portrayed by Hanks. The vending machine is prominently framed in scenes of his apartment, which is furnished like a playground.

Glad trash bags ran a sweepstakes in conjunction with 1987 film *Million Dollar Mystery* to guess the location within the film of a plastic garbage bag containing $1 million. Though this was a story-point placement, the release from defunct De Laurentiis Entertainment was a bomb, not even grossing $1 million domestically. This chilled the notion of integrating contests within movies themselves. Glad's parent company First Brands spent an estimated $4 million in the *Mystery* tie-up.

Leading product-placement firm NMA Entertainment & Marketing (Norm Marshall & Associates), based in Sun Valley, California, reads six hundred to eight hundred scripts per year provided by film companies and studio production-resource teams and provides legal clearances to feature a brand in the approved film or television show, according to NMA president Devery Holmes.

She said that scripts are evaluated scene by scene to determine where product-placement opportunities for natural client integration may exist. "Ninety percent of what we do is provide product that simply cuts below-the-line expenditures," said Holmes. Below-the-line expenditure is the cost of physical production and excludes the salaries of cast, director, and producers.

As another service, product-placement firms stock vintage versions of branded products that may be hard for producers to find for films in historical settings. These firms provide what are essentially antiques as props. "If a production needs an item, we give it to the production free of charge," said Steve Ochs, principal of Hero Product Placement in Sun Valley, California. "That's standard operating procedure." Product-placement companies are careful not to place products whose sale is restricted in films that children will see. "With alcoholic beverages, we are very mindful of the audience that the property is going to reach," said Ochs. "So needless to say, we're not going to give Jagermeister [liquor] to *Power Rangers*."

A much sought-after product placement for story points is automobiles, because car companies have huge marketing budgets to mount tie-in-promotion campaigns to support theatrical release. Mercedes Benz reportedly paid several million dollars to get its then-new SUV into *The Lost World: Jurassic Park 2* released by Universal Pictures in 1997. This placement included a related consumer advertising promotion that supported theatrical release. Mercedes replaced Ford, which reportedly paid just $500,000 to have its Explorer SUV chased by dinosaurs in the 1993 release *Jurassic Park*.

Elsewhere, the Cadillac CTS, which has a futuristic angular body style, received extensive exposure in *The Matrix: Reloaded* for a freeway chase scene, which was a key placement, given the demographic target for the General Motors brand. Cadillac is focusing on attracting young adults as car buyers, so the sci-fi *Matrix* audience fit its goal. Lincoln-Mercury's Navigator SUV got heavy exposure in the road-trip comedy *Are We There Yet?* from Revolution Studios/Columbia.

A contemporary setting is the best platform for product placement for cars because automakers can showcase their current lineup. Films set in the future can be a springboard for automakers to display so-called concept cars, which are forward-looking designs that are highlighted at car shows. For Twentieth Century Fox's sci-fi thriller *Minority Report* in 2002, Lexus paid for construction of the branded futuristic concept car that was driven by Tom Cruise.

Product-Placement Conflicts

Product-placement executives say that besides arranging favorable appearances for clients' products, another of the executives' functions is to serve like radar, providing advance warning to clients of instances in which their branded products are being used in unfavorable light. In general, companies have a legal basis to request that their branded products be removed from a film if the product is misused in an unsafe manner. An example is a movie character who gets drunk from a bottle of branded spirits and then causes a car accident. The remedy would be for the film not to display recognizable brands in scenes of unsafe usage.

However, if products are used in a safe and appropriate manner, there's little legal recourse for consumer-goods outfits. U.S. trademark law allows for "fair use" of brands by media such as news outlets and films, even though those trademarks are the property of others. The existence of this trademark law does not deter consumer-goods companies from sending out stern letters anyway, warning of infringements of their trademarks, figuring there is no harm in being assertive. Still, fair use typically prevails. Miramax's dark comedy *Bad Santa* from 2003 shows a character swilling vodka from a bottle with a red label somewhat similar to Stolichnaya, whose maker Allied Domecq Spirits reportedly refused permission for an official product placement.

Film distributors sometimes find themselves on the receiving end of complaints of misappropriation of trademarks. In an effort to get the title altered, resort operator Club Med filed a lawsuit that attempted to block the February 2004 release of horror spoof *Broken Lizard's Club Dread* by Fox Searchlight. The film opened as planned with the name unchanged. When MGM released *Harley Davidson and the Marlboro Man* in 1991, both the motorcycle and cigarette makers sent letters to the studio complaining about their names appearing in the title. As owners of valuable trademarks themselves, studios are not inclined to pick fights with others but get dragged into tiffs to back up their filmmakers.

A subtle part of the business is that product-placement firms attempt to place products of their clients' competitors to be used by villains while heroes are seen with their clients' products. Further, these firms advise clients not to mount tie-in promotions that would put products in an unfavorable light, as with raunchy or violent films. Such films are seldom pitched as such by Hollywood.

A common element of product-placement deals is a nondisparagement clause in which film productions agree not to denigrate brand-name items of their partner consumer-goods companies. This is sort of a "bear hug," whereby a film production gets benefits of access to partnerships with consumer-goods companies but is held in check regarding product depiction. Having an automobile suffer a breakdown in the movie, perhaps accompanied by characters disparaging the car, is an obvious no-no. If a carmaker has a product-placement deal with a film but its vehicle is seen in a bad light, the usual remedy is for the carmaker to provide a vehicle from another manufacturer. Typically, identifying badges are removed or replaced with markings of a made-up brand. No-disparagement clauses became standard features of contracts after several consumer-goods outfits were burned in product-placement deals.

Perhaps the most talked-about examples of product-placement backfiring involved uplifting sports drama *Jerry Maguire* starring Tom Cruise and Oliver Stone's crime-spree drama *Natural Born Killers*. Sports-apparel company Reebok sued Sony's TriStar Pictures in 1997 over *Jerry Maguire*, alleging Sony TriStar breached a product-placement/promotional-support contract. In the movie, a football player expresses frustration over not being able to get a Reebok endorsement deal, swearing at one point, "[Expletive] Reebok. All they do is ignore me, always have."

Reebok said that it learned just weeks before the film's release that an upbeat scene in which the athlete character finally gets the Reebok contract ended up on the cutting-room floor. Reebok asserted that it invested more than $1.5 million in support of *Jerry Maguire* by providing products and creating the special television commercial that was supposed to be in the movie. Some Reebok television and radio ads for the movie had already run. At the time, the studio said that the scene with the Reebok commercial featuring the athlete was dropped because it turned out that it didn't fit creatively. With promotional support hanging in the balance, major studios increasingly specify in employment contracts with filmmakers that certain product placements make the final cuts of films.

In the Warner Bros. release *Natural Born Killers*, Coca-Cola reportedly was stunned to find its television commercials intermixed with mayhem. The soft-drink marketer agreed to the placement in the 1994 film and believed the ad would be in the background during a nonviolent scene. In another instance, Wham-O filed a lawsuit involving *Dickie Roberts: Former Child Star*, the Paramount release from 2003, claiming its trademark Slip 'N Slide plastic water toy was visible and defamed. In the movie, a character forgets to wet the yellow backyard water slide before taking what turns out to be a painful slide.

Smoking products, which cannot be advertised on television, are another controversial category. Under a 1998 lawsuit settlement, major cigarette makers agreed to not pay for product placement and to attempt to prevent their products from being displayed. After years of pressure from antismoking organizations, MPAA, the trade group for Hollywood's major studios, said in 2007 that smoking depictions would be "considered" in applying more-restrictive audience classifications to films. Smoking now joins sex, violence, and crude language as big factors in film ratings. Antismoking groups applauded, while saying the trade group didn't go far enough. Some in Hollywood complained this would undermine reality in films and smacked of censorship. Hollywood had been cutting back on smoking scenes in recent years, and cigarette manufactures complied by not seeking placements. In this recent history, public-interest groups and government regulators have kept on the lookout for cigarette placements, particularly in films geared for children.

Decades ago, cigarette companies were among the most aggressive in arranging for product placement in movies, often paying hefty cash incentives. Health groups complained that paid-for exposure didn't carry health warnings that are supposed to accompany advertising. According to Congressional testimony in 1989, Philip Morris paid $350,000 to get Lark cigarettes placed in the James Bond spy film *Licence to Kill*.

Promotion Misfires

After being stung in the past, consumer-goods outfits are careful to spell out specific rights and obligations for their film partners in Hollywood promotions. Perhaps most famously, Columbia delayed the release of *Radio Flyer* from summer 1991, leaving a tie-in promotion with Dairy Queen in a lurch. The restaurant chain opted to run the movie promotion on schedule in July 1991, which included $1 million in advertising, even though the youth drama eventually was pushed back to a February 1992 release date (making a meager $4.6 million in domestic box office).

The film-release shift highlighted that the film industry did not and does not always deliver as promised. In particular, movie schedules are subject to change because of production and postproduction delays, as well as competitive reasons in the jockeying for good release dates and, occasionally, unexpected events. In another instance of a soured Hollywood connection, New Line Cinema sued Little Caesar's in 1999, claiming the restaurant chain didn't follow through on an agreement to mount a promotion for *Lost in Space*.

A common source of friction is conflicts with creative executives who make films. Taco Bell was hobbled after it put up an estimated $20 million in media support for a tie-in with the 1998 Hollywood version of *Godzilla,* released by TriStar Pictures, the Sony Pictures entertainment unit. The restaurant chain found that the association was watered down when filmmakers insisted the Godzilla character could not be in advertising and on in-store promotional items such as drinking cups until the film was in theaters. The secrecy was aimed at stoking interest in the new rendition of the monster, but the holdback undermined promotion. *Godzilla*, which cost an estimated $130 million to make, generated $136.3 million in domestic box office to be a solid hit, though that was below sky-high expectations.

The horror stories are rarer now since tie-in promotion partners have learned from their mistakes. The *Radio Flyer* debacle made an impression on Hollywood promotional partners, who thereafter became more careful, insisting on contracts that spell out protections. In the aftermath, contracts are more detailed for alliances between film and licensees, because both sides feel they can't trust a handshake or simple deal memo.

Promotions beyond Theatrical

Consumer-goods marketers are pitched by Hollywood to provide promotional support for target movies in video and other release windows after theatrical release. "We can combine our [advertising] buys," Universal Pictures then-vice-chairman Marc Shmuger told the EPM Entertainment Marketing Conference in Los Angeles in late 2003. "We can synchronize our media and publicity plan to deliver billions of impressions, providing more-concentrated exposure than any marketing plan ever, either movie or product."

Movie marketers seek multimedia sponsorships to films with expanded tie-ins. It remains to be seen how effective this will prove to be, because there are risks. Excessive or inelegant commercialization of films will certainly irk consumers, which would defeat the goals of both film distributors and their partners in the consumer-goods world. Also, if a film proves to be unsuccessful in theatrical release, the consumer-goods partner would be hitching its wagon to a vehicle that has poor prospects in video and television windows. Yet, consumer-goods marketers know that picking films is a hit-or-miss business, so they will have to endure some misses in order to latch on to hits that deliver substantial marketing benefits.

While the idea of promotional sponsors investing in films might seem farfetched, there are occasional examples. Pepsi is credited as an investor in news reports in order to uplift soccer film *Gracie* from 2007 that promotes its Gatorade. But consumer-goods outfits are more likely to produce or co-own TV programs, which are advertising vehicles as well as sources of product placements. Some movie outfits suggest consumer-goods marketers should pay up to help develop films—which would be a first—because being involved in a film's creation would allow partners to help shape the presentation of their branded products. Consumer-goods marketers, who have enough trouble trying to get their arms around the Internet, have shown no enthusiasm so far for significant and consistent film investments.

History of Tie-ins and Product Placement

In the 1970s, tie-in promotions began to proliferate, as restaurants, soft drinks, and other consumer-goods marketers sought to attach their products to movies. Promotional tie-ins with movies peaked in the late 1990s, especially after the 1999 sci-fi epic *Star Wars: Episode I—The Phantom Menace* fell short of expectations. The film's producer Lucasfilm had negotiated a rich five-year deal for Pepsi to provide hundreds of millions of dollars in promotional support.

In a one-picture deal, *Episode I* had a tie-in with the restaurant conglomerate that owns chains Pizza Hut, KFC, and Taco Bell.

Still, the value of tie-ins has mushroomed over the decades, even after sliding back somewhat over in recent years. In the 1980s, the most media support that a consumer-goods outfit such as a restaurant chain would provide to a movie was a few million dollars worth of advertising support. These days, automakers, cell-phone outfits, and restaurants might each provide tens of millions of dollars in media weight per film. This is the value of advertising that copromotes a movie and the value of point-of-purchase promotion such as signage in stores or restaurants.

In the early 1990s, studios tried bundling multiple films in the same promotion. However, such efforts fizzled when marketing partners felt some films did not mesh with their audience target. For example, Paramount assembled Kmart, Chrysler, and Goodyear for a sweepstakes promotion dubbed Passport to Summer Entertainment supporting groupings of films in the early 1990s. Filmgoers buying adult tickets to Paramount movies received a scratch-and-win card, with instant prizes such as soft drinks at theaters or videos redeemable at stores of the studio's promotion partners. The big prizes included a Chrysler LeBaron car and vacation cruises.

Over the years, the relationship between Hollywood and Madison Avenue for advertising tie-ins has been rocky at times. McDonald's caught flack from parents for its 1992 tie-in with the Warner Bros. release *Batman Returns* over complaints that the PG-13 rated film was too intense for the kids who were targeted with a Happy Meal promotion.

As for product placement, brand-name goods were seldom seen in the early days of film. Liquor was poured out of decanters without labels, and cigarette packs had nondescript packaging. Branded products started to appear in daytime serial dramas on network television because those programs were owned by companies with consumer packaged-goods products.

In film, the New Hollywood movement of the 1960s and 1970s emphasized realism, so props needed to have visible brand names to appear genuine. Film outfits embraced placement for branded products by the 1980s, often negotiating for promotional support from consumer-products companies to help push theatrical releases.

Clever brand placement goes back decades. In MGM's 1984 release of the sci-fi drama *2010*, a futuristic television ad was an arranged product placement for an airline with this voiceover: "So if your business takes you out of this world, enjoy the speed and comfort of a Pan Am space clipper with convenient nonstops to the moon and all major space stations. At Pan Am, the sky is no longer the limit." The airline, Sheraton Hotels, Apple Computer, Budweiser beer, and Omni magazine all were visible in the film and contributed promotional support to the theatrical release.

Perhaps the most celebrated product placement of all time came in the 1982 blockbuster *E. T.—The Extraterrestrial*. The marketer of Milk Duds candy rejected an opportunity for a story-point placement when the candy is used to lure the alien. Instead, Hershey Chocolate provided its Reese's Pieces—then a second-tier candy brand. Once the movie became a blockbuster, Reese's Pieces experienced a sudden 65% hike in sales. The product-placement broker for Milk Duds explained later that the *E. T.* alien character gets sick at another point in the movie, so the feeling was that the placement would make their candy seem unappetizing. That probably was a legitimate concern at the time, given that consumer-goods marketers are very protective of their images. But the incident shows how opportunities are lost when consumer-goods marketers are rigidly careful.

Another landmark came when the James Bond movie character ordered a martini with vodka in 1962's *Dr. No* (with instructions it be shaken, not stirred). The liquor industry said the scene was a catalyst for a wholesale consumer shift away from gin. The highly coveted vodka product placement in the James Bond spy films is dominated by Smirnoff (seen in the first installment *Dr. No*), though Finlandia did a deal for at least one film.

Some noteworthy backfires have occurred in the recent history of product placement. As cited earlier, sports-apparel outfit Reebok sued Sony's TriStar Pictures in 1996, alleging the studio's *Jerry Maguire* breached a product-placement agreement. In 1990, Black & Decker, manufacturer of electric tools, sued Twentieth Century Fox and another company for claiming it was left out of *Die Hard 2* despite having a product-placement deal.

In the 1980s and into the early 1990s, Hollywood's major studios attempted to squeeze cash out of product placement by contracting directly with consumer-goods companies. They sought $10,000 to $60,000 per placement, but those efforts fizzled for several reasons. One problem is that film companies have divided loyalties. They typically have deeper relationships with Hollywood creative talent, so film companies may be reluctant to intervene when filmmakers ridicule products or cut scenes with product placement. As a result, independent-placement boutiques prevailed because they are more sensitive to the consumer-goods companies. Also, these independent brokers could monitor all of Hollywood's film output, while each studio could only serve up its own limited slate of films. Another catalyst for studios to lower their direct involvement was that in-house studio efforts to arrange product placement resulted in a barrage of news stories that made the film companies look crass.

Major studio films have received the bulk of promotional deals, but independent distributors have been trying to carve out their piece of the pie. Indies tend to distribute specialized films catering to smaller audiences and with more controversial content, but the trend to narrower demographically focused promotions works in their favor. Miramax Films, the autonomous Disney-owned unit that is classified as an indie, reached an agreement in August 2002 with Coors beer for a promotion and product-placement alliance covering a range of future films. Coors reportedly is guaranteed product placement in a minimum of five films within three years. Using a bit of Hollywood movie magic in relation to a product placement, Miramax employed a special-effects house to digitally replace the label of a Heineken beer bottle that gets screen time with a Coors label in *A View from the Top*, which Miramax filmed just before signing Coors. An element of the Coors tie-up is that Miramax reportedly is obligated not to use competing beers in its productions—it's either Coors or a fictional brand. Coors even negotiated a commitment to designate fifteen persons for nonspeaking, walk-on parts, and these fifteen can be contest winners.

New Line Cinema, which is the Warner Bros. sister company classified as an independent, signed a two-year promotional deal with Samsung Electronics in 2004. Samsung mounted a cross-promotion via a sweepstakes for female drama *The Notebook*, which has Samsung products visible in the film and which grossed a hit $80.1 million domestically. In 2007, Ford pacted with for product placement in Our Stories Films, which is an urban-film joint venture of BET founder Robert L. Johnson and indie-sector legends Harvey Weinstein and Bob Weinstein.

5

Licensed Merchandise

> This is the Buzz Lightyear aisle [at this toy store]. Back in 1995, shortsighted retailers did not order enough dolls to meet demand.
>
> —Tour guide Barbie doll in *Toy Story 2*

The above quote, a clever inside joke from a scene in the Disney-distributed animated hit *Toy Story 2*, hints at a common dilemma in licensed movie merchandise. Although the Barbie-doll tour guide refers to "shortsighted retailers" as she gestures to ample merchandise from the second movie, she could also be reminding toy companies about the lucrative merchandising opportunity they missed with the first *Toy Story* movie. The original *Toy Story* far exceeded industry expectations, grossing a blockbuster $192 million domestically in its 1995 release, leaving licensed movie merchandise in short supply.

The dilemma for the merchandising industry is that they must commit to new properties, like the first *Toy Story,* well before a film is finished, often only on the basis of a script and knowledge of the talent involved (actors, director, and producers). Up to a year of lead time is necessary for design, manufacture, and sales of merchandise to stores, which may be before the first scene of a movie is even shot. There's a lot at stake. Retail sales of licensed merchandise based on entertainment and character properties were a $12.745 billion business in the United States and Canada in 2006 (see table 5.1).

Licensing merchandise conveys the right to manufacture products with theme elements based on movies (and can include the creation of movie-themed services for companies that do not make durable goods). The movie- and movie-character–themed products can be key chains, caps, toys, wall posters, bed sheets, video games, candy, and much more (see fig. 5.1). Typically, movie companies seek merchandising opportunities via in-house licensing arms, although in some cases the producers, star talent, and/or owner of underlying property rights (such as a comic-book publisher) also are involved.

Movie merchandising, which exploded as a significant source of revenue beginning with *Star Wars* in 1977, is mostly the domain of major studios. The majors have the deep pockets to produce and widely distribute the highest-profile films, which, of course, are most sought after by merchandising outfits. Today at the top end of expectations, a major-studio film that is aimed at the family audience and is a big holiday-season theatrical release earns $5 to $20 million for studios from rights to licensed merchandise.

Despite the revenue potential, merchandise companies and retail stores are reluctant to buy into movies based on a totally new concept. Originals have burned them too often, dating back to heavily hyped box office disappointment

Table 5.1. Retail sales of licensed merchandise by category

Type of merchandise	Retail sales[1] ($ million)	Share of total (%)
Accessories	1,000	8
Apparel	725	6
Domestics	500	4
Electronics	210	2
Food/beverages	575	5
Footwear	290	2
Furniture/Home furnishings	115	1
Gifts/novelties	1,020	8
Health/beauty	125	1
Housewares	145	1
Infant products	500	4
Music/video	615	5
Publishing	720	6
Sporting goods	60	<1
Stationery/paper	315	2
Toys/games	3,500	28
Video games/software	2,325	18
Other	5	<1
Total	**12,745**	**100**[2]

Source: *The Licensing Letter*. © 2007 EPM Communications Inc., www.epmcom.com

Notes: 1. Revenue covers both the United States and Canada for 2006.

2. Due to rounding, numbers do not equal 100.

Fig. 5.1. Movie-license categories for consumer merchandising

Apparel and accessories

adult/casual footwear
adult/headgear and outdoor
adult/jackets and outerwear
adult/swimwear
backpacks and bags
children/costumes
children/infant clothing
children/jackets
children/shoes
children/sleepwear
children/swimwear and outdoor
children/underwear
headwear and rainwear
jewelry/high end
key chains and metal accessories
luggage
lunch pails
pet accessories
sunglasses
t-shirts
watches/adult
watches/children

Beverage and food

candy/general
candy/novelties and empty containers
cookies
drinks/juice and nonjuice
fruit snacks

Gifts and collectibles

coasters/drink holders
die-cast vehicles
playing cards
plush dolls
vending items, such as rubber balls, vinyl items

Health and beauty

bandages

brushes/hair
shampoo/lotions
soap/hand
toothpaste

Home and housewares

chairs/folding
clocks/clock radios
coolers
cups/cup dispensers
dinnerware/children
handkerchiefs
lamps/lighting products
linens/sheets and pillow cases
lunch kits
pens/writing instruments
radios/portable
sleeping bags
umbrellas/sun and rain
wastebaskets

Interactive

cell phone game
video game/console
video game/handheld
video game/toy

Publishing

book/children's print
book/children's sound
book/making of
book/novelization
book/sticker
calendars/wall and minicalendars
magazine/souvenir

Stationery

address labels/personal checks
arts and crafts supplies
greeting cards
mouse pads

paper/letter and envelope
paper/pads
party goods/ornaments
pncils and pens/packages
photo images/digital
posters
stickers/adult
stickers/children

Toys and Games

assembly kits/glue models
assembly kits/snap together
assembly kits/wood and other
cards/trading
characters/bobble head
characters/plastic action figures
games/board and puzzle
games/handheld electronic
games/video console and computer
infant toys
inflatables/backyard
inflatables/large indoor
jewelry/medallions, bracelets, and the like
kites
license plates
pool/water toys
props, masks, and busts
sports equipment/body boards
sports equipment/scooters
sports equipment/in-line skates
sports equipment/skateboards
vehicles/die-cast metal
vehicles/plastic

Wireless

games
images/screen savers
ring tones
wallpaper

The Last Action Hero in 1993. And nothing has come close to the $1.5 billion retail-merchandising haul from Walt Disney's 1994 theatrical release *The Lion King*, which holds the all-time record for an original property. Merchandisers prefer to wait for video release and sequels or to embrace films based on familiar properties adapted from other media, such as books or video games. Twentieth Century Fox's *The Simpsons Movie* was a merchandising hit in 2007, giving a boost to the property's existing merchandising as a TV show. But associations with known properties come with no guarantees. The big budget, English-language *Godzilla*, which was based on the famous Japanese movie property, was a merchandising disappointment in 1998.

The movie-merchandising business actually peaked in the late 1990s but has fallen back since then because retailers—burned by underperforming movies—turned cautious. In addition, fewer of the top toy properties are driven by movie exposure. According to newsletter *The Licensing Letter,* toys from only two movies, *Cars* and *Spider-Man,* were among the top-ten toy properties in 2006. There's something of a feast or famine for films in this arena. Some films get little merchandising interest while the most popular films for licensing line up a hundred or more.

To reach the mass market with merchandise, two retailers are critical: Wal-Mart with 4,128 U.S. and 298 Canadian stores, and Target with 1,591 U.S. stores. Wal-Mart, which rings up a staggering $345 billion in annual worldwide sales, accounts for roughly one-third of DVD video sales in the United States. Some suggest that increasing concentration of marketing power in these discount chains is one factor in a trend to lower merchandising rates for movie property in recent years. Kmart used to stand toe-to-toe with the big two but has fallen back in recent years. Kmart has 1,400 U.S. stores and merged with Sears, which has 860 stores.

The biggest headache remains trying to sort out the hits from the misses in advance. Entertainment-stock analyst Lee Isgur famously mused years ago that one never knows what to expect even when accomplished filmmaker George Lucas creates a movie with cute characters. It could turn out nicely like *Star Wars* or badly like *Howard the Duck*. "Despite all the publicity and early reviews, no one really has any idea whether a movie will be a box-office smash or a dud," Isgur said.

The best merchandising prospects are for family films, which are rated G or PG, because those films target the children's market that embraces popular-culture fads and merchandising (although a PG-13 classification cuts into the children's audience).

Even having intriguing cartoon characters in a youth film is no guarantee of success. Disney's *Who Framed Roger Rabbit* was a blockbuster, grossing $154 million in domestic box office, which was staggering for a 1988 release.

Although the film was rated with a family-friendly PG and enjoyed acclaim for its breakthrough technique of combining cartoon characters with human actors, its toy merchandise sold poorly. Pundits said that the wisecracking cartoon lead character did not connect with children.

Talky contemporary dramas, historical epics, and adult-skewing films with PG-13 or R ratings have limited merchandising prospects because they don't appeal to the youth market that is crucial to mass merchandising. Those types of movies have a small range of licensed merchandise prospects. R-rated religious blockbuster *The Passion of the Christ* managed to originate some licensed merchandise including one unusual item: a single nail made of pewter that's a $17 pendant with a leather necklace. Other *Passion* merchandise included a book, crucifixes, lapel pins, and cards. An early effort at pricey merchandise was a $2,250 special-edition knife for *Rambo III*, the R-rated film released in 1988. However, such expensive merchandise is not widely sold, so the cross-promotion benefit to the movie is limited.

Preexisting Properties

For movies based on preexisting properties, such as comic books, the owner of the underlying property usually has its own licensing program. The promise of a big-budget Hollywood film will be a catalyst for even more merchandise deals. As a result, the film distributor and property owner arrange a formula to split royalty revenue and divide responsibility for management of merchandising.

A prolific source for comic-book properties is Marvel Entertainment, which has hundreds of merchandise-licensing deals of its own. For licensing the rights to its Spider-Man property, Marvel reportedly receives a few percentage points from all the film-rental streams of the *Spider-Man* movies that Columbia Pictures distributes. That encompasses theaters, video, and television.

Sorting out rights is a constant tug of war. In 2003, Marvel filed three related lawsuits against Sony's Columbia Pictures over royalties for the *Spider-Man* films. A June 2004 settlement made Marvel the lead party in licensing deals via a joint venture with the studio called Spider-Man Merchandising L.P. The settlement means all merchandising royalty revenue will flow through Marvel, which will increase sales at the publicly traded company, even though a big chunk of that money automatically is paid to Sony.

Besides licensing properties from outsiders, Hollywood's major studios are eager to make movies based on intellectual properties from within their own corporate family. For example, Paramount Pictures released feature films based on cartoon television series *Rugrats, Jimmy Neutron*, and *SpongeBob SquarePants* from sister cable-network Nickelodeon. Paramount and Nickelodeon are part of Viacom, the sprawling media-entertainment conglomerate with $13 billion in revenue.

Merchandising Sequels

The sequel syndrome is widely derided because sequels have a history of generating less box-office revenue than their predecessor movies. Although perhaps not as successful as prior movies of the series, sequels at least tend to be a sure bet to make a predictable impact with consumers, which is a comfort to merchandisers and stores that must estimate volume of movie-product sales. In addition, children are generally receptive to what is familiar, which gives a boost to sequel products.

Movie-memorabilia collectors are a dependable buying group for sequel merchandise. Because sequels have something of a bad rap, merchandise-licensing executives in Hollywood try to avoid the word, instead referring to follow-on movies as "a continuing merchandising franchise" or "a brand extension."

Financial Terms

Royalties for licensing—fees that movie-rights owners receive from merchandise companies—can range anywhere from 3% to 20% of wholesale prices of products. Currently, most film deals fall in the range from 8% to 14%, which is above the average of 8% for all industries. The category paying the lowest rate on a percentage basis is food/confectionery at 3% to 8%.

Typically, the merchandising company makes an upfront payment (which is the minimum guarantee) that is an advance, which is deducted from future royalty obligations. Licensing deals sometimes have escalators if unit sales surpass targets, which generate additional payments beyond an agreed-upon level. These kick in if licensed products skyrocket, and the escalators typically kick in at a high level that is well above the minimum guarantee.

For a film based on popular preexisting properties, movie rights can cost the filmmaker 1% to 5% of film rentals from theatrical, video, and television distribution. That's a small cut of a potentially huge revenue stream, and the movie company almost always shoulders the entire cost of production and marketing. Again, the deal would be sealed with the movie company making an upfront cash payment that is an advance against future royalties. Merchandising rights to the film are usually subject to a separate but related contract.

Marvel reportedly received $20 million from its contract for the first *Spider-Man* movie. For its comics that are made into films, Marvel stated in a 10-K disclosure filing, the comic-book publisher shares licensing revenue with studio partners. "Typically, the studio is paid up to 50% of the total license income derived from licensing for a specific character, in most cases net of a distribution fee retained by us, and in some instances with some adjustments for characters that have generated sales [for Marvel] prior to the theatrical release," Marvel stated in the filing. Its publishing properties also include the

Fantastic Four, the Incredible Hulk, X-Men, and Daredevil, all of which have been made into movies.

It's important to remember that news reports typically cite retail sales of movie merchandise, which is a measure of consumer spending, but retail-sales figures are far more than wholesale revenues, to which licensing royalties are pegged. Wholesale revenue broadly varies but averages around 50% of the retail-spend level. If merchandise from a film racks up $250 million in retail sales, the wholesale figure would be roughly half or less, and the royalty rates would be calculated from that lower wholesale figure.

Licensing contracts can have sliding percentage rates that initially are low and then climb higher. Categories that shoulder large product development, such as video games and toys, often pay low initial royalty rates to film companies, and if merchandise sells briskly, the royal rate rises. The low rates are designed to let the merchandise company cover its expenses for product development and manufacturing with the first wave of sales.

Some film contracts mandate that a specified royalty payment go into a common marketing fund, which called the *master licensing entity* that promotes a movie's overall merchandise sales. Typically, the film company administers this master fund. The levy for the administrative costs of the master fund may be a 1% royalty on initial sales up to a predetermined amount, after which no more payments are made.

Movie-merchandising contracts specify a time frame and geographic exclusivity, in addition to financial terms. Film licenses typically are made for two-year terms, although sales to consumers usually are concentrated in the weeks around theatrical and video release. "Movies today are being treated as essentially six- to eight-week promotional events, as opposed to an ongoing merchandising opportunity," said Martin Brochstein, editorial director of EPM Communications, the New York City–based publisher of *The Licensing Letter*. "That's a function of the open-wide, make-the-first-week-big release patterns that you see. Years ago, it took a while for everybody to see a movie that they were interested in but now movies don't play very long."

Strategies

Orchestrating a successful merchandising campaign is an art. Movie marketers want plenty of merchandise to generate royalty revenue and lots of signage at stores to support theatrical release. At the same time, merchandising should not be so excessive that consumers are turned off. It's also something of an art gauging what merchandising is appropriate for a movie and what goes too far.

Publishing—printed books and magazines—are key categories. At the top end, James Cameron's *Titanic*, a $50 retail book, sold more than one million copies. Its publisher, HarperCollins, is a sister company to Twentieth Century Fox, which originated the big-budget disaster film. A more common sales figure for movie-related books is in the tens of thousands or hundreds of thousands of copies loaded with photos. Film distributors often give away such books to voters for film awards as promotions for those films that are contenders. For movies based on books, the book publisher and author typically keep preexisting merchandising separate from any related films, because the movie deal eventually will expire.

Toys and video games are other key categories, though U.S. toy sales are slipping. According to the newsletter *Licensing Letter*, toys fell from a 33% share of entertainment/character licensing in 1999 to 27.5% by 2006. Meanwhile, video games climbed 2% to 18% in the same time span. To give a sense of scale, the $9.6 billion in 2007 box office for the United States was eclipsed by the toy industry, which generates roughly $22 billion in retail business. About 60% of toy sales occur around the Christmas holiday.

Movie merchandising sometimes stumbles even when it is in the shadow of a popular property. For example, Universal Pictures' live-action kids' film *The Flintstones* rolled up a hefty $130.5 million in domestic box office when the film was released in 1994. However, toy sales were weak, with some analysts saying children associated the property more with its original television cartoon series than the newer live-action movie with human actors. On the other hand, the theatrical release of *Ghostbusters* in 1984 was a big hit at the box office, but its licensed merchandise did not sell well until the animated television series *The Real Ghostbusters* followed later. As a result, *Ghostbusters* generated an estimated $200 million in retail toy sales. When Warner Bros. courted merchandisers for its summer 2005 release of *Batman Begins*, its sales pitch included word of a new animated television series *The Batman* on the studio's sister outlets Kids WB and Cartoon Network.

A film property with broad family appeal that is promising and original—not based on a book, television show, or other preexisting property—can be expected to snag merchandising deals with around fifty merchandising companies. One licensee might take a cluster of related product categories. A sequel whose previous movie was a big hit or movie based on a popular preexisting property with family appeal can nab several hundred licensing deals.

Not all movie licensing is for durable goods. For example, technology companies have licensed *Star Trek*—which portrays humankind as being noble and tech savvy in the future—for ad campaigns targeting a business audience and for use at trade shows. Such licenses can generate cash payments in the tens of thousands of dollars per year.

Movie-merchandise marketers sometimes try for a generic positioning to enlarge sales potential. For instance, Universal Pictures and Steven Spielberg's

Amblin Entertainment succeeded in staking out the entire dinosaur category for *Jurassic Park* in 1993. The film presented scientifically accurate dinosaurs, which provided another selling point for its creatures in merchandising. "We think Jurassic Park products will make all other dinosaur products extinct," the head of Universal's merchandising division joked at the time. The 1993 sci-fi yarn had one hundred companies making more than a thousand types of products, which is a huge merchandising campaign, especially for that time.

One new trend is to simply attach a movie license to preexisting products that are appropriate. For example, Twentieth Century Fox's animated 2004 release of *Garfield: The Movie* licensed Ashley Furniture Industries for its reclining chairs retail priced at $300 to $500. The easy chairs were a good fit with a movie that features a lazy cat who always is lounging about in his recliner.

With the uncertainties of a new film in theatrical release, merchandising companies since early this decade sometimes preferred to wait for movies to reach video release, which comes two to four months after theatrical opening. Retailers "are building bigger programs for DVD release than for the theatrical launch," said Disney Consumer Products chairman Andy Mooney. "This is really a new phenomenon post–*Finding Nemo*, and it is building." Home video is attractive because after popularity is established in theatrical release, merchandisers find they can correctly estimate the demand for film-related products and not get stuck with overstocks. Because retail stores sell the movie DVDs and movie-themed merchandise, there's cross promotion within the same store (see fig. 5.2).

Fig. 5.2. Wal-Mart placed $25 children's cushion seats in choice aisle locations simultaneous with theatrical release of Columbia's *Spider-Man 3*. Photo by Robert Marich.

Mass merchants such as Wal-Mart seek low-cost movie merchandise such as key chains and hats with logos to accompany a video release. This kind of merchandise can be shipped on pallets (standardized shipping platforms) and then simply placed in aisles and at the ends of shelves. The movie merchandise helps create a short-term event of several weeks that accompanies video release, and stocking pallets are easily removed to make way for the next in-store event. The video-event merchandise tends not to be placed on store shelves, which are less visible than pallets in aisles and are used more for year-round sellers. It remains to be seen if the trend to wait for video release of a film significantly erodes merchandising support for theatrical releases down the road. Film distributors prefer that the cross-promotion coincide with the theatrical opening, which establishes a marquee value when a film is a little-known property.

Involving Movie Talent

Movie-merchandise licensing is becoming more complicated as actors increasingly build a business exploiting their own persona and thus may not allow their images or voices to be used outside of the movies themselves. Top actors are directly promoting themselves from personal Web sites from which they may sell licensed merchandise and interact with fans. In some instances, they also line up their own product endorsements, which may conflict with partnerships arranged by their movies.

The team of Mary-Kate Olsen and Ashley Olsen, teenage television and movie stars dubbed the Olsen Twins, was one of the biggest such talent juggernauts. At one point, the duo generated $1 billion per year in licensed merchandise tied to their personas. The Olsens starred in the Warner Bros. family comedy *New York Minute*, although the film mustered just $14 million domestic box office after a May 2004 release.

Tom Cruise and Robin Williams are among the top-tier actors who are known to be dead set against letting their likenesses or voices be used outside their movies. This list also used to include Robert Redford, but he did a United Airlines voiceover in 2004 in what was his first mass-market commercial. On the other hand, youth market heartthrob Vin Diesel allowed his likeness to be used in the video game *The Chronicles of Riddick: Escape from Butcher Bay*, which came out at the same time that Universal Pictures released a *Riddick* movie in June 2004. A Diesel-owned company is cocredited with creating the video game from Vivendi Universal Games.

Merchandising Classic Films

The major studios all have merchandising arms that make deals for new films as well as milk old films—and characters—from their movie libraries. In repurposing old properties, studio merchandising arms this decade are trying to create new properties out of pieces of film and TV properties, and trying to revive interest in older films.

A spectacular success in hatching an all new property is Princess Disney—which is tied to no specific film but has a rub-off from all Disney's animated movie-princess characters. After shipping its first product in 2000, the Disney Princess line hit an estimated $3.4 billion in retail-level sales by 2006 with clothing, tiaras, and bedding fabrics, among other items, aimed at young girls. "Disney Consumer Products (division) is now able to independently create new intellectual property, in addition to those created by Disney Studios and the Disney Channel," said Mooney at the giant 2006 Licensing International Show in New York City. Disney Consumer Products division books $2.3 billion in Disney corporate revenue from licensing, and its products generate vastly more sales at the consumer-spend level. Its top characters are Mickey Mouse and Winnie the Pooh, which together account for $9 billion of merchandise retail sales by some estimates.

Keeping licensing going for movie-themed characters and movies is yet another ambition. Metro-Goldwyn-Mayer orchestrated a summer 2004 merchandising blitz for *The Pink Panther*, which is a four-decade-old movie character. The new *Panther* movie went on to gross a solid $82 million in box office in its 2006 release. The Pink Panther animated character was updated and licensed to twenty companies to make two hundred products. Licensees include Thomas Pink for women's apparel; JEM Sportswear and Jerry Leigh for T-shirts and tops; Vespa for scooters; Global Tour Golf for sports accessories; World Trade Jewelers for charms with diamonds and pink sapphires; and E-Watch for timepieces. This fits nicely with a trend of consumers embracing retro properties, particularly from the 1950s. Unfortunately for the movie marketer with visions of collecting big bucks, the reality could be merchandising companies may feel children's bed sheets adorned with Hostess Ding Dongs cake logos are a safer bet than a new and untried movie.

Universal Studios' Consumer Products Group tapped into nostalgia with a 2004 line of clothing, toy, and game products based on vintage films, including the 1973 teenager coming-of-age drama *American Graffiti* and the 1978 college-campus farce *Animal House*. Universal Pictures made its horror release *Van Helsing*, which grossed $120 million in domestic box office after its May 2004 release, into a showcase for characters it owns. The studio lays claim to character rights to the Wolf Man and Frankenstein, which both figure prominently in *Van Helsing*.

Video Games

Video games based on films became the hot category in recent years. A successful game can account for 15% to 20% of a major film's total merchandise-licensing revenue, according to *The Licensing Letter*. If a film does not have a big overall merchandising program, and the game license is rich, the game contributes upwards of 75% of total merchandising revenue.

Game companies make licensed products based on movies that are significant stand-alone products, because game releases get their own big pushes in advertising for which there is rub-off on the movie. A big marketing campaign for a game launch can amount to tens of millions of dollars in advertising and promotion, up from $10 million in the 1990s. On September 25, 2007, the Microsoft video game *Halo 3* sold a breathtaking $170 million in software its first day (it was not connected with a movie). That first-day haul surpassed aggregate U.S. movie-ticket sales over the three-day weekend that included *Halo 3*'s first day and demonstrates the economic heft of the video-game business. The video-game–software industry generated retail sales of $18 billion in the United States during 2007, according to researcher NPD Group. Canada logged around $700 million in game software.

Children's movies and sci-fi and fantasy action-adventure films aimed at the youth audience are ideal for adapting into video games. A minimum guarantee for game adaptations from big films can run $1 to $8 million because hit games can sell one million copies at a $30 to $50 retail price.

Hardcore gamers, the male youth and young-adult male demographic, are cautious about titles based on movies because they have been disappointed by film-based games in the past. However, a good movie adaptation can sell millions of units as, for example, the shipment of four million units of Activision's *Spider-Man 3* video game released simultaneously with U.S. premiere of the movie in 2007.

Game companies try to lock up bundles of films by making long-term, exclusive licensing deals with studios and other property-rights holders. For example, Activision's video game licenses for *Spider-Man* and *X-Men* originated via Marvel and have been extended to 2017. "Through March 31, 2007, games based on the *Spider-Man* and *X-Men* franchises have generated approximately $852.7 million in net revenues worldwide," Activision stated in a regulatory filing. Activision also has a long-term deal with DreamWorks covering the *Shrek, Shark Tale*, and *Madagascar* movies and licensed Hasbro's Transformers toy line that is the basis of the 2007 blockbuster film distributed by Paramount Pictures. In 2006, Activision negotiated a license for video games based on the 007 James Bond film property through 2014 with MGM Interactive and the property's producer EON Productions. Earlier, Nintendo sold more than five million game units for Nintendo's N64 platform based on the spy franchise's *GoldenEye* movie, which at the time was the biggest game for a single-game platform based on an individual movie title. More recently, a huge success in the Hollywood–Silicon Valley alliance was games based on

New Line Cinema's *The Lord of the Rings* trilogy that sold an estimated 5.5 million units for Electronic Arts for more than $100 million at retail. Other genres are richer than movies, such as the NFL football title marketed under the name of television sportscaster John Madden, which has sold fifty-one million copies to date, mostly via Electronic Arts.

Video-game companies develop something of a brand-name identification based on how their products are received. The leading independent video-game companies are Activision, Atari, Capcom, Eidos, Electronics Arts, Koei, Konami, LucasArts, Midway, Namco, Sega, Take-Two Interactive, THQ, Ubisoft, and Vivendi Games. The parents of some major studios have some involvement in games companies as, for example, Warner Bros.'s parent owns 10% of Eidos's parent. Also creating video-game software are the major hardware outfits Microsoft, Nintendo, and Sony; the video-game consoles (platforms) are XBox 360 by Microsoft, Wii by Nintendo, and PlayStation3 by Sony. Other formats include Nintendo's Game Boy and Sony's PlayStation Portable (PSP), which are popular handheld platforms. The three console game makers tend to favor their own platforms in software sales, which is why film companies often licenses to independents that are neutral and thus service whatever platform has the highest sales potential. Video-game licenses almost always are granted on an exclusive basis, with game companies typically making games for multiple platforms, which can include cell phones—yet another mobile handheld category.

Major Studios and Video Games

Despite setbacks over the years, a goal of film studios is to carve out a bigger position in the video-game business. The major studios see video games as vehicles to extend film merchandise selling beyond the eight-week window around theatrical release for other types of licensed movie products, such as tee shirts and caps.

Research indicates consumers play a favorite video game for an average of fifty hours, creating a potential depth of engagement not associated with other licensed merchandise from a movie. Another goal of film companies is to create video-game adaptations that are so compelling that the game adaptations will be hits even if the films on which they are based fare poorly in cinemas. Over the years, studios and affiliates pursued various in-house game-making businesses, but these were mostly unprofitable and scaled back. The result is that studio game divisions today work with and license properties to outsiders to reduce costs and hook up with top talent.

Notable points of friction have occurred between video-game outfits and film marketers. In June 2003, Activision sued Viacom, alleging the conglomerate's Paramount Pictures studio did not adequately maintain the *Star Trek* franchise. Activision had signed a ten-year video-game licensing deal in 1998, but only one *Star Trek* movie had been made during the pact. Several weeks later, Viacom later filed a cross-complaint suing Activision. The lawsuit said Activision agreed to pay $20 million in an advance and warrants for its stock and was obligated for additional royalty payments based on game sales. In late 2004, Viacom licensed the rights to make a massively multiplayer game based on *Star Trek* to start-up Perpetual Entertainment. In 2005, Viacom and Activision reached an out-of-court settlement for undisclosed terms.

The most demanding product-licensing category is video games because games are placed into development months before a movie starts production. Video-game companies need eighteen to twenty-four months of lead time to create and market a game, so they begin the process even before a movie's script is finished in some cases. More typically, a game license is arranged once a film is approved for production. Game companies base their decision on whether to license a movie in part on the extent they will be able to use likenesses of actors and other recognizable elements of a film. In some cases, a film is required to shoot footage for use in making the game, although that practice is becoming less important as computer-graphic technology improves.

One factor in choosing a video-game company is its track record in marketing games on schedule, because the movie distributor is counting on the game release to support the theatrical opening. In general, the video-game industry has an uneven record making deadlines. For example, *Pirates of the Caribbean Online*—which is a massively multiplayer game—launched in cyberspace in late 2007, months behind schedule and too late to help the theatrical premiere of the third film of the Disney *Pirates* franchise.

But others are on time. THQ's *Finding Nemo* game arrived at stores three weeks ahead of the Disney/Pixar family animated film's May 2003 theatrical release, which is ideal. Activision's *Spider-Man*: *The Movie* video game made its debut at the same time as the Columbia release in May 2002, and the game for the third installment also reached stores simultaneously with the movie in 2007. The release of games at the same time or in advance of theatrical release represents a dramatic shift in thinking within the movie business. At the start of the decade, the video-game license was seen simply as a component of the overall movie-merchandising campaign. Now, it is something of a stand-alone proposition because of the big money involved.

Video-game companies have become increasingly selective, choosing to put their resources around fewer titles in bids for blockbusters. For example, Atari reportedly invested well over $10 million to make a game based on the Warner Bros. film *The Matrix: Reloaded*. The blockbuster mentality is also a byproduct of skyrocketing engineering costs. A sophisticated video game costs from $5 to $20 million to create today, due in part to escalating salaries for game makers.

And video-game outfits are acting like movie companies by mounting their own promotional tie-ins with consumer-goods companies. For example, beverage PowerAde got a product placement in Atari's *The Matrix: Reloaded* as part of the Coca-Cola product's $10-plus million–plus tie-in promotion with the movie. PowerAde, part of the Coke beverage empire, created tie-in ads with a mysterious character known as Agent Johnson, who is seen in the backdrop of the movie. PowerAde also launched a new flavor especially for its *Matrix* drink.

Talent in Game Merchandising

Hollywood talent agents take the position that licensing the likeness of their actor clients for video games is a right to be acquired separately from the actor's performance in a film. With film productions in line first and already pocketing licensing fees, game companies are cautious about making additional payments for actors for use of their likenesses and voices.

To get around movie-star demands for likeness fees, game companies simply create characters who do not look exactly like the actor playing the movie role. In other cases, video-game companies sometimes are allowed to use actual likenesses of movie talent but third-party "voice actors" are employed for dialogue. In *The Lord of the Rings* video game, actor Elijah Wood provides voice for the Frodo character, but soundalikes do the voices for the characters portrayed in the film by Orlando Bloom and Viggo Mortensen.

Representing a high level of movie-to-game involvement, Larry Wachowski and Andy Wachowski, the writers and directors of *The Matrix: Reloaded*, shot scenes during movie photography specifically for the video game by Infogrames (a sister company to Atari). The Wachowski brothers are credited as the game's creators.

Music

Historically, music was one of the most financially important merchandise categories and is still an integral part of marketing efforts to support theatrical release, but it has been surpassed by video games. The music industry, a willing but battered partner, has been reeling from steadily declining revenue due to changes in the delivery of music in recent years. A lot of music is now purchased on-line (or shared illegally), while physical CDs, once the cash cow of the industry, are becoming less and less popular.

The music industry's better days were in the 1990s, so it's not surprising that top album sales for movies occurred in that era. Top-selling film soundtracks in the United States over the years include *The Bodyguard* from 1992 with 11.8 million albums, *Titanic* from 1997 with 10 million albums, and *The Lion King* from 1994 with 7.7 million albums (see table 5.2). The soundtrack from escape comedy adventure *O, Brother, Where Art Thou?* almost seemed like a bigger hit than the Disney movie of 2000, selling 7.3 million albums. In 2007, the best-selling movie soundtracks were *Hairspray* (922,000 albums), *Dreamgirls* (705,000 albums), and *Across the Universe* (251,000 albums), according to Nielsen SoundScan.

As soundtrack sales decline, film distributors are trying new twists on the decades-old format to enliven it. For *Spider-Man 2*, eleven different soundtrack albums were each customized for a global geographic region by the studio's sister company Sony BMG. Each regional album has somewhere between fifteen and nineteen songs, with Sony BMG working in a mix of its artists around the world in an effort to build their popularity. For instance, "Web of Night" by TMR is only on albums in Japan, Portugal, and Brazil. The band Killing Heidi performs "I Am" on the album for its home country of Australia. The soundtrack album from the first *Spider-Man* movie sold a lofty two million units worldwide and included the hit single *Hero* from Nickelback.

Though music merchandising is not as lucrative as it once was, soundtracks still are revenue generators and promotional tools. Music from Disney's teenage surreal drama *Holes*, which was a surprise success in 2003 with domestic theatrical box office of $67 million, generated shipments of 120,000 album units in its first two weeks of release. Radio Disney estimated that 3.1 million young people listened to radio play of *Holes* songs per week on its service alone. Advertising for movies sometimes includes plugs for the album in cross-promotions. For example, newspaper ads for Columbia's *Not Another*

Table 5.2. Top movie-soundtrack albums, 1991 to 2007

Rank	Movie	Year of movie	Album sales (millions)[1]
1	*The Bodyguard*	1992	11.8
2	*Titanic*	1997	10.1
3	*The Lion King*	1994	7.7
4	*O Brother Where Art Thou?*	2000	7.3
5	*Grease*	1978	5.7
6	*City of Angels*	1998	5.5
7	*Waiting to Exhale*	1995	5.1
8	*Space Jam*	1996	4.8
9	*8 Mile*	2002	4.7
10	*Forrest Gump*	1994	4.4

Source: Nielsen SoundScan
Note: Album sales are for United States only since 1991.

Teen Movie in 2001 carried large text saying "Soundtrack featuring *Tainted Love* by Marilyn Manson and music by Orgy, Saliva, Muse, and Mest."

Consumer-goods marketers are sometimes eager to arrange promotional tie-ins with movie music. For DreamWorks's animated film *Shark Tale* released in September 2004, Coca-Cola adapted a song from the soundtrack into television commercials running thirty and sixty seconds. The song is Mary J. Blige's new version of "Got to Be Real," which is a remake of a 1978 Cheryl Lynn hit. "This is a good example of what I would call a value-for-value proposition," said a Coca-Cola executive at the time. "We committed to specified numbers for (movie-themed product) packaging, promotional weight, and media weight for this campaign." In exchange, Coke gets to use movie-themed music. Coke mounted other big movie tie-ins with *The Grinch, The Matrix: Reloaded*, and the *Harry Potter* movies.

Awards given for songs in movies also contribute to the marriage of movie music and commerce, as do music videos. Fifty-nine songs were eligible for the Best Original Song Oscar at the Eightieth Academy Awards. An Oscar can help sell individual songs and movie soundtracks, while music videos, which tend to be a mixture of scenes from a movie combined with special footage, can bring attention to both the movie and the soundtrack. The special footage can be of the music artists, who are not seen in the film itself, and/or actors from the movie in scenes shot specifically for the video. Although music-video channels on TV, including MTV and VH1, no longer devote as much time to playing music videos as they once did, videos are widely shown on the Internet, on sites like YouTube and AOL.

Travails

Movies have their share of product-licensing miscues. In a frequent problem, products need to be appropriate for the audience classification of the film. Disney pulled the plug on a novelty Ratatouille Chardonnay after a retailer was pointedly reminded that wine is not suitable for a G-movie association (the wine would have only been sold to adults, in any case).

A decade ago, Hollywood's major studios plunged deeper in merchandising by creating properties and keeping more business in-house, rather than parceling out rights to outsiders. In recent years, the studios have pulled back from direct-merchandising ventures, preferring to work with third parties that pay them cash guarantees upfront.

One idea that fizzled was packaging original movies with a comic-book flavor to eliminate the need to pay royalties to third parties. Disney's 1930s period adventure *Rocketeer*, a PG movie released in 1996, was one disappointment. In another studio foray into merchandising, Universal Pictures lost several million dollars years ago from making a direct investment in a company that made toys based on its blockbuster *E. T.—The Extraterrestrial*. As a consequence, studios today are willing to license established properties from third parties, figuring it is worth the expense to get preexisting name recognition and the built-in base of fans from the book, comic, or television show. The upfront cash payments that studios collect for licensing to third parties—those minimum guarantees—are a financial cushion for films that later fall flat.

What cooled interest in movie properties was two merchandising disappointments, the dot-com recession that started in 2000, and an inability of later animated films to match the success of Disney's *Lion King*. The first of the two fiascos was that the merchandising industry overextended for the 1999 theatrical release of *Star Wars: Episode I—The Phantom Menace*. Lucasfilm, the sci-fi fantasy film's creator, orchestrated a well-structured merchandising campaign, and the space-adventure yarn ultimately generated an estimated $1 billion in merchandise sales at retail. That amount would be a success for just about any other movie but was short of expectations of around $3 billion, on which minimum guarantees and product manufacturing volume were based. The result was piles of unsold *Star Wars* merchandise that had to be discounted for clearance. Twentieth Century Fox distributes *Star Wars* to theaters and home video.

The second stumble was the decision by filmmakers to keep merchandise off store shelves for *Godzilla* until the 1998 release from Sony's TriStar Pictures was in theaters. Normally, movie-related merchandise is in stores a few weeks earlier (some sources estimate about 30% of sales occurs before a film opens). However, the filmmakers were trying to keep secret their particular vision of the well-known monster, which had been by then the subject of twenty Japanese-language B-movies.

Royalty rates declined and merchandisers became more selective after the late 1990s peak. "I don't think you will see those days again for some time," Al Ovadia, then-executive president at Sony Pictures Consumer Products, said in 2004.

History of Merchandising

The first protection for consumer-product brands in the United States became possible in 1870, when a federal law established a trademark registry. Walt Disney Co. issued what is believed to be the first movie-merchandise license in 1929 for the rights to put the Mickey Mouse character on a child's writing tablet, which according to legend was granted for a $300 fee.

By 1932, Disney had set up a licensing division—the first of its kind by a film studio—and remained the pioneer among studios for decades. For example, Ingersoll-Waterbury sold the first licensed Mickey Mouse-themed watch in 1933. "In addition to Disney, names like Little Orphan Annie, Jack Armstrong, and Bugs Bunny infiltrated American households in that era," noted merchandising trade group Licensing Industry Merchandisers' Association (LIMA). "One of the very early licensing successes during this period was the unprecedented sale of Shirley Temple look-alike dolls." The child actress, under contract to Twentieth Century Fox, was just one of movie-merchandising efforts of the 1930s (see fig. 5.3).

In the early sound era of film, the first important sound tracks came from musical films. A breakthrough occurred in 1937, when songs from the Disney animated feature *Snow White and the Seven Dwarfs* garnered widespread radio airplay, particularly for songs "Heigh Ho! Heigh Ho! It's Off to Work We Go" and "Whistle While You Work," according to the book *Motion Picture Marketing and Distribution: Getting Movies in a Theatre near You*.

The impact of film was definitively demonstrated when undershirt sales plummeted after Clark Gable appeared bare-chested in the 1934 romantic comedy *It Happened One Night* (which is the subject of this chapter's epigraph). By the 1940s and 1950s, television programs dominated the business with merchandise from children's favorites *Hopalong Cassidy* and *Howdy Doody.*

Movies joined sports, fashion, video games, and books as mainstays of the modern licensed-merchandise industry when Twentieth Century Fox's *Star Wars* in 1977 and Warner Bros. *Superman* in 1978 both erupted as blockbusters in merchandise sales.

Fig. 5.3. In the 1930s, Tarzan Ice Cream Cups were created to generate licensing revenue and to promote *Tarzan* movies. The image is a template for ads by local ice-cream licensees.

In a famous turn of events, *Star Wars* writer-director George Lucas agreed to reduce his salary as a filmmaker, reportedly $100,000, in exchange for Fox agreeing to let him have the film's merchandising rights and other, lesser noncash consideration. At the time *Star Wars* hit theaters, it had just ten licensees, but that mushroomed when the sci-fi fantasy exploded in box office. According to *The Licensing Letter*, the original merchandisers were Kenner (toys, games and crafts), Factors and Image Factory (tee shirts, posters), Ben Cooper (children's costumes), Twentieth Century Records (music), Ballantine (paperbacks), Marvel (comics), Don Post Studios (masks), Ken Films (edited home movies), and George Fenmore & Associates (souvenir programs).

Fox handled licensing of the original *Star Wars* (now it's at Lucasfilm), and a key goal was to sign "mid-tier" companies whose product quality was a cut above rivals that focused on mass merchants. The goal was better-quality products commanding higher prices. In the first six weeks, a then-impressive twenty million tee shirts were sold. The *Star Wars* saga has generated billions of dollars in retail-merchandise sales globally over the years from its multiple films. The Lucasfilm property actually appeals to two different market segments. First is the regular children's market, which is tapped by all pop-culture movies. Second is a following among adults who are both nostalgic because they remember the first film and sci-fi aficionados.

Another unusual strategy was to sign one company for all toys—Kenner—with the understanding that Kenner would apply this heft in higher-than-normal ad support for its *Star Wars* toys. Originally, Kenner planned just a few toys lines, but this expanded to thirty-five items when the movie hits screens in May. "In what has become industry legend, Kenner's inability to keep up with demand for action figures for Christmas 1977 led it to ship boxes to retail that were essentially empty except for an IOU redeemable for an action figure after the New Year," stated *The Licensing Letter*. "Wal-Mart and Hasbro, in a homage to that plan, did a well-publicized promotion of a similar nature surrounding the release of the third prequel in 2005."

In the 1980s, revenue from merchandising grew steadily in the 1980s, and by the early 1990s, merchandising moved from just ancillary revenue to being a budgeted line item in a film's financial plan. This intensified pressure on studio-merchandising executives to wring lucrative deals from the licensing industry. Stoking both Hollywood and the merchandising industry was hits such as Disney's 1994 tsunami of a blockbuster *The Lion King*, which rolled up $313 million in domestic box office and $1.5 billion in retail merchandise sales. Warner Bros.'s *Batman*, which was released in 1989, reportedly generated $500 million in retail-merchandising sales, translating into $50 million in revenue for Warner Bros. Thirty million black tee shirts with the *Batman* logo were sold, creating an apparel-industry shortage of black tee shirts for a time. Until then, successful family films did just tens of millions of dollars in merchandising at retail, with some exceptions such as *Star Wars*.

The licensing industry looked past occasional stumbles in this era, such as *Dick Tracy*, the 1990 Disney release starring Warren Beatty and Madonna. Although the movie grossed a satisfactory $104 million in domestic box office, *Dick Tracy* merchandise sold poorly, probably because its source comic strip was dated and because avuncular Beatty did not connect with contemporary youth culture.

Another misfire was the fantasy action-adventure *The Last Action Hero*, which Columbia Pictures released in 1993. Columbia parent Sony kept merchandising in-house as much as possible in a bid for corporate synergies. Sony-branded items included a MiniDisc player, cell phones, and other electronics products, which were peppered in the movie, which cost $80 million to make. Music artists from Sony's record labels contributed to the soundtrack album. Promotions included plastering the film's name on a NASA rocket launched into orbit. But the film starring Arnold Schwarzenegger mustered a disappointing $50 million in domestic box office and was a merchandising bust.

The recent milestone in movie-merchandising business came with *Star Wars: Episode I—The Phantom Menace*, the 1999 Twentieth Century Fox release that at an estimated $1 billion fell below sky-high expectations of $3 billion in retail sales of merchandise. Lucasfilm had crafted a well-received program to revive licensed merchandise, and it signed lucrative deals. For example, toy-company Hasbro committed to pay a reported $590 million in minimum royalties and granted warrants to Lucasfilm for 7.5% of its stock, as part of a nine-year pact for three *Star Wars* movies. The Hasbro deal covered toys such as action figures, vehicles, and board games. In 2003, Hasbro's minimum payment was renegotiated to $505 million and its toy license extended to 2018.

Caution is the watchword in history's current chapter. Merchandise companies such as toy companies are cool to open-ended commitments, and the trend is to sign for individual movies.

6

Publicity

> It is not enough to conquer; one must learn to seduce.
>
> —Voltaire

Publicity is the most cost-effective but is among the least predictable disciplines in film marketing. Film marketers do not control the extent of press coverage, whether positive or negative, or the timing of its dissemination. However, when everything clicks, a publicity campaign subtly saturates the marketplace with third-party endorsements of films via upbeat editorial coverage.

Publicity campaigns rely on media outlets such as magazines, television, radio, newspaper, and Internet Web sites to cover a film with stories, gossip-column items, reviews, and posted content. The objective of movie marketers is to create in the marketplace a buzz that mushrooms. Publicity campaigns for *Borat* and *Walk the Line*—both Twentieth Century Fox release—have received industry awards (see fig. 6.1). "Even with technology changing the landscape, word of mouth—meaning old-fashioned buzz—is still the golden egg that we are all searching for," said Jeffrey Godsick, president of marketing at Fox/Walden Films. "You must penetrate the popular culture. The consumer must hear about your film from his or her inner friend base, the outer friend base, the DJ, from the news."

Publicity campaigns cost tens to hundreds of thousands of dollars per film, which is a small slice of overall marketing expenditure when compared to paid advertising. Film-publicity roll-outs follow a standard schedule that has been honed over the years. To be able to deliver publicity goodies when a film is about to be released, the material needs to be assembled at the earliest stage

Fig. 6.1. Best-ad-campaign winners and nominees, Publicists Guild award,[1] 2003–8

Movie[2]	Studio
2008	
Enchanted	Disney
Knocked Up	Universal
Simpsons Movie, The	Fox
*300**	Warner Bros.
Transformers	DreamWorks/Paramount
2007	
*Borat**	Twentieth Century-Fox
Devil Wears Prada, The	Twentieth Century-Fox
Dreamgirls	Paramount
Happy Feet	Warner Bros.
Pirates of the Caribbean: At World's End	Disney
Talladega Nights	Sony Pictures
United 93	Universal
2006	
Charlie and the Chocolate Factory	Warner Bros.
Chronicles of Narnia, The: The Lion, the Witch, and the Wardrobe	Walt Disney Pictures
Good Night and Good Luck	Warner Independent
Memoirs of a Geisha	Columbia Pictures
*Walk the Line**	Twentieth Century-Fox
2005	
Day After Tomorrow, The	Twentieth Century-Fox
Incredibles, The	Disney/Pixar
Mean Girls	Paramount
Polar Express, The	Warner Bros.
*Ray**	Universal
Spider-Man 2	Sony
2004	
Big Fish	Sony
Master and Commander: The Far Side of the World	Twentieth Century-Fox
*Pirates of the Caribbean: The Curse-Black Pearl**	Disney
Seabiscuit	Universal
School of Rock	Universal
2003	
Die Another Day	MGM
8 Mile	Universal Pictures
Ice Age	Twentieth Century-Fox
Signs	Touchstone Pictures
*Spider-Man**	Columbia Pictures

Source: Maxwell Weinberg Publicists Showman Awards

Notes: 1. The award is named the Maxwell Weinberg Publicists Showmanship Award for Motion Pictures.

2. Winners are noted with an asterisk.

of a film's existence. The big opportunity for film marketers is the Internet, given Web-surfers come across loads of movie content.

The audience shift to the Web seems to have taken its toll on a Hollywood institution: the extravagant, splashy party. Instead of huge whooplas, film marketers are spreading their publicity budget over more and smaller events and publicity stunts, because more events offer a better payoff. Film marketers find that crafting multiple events, each with a slightly different thrust tailored to appeal to different audience segments, better addresses the interests of audiences on different cable TV and Web outlets. Also, one big bash generating most of the publicity risks inundating moviegoers with repetitive content that all looks like it came from the same place, because it did. Thus, Hollywood's new calculus suggests that staging a series of parties and events at $50,000 each is better than one big bash costing hundreds of thousands of dollars. To enlarge budgets, film marketers even enlist cosponsors for their parties—typically luxury-goods brands—that contribute tens of thousands of dollars to be associated with movies and stars.

The popular Los Angeles theaters for premiere screenings are Grauman's Chinese, Egyptian, and El Capitan on Hollywood Boulevard and Mann's Village Theater in nearby Westwood. In New York City, the Ziegfeld is often used. The ideal scenario for film publicists is to be serving up access and information about films not yet seen—thus unknown product—to a curious and compliant press and public. Of course, it doesn't always work out that way. Another part of the job is sometimes to try to keep a lid on unwanted publicity.

The top-grossing film of all time, *Titanic,* suffered waves of bad publicity in 1997 when widespread press coverage tagged it as another costly bomb-in-the-making like *Waterworld* had been a few years earlier. Metaphors of sinking and disaster abounded but were proved wrong when the film opened. In an irony, the negative stories probably created some box-office lift because audiences wanted to see what the much-talked-about $235 million–budgeted movie looked like splashed across the silver screen. *Titanic* turned out well, which is not always the case for films enduring streaks of bad publicity before release. The task of publicists is to make all their films seem exciting and interesting, even the films that are not.

Publicity in Production

Each film has a *unit publicist*, whose job is to work at or near the set during principal photography of a theatrical film, which typically runs seven to sixteen weeks. For most films, the unit publicist's salary and expenses are included in the budget of the film and are considered a production cost. Even at this early stage, a defined marketing strategy should be in place for a given film so that the unit publicist can lay the groundwork to achieve goals.

The unit publicist prepares biographies of key creative talent (top actors, director, producer, cinematographer, and the like), a synopsis of the film, and other materials to be included in a press kit (see fig. 6.2). The unit publicist usually oversees taking of still pictures and, in some cases, video recordings for later use in publicity efforts. The Advertising Administration of the major studios' trade group Motion Pictures Association of America reviews press-kit materials of rated films to make sure the content is appropriate given the ratings.

Principal photography is the ideal venue because the cast is available on the set and is in costume and in thematic backgrounds. If on-set interviews of talent are part of the marketing plan, the publicist can arrange the interviews with journalists during production in order to start a ripple of publicity. Usually, the press gets interviews only if agreeing to an embargo—holding publication until after a specified date. A separate but related marketing person is the *unit photographer*, who shoots still photos during principal photography of a movie. Typically, the photographer works only selected days, as does the unit publicist. Getting high-quality and compelling still photos is perhaps the most important objective for marketing during principal photography (video makers are discussed in "Promotional Documentaries" in this chapter). Striking photos can determine if a little-known film gets any media attention at all. Journalists are known to reduce coverage of big stars and glitzy films if the visuals publicity package is of poor quality by simply inserting that are more eye-catching. "You can't underestimate what good stills can do," said Nancy Gerstman, copresident of distributor Zeitgeist Films. "They are very powerful marketing tools."

Fig. 6.2. Press-kit inventory

about the cast minibiographies of main cast and creative talent, including other film credits and personal information

cast and credits a full list of cast, crew, and producers, which should be flagged as being preliminary

clip reprint of favorable articles about the film, such as from film festivals

lead two-page overview description of movie written in a quasi–news style that describes the film's plot and genre and lists top creative talent in brief

long biography detailed biographies of stars and any other significant talent

photo log inventory of still photos that are included or available

production information five pages or less of description of where principal photography occurred and when, with some interesting anecdotes

video clips DVD of video clips

A key security issue is that the still photographer's work is under control of the production. Star talent often has approval rights of photos as part of employment contracts. In a typical scenario, after the top talent approves a pool of photos, all photo prints, film negatives, and digital files of unapproved shots are destroyed to ensure they don't pop up later by mistake or are misappropriated. In the analog era, major studios used to produce tens of thousands of actual paper press kits. With digital technology and the Internet, studios now set up on-line digital press kits from which journalists using passwords can download materials. This practice is catching on because journalists receive materials quickly and in a digital format that is easily used in their media. With digital-media–sourcing press kits, press-kit duplication is down to 2,500 units at the major studios, by some counts. Independent distributors duplicate 750 to 1,500 press kits per film.

Screenings

The publicity campaign cascades in waves following a standard chronology for just about every film. Long-lead media outlets such as monthly magazines are serviced first and short-lead media such as daily newspapers last. Journalists from each category screen films together, often at parallel screenings held in Los Angeles and New York. Reviewers from the same media outlets screen movies separately and closer to premiere. A film typically gets five to twenty mass-press screenings in Los Angeles and New York City over the six-month period prior to premiere. Most are scheduled two screenings a day, one in the afternoon and one in the evening for the same pool of invited journalists.

For the news/feature/editor crowd, press screenings for monthly magazines are scheduled four to six months in advance of a film's premiere, assuming that a mostly completed film or big blocks of footage are in presentable form. If a film is not sufficiently assembled, this first wave is skipped. In some cases, a film may be 90% finished, which is suitable in most circumstances, but a film's director may argue that the film should not be shown to journalists until it is finished. Monthly magazines—such as *Vanity Fair*, *Esquire*, *Playboy*, and the popular women's titles—commission feature stories three months before publication, so editors must be impressed early to get the stories into their editorial planning cycles.

Press screenings for weekly magazines, such as *Entertainment Weekly*, *Newsweek*, *People*, and *Time*, generally are held eight weeks before film release. The weeklies can include editors from big Sunday entertainment sections of dailies, entertainment guides, and alternative press, such as New York's *Village Voice,* which usually come out weekly. The daily newspapers and electronic media screen films days to a few weeks in advance of release. If a film has a chance at landing a magazine-cover placement, the lead time required by the media outlets is longer. For a film that does not have realistic potential to get a cover or big feature write-up in a print publication, the screenings should at least generate capsule write-ups in summary sections of new films.

Magazines don't get heavy movie-ad support, but editors find celebrities, movies, and entertainment of keen interest to their readers. Celebrity and entertainment are hot formats for magazines with titles like *InTouch Weekly*, *Us Weekly*, *Entertainment Weekly*, *Star Magazine*, *Life & Style*, and the venerable *People*. According to the American Society of Magazine Editors, entertainment/celebrity is the most popular of seventeen categories in magazines, accounting for 18% of all editorial pages in 2006. The number of U.S. magazines has grown to nineteen thousand, in part due to the lower costs of digital production, but overall magazine-industry health is declining.

Efforts to book film talent on television shows, such as *The Late Show with David Letterman* on CBS Television, start months before a movie's premiere. Besides network-television talk shows, syndicated television shows with national reach interview movie stars or do features on films. These include *Entertainment Tonight*, *Access Hollywood*, and *The Oprah Winfrey Show*.

Movies that appeared in film festivals have already been seen by some critics and perhaps have received some press attention. "At festivals, you don't want to get too much coverage by the general press, because that means light coverage when the film hits theaters later," said Zeitgeist's Gerstman. "But once your film is booked in theaters, there is no such thing as too much publicity."

Industry trade shows are another platform for screenings to reach both the consumer press and the film trade. *Men in Black*, the oddball comedy that became a blockbuster grossing $251 million in 1997 for Columbia Pictures, had little profile with journalists when a block of footage was screened at the ShoWest convention for movie-theater operators in Las Vegas four months before the film's theatrical premiere. "All we had was ten to twelve minutes of footage, but it was enough," said Marvin Levy, marketing chief at Amblin Entertainment, Steven Spielberg's company, which made the film. "We showed it, and, wham, it worked. People really got the idea that this would be something special. This was March, and the movie was coming out in July." A smaller film-clip presentation that had been made to New York journalists a few weeks earlier also helped seed press efforts.

Film Critics

Reviewers usually have separate screenings held in succession for the differing media with monthly, weekly, and daily frequency, which come after their news and feature colleagues have seen the same film. Newspaper and magazine reviews are critical for the box office of up-market films aimed at sophisticated audiences. Television and radio reviews are influential to a lesser extent. Chicago-based Roger Ebert, who is the only film critic with a truly national following, has the clout to make or break an up-market film (see fig. 6.3). Since 2002, Ebert has been battling thyroid cancer.

A favorable write-up in the *New York Times*, whose influence extends beyond its home city via its national edition and Web site, typically propels box office for arty films, especially ones that start with a low profile. However, films can survive unfavorable notices from the *New York Times*. Reviews in prestige print publications tend not to influence action-adventure, horror, and youth audiences, for which television reviews showing clips are influential.

35¢ IN CHICAGO AND SUBURBS, 50¢ ELSEWHERE ON THE WEB: HOME DELIVERY: LATE SPORTS FINAL

CHICAGO SUN-TIMES

★★★½!

Ebert reviews "The Last Samurai." WEEKEND PLUS

FRIDAY DECEMBER 5, 2003

"MESSY"

NEWS

I lived because I ignored orders of fire officials

Brian Sanchez says that had he listened to firefighters in the stairwells, he wouldn't have made it out of the county building. Story by Tom McNamee, Page 5

SPORTS

IS IT ONE AND DONE FOR DICK JAURON?

Bears coach resigned to fate: Another loss will cost him his job. Story, Page 148

FEATURES

GRAMMY GETS HIP

Chart toppers rule as Beyonce (right), Jay-Z, Outkast and Pharrell Williams get 6 nods each. Story by Jim DeRogatis, Page 55

MORE TOP STORIES

Daley ally drops CTA for lobbying

Victor Reyes, forced to choose by the new state ethics law, quits board. Metro, Page 9

Chicago condos are good deal

Real Estate section

STICKER SHOCK

City hunts down 1,007 garage-parking scofflaws in ticketing blitz

City Clerk James Laski's handful of investigators search just 40 city-licensed garages and issue more than $166,000 in violations, at $165 a pop. Laski says the first wave of ticketing "is just the tip of the iceberg," given that there are 496 sites they can search. STORY BY FRAN SPIELMAN, PAGE 3

BONO'S CAMPAIGN

"I really am surprised and even a little disappointed that I can't continue to beat up the church, because they have really responded."

— BONO on the American church's response to his AIDS awareness campaign.

Bono, seen speaking Wednesday in Washington, credits people of faith with motivating politicians to fund AIDS relief.

CATHLEEN FALSANI

Faith has taken AIDS fight far, but not far enough

Irish rocker Bono, jet-lagged from South African trip, sits down with Cathleen Falsani in Washington. He's amazed by the American response to his fight against AIDS in Africa, but cautions so much more needs to be done. PAGE 8

Fig. 6.3. Giving prominence to *The Last Samurai* and 3½ stars from critic Roger Ebert, the *Chicago Sun-Times* presented its masthead being sliced in half by the film's star Tom Cruise on December 5, 2003. Source: *Chicago Sun-Times*.

However, prestige films and films aimed at sophisticated, adult audiences live or die by reviews. A film that targets this adult audience but turns out poorly typically is scheduled for reviews at the last possible moment.

Some films are not screened at all for reviewers prior to release, which results in what some call a *cold opening.* A cold opening is always a sign to media outlets that the distributor is worried about the critics' response, and, indeed, no blockbuster films are on the list of cold opening films. The absence of a prerelease critic screenings means that, at best, electronic media can get a review out the same day a film opens and daily morning newspapers on the following day. Theatrical films with no advance press screenings in 2007 included MGM's *Awake* and Lionsgate's *Slow Burn,* both thrillers. Summer 2004 sported a long list of cold openings, including *Alien vs. Predator* and *Paparazzi* from Twentieth Century Fox, *Exorcist: The Beginning* from Warner Bros., and *The Cookout* from Lionsgate Releasing.

But the vast majority of films go through prerelease screenings for critics, including films mainstream reviewers won't particularly like. The objective is to raise the movie's profile, since mainstream press reviews have little influence in the youth and children's markets. Film critics panned the middle-aged gang comedy *Wild Hogs* ($168.3 million in 2007 domestic box office), the sci-fi sequel *The Matrix Reloaded* ($281.5 million in 2003), and *Pearl Harbor* ($198.5 million in 2001), but those films proved "review proof" and became blockbusters anyway.

To orchestrate the publicity barrage, publicists place embargoes on review publication dates until on or after a specified review date. This also serves to put reviewers on equal footing and give them time to evaluate a film without worrying that rivals will publish ahead of them. The embargoes used to be honored by media, but with Internet posting of mainstream-media journalism, there are increasingly early breaks, often prompting other media to jump the gun, too. Sometimes, the offending postings are simply compliant journalism material in foreign media that isn't breaking the embargo in its home country. Some U.S. newspapers published reviews before the U.S. embargo for *Spider-Man 3,* citing on-line reviews in foreign newspapers. The Sony Pictures release held premieres in nine countries—including Japan, the United Kingdom, and Brazil—before the United States.

Occasional dust-ups occur when journalists break review embargoes. A point of friction can be a comment by on-air entertainment-news presenters in broadcast media. They can banter that they've seen a certain film and, while saying they are obliged not to discuss it, nonetheless go on to make short commentaries that make it clear whether they think the film is great or disappointing. Publicists traditionally take a hard line against offenders who run reviews before embargo dates, even if the reviews are positive. Publicists reason that if breaches become commonplace, more media outlets may disregard embargoes, and chaos will ensue. Publicists can always threaten to completely ban offenders from specified future screenings, although that punishment hurts the box-office prospects of those films.

Which day a review should appear in order to be useful to moviegoers is a source of confusion at times. With theaters opening some big films just moments after midnight on Wednesdays or Fridays, some newspapers want their reviews to run two days earlier than usual. Another scheduling quandary involves a film that opens Wednesdays at some theaters and then at additional theaters on Fridays.

Independent publicity agencies often perform a significant amount of the work for publicity campaigns, even for major studios that have big in-house publicity operations. Outside agencies handle geographic areas, such as servicing New York media for a Los Angeles–based distributor. Publicity agencies working on domestic theatrical releases include Angelotti Co., Bender & Helper Inc., Henri Bollinger Associates, Kelly Bush Public Relations, Bragman Nyman Cafferelli, BWR, Falco Ink, 15 Minutes PR, 42West, Guttman Associates PR, Hanson & Schwam, Lippin Group, mPRm, Pam PR, PMK/HBH, Rogers & Cowan, Nancy Seltzer & Associates, Stan Rosenfield & Associates, Murray Weissman & Associates, and Wolf-Casteller & Associates.

The agencies also can handle specific media, such as new media or various ethnic groups. Fees can range from tens to hundreds of thousands of dollars. Outside agencies tend to be hired for several weeks to six months, depending on their task. Independent film-publicity agencies charge $7,000 to 15,000 per month for several months to handle national press and then either New York or Los Angeles press. A key expense issue is whether the publicity agency handles both New York and Los Angeles journalists or just one. The national press can be serviced from either city.

Exclusive Leaks and Interviews

Although mass mailings in order to blanket media journalists are standard procedure, so are the one-on-one initiatives. Movie marketers use a lot of discretion—the art of publicity—in steering exclusive stories and content to media outlets to trigger maximum coverage. Journalists want to be ahead of the pack, so an early look at a film or exclusive access to talent can be a catalyst for splashy coverage.

The wooing process starts with determining which journalists from important media most likely will embrace a given film and so be given this exclusive placement. This determination requires knowledge of the press corps. Once a journalist candidate is identified, the pitch is made for a private screening with an important caveat. If the journalist does not like the film, the journalist promises not to discuss the film with others until the film goes to a general press screening. Otherwise, the journalist can start an early ripple of bad word of mouth. Publicists and journalists work together for a succession of films, so they are motivated to maintain a trusting relationship.

In one example of this strategy, *American Beauty* received an enthusiastic, out-of-the-blue write-up in the *New York Times* approximately ten weeks before the film's premiere in 1999. Because of the newspaper's national reach and following by other media outlets, other journalists quickly took notice of the DreamWorks film. The *New York Times* looked smart because the quirky drama about middle-aged angst in the suburbs went on to win the Oscar for Best Picture.

Several considerations are involved in deciding whether to pursue the exclusive placement. The exclusive strategy is useful for films that are a hard sell. The tactic assumes that a film without some extra push will garner little attention even in a well-executed, broad publicity blitz. The hard-sell film could involve a problematic genre, such as a drama dominated by elderly characters, which media outlets might routinely downplay given the obsession with the youth culture. A downside of exclusives is that media outlets sometimes back out at the last minute, often because of unforeseen breaking news that takes a slot promised to a movie. At that point, the publicist is free to pitch the film elsewhere, but it may be too late to start the whole process from scratch. For this reason, some publicists try to avoid exclusives, which can fall apart through no fault of either party.

The idea of exclusive placements sounds so simple, but there is plenty of competitive zeal among journalists, and sometimes surprising rivalries develop. For example, in late 2001, Warner Bros. clashed with *Entertainment Weekly*, which is in another division of its parent Time Warner Inc. *Entertainment Weekly* published a big story on *Harry Potter and the Sorcerer's Stone* without cooperation from Warner Bros. and just ahead of studio-arranged stories by other publications. According to the *Wall Street Journal*, the studio retaliated by not running movie ads in *Entertainment Weekly* for three months and not inviting the magazine's film critics to screenings until both sides patched things up.

The media world is segmented into an array of niches, each of which provides an opportunity for exclusive placement. For example, one of the national-news weekly magazines can be pitched exclusive access, with the understanding that the movie has a shot at a cover position or photo inset on the cover teasing a story inside. The news-weekly exclusive does not impact monthly magazines, daily newspapers, or electronic media. Publicists can pursue exclusive placements in some media segments while taking a general saturation approach for the rest.

The late-night broadcast-television talk shows hosted by Jay Leno on NBC Television and David Letterman on CBS Television are hotly competitive with each other, so they'd never book the same guest (see fig. 6.4). The early-morning network magazine shows—ABC Television's *Good Morning America,* CBS Television's *Early Show,* and NBC's *Today*—are separate booking opportunities. The late-morning syndicated talk shows are another grouping that doesn't interfere with appearances on earlier network morning shows.

For movie talent in television appearances, the most sought-after placements are news magazines in prime time on broadcast networks and Oprah Winfrey's syndicated show. One reason that *The Oprah Winfrey Show* is popular with film stars and publicists is its reputation for not canceling at the last minute, so the show is a dependable booking. Another attraction is that Oprah Winfrey's interviews are in-depth, and both publicists and talent feel the placement has impact. A drawback is that the audience may not be a direct demographic match with a film. Still, the exposure is valuable given that a paid thirty-second advertisement on *The Oprah Winfrey Show* is approximately $90,000 for an in-season episode (not a repeat).

In Winfrey's best-remembered star interview, Tom Cruise manically jumped up and down on a couch in 2005 while declaring his love for actress Katie Holmes, surprising everyone and making him the butt of later jokes. A more conventional *Oprah* show appearance jointly presented Tobey Maguire and Kirsten Dunst in 2004 just before Columbia's release of their *Spider-Man 2.* The show televised film clips, and Winfrey talked up the technical wizardry

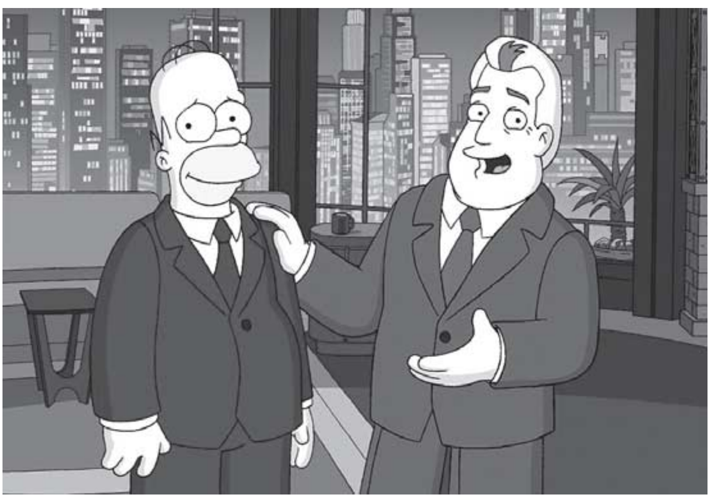


Fig. 6.4. An animated sequence on the *Tonight Show with Jay Leno* in 2007 promoted Fox's *The Simpsons Movie* as its Homer character has a humorous interlude with the NBC TV show's host.

of the movie. "Filmmakers wanted their hero to fly higher, their villain to be more terrifying, and their stunts to look seamless," Winfrey said for a lead-in to one clip. Going for the personal touch, she quizzed Maguire on the demands of bulking up for *Spider-Man 2* after slimming down for his role in horse-racing drama *Seabiscuit.* Winfrey questioned Dunst on the famous upside-down kiss in the first *Spider-Man,* for which Dunst recalled, "I was freezing . . . and I had to act romantic."

Movie-oriented cable-TV channels are also fertile ground for one-on-one interviews. Fox Movie Channel's half-hour series *Life after Film School* presents interviews of film talent. In 2007, director Tamara Jenkins appeared as Fox Searchlight Pictures mounted a limited release of her *Savages*. Business TV shows can also be a platform; CNBC's *Big Idea* hosted by Donny Deutsch interviewed Judd Apatow as the filmmaker's raunchy comedy *Knocked Up* hit theaters in 2007. The business channel's adult audience was age-appropriate for the film's R rating, unlike many other media outlets.

Junkets and Talent

Star talent generates a good deal of media coverage, whether one-on-one access with journalists from top media outlets, mass interviews in what are called *press junkets*, or barnstorming via publicity road tours. On-screen talent increasingly looks upon its celebrity as a personal asset not to be overexposed, so actors sometimes balk at making certain publicity appearances.

One way around objections of overexposure is having actors to appear as the characters in their movies in interviews, if media outlets agree to play along. For example, Will Ferrell and John C. Reilly were interviewed in character as the spacey good-old-boys they portray in *Talladega Nights: The Legend of Ricky Bobby* for a 2006 appearance on Larry King's CNN talk show (see fig. 6.5). When his colleague mentions a Disney theme park, Ferrell's Ricky Bobby alter ego retorts, "I told you don't use the Mickey Mouse. We're on CNN, OK? Save that for our interview on . . . on Snow White's new talk show."

The junkets, which bring together large numbers of journalists, are the most impactful because they are cost-efficient and can be conducted quickly. The word *junket* comes from an era when studios paid expenses of traveling journalists, although these days most media outlets limit freebies. In general, the bigger the media outlet, the more likely its journalists will pay their own expenses because their employer has deep pockets. Smaller media outlets are more inclined to accept and even expect freebies. The financial arrangements can be a mix where out-of-town journalists pay their own travel expenses such as airfare, but the film distributor pays for meals (including for in-town press). Which side pays for hotel bills of out-of-town journalists varies depending on circumstances. For example, if the junket is in an exotic or offshore location,

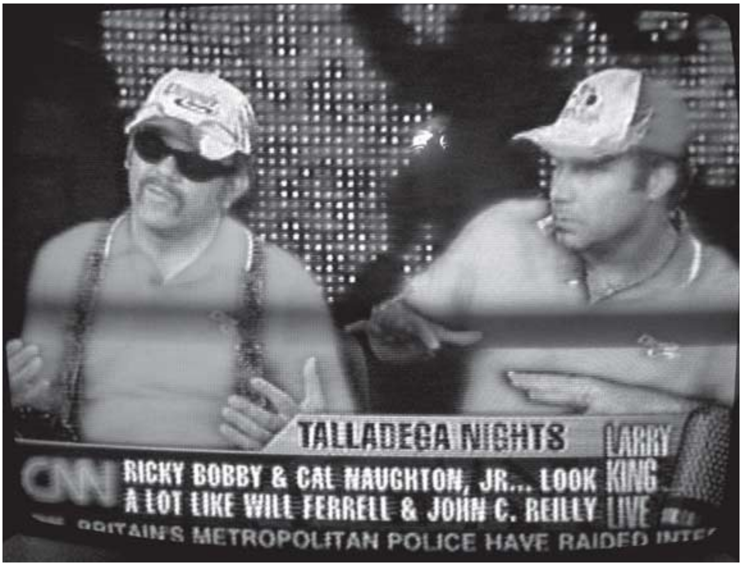


Fig. 6.5. In a 2006 interview on CNN's *Larry King Live*, actors John C. Reilly and Will Ferrell appear as their wacky characters in Sony/Columbia's *Talladega Nights: The Ballad of Ricky Bobby*.

the film company often is expected to provide hotel rooms because journalists may find the rooms difficult to book individually.

These press events are held at a single location—hence the efficiency—where talent sits for interviews and photos for rotating waves of journalists. In Los Angeles, the popular hotel for press events is the Four Seasons in Beverly Hills. In New York, the venues often are Essex House and the Regency Hotel. Such press events can run two to three days and accommodate fifty to three hundred journalists. "Today, we have to think globally," said Amblin's Levy. "On press junkets, it used to be half day or a day for international press while domestic press would get two or three days. Now it's evened up. For most movies, you know that you are not going to get another chance with the international journalists."

The junkets are particularly useful for hooking up movie talent with out-of-town press and journalists from second-tier publications whose media outlets are not significant enough to be accorded one-on-one interviews. Journalists from top media outlets sometimes don't participate in group interviews because they have the clout to obtain solo interviews. Distributors typically promote several films at one junket. Two distributors may run junkets in concert, which provides access to more movies and thus gives the press a bigger incentive to participate. In a typical arrangement, one distributor gets the electronic press one day and then print media another day, so journalists are hosted by the same distributor for a full day. Shorter, less-elaborate mass press events are referred to as roundtables, where press spends a few hours interviewing in a single day.

The junket structure handles print-media and electronic-media differently. Small groups of print-media journalists are allotted a series of interviews up to a half-hour each. When one mass interview is over, the group moves to another room to conduct a new mass interview with different film talent. Thus, the actors, directors, and other movie talent who give the interviews stay in the same room to speak to numerous groups of journalists back to back during the course of a day. Television journalists usually get five to ten minutes each for one-on-one interviews. This eliminates having multiple voices asking questions, which would confuse viewers when the footage is televised.

In some instances, top talent insists that journalists promise in writing to adhere to ground rules that limit the scope of questions and restrict what journalists can report. The taboo subjects can be talent's political or religious beliefs, family life, or a past unpleasant incident. Reporters scheduled to interview Angelina Jolie or Tom Cruise have been presented with such written agreements, which often make journalists promise not to report "in a manner that is disparaging, demeaning, or derogatory." The intention of the agreements is to keep the press focused on star's unreleased films. Versions of such agreements may also specify that no bloopers from electronic interviews be disseminated.

A further division of journalists depends upon their clout. Media journalists in the topmost tier of media journalists usually don't receive such I-will-stick-to-the-movie pledge agreements, because they have clout, and their employers enforce strict rules against such promises. However, the big publications tend to be the most serious and thus less likely to be sensational. Interviews with top-tier media journalists often are one-on-one and carefully choreographed by publicists, who do their best to steer journalists away from sensitive topics in advance. Publicists sometimes do elicit verbal promises from powerful journalists to tread softly on one or two sensitive areas as a condition for access—or else no interview. The majority of journalists from smaller media outlets have no clout, so they are more likely to be pressured to sign agreement as a condition of their participation in junkets. Free-lancers who are hungry to exploit interviews over multiple publications are of particular interest to publicists because free-lancers may exaggerate in order to sell a story.

While it's easy to knock the arm-twisting by publicists that raises free-press issues, the flip side is that some journalists aren't candid about their intentions. Publicists maintain that access for interviews is granted to discuss a new movie and talent's movie career and nothing else, so written pledges spelling out ground rules simply confirm what journalists often state as their intentions prior to an interview.

The best-laid plans of film publicists can be derailed by talent that balks at participating in press events and interviews. Occasional heated behind-the-scenes battles occur between distributors and actors' personal publicists who oppose marketing ideas for films or act as surrogates for talent in presenting objections. Curiously, it is the custom for a movie production to pay personal publicists of top-tier actors for several months ($5,000 per month or more) as part of the employment contracts with the actors, even though the personal publicists later may resist movie-marketing plans. Whenever film companies have the leverage, they negotiate provisions into the talent employment contract that require talent to participate in specific publicity efforts.

Publicists constantly struggle with handling bad press that results from the questionable behavior of talent. The unexpected drunk-driving arrest or drug overdose creates a spate of media reports that force publicists to put a good face on a bad situation. One strategy is not to hide but make the talent available to media, despite the risks of more bad press. Mel Gibson's 2006 arrest for drunk driving and subsequent rant cast a dark shadow on his yet-to-be-released early-Americas drama *Apocalypto.* The film's domestic distributor Disney decided to arrange Gibson interviews, which trade newspaper *Advertising Age* called "embracing the maverick filmmaker as a cut-through-the-clutter way to hype." Given Gibson financed and had publicly championed the film, detaching him would have been difficult, because journalists would surely circle back to him in any coverage. In the end, *Apocalypto* grossed $50.9 million domestically, a decent showing given its stark violence, R rating, absence of on-screen stars, and foreign language.

In another marketing challenge, talent booked in media opportunities can misfire. In 2007, Robin Williams, while appearing on NBC Television's *Tonight Show with Jay Leno* to promote his film *License to Wed*, playfully mocked priests caught up in scandals. "Here we go," Williams said as if frenetically playing a board game. "Find the priest, find the pedophile. . . . Move 'em around." The episode got bad press and was a turnoff to moviegoers of faith, and the Catholic League later criticized his comments.

Introduction: Internet and Other New Media

The Internet and other new media, including handheld devices like cell phones, PDAs, and MP3 players, can be very effective venues for publicizing movies, especially to young and affluent audiences. "In just the past three years, movie publicity campaigns have become far more fast-breaking because of the influence of the Internet," said Janice Roland, partner at New York film publicity agency Falco Ink. A Jack Myers Media Business Report in 2007 ranked TV and film Web sites as being the most impactful for advertisers of eleven Website categories measured.

Web sites are affecting old media and changing the nature of film criticism, which can be found all over the Internet, as more and more people post their opinions of movies on-line. In part, as a reaction to this proliferation of on-line film criticism, print newspapers and some magazines have cut costs by eliminating in-house film reviewers. These outlets instead use syndicated movie reviews from national sources.

Venerable, movie-centric monthly *Premiere* closed in 2007 as its niche was usurped by Web sites. When its circulation peaked at 616,000 in 1995, the print magazine was a leader in shaping film buzz and a favorite advertising vehicle for Hollywood. Today, moviegoers surf the Web and bookmark entertainment Web sites with film or celebrity content, including aintitcool.com, boxofficemojo.com, CountingDown.com, FilmThreat.com, iFilm.com, imdb.com, Movies.ign.com, Movies.msn.com, rottentomatoes.com, people.com, tmz.com, and YahooMovies.com. There are genre-specific Web sites, too, such as Bloody-Disgusting.com and FearNet.com catering to horror aficionados.

Movie sites present film trailers, additional footage, talent interviews, making-of documentaries, and comments and minireviews by moviegoers themselves. Trying to orchestrate the timing of a Web campaign is the most difficult of all segments of publicity management. "You can't plan a lot of what happens," said indie film distributor Richard Abramowitz. "If something takes off virally, you don't know how long its life will be. If a viral buzz starts three to four months in advance of a film's release, it's unlikely to be sustained all the way to the release date. So, as important as it is to cultivate on-line outlets, it's equally important to time it properly."

Official movie Web sites incorporate many of the elements found in press kits—star biographies, pictures, and story descriptions—but are geared for moviegoers and not professional journalists. Web sites also list film-rating information, theater playdates, trailers, sweepstakes and contests, games, and downloads of movie-themed images and audio. Once reviews are published, excerpts from these reviews may be posted as well. The ability of film distributors to communicate directly to consumers is unique to the Internet and other new media. In earlier decades, film marketers always faced a buffer in consumer communications, whether it was movie theaters or media outlets such as television channels on which movie ads were placed.

Internet Buzz

With Web sites aching for unique entertainment content and millions of moviegoers surfing the Web, publicity campaigns directed solely at the Internet have become a standard component of movie-publicity campaigns. Besides simply saturating the media landscape, film marketers and their agents can interact directly with consumers on-line in chat rooms and via postings, and consumers may not necessarily know they have hooked up to a film's publicity machine.

Hollywood's new Holy Grail is embedding movies deeper into social networking, which is a new frontier fraught with risks. Movie material can draw sneering commentaries and can be associated with a risqué environment, because users rule the landscape—not professional editors and journalists. New media is an area where the lines between publicity and buying Web advertising blurs (see chapter 3).

Internet marketing, a form of grass-roots communications, is often supplemented by street teams. The street teams are marketing "foot soldiers," sometimes wearing branded clothing, who are organized to spread commercial messages by posting handbills, passing out promotional items at events, and chatting up people in public places. Organized and systematic street-team campaigns can cost $10,000 to $20,000 in a big city.

Many publicity opportunities lie outside a film's official Web site. The trend is to place big portions of films on third-party Web sites to create a buzz. These have millions of unduplicated visitors per month so these sites are prized platforms. Indies with spare paid-ad budgets can get exposure on the biggest Web sites, such as special content posted by Lionsgate's *Cabin Fever* and Fox Searchlight's *28 Days Later*. "It gives you whole chunks of the movie, a real taste," said film-marketing consultant Jeff Dowd of the strategy. "It's not just quick-cutting trailers." For Dowd, use of prerelease slices is a proven technique borrowed from his past when he worked at a Seattle art-house theater years ago. He showed the first reel of *Harold and Maude* during screenings of other movies in what helped build word of mouth that made the offbeat 1971 comedy a hit.

Another concept is the introduction of episodic content crafted specifically for placement on the Internet, dubbed *Webisodes*. The episodic structure emphasizes a continuing story, so moviegoers who have seen the first episodes presumably will want to catch the subsequent segments to see where the narrative leads. For example, for the IFC Films release in 2004 of the rock-band documentary *Metallica: Some Kind of Monster*, an arc of nine episodes running several minutes each was placed on music Web site www.fanscape.com and the official movie Web site.

The major studios, which have higher-profile films than independents, are cautious about letting big chunks of their films float around cyberspace to stoke marketing. The big stars in major-studio films may balk at uncontrolled dissemination of their images and voices. Indeed, many studio-mounted promotions use soundalikes for stars' voices heard in interactive marketing promotions. Some Internet publicity is not placed at movie Web sites but rather special-interest Web sites and pages that tie into a film's theme. Movies that deal with technology, travel destinations, fashion, or history aim publicity at Web sites on those topics. With paid advertising on the rise, movie Web sites probably are becoming less antagonistic to film marketers and less inclined to post unflattering material, given a desire to attract banner advertising from movie distributors. They also probably will want to participate in distributor-sanctioned promotions.

Internet Pitfalls

Although movie Web sites can be a positive force, they also can create headaches for film marketers. A major problem occurs when moviegoers post reviews of films after test screenings, in essence evaluating a film that is merely a work in progress before theatrical release. Given the possible anonymous nature of e-mail addresses, it can be difficult to verify the identity of an author of a given posting and whether the person actually sat through a test screening.

Further, blog postings from moviegoers and news reports picked up from analog media can race through cyberspace, upsetting marketing plans. For example, a background actor working during filming of *Indiana Jones and the Kingdom of the Crystal Skull* gave an interview to his small, hometown newspaper about his experience as an extra and inadvertently leaked movie plot twists that got picked up on the Internet. This came a half year before the film arrived in theaters in 2008. Productions typically require workers to sign confidentiality agreements, but any small slipup can get magnified by the Internet megaphone.

Anonymity is a curse, but it also is a blessing because film-marketing executives and their agents can fan out on the Internet, spreading word that a movie is fantastic. By simply using nondescript e-mail addresses, these film praisers can conceal their hidden agendas in chat rooms and film commentaries. The ethics of such disguised promotions are questionable, and the film industry is full of apocryphal stories of clever publicists supposedly roaming the Internet incognito to stoke movie publicity.

A potential source of future friction within the industry is movie marketers under the cloak of Internet anonymity who target inappropriate audiences, given a film's rating. After films are rated by the Classification and Ratings Administration (CARA) for the United States, advertising materials are subject to review by the related but separate Advertising Administration to ensure the material conforms to the audience restriction. Material surreptitiously circulated on the Internet to promote a movie could sidestep review, especially if the material's source is hidden. The issue is complicated because Internet campaigns usually start before a film is finished and classified. Materials of any unrated films are not subject to review by the Advertising Administration.

It's well established that media outlets have a right of fair use of copyrighted material, such as snippets of film images, for journalistic and commentary purposes but not for commercial usages. That's why mainstream newspapers, magazines, and TV shows can publish corporate logos, pictures with branded products and small excerpts of copyrighted text in their journalism.

Film distributors have won legal actions blocking commercial usages on the Web. In 2003, two federal courts ruled in favor of Walt Disney that Video Pipeline, a home-video retailer, could not stream unauthorized short previews over the Internet. The case is significant because Video Pipeline is a legal video distributor that simply prepared its own marketing materials using movie images instead of Disney-supplied images. Video Pipeline began streaming its own previews for Disney movies when Disney yanked studio-supplied promotion materials.

Targeting Affinity Organizations

Peer-to-peer communications is deemed very influential and is every movie marketer's dream. Publicists seek out demographic groups and membership organizations with affinity to a movie's content and genre.

Before there was e-mail, telephone "calling trees" were the avenue to tap organizations: one person ringing up several others who did the same to pass on a single message, creating a mushroom effect. E-mail is more efficient and cheaper for reaching vast numbers of people. Films with social or political messages are ideal for such grass-roots marketing, where a motivated base of persons sends out e-mails widely.

A case in point is *The Corporation*, a documentary that dissects the role of big companies in society. Good Company Communications, a Vancouver-based marketing outfit hired by the film's distributor, sent out twelve thousand e-mails to persons with progressive political views and estimates that pass-ons resulted in the message reaching three hundred thousand persons. *The Corporation* was distributed by Zeitgeist Films in the United States and by Mongel Media in Canada.

Promotional Documentaries

Cable-TV networks regularly telecast documentaries tied indirectly to movies based on real events—especially significant historical events—because of a desire to tap into Hollywood magic. Film marketers also create their own minidocumentaries, which provide footage to TV channels, are circulated in press kits to journalists, and can be incorporated in DVD releases of films.

Publicity-department minidocumentaries run anywhere from five to fifty minutes and typically cost tens of thousands of dollars to make. These minidocumentaries many times begin *The Making Of . . .* or *Featurette*. For these, a special video-production crew is responsible for recording events during principal photography of a movie. The minidocumentary needs to follow a script or general outline so that the finished product presents a point of view that fits into the film's overall marketing plan. This is a challenge because a film's marketing objectives are not always clear at the principal photography stage.

TV channels use these distributor-provided clips in a variety of ways. In December 2007, the cable-TV network History Channel presented a two-hour documentary *The True Story of Charlie Wilson* just before Universal Pictures released the Tom Hanks film based on the same slice of history. Both focused on the slightly wacky U.S. Congressman who single-handedly orchestrated clandestine U.S. support of Afghans in the 1980s that carried them to victory against the Soviets. The History Channel, which averaged around 1.1 million viewers in prime time, declined to comment other than to say there was no formal relationship with the Universal release of *Charlie Wilson's War*. Video clips presenting the movie's talent discussing the film were incorporated in History Channel's documentary, including Hanks and screenwriter Aaron Sorkin, who mischievously pointed out that the protagonist "was causing trouble" in Washington, D.C.

Also with no formal tie-in, CBS Television devoted a *48 Hours* news show to the long-unsolved Black Dahlia murder case in an August 2006 telecast prior to release of a related Universal Pictures film. The news show presented interviews of *The Black Dahlia* director Brian De Palma and stars Hilary Swank and Josh Hartnett. "The question is always—how does something like that happen?" said De Palma. "How does that beautiful girl we see pin-up shots of become this, and who did this to her and why? It's one of those mysteries that will go on forever."

Warner Bros. partnered with Discovery Channel, a documentary programmer, for a two-hour program televised just days before the May 2004 release of the historical epic *Troy* starring Brad Pitt. Discovery's *Troy Revealed: Unsolved History* presented film clips from the movie, interviews with talent from the movie, and behind-the-scenes footage mixed with a historical examination of the thirty-two-hundred-year-old story. Actors Pitt, Peter O'Toole, and Eric Bana and director Wolfgang Peterson appeared in interviews.

Troy, which cost $175 million to make and collected over $133 million in domestic box office, got a boost as both entertainment and a slice of history. The narration in the Discovery special noted that the filmmakers "took special pains to portray bronze-age equipment accurately," and the movie "tells a story that virtually defines the word *epic*." Movie clips were accompanied by an on-screen text credit "courtesy of Warner Bros.," and at commercial breaks, a voice-over announcer stated that the Discovery program was "brought to you in part by Warner Bros." Warner placed regular film ads in commercial blocks. Discovery Channel averaged 588,000 viewers at the time, according to Nielsen Galaxy Explorer.

Twentieth Century Fox's sci-fi yarn *I, Robot* got plugs in four television programs prior to its July 2004 premiere. MTV, the music cable-television network, put *I, Robot* in its first telecast of *Never Before Scene,* a special that was a prototype for a possible regular series devoted to movies. The half-hour MTV pilot show presented movie clips, behind-the-scenes footage, and an interview with star Will Smith. MTV's audience averaged 563,000 viewers at that juncture, according to Nielsen Galaxy Explorer. *I, Robot* also received extensive promotion by being featured on two episodes of *American Chopper,* the television series about motorcycle construction that is the most popular program on Discovery Channel. The film also received special coverage on Home Box Office (HBO) and Fox Broadcasting, the studio's sister outlet.

Occasional excesses occur. The Sci Fi Channel admitted it hyped promotion of a three-hour documentary on filmmaker M. Night Shyamalan in 2004. The Sci Fi Channel touted "The Buried Secret of M. Night Shyamalan" as revealing a "disturbing" secret about the Hollywood filmmaker. However, in fact, Shyamalan cooperated to plug his Disney release of *The Village,* and Sci Fi Channel later backed away from its earlier claims in news reports.

Perhaps the most curious The Making Of involved the feature film *The Man Who Killed Don Quixote,* a $32 million, English-language European coproduction that was abandoned during principal photography in 2000 because of a lead actor's illness. A crew shooting footage for a sanctioned minidocumentary used its insider access to instead produce an eighty-nine-minute feature-length documentary that received theatrical release—*Lost in La Mancha.* The lively documentary grossed $732,393 in box office via IFC Films in 2003. *Lost in La Mancha*'s filmmakers had drafted a simple contract that contained no exclusions, such as a termination clause in the event the feature film wasn't made. Thus, the filmmakers were free to pursue the full-length documentary that recounted the travails of the aborted movie.

Not every film gets its own in-house documentary, but stand-alone video interviews are standard staples of every movie press kit. These are incorporated in DVDs mailed to press and placed in walled-gardens on-line, where studios aggregate their press materials that registered journalists can access with passwords.

Promotion Video via On-line and DVD

Showing segments of films are often the best sales tool, so there's a trend to post video clips—often several minutes of footage—as well as circulate physical DVDs with such footage. These are separate from circulating the standard two-minute trailers. Getting DVDs with special footage into the hands of consumers was a miniboom beginning in about 2000, though now on-line streaming is the preferred method. Promoted as a special short, the DVDs were typically five to twenty-five minutes long and contained clips and background material from a soon-to-be released film. Another strategy applies to sequel films, where the theatrical release of a new film in a series coincides with a full-length DVD release of an earlier installment.

In large volumes exceeding a hundred thousand units, the manufacturing cost is roughly fifty to seventy-five cents per DVD with simple packaging for promotion giveaways. In DVD-giveaway tie-in promotions, the film distributor's partner generally pays for advertising and promotion to consumers. Deals vary as to which side pays for duplicating DVDs. In 2004, Columbia Pictures enlisted electronics-and-appliance retailing giant Best Buy to give away five hundred thousand special DVDs containing a preview of the April 2 release of *Hellboy*, the stylish horror film that went on to gross a decent $59 million domestically. The DVD contained exclusive content: a ten-minute preview of *Hellboy*, talent interviews, and behind-the-scenes footage. It also contained trailers for two other upcoming Columbia releases: *Spider-Man 2* and *Resident Evil: The Apocalypse.*

The other type of DVD tie-in involves timing the theatrical release of a sequel to coincide with video release of predecessors. In one sense, this type of tie-in publicity is easy to arrange because the distributor usually controls both new theatrical and home-video release of the predecessor. However, a sequel can take more than a year to create, so its earlier installment has already been distributed on video. One strategy is packaging a video release as an enhanced version or as a boxed set. Columbia TriStar Home Entertainment released a special DVD version of the original *Spider-Man* film on June 1, 2004 to stoke interest in the sequel *Spider-Man 2*, which arrived in theaters on July 2. In a new wrinkle, the DVD included a coupon for a cinema admission to *Spider-Man 2*.

Another noteworthy example of theatrical-video synergies is *Kill Bill Vol. 2*, which followed closely on the heels of its predecessor because both films were made at the same time. Miramax released the video of *Vol. 1* just three days before *Vol. 2* arrived in theaters on April 16, 2004, creating a publicity bonanza. "The marketing for both releases included plugs for the other," wrote Scott Hettrick, then editor-in-chief of trade newspaper *Video Business*. "[Filmmaker Quentin] Tarantino was plugging both the new movie and the DVD in every newspaper interview and on every talk show and even in an appearance as a judge on *American Idol*."

Before the DVD format made its splash, publicity efforts used CD-ROMs and enhanced CDs that once in a personal computer created an Internet link to consumers and to communicate by e-mail. However, CD-ROMs could not present motion video. DVDs do not require a computer drive and are usually played on regular television sets using DVD players, making it much easier for several persons to watch comfortably. In order to establish a communications link with the consumer, film marketers often run some kind of sweepstakes with the DVD, typically with enclosed printed material.

Oscar Campaigns

Oscar campaigns are publicity drives whose objective is getting awards that, in turn, can be promoted to consumers and the press. It's a rare patch of Hollywood where moderately budgeted independent films can stand toe-to-toe with major studio releases, because voters tend to favor serious fare that is an indie staple. Oscar campaigns contain a big paid-media component because they typically include advertising in film trade newspapers. Such ads are aimed at movie professionals because the general public does not read the movie trade press.

The Oscar run generates hundreds of millions of dollars in economic activity, when including other awards that get spillover, advertising on awards telecasts, business-to-business advertising, parties, screenings, travel, and management overhead such as executive salaries. A thirty-second ad in the Oscars telecast in 2008 was $1.6 million, and the full telecast grossed about $80 million from advertising. The lesser Golden Globes awards telecast alone generates around $27 million in advertising. The economic spillover includes private parties staged by film distributors, other film industry entities such as talent agencies and media such as magazines, which each cost tens of thousands, or in some cases hundreds of thousands of dollars.

The Academy of Motion Picture Arts and Sciences (AMPAS), which confers the Oscars, had 5,829 voting members for the eightieth Oscars; most of these members are clustered in Los Angeles (see table 6.1). New York City is the only other city with a sizeable population of AMPAS voting members. In 2007, 306 films met AMPAS eligibility requirements for best picture, which includes a qualifying theatrical release.

AMPAS is secretive about identities of its members, so publicity departments and agencies maintain their own lists of members to know whom to target. In 2007, AMPAS issued a press release naming 115 invitees as new members that are film talent and executives. Jennifer Aniston, Steve Carell, Eddie Murphy, and Christopher Plummer were among sixteen actors. Other categories are animators (6), art directors (2), at large (2); casting directors (2), cinematographers (8), costume designers (2), film directors (6); documentarians (6), industry executives (7), film editors (6), live-action shorts (3), makeup (4), music (4), producers (7), production designers (3), public relations (7), sound (7), visual effects (8), and writers (9).

Table 6.1. Academy of Motion Picture Arts and Sciences voting membership by branch

Branch	Members	Percentage[1]
Actors	1,243	21
Producers	464	8
Executives	440	8
Sound	412	7
Writers	396	7
Directors	374	6
Art directors	373	6
Public relations	369	6
Shorts and animation	330	6
Visual effects	264	5
At large	254	4
Music	235	4
Film editors	223	4
Cinematographers	195	3
Documentary	141	2
Makeup	116	2
Voting total[2]	**5,829**	**100**

SOURCE: Academy of Motion Picture Arts and Sciences (AMPAS)
NOTES: 1. The percentage column does not add up to 100 due to rounding.
2. *Voting total* does not include retired and associate members, who do not vote; total membership is 6,533.

Campaigns for an Oscar for a film cost from $200,000 to $3 million and often are managed by independent publicity consultants who specialize in such marketing. The Oscar campaigns are sketched out a year in advance, in part to select theatrical-release dates after sizing up the cinema market and rival films. The official Oscar selection process occurs in a compressed period running barely two months. Campaigns include private screenings for academy members; events such as cocktail parties with filmmakers and cast; direct mail (via both e-mail and postal service); ad campaigns in trade newspapers; and DVDs or on-line access of movies.

Separate but parallel award campaigns can target other organizations that confer awards, because recognition elsewhere can create momentum in Oscar voting (see table 6.2). The Screen Actors Guild, Directors Guild of America, and Writers Guild of America give out prestigious awards in their crafts, though most of their members are not in AMPAS. Other film organization honor film excellence such as the independent-centric Spirit and Gotham awards.

Table 6.2. Key organizations and festivals influencing Oscars

Organization name	Membership[1]	Month	Web site	Comment
Academy of Motion Picture Arts and Sciences	arts nonprofit	February	oscar.org	Oscar winners selected by 5,829 voters
AFI Film Festival	arts nonprofit	November	afi.com/onscreen/afifest	fest run in conjunction with foreign-sales bazaar American Film Market
BAFTA (British Academy of Film and TV Arts)	U.K. film industry	February	bafta.org	selections show international flavor, nominations influence Oscars
Broadcast Film Critics Association	journalists	January	bfca.org	represents 200 U.S. and Canadian TV and online critics
Cannes Film Festival	filmmakers	May	festival-cannes.fr	fest launch pad for global press buzz; in-competition films are arty
Directors Guild of America Awards	labor union	January	dga.org/thedga/aw_film.php3	presented since 1948
Hollywood Film Festival	general public	October	hollywoodawards.com	hometown platform
Hollywood Foreign Press Association	journalists	January	goldenglobes.org	eighty-two-member organization's Golden Globe heavily courted by studios to influence Oscars
Los Angeles Film Critics Association	journalists	January	lafca.net	Hollywood's hometown critics

National Board of Review	nonprofit	December	nbrmp.org/awards	national reach and announced before most other awards
National Society of Film Critics	journalists	January	n/a	founded in 1975; about sixty print media critics
New York Film Critics Circle	journalists	January	nyfcc.com/	founded in 1935 with print media membership
Online Film Critics Association	journalists	January	ofca.org	broad membership and early January nominations & awards
Palm Springs International Film Festival	filmmakers	January	psfilmfest.org/index.aspx	leads into awards season and draws from nearby Hollywood
Producers Guild of America	trade group	February	producersguild.org/pg/awards_a	Thirty-two hundred members
Screen Actors Guild Awards	labor union	January	sagawards.org	a late comer launched in 1995
Toronto International Film Festival	filmmakers	September	tiff07.ca	launch pad for indie films seeking Oscar glory and distribution deals
Writers Guild America/ West Awards	labor union	February	wga.org/awards/awards.aspx	Thirteen thousand voters for film, TV awards

Source: *Marketing to Moviegoers*.
Note: 1. For festivals, *membership* refers to voters for awards.

The various organizations of film critics, who are members of the press but are not filmmakers, are another component of the film-award cavalcade. The most significant is the Hollywood Foreign Press Association, which confers the Golden Globes. HFPA has just eighty-two voting members, which indicates marketing campaigns that influence just tens of voters can translate into nominations and wins. The Golden Globes are highly sought because they have proved to be a harbinger with a 70% correlation for the Best Picture Oscar. Globe kudos also have developed their own cachet with moviegoers. Focus Features drama *Atonement* rose to tenth place in weekend box office in January 2008, following a big Globe win, up from seventeenth place the prior week, and also increased its screen count.

One consequence of awards marketing is that film distributors tend to advertise movies more heavily for theatrical release in Los Angeles media if the movies have awards prospects. The ads are nominally aimed at the general public, but film marketers know the ads also reach the pool of Hollywood professionals who vote for film awards. Outdoor billboards are favorites in this dual consumer and industry marketing.

Realistically, six to eight films have a shot at the five Best Picture nominations in any given year. The final planning is done in early autumn and kicks off around Thanksgiving, aiming to influence voting for nominations. The goal is for a film to end up on the main Oscars telecast, which is a huge promotional platform averaging around forty million U.S. viewers from twenty-five million TV households, according to Nielsen Media Research. With media fragmentation, Oscar audience levels are drifting down, as is the case with all media, but the telecast remains a top draw. The 2007 Oscars telecast ranked third in audience among all single-telecast shows, trailing only two related Super Bowl sports segments, reports Nielsen Media Research. A high-water mark was in 1997, when box-office champ *Titanic* was the big winner, with the Oscars averaging 55.2 million viewers and 34.2 million households.

Viewership for the Oscar telecast is highest when the best-picture field is loaded with mainstream movies familiar to the public, which usually means major-studio releases. The telecast audience falls when low-grossing indie films dominate. Average audience levels were several million viewers below normal in 2005 when *Crash* and in 2002 when musical *Chicago* won best-picture Oscars.

Effective for the 2004 telecast, AMPAS moved the main-awards ceremony forward one month to late February. This time frame is now a fixture, designed to reduce the window for Oscar lobbying and lessen the opportunity for influence by other awards. The schedule compression puts more pressure on the last quarter of the year, which is the busy season for prestige films to position their theatrical debuts for an Oscar run into February. The thinking is that to be fresh in the mind of voters, a movie with awards potential should be released late in the calendar year.

Despite conventional wisdom, films released earlier occasionally clean up at the Oscars. Focus Features's quirky drama *Lost in Translation,* a September release, was selling briskly in video and—oddly enough—still was playing strongly in theaters shortly after the film received four Oscar nominations in January 2004. *Gladiator,* the DreamWorks release domestically, won the best-picture Oscar for 2000, even though the film premiered in early May.

The academy nominally discourages its members from overtly lobbying for votes, for example, by requiring cocktail parties that salute films not be limited just to Oscar voters. AMPAS even has an Oscar compliance czar, Ric Robertson, whose title is executive administrator. His job is to advise marketers how to stay within guidelines—referred to as promotional regulations—and to crack down on violators. The guiding AMPAS principle is to permit only activities that "actually assist members in their efforts to assess the artistic and technical merits of a film." The regulations attempt to keep Oscar voting dignified, without excessively infringing on free speech. The AMPAS guidelines are available at www.oscars.org/regulations. In reality, the well-oiled Oscar marketing machines attempt to influence voters and go to the very edge of compliance with academy rules. Not lobbying increases the likelihood that rival films and talent employing aggressive marketing campaigns will prevail in voting.

In the 2002 Oscar race, Miramax placed newspaper ads quoting former AMPAS president Robert Wise, an Oscar-winning director, as saying Martin Scorsese had his vote for best director for *Gangs of New York*. AMPAS instructed Miramax to pull the ad because academy members are not supposed to make implied endorsements of nominees (in any case, Roman Polanski won that year for *The Pianist*). In the run-up for the 2001 Oscars, a flurry of column items and news stories said that an Oscar smear campaign was targeting Universal's drama about a mad genius *A Beautiful Mind*. Word circulated about unsavory aspects of the movie's real-life subject, a Nobel Prize–winning mathematician. The whispering campaign, whose source was never identified, erupted after the film received eight nominations but before final Oscar voting was completed. Still, *A Beautiful Mind* won the best-picture Oscar.

Much is at stake because usually the careers and salaries of Hollywood creative figures climb with Oscar nominations and soar with wins. Actors who win Oscars often see their salaries double, triple, or quadruple for their very next film because they are temporarily very hot. Their salaries may slide back over time but will remain well above their pre-Oscar levels.

Best picture, best actor, and best actress awards can significantly lift a winning film's box office, particularly for arty films that play out slowly in theaters late in the year (see table 6.3). Those Oscar categories are magnets for adults who are light moviegoers but will patronize serious films that receive critical acclaim. As a rule of thumb, a best-picture win adds somewhere between $15 and $40 million to domestic box office. Mainstream commercial films, such as New Line's *Lord of the Rings: Return of the King* in 2003, tend not to receive big boosts domestically attributable to Oscar wins, because they typically have already cleaned up at the box office. Indie and specialist films get the most proportional boost, because they need the awards halo to generate big box office. Oscar-winning films sometimes resume theatrical runs after the awards telecast. Oscar winners also get a big boost in international box office because they mostly premiere overseas later allowing them to capitalize on awards.

Independents, while overwhelmed by the major studios at the box office, secured a slice of the Oscar glory with films like *Little Miss Sunshine* (Fox Searchlight in 2006), *Pan's Labyrinth* (Picturehouse in 2006) and *The Passion of the Christ* (Newmarket Films in 2004). Independent-studio Miramax, run by Harvey Weinstein and Bob Weinstein from 1979 to 2005, had several best-picture winners, including *Chicago* in 2002 and *The English Patient* in 1996. The Weinstein brothers built a reputation as the grand masters of Oscar campaigning while at Miramax. They allocated significant funding for trade ads and cocktail parties and covered travel and living expenses for out-of-town talent to reside in Los Angeles for weeks during the Oscar season to advance campaign objectives. The two brothers now operate the Weinstein Co., an indie-film outfit funded with Wall Street capital.

Publicity Screeners

Film distributors send out videos—DVDs these days and previously VHS tapes—to voters for the Oscars and other awards to ensure their films are considered. These *screeners,* which go to a small circle of industry professionals and press, often come before the public video release of the films, which might still be in theaters.

In October 2007, DreamWorks-Paramount sent screeners of *Things We Lost in the Fire* to AMPAS voting members on the same day the film premiered in theaters. A month delay or more is more common. The most aggressive awards marketers start sending out screeners in September, which is months before end-year awards balloting. On the other hand, the directors' guild prohibits sending screeners to its members to lobby for its award.

Oscar promotional regulations state, "Screeners may not include any additional print or moving image material, such as information about the making of the movie. DVD screeners may contain simple menus that allow viewers to select different starting points (chapter stops) and audio formats, although the chapter stop headings in the menu may not include captions." Rules further state that DVD cases need to be "simple sleeves or boxes" that may include text "For Your Consideration." No telephoning of academy voters is permitted even under "the guise of checking to make sure a screener was received." No negative comments about other films are permitted.

To discourage video piracy, various forms of anticopying and water marking are encoded in screeners. Some distributors require that recipients sign agreements promising no copying of screeners, but drawback is that those who don't sign for whatever reason are excluded, which hurts a film's chances for awards. After seeing that industry screeners were becoming a source for industrial-scale film piracy, the Motion Picture Association of America (MPAA) briefly banned its members from sending out the videos in September 2003. Independent producers opposing the action won a court injunction by December. The court said a sweeping ban from the trade group was anticompetitive. Distributors that are MPAA members now set their own policies (AMPAS was not involved because it is not directly involved in distributing screeners).

In the firestorm that ensued when the screener ban was announced, independent distributors complained the main impact of the ban was to help big high-profile films, which are the domain of the majors, and to diminish the chances of indies. The MPAA edict also extended to indie arms of majors such as Miramax, New Line, and Fox Searchlight. Interestingly, independents with no major-studio ties, including Lionsgate, IFC Films, and Samuel Goldwyn Films, were free to continue to send out screeners. In the aftermath, film distributors instituted tighter controls on screener circulation, including cutting out some press organizations. Authorities later traced two incidents of piracy to screeners sent to academy voters, which supports the MPAA's original justification for dropping screeners. Other incidents of movie piracy have been traced back to screeners going out to other voters for other film awards.

History of Publicity

The studio system that emerged in the 1930s developed with well-oiled publicity machines that carefully orchestrated placement of news stories and items and yet simultaneously kept unsavory missteps of stars out of the press. MGM's legendary head of publicity in that era—Howard Strickling—wielded enormous power over film journalists because he controlled access to the most star-laden studio.

Through the 1940s, most American cities then had many more newspapers. Thus, it was relatively easy to get coverage of publicity stunts, which the major studios generated via their own networks of field marketing offices and press agents. The studios would hatch easy-to-cover publicity stunts in the morning and, if it was a slow news day, get some pictures and stories in the

Table 6.3. Best-picture Oscar winners, 1980–2007

Year released	Film	Distributor	Domestic box office ($)	Oscar nominations	Oscar wins	Release date	Telecast viewers average (million)
2007	*No Country for Old Men*	Miramax	74,273,505	8	4	11/9	32.0
2006	*The Departed*	Warner Bros.	132,384,315	5	4	10/6	40.2
2005	*Crash*	Lionsgate	54,580,300	6	3	5/6	38.9
2004	*Million Dollar Baby*	Warner Bros.	100,492,203	4	7	12/15	42.1
2003	*The Lord of the Rings: Return of the King*	New Line	377,027,325	11	11	12/17	43.5
2002	*Chicago*	Miramax	170,687,518	13	6	12/27	33.0
2001	*A Beautiful Mind*	Universal	170,742,341	8	4	12/21	41.8
2000	*Gladiator*	DreamWorks	187,705,427	12	5	5/5	42.9
1999	*American Beauty*	DreamWorks	130,096,601	8	5	9/17	46.3
1998	*Shakespeare in Love*	Miramax	100,317,794	13	7	12/11	45.6
1997	*Titanic*	Paramount	600,788,188	14	11	12/19	55.2
1996	*The English Patient*	Miramax	78,676,425	12	9	11/15	40.1
1995	*Braveheart*	Paramount	75,609,945	10	5	5/24	44.9
1994	*Forrest Gump*	Paramount	329,694,499	13	6	7/6	48.3
1993	*Schindler's List*	Universal	96,065,768	12	7	12/15	45.1
1992	*Unforgiven*	Warners	101,157,447	9	4	8/7	45.7
1991	*The Silence of the Lambs*	Orion	130,742,922	7	5	2/14	44.4
1990	*Dances with Wolves*	Orion	184,208,848	12	7	11/9	42.7
1989	*Driving Miss Daisy*	Warners	106,593,296	9	4	12/15	40.4

1988	*Rain Man*	MGM	172,825,435	8	4	12/16	42.6
1987	*The Last Emperor*	Columbia	43,984,230	9	9	11/20	42.2
1986	*Platoon*	Orion	138,530,565	8	4	12/19	37.2
1985	*Out of Africa*	Universal	87,071,205	11	7	12/20	37.7
1984	*Amadeus*	Orion	51,564,280	11	8	9/21	38.8
1983	*Terms of Endearment*	Paramount	108,423,489	11	5	11/23	42.0
1982	*Gandhi*	Columbia	52,767,889	11	8	12/10	43.2
1981	*Chariots of Fire*	Columbia	58,972,904	7	4	9/25	46.2
1980	*Ordinary People*	Paramount	54,766,923	6	4	9/19	39.9

Source: Box Office Mojo. www.boxofficemojo.com afternoon newspapers, most of which have since folded, merged, or converted to morning newspapers.

By 1948, the studio system's stranglehold on Hollywood began to unravel with the court-ordered breakup of studio-theater combinations, which divorced distribution from exhibition. In the aftermath, the movie business became more of a free-for-all. The first independent press agents—hired by stars, powerful producers, and indie movie companies—appeared in the 1950s. By the end of that decade, the rising popularity of foreign films and the emergence of strong independent producers led filmmakers to embrace gritty reality for subject matter.

With the switch, much of the fantasy appeal and glamour of studio-generated publicity faded. The antiestablishment ethos that came out of the Vietnam War made the press more eager to search out sensation by the late 1960s and less willing to go along with Hollywood hype. At the same time, the press started to take a more sophisticated approach to film by covering behind-the-camera filmmakers, such as directors, producers, and cinematographers, as they did star actors.

By the 1970s, the major studios became attached to big conglomerates, which curbed the publicity excesses of their Hollywood outlets for fear of creating an investor or consumer backlash that would injure the parent. Studio field publicity offices began to fade in this era with the emergence of big-chain media conglomerates whose journalists cover the film industry from offices in Los Angeles or New York City.

The kinds of films Hollywood turned out changed in the late 1960s and 1970s, showing society's harder edge and breaking with the consistently sanitized view of the world. When Warner Bros. passed the boundaries of acceptable violence for major studios with *Bonnie and Clyde* in 1967, the press did not recognize the watershed. A contemporary *New York Times* review said the film's "blending of farce with brutal killings is as pointless as it was lacking in taste."

In the new millennium, film publicity materials can be sent via Internet or satellite download transmissions to distant news outlets. This method is supplanting an early 1980s' innovation of the electronic press kits that included videocassettes, which aimed to drum up publicity on local television stations that are coveted placements for publicity. The videocassettes included star interviews and other film footage that local broadcasters could televise. The challenge is to promote movies in an age when activist film stars get press attention for their politics instead of their film roles.

7

Distribution to Theaters

> EMILY: Are you nervous? . . . Ari has clients who do crazy stuff. Like one of them bought $3 million of tickets just to make sure his movie opened number one.
>
> ERIC: Come on.
>
> EMILY: I swear!
>
> ERIC: Who was it?
>
> EMILY: I can't tell.
>
> ERIC: Yes, you can. Tell me.
>
> EMILY: He was in *Ocean's 11*.
>
> ERIC: Aaaaaah.
>
> —HBO TV series *Entourage*, episode "The Review," scripted by Doug Ellin

Hollywood is obsessed with film grosses—as it should be. That's the reason it's called "show business" and not show arts or cinema kultur. Cinema represents one of the few film platforms where distributors collect *film rentals*—their share of box-office spending by moviegoers—on a per-person basis. One cinema ticket permits only one viewer, unlike television, video, and pay-per-view, where any number of persons may view. So film distributors like the economics of cinema.

This book focuses on the United States and Canada, which for the purpose of theatrical distribution are considered a single territory called the *domestic market*. Films almost always open simultaneously in both countries because of the common language (with the exception of French-speaking Quebec province) and because most of Canada's thirty-two million population lives along the border, giving the population access to mass media originating from the United States.

Overview

Despite growing competition from movies on home video and television, U.S. cinema remained steady in this decade, 1.4 billion admissions in 2007, according to major-studio trade group Motion Picture Association of America (MPAA) (see table7.1). Over the years, the number of theatrical releases gyrated, first declining early in this decade as the independent sector narrowed and major studios tended to release fewer but bigger movies. In 2007, there were 590 theatrical releases, which is up from a recent low of 449 in 2002. Release count has been climbing, returning to 1990s levels. There are probably several reasons, but one clearly was plentiful availability of film financing.

In distribution, a movie booked at a theater is called a *playdate* or *engagement*, which is at a single location. The playdate count is different from screen counts, because a given title can be on two or three screens at a single theater. Because films from major studios occupy increasingly more theater playdates, the benchmarks used to define various magnitudes of saturation in films' releases constantly change. Films open increasingly wider to maximize the benefit of costly and broadly focused advertising campaigns. The variety of opening-week release strategies follows:

- An *exclusive run* involves just one theater per city, typically in just a few major cities nationally. Some film executives suggest exclusive could be up to three to five playdates in New York City, given its giant size.
- A *limited release* is just a few theaters per city.
- A *wide pattern* is 600 to 1,999 playdates nationally.
- *Saturation release* is 2,000 to 2,999 playdates.
- With playdates on the rise, some pundits have added the category *super saturation* for films that premiere with at least 3,000 playdates.

Interestingly, a wide-release film's broadest coverage typically comes in its second week, when extra playdates are added on top of the first-week release pattern. A regional release is limited to a specific geography and thus is not national.

Interpreting box-office success is tricky and varies depending on whether a film is in wide or narrow circulation. If a film is in exclusive engagements—perhaps a dozen nationally—less than $10,000 per screen per week usually is a disappointment. At that level, the film probably is not covering marketing expenses—mainly newspaper and Web ads—and has poor prospects if the film goes wider. Films in such narrow exclusive release can gross in the multiple tens of thousands of dollars per playdate per week.

At the other end of the spectrum, the more playdates with screens a film has, the more likely the film's per-screen average will be diluted because each additional wave of theater bookings cannibalizes the audience further. Also, the higher the playdate count, the more a distributor is forced to book many low-grossing theaters. A film that averages $5,000 per screen on a three-day weekend with twenty-five hundred screens, which is a saturation release, translates into $12.5 million in box office. A film with $5,000 per screen for

Table 7.1. Domestic admission growth, 1983–2007

Year[1]	Admission (billion)	Change from prior year (%)	Change relative to 2007 (%)
2007	1.400	0.3	-
2006	1.395	1.4	0.3
2005	1.376	-7.3	1.7
2004	1.484	-2.4	-5.7
2003	1.521	-4.9	-8.0
2002	1.599	11.2	-12.5
2001	1.438	4.0	-2.7
2000	1.383	-3.9	1.2
1999	1.440	0.1	-2.8
1998	1.438	6.2	-2.7
1997	1.354	2.7	3.3
1996	1.319	8.9	6.1
1995	1.211	-2.3	15.5
1994	1.240	4.9	12.9
1993	1.182	7.6	18.4
1992	1.099	2.6	27.4
1991	1.141	-	-
1990	1.189	-5.9	-
1989	1.263	16.4	-
1988	1.085	-0.3	-
1987	1.088	7.0	-
1986	1.017	-3.7	-
1985	1.056	-11.9	-
1984	1.199	0.2	-
1983	1.197	-	-

SOURCE: Motion Picture Association of America

NOTE: 1. For the years 1983 through 1991, no comparison percentages are presented because of later adjustments.

a three-day weekend that has one hundred screens generates just $500,000 in total box office. For three-day figures that often are cited in newspaper reports, films that don't average at least $2,000 per screen usually are considered commercial disappointments, no matter how wide their release patterns. Looked at another way, a $3,000 per screen average for a weekend with three thousand screens can be fine for a film but would be a disaster if the film had just thirty screens.

Box-office revenue is compiled by Nielsen EDI, Rentrak, BoxOfficeMojo, Exhibitor Relations, and Media By Numbers, although admissions (head count or unit ticket sales) are not tracked carefully. Somewhere between 80% and 90% of theaters provide quick, computerized box-office figures. Film distributors take those figures and then estimate the uncounted balance from nonreporting theaters, which typically are low-grossing cinemas without computer equipment. Putting together the two pieces of information provides the initially announced weekend box-office figure, which is partly an estimate.

A week later, the main box-office services have film distributors check their original flash figures, which were rushed, for any revisions. Theaters send film distributors their own tally on a six-week-lag basis. If film distributors have auditors doing spot-checks of ticket sales at theaters, those figures will be compared against tallies submitted by theaters for any sign of undercounting.

Using box office revenue as the main barometer for film performance results in the shortchanging of children's films. The reason is that kiddie tickets are priced lower than adult tickets. For example, the R-rated drama *Minority Report* from Universal was the top-grossing film for the June 21–23, 2002, weekend at $35.7 million, although Disney's animated *Lilo & Stitch*, which opened the same day and tallied at $35.3 million box-office gross, certainly sold more tickets when adjusting for children's prices.

Box-office estimates for weekends are reported by news media, sometimes as early as Saturday, with emphasis on how newly released films fared. Any Saturday or Sunday report that projects the three-day figure is based only the Friday and/or Saturday figures and thus should be viewed with suspicion.

Benchmarks and Sequels

Hollywood is obsessed with weekend box-office figures (see table 7.2). A longstanding rule of thumb in exhibition is that a week-to-week decline of 40% or more from a constant pool of theaters is deadly for a film, indicating audience interest is evaporating. For very wide releases, the benchmark is slightly higher, perhaps 45%, because wide releases tap a large audience immediately. In an example of steep falloff, Universal's 2003 release *Hulk* grossed $132 million domestically, which would be wonderful for most films. However, the live-action movie, which cost approximately $140 million to make, is considered a disappointment because—after a boffo $81.7 million opening in its first full week in June 2003—its box office plunged an astronomical 67% to $27 million in its second full week.

Films in various genres follow different patterns. Movies that appeal purely to the teenage and young adult audience, such as horror/slasher flicks and gross-out comedies, tend to fade quickly because the moviegoers arrive the first weekend. Dramas for sophisticated audiences and romantic comedies hold steadier over many weeks because their adult audience reacts slowly to building word of mouth from the first wave of moviegoers. Also, the adult audience waits to digest reviews from critics. Kiddie films tend to run long because parents, who must bring their children to the theater, are sometimes slow to jump on a bandwagon.

For mainstream films, an ideal scenario is to segue to secondary crossover audiences after the film was first carried by other primary audiences. For example, adults may come in later weeks to see what the excitement is all about for films that initially were hits with a youth audience and received upbeat reviews from critics. A case in point is the top-grossing film of all time, *Titanic*, which generated a mind-boggling $601 million in domestic box office after a 1997 release. The youth audiences immediately embraced the teen love story between stars Leonardo DiCaprio and Kate Winslet and the hit theme song *My Heart Will Go On* by singer Celine Dion. Because of the booming box office and good notices from serious film critics, adults followed in later weeks, hence becoming a crossover audience. The original *Shrek* in 2001 also had crossover appeal. The family audience, which is heavy with children, was a big part of the film's $42.3 million opening weekend in May 2001. Teenagers and adults, drawn by reports that praised the film's campy humor, came in force later, helping boost the domestic box office to $268 million.

Another rule of thumb is that sequels typically don't match the box office of their predecessors. Although Columbia's *Stuart Little 2* was just as heartwarming and clever as its predecessor, the sequel grossed $65 million, versus $140 million for the first edition, in an example of sequel falloff. Universal's three *Back to the Future* films showed a steady drop-off. The 1985 original grossed $208 million, the second $118.5 million in 1989, and the third $87 million in 1990. The problem is that whatever came across as fresh and unique in the original is not so intriguing the second time around. There are occasional exceptions to the rule, however. Twentieth Century Fox's *X-Men: The Movie* generated a healthy $157 million in its 2000 release, whereas *X-2* soared to $215 million in 2003.

Table 7.2. Top-twenty weekend openings of all time[1]

Rank	Title	Studio	Opening gross[2] ($ million)	Slice of box office[3] (%)	Theaters	Total gross ($ million)	Wide release[4]
1	*Spider-Man 3*	Sony/Columbia	151.1	44.9	4,252	336.5	5/4/2007
2	*Pirates of the Caribbean: Dead Man's Chest*	Disney	135.6	32.0	4,133	432.3	7/1/2006
3	*Shrek the Third*	Paramount/DW	121.6	37.7	4,122	322.7	5/18/2007
4	*Spider-Man*	Sony/Columbia	114.8	28.4	3,615	403.7	5/3/2002
5	*Pirates of the Caribbean: At World's End*	Disney	114.7	37.1	4,362	309.4	5/25/2007
6	*Star Wars: Episode III—Revenge of the Sith*	Fox	108.4	28.5	3,661	380.3	5/19/2005
7	*Shrek 2*	DreamWorks	108.0	24.5	4,163	441.2	5/19/2004
8	*X Men: The Last Stand*	Fox	102.7	43.8	3,690	234.4	5/26/2006
9	*Harry Potter and the Goblet of Fire*	Warner	102.7	35.4	3,858	290.0	11/18/2005
10	*Harry Potter and the Prisoner of Azkaban*	Warner	93.7	37.5	3,855	249.5	6/4/2004
11	*The Matrix Reloaded*	Warner	91.8	32.6	3,603	281.6	5/15/2003
12	*Harry Potter and the Sorcerer's Stone*	Warner	90.3	28.4	3,672	317.6	11/16/2001
13	*Harry Potter and the Chamber of Secrets*	Warner	88.4	33.7	3,682	262.0	11/15/2002

14	*Spider-Man 2*	Sony/Columbia	88.2	23.6	4,152	373.6	6/30/2004
15	*X2: X-Men United*	Fox	85.6	39.8	3,741	214.9	5/2/2003
16	*The Passion of the Christ*	Newmarket	83.8	22.6	3,043	370.3	2/25/2004
17	*Star Wars: Episode II-*						
	Attack of the Clones	Fox	80.0	26.5	3,161	302.2	5/16/2002
18	*I Am Legend*	Warner	77.2	30.1	3,606	256.4	12/14/2007
19	*Harry Potter and the*						
	Order of the Phoenix	Warner	77.1	26.4	4,285	292.0	7/11/2007
20	*The Da Vinci Code*	Sony/Columbia	77.1	35.4	3,735	217.5	5/19/2006

SOURCE: Box Office Mojo (www.boxofficemojo.com)

NOTES: 1. Figures cover the United States and Canada through January 2008.

2. *Opening gross* spans the weekend (Friday through Sunday). Films without figures for those three days are excluded.

3. Percentage that opening weekend is of total box office at end of run.

4. This column is the date of the first weekend of wide release.

Release Dates

Picking release dates, which is the job of film distributors, is the intersection of science (statistical analysis of the marketplace) and art (gut instinct based on experience). Good films can fail miserably because of poor distribution plans, and mediocre films can generate robust box office—at least initially—because of good positioning in the marketplace.

The peak periods for moviegoing are the summer, when the youth audience is out of school; Christmas–New Year; Thanksgiving; President's Day; and Easter. The May-through-August summer period, which accounts for 33% of the calendar year, generates about 43% of box office. Big-studio films open during the holiday weekends or a week or two in advance so that they are positioned as carryover films when the holiday starts. Release dates after peak holidays are perhaps the least attractive because the holiday hits continue to hold screens, and moviegoers presumably have temporarily satiated their film appetite. Box-office tracking services sell lists of school holiday/vacation periods with details available down to individual school districts. Film distributors use the lists to plot release dates and theater-booking strategies.

The majors trot out their biggest films in the summer. These films have production costs well above the industry average. In 2007, Paramount-DreamWorks action-adventure *Transformers* carried an estimated $150 million budget but went on to gross $319.1 million domestically. Disney's *Pirates of the Caribbean: At World's End* cost over $200 million to make and grossed $309.4 million domestically, and *Ratatouille* cost an estimated $150 million to produce and grossed $206.4 million.

The big films from major studios that are geared for peak moviegoing periods are referred to as *tentpole* releases because they are the high point of the majors' slates. The phrase evokes a vision of the major studios presenting a diverse circus under a big-top tent, with their big films as the pillars holding it up. These big films are scheduled one year or more in advance, though no one is ever certain an elaborate production will be finished in time. *Titanic* moved from summer to December in 1997 in what was attributed to production delays. Distributors jockey for good weekends in what is something of a poker game of moving, bluffing, and retreating. Columbia had planned to release *Spider-Man 2* on May 7, 2004, but moved the comic-book actioner to June 30 to give the $200 million production more time needed for completion. Seizing an unexpected opportunity, Universal's horror *Van Helsing* then jumped into the vacated May 7 slot.

Traditionally, the peak summer season started in mid-June, which coincided with the end of school when the prime youth audience starts vacation. In the 1980s, the summer film kickoff began to creep forward in front of the Memorial Day holiday in late May. A major shift occurred when *Rambo—First*

Blood Part II pulled in a then-electrifying $32.5 million in its first six days after a May 22, 1985, premiere in what was an instant wide release and did not build theater count gradually as was the custom at the time. The Columbia TriStar film became the year's second-highest-grossing film, indicating late May was a suitable launch pad for blockbusters.

At that time, big-studio films might have opened in small first waves in late May, as with the original *Star Wars* in 1977, and then added theaters for wide release in later weeks. The latter strategy is called a *platform release*—starting small and then building incrementally over subsequent weeks. Today, the majors seldom use platform releases for their big summer event because the films open widely in their first week.

In the 1990s, big films in wide releases kept creeping earlier in May, each trying to take a lightly competitive weekend for a big opening. By 1996, the Warner Bros. tornado drama *Twister* established an even-earlier start to the summer season, premiering May 10 and eventually grossing $242 million to rank second best for the full year. The shift forward carries risks because the prime youth market is still in school and thus unavailable for moviegoing on weekdays. Another drawback to May premieres is the difficulty in holding screens, because big films crowd into the marketplace relentlessly every week for two straight months. The Independence Day weekend marks the traditional end of the cavalcade of the major-studio tentpole releases. Any film released after the July 4 holiday faces a shortened summer run and relies on generating business in August, when many families take traveling vacations and tend not to patronize cinemas.

With major studios generating over half their total revenue from home video, the video-release window is now a consideration in choosing a theatrical premiere. The Christmas gift season is a boom time for video, so June and July are great theatrical slots to position for video release four months later. Universal's *Seabiscuit* posted a satisfactory $31.6 million its first week in July 2003 and moved quickly to a video release in mid-December after collecting $120 million domestic theatrical box office. The horse-racing drama ranked a lowly fifth its opening weekend but turned out to be the year's sixteenth-highest grosser.

Another reason summer is a peak cinema period is that U.S. theaters have long been equipped with air conditioning, allowing moviegoers to escape summer heat. In contrast, Europe's peak cinema season is autumn, in part because cinemas in its warm southern region only now are being fitted with air conditioning. The Thanksgiving-Christmas period is another lucrative time frame to launch prestige films angling for Oscar and other critic awards. The end-of-year films are freshest in the minds of award voters. Film marketers keep a close eye on the calendar, avoiding film releases at times its prime audience is distracted. For example, action films appealing to males are not scheduled for Super Bowl weekend.

Events that have an impact on the theatrical calendar can come from any direction. At election time, television and radio ad rates soar—increasing marketing costs—because of political ads. In a difficult-to-foresee scheduling headache, Microsoft's *Halo* video game sold $170 million worth of product its first day of release, which was a clear diversion of the attention and pocket money of the youth demographic.

Independents often are forced to take less-desirable release dates because the prime slots are seized by majors. The indies also counterprogram versus the majors and also against calendar events that distract audiences. For example, an indie might release a movie with strong female appeal for a weekend where the majors are rolling out male-action films. Independents mostly target niche audiences—kids, teens, ethnic groups, or sophisticated adult audiences—because their films typically don't have the star power or production values of mainstream-studio releases.

Films typically open on Fridays in the United States and Canada, so the films are fresh in theaters to take advantage of the peak weekend moviegoing period. Sometimes films open on a Wednesday—a doldrums day in the middle of the week—if the distributor feels good word of mouth from small midweek audiences will energize the peak weekend box office. *Harry Potter and the Order of the Phoenix* got a midweek premiere in July 2007, and the Warner Bros. family film went on to become the fifth-highest grossing of the year. In May 2004, DreamWorks' *Shrek 2* premiered on a Wednesday and then collected an astounding $164.7 million in its first nine days of release. Walt Disney's *Pirates of the Caribbean: The Curse of the Black Pearl*, which premiered July 2003, is another example of a Wednesday opening, and it went on to be 2003's second-highest-grossing film at $305.4 million.

In an eleventh-hour change, Twentieth Century Fox convinced some theaters in New York and Los Angeles that had booked the Denzel Washington action film *Man on Fire* to move up the premiere from a Friday to a Wednesday in April 2004. The objective was to jump-start word of mouth in those influential cities. The film already was locked into a Friday premiere with a total of 2,980 playdates, where it took a hefty $22.7 million in box office for its three-day opening weekend.

Films Colliding

Film distributors, which choose release dates, jockey for the best positions but also try to avoid suicidal confrontations. With the hundreds of films released in the United States and Canada each year, multiple titles premier in each of the year's weeks. Films with similar profiles—action adventure, children's, documentary, and so forth—try to avoid each other because they simply will carve up the same audience.

The tendency among film distributors is to be collegial. Distribution executives job-hop so everybody has friends at other companies, which lessens competitive zeal. Also, a distributor that whacks a rival can expect the same treatment in return in the future, which everyone knows is bad for business.

Occasional showdowns occur in what are exceptions. Lionsgate Releasing staked out an April 16, 2004, premiere for its actioner *The Punisher* long in advance, eventually lining up 2,649 playdates. In December 2003, Miramax moved its Quentin Tarantino–created martial-arts actioner *Kill Bill Vol. 2* to the same date, pulling together 2,971 screens. Originally, *Kill Bill Vol. 2* was going to be a February release. Thus, two hard-action R-rated movies collided, both aiming for the young male audience. Miramax also timed the home video release of *Kill Bill Vol. 1* just days before the theatrical release of the sequel, enabling the theatrical and video marketing campaigns to double up and cross-promote each other. *Kill Bill Vol. 2* did best, grossing $25.1 million its opening weekend (compared to $22.1 million for the first installment) to beat the $13.8 million for *The Punisher*, whose opening was nonetheless satisfactory given the film was less heralded. Still, each is thought to have suffered diminished box office as a result of the clash.

In a showdown of highly anticipated animated films, DreamWorks Animation attempted to stake out November 5, 2004, as the premiere for *Shark Tale*. Then Disney picked the same date for the superheroes romp *The Incredibles*, which it then distributed for hit-factory Pixar Animation Studios, creator of *Toy Story* and *Finding Nemo* (Disney bought Pixar in 2006). DreamWorks then shifted *Shark Tale* forward to October. DreamWorks, with its blockbuster *Shrek* movies, is Disney's archrival in animation family films, and things were probably a bit personal too. DreamWorks Animation chief Jeffrey Katzenberg was the onetime Disney studio chief who had an acrimonious falling out with then–Disney corporate chair Michael Eisner.

Films with similar plots (as opposed to just being in the same broad genre) are in even-greater conflict in the battle for release dates. In such cases, history shows the first film to open usually does best. In the independent sector, two Truman Capote dramas popped up at the same time. Sony Pictures Classics hit the market first with *Capote* in September 2005, which grossed an artbuster $28.7 million. Warner Independent Pictures followed up with *Infamous* in October 2006 that grossed an underwhelming $1.1 million. Another example is the great volcano-film eruption of 1997. Universal's *Dante's Peak* hit the screens first on February 7, finishing with $67 million in domestic box office. Twentieth Century Fox's *Volcano*—with a reported $100 million production budget, making it the more expensive of the two eruption flicks—premiered later on April 25 and ended up with a disappointing $49 million in box office.

The most crowded pileup involved four comedy movies released between October 1987 and June 1988 about miraculously being transferred into another body. In this case, the last movie proved to be the biggest grosser, which was an exception to the first-is-best rule. The highest grosser of the quartet—Fox's *Big,* starring then up-and-comer Tom Hanks—generated a blockbuster $115 million after its June 1988 debut trailing rivals. Of the three earlier releases—Columbia Tri-Star's *Like Father, Like Son*, Columbia's *Vice Versa*, and New World Pictures's *18 Again*—next best was *Like Father, Like Son* with $34 million. This film was first into the marketplace, opening in October 1987.

A 1998 showdown of big-budget yarns about asteroids threatening the Earth also proved an exception when the second of two films did the most business. Launching second, Disney's *Armageddon* extravaganza starring Bruce Willis opened July 1, 1998, and collected a blockbuster $201 million in total domestic box office. Though second, it had more star power. Its less-regarded rival from DreamWorks/Paramount, *Deep Impact*, raced to an earlier premiere on May 8, 1998, and eventually grossed $140 million, which was a more-than-anticipated haul that was credited to reaching market first.

Although competition exists for prime premiere dates, distribution executives know that consumer consumption for films is elastic. There's always hope of getting a big crowd on any weekend. A moviegoer may go to multiple movies in a month, depending on the quality of releases and the moviegoer's personal schedule. That's a far cry from other businesses where, for example, a consumer buys just one tube of toothpaste every month or an automobile every three years, regardless of what's offered in the marketplace.

For films penciled in during off-peak periods, late date changes—changes coming fast upon premiere dates—sometimes are made to avoid being rolled over by a surprise hit that opens ahead. An out-of-the-blue hit was Mel Gibson's *The Passion of the Christ*, which was released in February 2004 and played for weeks, generating $370 million in domestic box office. In the scramble to step aside as *Passion of the Christ* held theaters, DreamWorks quickly moved its comedy *Envy* from April 2 to April 30.

Late-date shifts mostly work with smaller films. Larger films have tie-in promotions with fast-food restaurants and licensed merchandise heading to stores. Those separate but related marketing campaigns are difficult to move en masse on short notice.

Film Ratings Overview

The film-classification process in the United States is entirely voluntary, and this is somewhat understood, even within the film industry. Under the First

Amendment to the U.S. Constitution dating back to 1791 protecting free speech, the government does not attempt to run a national film-censorship entity, although some local jurisdictions do enforce what are permissible child-protection measures. As a result, the United States has one of the world's few nongovernment national film-rating systems—the Classification and Ratings Administration (CARA), which has been in place since 1968.

CARA is an autonomous unit associated with MPAA, which traces its origins to 1922. Although the MPAA president picks the CARA chair, and the MPAA consults with the exhibitor trade group National Association of Theatre Owners on film classification issues, MPAA is not involved in operating the film-rating board.

The MPAA's major-studio members and their indie-style affiliates, such as Disney's Miramax and Fox Searchlight, agree not to distribute any film to theaters without a CARA rating. Independents that are not MPAA members, such as Lionsgate Films and IFC Films, are free to bypass the CARA. Most independents choose to have their films classified because some theaters and outlets for film advertising such as newspapers do not want to be involved in promoting unrated films.

CARA ratings consist of the famous five-point scale:

- G: General audience—all ages admitted
- PG: Parental guidance suggested—some material may not be suitable for children
- PG-13: Parents strongly cautioned—some material may be inappropriate for children under age 13
- R: Restricted—under age 17 requires accompanying parent or adult guardian
- NC-17: No one 17 and under admitted

The PG-13 category was added in 1984 when the public complained that the PG rating for *Indiana Jones and the Temple of Doom* was inadequate because of one scene in which a beating heart is pulled out of a man. The rest of the film was PG oriented.

In accordance with the agreement to have a film rated by CARA, the distributor also agrees to abide by its guidelines and to have marketing materials approved by the related Advertising Administration. The principal function of the Advertising Administration is to ensure that movie advertising, with some exceptions such as restricted-rated trailers, is suitable for general audiences and that such advertising contains nothing that most parents would not find offensive for their children.

In 2000, content and placement of advertising became a hot issue in Washington, D.C. Public-interest groups complained that substantial amounts of advertising content inappropriate for children reached the kid audience. In particular, critics said that violent and sex-laden films were marketed to young teenagers. In response to pressure from the U.S. Congress and the Federal Trade Commission (FTC), the MPAA formulated a voluntary twelve-point plan to address FTC concerns about media-placement practices, promising that its member companies would follow the guidelines. The plan came after the FTC in September 2000 issued a report that was critical of movie-industry marketing practices. The report cited specific examples of saturating inappropriate audiences and left film distributors somewhat embarrassed. Since then, complaints have eased as the film industry became more careful about ad placement, and abuses in the video game and music industries took some heat off Hollywood. While the Hollywood majors and their affiliates are bound to the twelve-point plan, independent film distributors are not.

The voluntary twelve-point plan for major studios consists of the following:

- Each studio requests that exhibitors not show trailers for R-rated films in screenings of G-rated movies (in addition, trailers for R-rated films are not to be previewed on home-video versions of G-rated movies).
- Prerelease test screenings of films that eventually may be rated R for violence must exclude moviegoers under age seventeen unless they are accompanied by a parent or adult guardian.
- Studios will not market and advertise films with R ratings for violence to children.
- Each studio appoints a senior executive as compliance officer.
- The MPAA reviews each studio's compliance annually.
- The MPAA encourages theater owners and video retailers to improve compliance.
- Studios provide additional descriptive reasons a film received a certain rating in its print advertising and official movie Web sites.
- The MPAA established or help set up Internet sites that provide film-classification information to the public, www.mpaa.org, www.filmratings.com, and www.parentalguide.org.
- Studios include text explanation for film ratings on video versions of films.
- Video ratings direct readers seeking more information to www.filmratings.com.
- The MPAA and studios encourage theater owners to provide explanations at their customer-call centers for ratings of films they exhibit.
- Studios furnish newspapers with the reasons for the ratings and request that newspapers include those reasons and capsule summaries of films in their movie reviews.

One unusual aspect of the CARA panel, based in the Los Angeles area, is that only the panel's chairperson is publicly identified. The identities of the other members are kept secret to protect them from industry lobbying. The full CARA panel consists of eight to thirteen persons who work full time for varying periods. The main qualification is having served in a parenting experience so as to be sensitive to children.

Film distributors pay a fee—based on a sliding scale—to have their films rated, and the fees make CARA self-sufficient. The fee scale is a formula based on the cost of making the film and the total revenue of the submitting party, which CARA says enables small films from independent distributors to pay less. The fee covers all editing through certification. A nominal administrative fee is charged to submit a film for appeal.

In examining the implementation of film ratings, it's important to note that movie theaters are the enforcers of audience restrictions because the theaters interface with moviegoers. If a film is R rated, it is up to theaters to ensure that underage youths are admitted only if they are accompanied by an adult guardian. Indicating that the ratings system is voluntary, one U.S. circuit allowed parents to give blanket consent for their children to be admitted to R-rated movies several years ago.

In 2007, films from MPAA-member distributors accounted just for 30% of new films in release (see table 7.3), though MPAA films dominate box-office charts.

In terms of current trends, it's believed that more cartoonish violence is allowed in PG-13 films than in the past. In an April 2007 report, the FTC asserted

> the industry's inconsistent characterization of the level of violence in PG-13 movies compared to R-rated movies may be confusing to parents. Although parents report a relatively high satisfaction level with the Motion Picture of America Association ("MPAA") system, some critics assert that, over time, "ratings creep" has resulted in more violence in films rated PG and PG-13. Some have argued that the level of violence in PG-13-rated movies, in particular, has increased over time, blurring the line between PG-13- and R-rated violent content.

The FTC observation about "ratings creep" refers to a moving standard. One could argue that this is actually a good thing, because it means film ratings evolve as society does. CARA faces a dilemma of being damned if it does (move with or behind evolving society mores) and damned if it doesn't (be too rigid). The "relatively high satisfaction" of parents brings to mind that old adage: if it ain't broke, don't fix it.

Table 7.3. Feature-film releases 2001–7

	New releases					Reissues		
		MPAA films[1]		Other films				
Year	Total films	Count	% of total	Count	% of total	Total	MPAA	Other
2007	590	179	30	411	70	13	3	10
2006	599	203	34	396	66	8	1	7
2005	535	190	36	345	64	14	4	10
2004	474	199	42	275	58	8	1	7
2003	459	194	42	265	58	14	4	10
2002	449	220	49	229	51	17	5	12
2001	462	188	41	274	59	21	8	13

SOURCE: Motion Picture Assn. of America (MPAA)
NOTE: 1. MPAA films are U.S. major-studio releases.

In any case, classifying films is subjective and subject to criticism and second-guessing. Reflecting that guideposts are not fixed, the MPAA added this phrase to the description of R ratings in 2007: "Generally, it is not appropriate for parents to bring their young children with them to R-rated motion pictures." Another knock of the system is that serious films seem to get more-lenient treatment than does more-lowbrow fare. For example, Mel Gibson's *Passion of the Christ* received an R rating (and not the more restrictive NC-17) even though the film contains some of the cinema's most graphic torture scenes ever.

In their evaluations, CARA does not ban films, unlike classification boards in other countries, and makes no judgment of artistic quality. Each rating is established by a majority vote of the anonymous CARA panel. Filmmakers have the right to ask why a rating was given and, with that feedback, to submit a revised version of a film that will be evaluated from scratch. Filmmakers can challenge a rating to an appeal board from CARA, getting the chance to formally rebut a decision. The appeals board is made up of industry executives and is different from the group that issued the initial classification. About a dozen appeals are heard each year. A two-thirds vote by the appeals board is required to overturn a rating. For example, in 2004, the appeals panel supported an NC-17 cinema rating for *Young Adam*, a relationship drama with sexual content praised by critics, thus turning back a Sony Pictures Classics bid to lower the rating to an R. (Movies with NC-17 ratings for cinema may be edited for video release in order to receive an R rating because some video chains won't stock an NC-17 title.)

Hollywood's major studios and other film companies that signed a labor contract with the Directors Guild of America are required to allow a film's director to participate fully in any appeals of audience-classification ratings, per the DGA contract. "If changes are required to achieve the desired rating, the Director shall have the right to make changes," says the collective bargaining agreement. "The Director shall be told fully and accurately of the MPAA CARA's concern, and consulted in good faith with respect to any actions to be taken."

MPAA surveys indicate Americans find the CARA ratings system helpful and effective. Of parents with children ages thirteen or younger, 78% think the rating system is "very useful," according to an Opinion Research Corp. survey. Indeed, the movie-classification system gets surprisingly few knocks from the public considering the rating system's subjective nature.

Independent film distributors sometimes complain that the CARA is more lenient with major-studio films and tougher on independents. The allegation can be debated from either perspective. Independents tend to distribute more-edgy and provocative films, so it is not surprising their films often get restrictive classifications. In some cases, distributors of independent films that initially got more-restrictive ratings were successful in getting those ratings changed. For example, in 2007, the Ratings Appeal Board voted to loosen the classification for ThinkFilm's *The Hip Hop Project* to PG-13 from R.

Miramax, the Walt Disney subsidiary, is most famous for controversy over films and their ratings. Miramax former co-chiefs and brothers Harvey Weinstein and Bob Weinstein set up personal companies on occasion to distribute films bought by Miramax but which parent Disney later required Miramax to unload. When bleak social drama *Kids* seemed headed for an NC-17 rating for Miramax in 1995, the Weinstein brothers set up a separate entity called Shining Excalibur to acquire the film from Miramax and then distribute it on an unrated basis. Separately, the brothers tussled with parent Disney over *Fahrenheit 9/11* in what was good publicity for the film, although the high-profile flap was over Disney corporate policy and not the film's classification. Two indies later distributed the Iraq-war documentary.

In an example of an independent running amok, CARA issued a rare censure for over-the-top ads for the horror drama *Captivity*, which eventually received an R rating. The distributor After Dark Films put up Los Angeles billboards and signage on New York City taxis presenting images that fit the text "Abduction. Confinement. Torture. Termination," after those ads were rejected. CARA ordered the ads pulled down, and the film sat in limbo for a month.

Because of difficulty in advertising films classified as NC-17, major studios and their studio affiliates seldom release films with this restrictive rating. One recent exception is Bernardo Bertolucci's *Dreamers*, which Fox Searchlight premiered in February 2004, although there was also an edited version available that received an R rating.

Trailers are rated also and are "an important aspect of the program," as the late MPAA chief Jack Valenti noted in 2000 in his description of ratings. "They are approved for 'all audiences,' which means they may be shown with all feature films, or for 'restricted audiences,' which limits their use to feature films rated R or NC-17. There will be, in 'all audience' trailers, no scenes that caused the feature to be rated PG, PG-13, R, or NC-17." Trailers restricted to accompanying R-rated films are color coded in red, which exhibitors refer to as *red-band previews*, which are audience restricted.

Marketing Implications of Ratings

For film distributors, the biggest gap is between PG-13 and R films. An R film excludes teenagers ages fourteen through sixteen who are unaccompanied by parent or adult guardian, thus losing a big chunk of the heaviest moviegoing demographic. In contracts with directors and other creative talent, movie companies routinely specify that filmmakers are obligated to craft a film that will achieve a specified rating, whether G, PG, PG-13, or R. Such a provision seemed to come into play with *Team America: World Police*, the risqué animated film that spoofed terrorism and Hollywood, according to trade press reports. Paramount Pictures, which finally released the film in October 2004, and filmmakers spent weeks sparring with CARA to avoid getting an NC-17 rating for *Team America* over what was said to be simulated sex involving puppets. Finally, the film was edited sufficiently to receive an R rating, which carries the descriptive text "graphic, crude, and sexual humor, violent images, and strong language all involving puppets."

In other instances, talent contracts may say the film must be crafted simply to avoid the most restrictive NC-17, whose films have a history of poor box office. The highest-grossing NC-17 rated movie is MGM/UA's 1995 release of *Showgirls* with only $20 million in box office. Universal's 1990 release of *Henry & June* took in $12 million, and Miramax's 1990 release of *The Cook, the Thief, His Wife & Her Lover* brought $8 million. For *Showgirls,* the NC-17 rating cited "nudity and erotic sexuality throughout, and some graphic language and sexual violence."

Foreign films often have difficulties because imagery that doesn't raise eyebrows at home triggers a restrictive rating in the United States. For example, sensual Spanish art film *Sex and Lucia* from Palm Pictures was released to cinemas unrated in the United States. News reports indicate Seattle newspapers balked at carrying advertising for *Sex and Lucia*, even though the film had won awards at the Seattle Film Festival.

Hollywood is an industry whose creative workers earn reputations with edgy R-rated films, although R-rated films have an uneven track record in box office. Because R-rated films are popular with movie critics and on the film-festival circuit, they reap more than their share of awards for their actors and other creative talent. In recent years, best-picture Oscar winners bounced between PG-13 and R ratings. Among films released from 1991 to 2000, eight of the ten Oscar winners for best picture were R rated, starting with *The Silence of the Lambs* and running through *Gladiator*. After that, the next four consecutive best-picture winners were PG-13 films. The following three years, R rated films won.

There's a definite trend toward PG-13 films, which accounted for 50% of ratings (out of four categories, not including NC-17) conferred in 2007, versus just 15% for R ratings, according to the MPAA (see table 7.4).

Overview for Booking Films

Films typically contract for two- to four-week guaranteed runs in theatrical release, and their cinema stays can be extended. Besides the length of the run, another negotiating point can be the length of time the big films are

Table 7.4. U.S. film count by audience classification, 2003–7

Year	G (%)	PG (%)	PG-13 (%)	R (%)
2007	5	30	50	15
2006	5	20	65	10
2005	5	25	60	10
2004	5	25	55	15
2003	5	15	60	20

Source: Motion Picture Association of America
Note: The table excludes NC-17.

promised the largest auditoriums in multiscreen theaters. Seat counts range from one hundred to five hundred per auditorium in newer theaters. Films that are booked in the big rooms get the most marquee and promotion on-site in theaters.

If a big film that is promised a long run in a big auditorium is dead on arrival at the box office, distributors typically allow exhibitors to skirt the booking contract and quickly downgrade the film to smaller auditoriums in the same multiplex. It's in nobody's best interest for a distributor to demand a low-grossing film be held in a big auditorium, particularly if exhibitors have high-grossing films playing in small auditoriums that would do better if upgraded. Distributors and exhibitors have a year-round relationship spanning many films, so they need each other's good will and frequently cut each other slack in cases in which one party is stuck in an unfavorable situation because of unforeseen circumstances.

Distributors are keenly interested in getting their film trailers in theaters to promote upcoming releases. The theaters control presentation of trailers that promote coming attractions, typically running three to five trailers preceding any movie. As part of a booking negotiation, distributors often come to an unwritten agreement with exhibitors to receive specified trailer runs prior to a film's premiere. In a common scenario, the distributor receives greater trailer exposure for its films in exchange for granting an exhibitor more playdates for a desired film. Major studios issue twenty thousand to thirty-five thousand trailers for each big film. Some may not get used by cinemas. Others will be screened for one to three weeks.

Under agreement by industry trade groups, distributors directly attach no more than 2.5 minutes of promotional material to the front end of movies, which is a little longer than the running time of a typical trailer. This lets theaters load up most of the prescreening time with individual trailers that they select. On occasion, although not frequently, distributors agree to swap attached trailers so that a trailer runs before a film of a complementary genre. For example, a trailer for a kid's film from one distributor is attached to the family film of another, in exchange for putting a trailer from an R-rated film on a violent action film of the other studio.

Many states have laws prohibiting *blind bidding*—booking films sight unseen—which requires distributors to hold trade screenings for films prior to licensing them to exhibitors. In addition, it is illegal for distributors engage in *block booking*—making the sale of desired movies contingent on the buyer also purchasing unwanted films—under the so-called 1948 Paramount Consent Decree and other precedents. Competition regulations, while in place, are not a panacea for small theaters seeking access to big-studio films. Distributors want their films in the highest-grossing theaters, and the big theater chains have the financial muscle to outbid indie theaters.

Film Rentals

In exhibition parlance, the payment that a theater makes to a film distributor for a movie is the *film rental*. The word *rental* is used because theaters contract for limited rights to the movies they screen. It is customary for the film rental to be based on dividing box office on a percentage basis. Nationally over the course of a year, film distributors are thought to receive an average of 53% of the ticket price; thus, theaters keep the remaining 47%.

Independent film distributors, which lack the clout of majors, tend to get rentals in the 40 to 50% range, but this is a small piece of the pie. For art-house theaters that shoulder relatively hefty marketing expenses, the film rental can be as low as 35% to 40%, which is a very small part of national box office. The rationale is that art-house distributors don't buy expensive broadcast-network TV commercials, as the major studios do. The truly independent distributors—those not owned by major studios—normally account for just a handful of percentage points of national box office, with Lionsgate Film Releasing the only sizeable distributor.

Icon Distribution, which is owned by actor-filmmaker Mel Gibson, sued the top U.S. circuit Regal Entertainment in 2004, alleging underpayment of film rentals for *The Passion of the Christ*. Icon alleged that it was promised major "studio terms" for rentals, which it defined as 55% of box office. The lawsuit says Regal offered 34% at the end of the movie's run. If so, Regal perhaps made a low-ball offer, hoping to settle for some percentage in between. In any case, Icon received an out-of-court settlement in March 2005.

There are two different types of film booking contracts—the *standard agreement* and *aggregate deal*.

The standard agreement is the long-standing industry custom, a two-part deal with a split of box office after the theater first takes a specified amount off the top. In this industry standard, the theater keeps all of the initial box office to a predetermined cap called a *house nut, house allowance,* or *house expense.* After this house-nut figure is reached, the distributor receives a percentage of box office generated thereafter. The box office formula usually changes on a weekly basis and usually starts out favorable for distributors. For example, after deducting the house nut, a booking contract might specify distributors get 70% of ticket revenue for the first two weeks of a film's run, leaving 30% for theaters. For weeks three and onward, the ratio might shift more in favor of exhibitors.

If the house nut is $1,000, then the exhibitor pockets the initial $1,000 in box office before splitting additional box office in a given week under the sliding-scale formula. For a playdate that generates $5,000 in box office during a week with a $1,000 house nut and a 30/70 (exhibitor/distributor) split thereafter, the exhibitor gets $2,200 (the $1,000 nut and $1,200, or 30% of box office dollars from $1,001 to $5,000), and the distributor gets $2,800, which is entirely from the 70% of box office from $1,001 to $5,000. To drum up sympathy, exhibitors often cite box-office splits greater than 50% that seem highly favorable to film distributors without mentioning the house-nut portion of the formula that is to their benefit.

Assuming the split moves to 60/40 (exhibitor/distributor) in later weeks, then the exhibitor gets $3,400 and the distributor $1,600 for the same $5,000 gross. However, grosses tend to head downward in later weeks. Each week is treated as a separate event in booking contracts, partly because any film's length of run is not known in advance. The booking contract also may contain a floor, which is the minimum amount the distributor gets regardless of other contract points. The floor becomes important in the later weeks of a film's run when box office fades, and any house-nut deductions off the top might leave distributors with little or no rentals.

An entirely different and more straightforward type of booking contract is the simple aggregate deal. All box office revenue is divided by a negotiated percentage formula, and there is no house nut. For example, if a screen grosses $5,000 with a 55/45 (distributor/exhibitor) aggregate scale, the distributor gets $2,750 and the exhibitor $2,250. This is less prevalent than the standard deal, but the aggregate agreement is becoming more popular each year.

The final wrinkle to financial transactions in film bookings is the *settlement,* the rounding off of figures at the end of a given film's run for the sake of simplification. Also, if a film performed above or below expectations, some kind of adjustment in the settlement process may be made to partly compensate the disappointed party, usually the exhibitor. This give-and-take process in the settlement is on the decline, and the alternative of *firm terms*—meaning no settlement—is gaining. One problem with the subjective nature of settlement adjustments is that royalty participants in films, such as actors with profit participations, are short-changed if the distributor made concessions to exhibitors in settlements. Typically, such settlement give-and-take is customary and not mentioned in written booking contracts. In recent years, some distributors have insisted on firm terms that eliminate givebacks to theaters, thus streamlining the settlement process.

The trend to opening films in more playdates than in the past—that is, in wider release—benefits film distributors because booking contracts tend to assign a higher percentage of box office to distributors in the early weeks of release. The thinking is that the big Hollywood distributors are paying dearly for national advertising, for which they should be quickly compensated.

Distribution Economics

The consolidation of cinema circuits would seem to point to exhibitors being able to negotiate better terms in film bookings, essentially reducing the film rentals paid to film distributors. However, several factors have helped distributors retain the upper hand. Despite growth of the biggest chains, no single circuit offers national bookings in the United States, because all the circuits have gaps in their geographic coverage. For example, North America's biggest chain Regal Cinemas had 6,415 screens at over 550 locations at end of 2007, but it did not have theaters in eleven states or Canada. So film distributors book films via a patchwork of circuits to achieve national coverage.

Another factor giving studios clout is that big megaplex theaters (see chapter 8) have increased the overlap in coverage areas of individual theaters, and so film distributors have more alternatives in selecting theaters to play a movie in a given city. Finally, theaters are disadvantaged by the long-term trend that films make quick theatrical runs of six weeks and not linger in cinemas as in past decades. Thus, the incumbent wave of films is disappearing just as a new wave arrives.

Looked at another way, booking films is something of an auction process. If fewer films are occupying screens, then the buyers—in this case theaters seeking future film bookings—can't be too choosy. The trend toward having more playdates for openings is not changing the equation significantly because ever-wider releases are offset by films not holding screens as long as in the past. From an exhibitor's perspective, a marketplace that is crowded with high-grossing films is good not only for the high revenue generated from films then playing but also because crowded screens give exhibitors negotiating clout in future bookings, as distributors find it difficult to secure playdates.

The average price for a U.S. cinema ticket was $6.88 in 2007 (see table 7.5). Historically, the split of ticket revenue was 50/50 nationally when averaging all types of films over long periods of time. However, since the majors have reduced output, and films have played off faster, trends shift negotiating clout to distributors who get about 53% these days, leaving 47% for theaters. As a rule of thumb, the three-day-weekend gross (Friday through Sunday) accounts for 75% of a week's box office in nonholiday periods. Monday through Thursday, which is a longer stretch of days, contributes the remaining 25%. For children's movies, the weekend share can go to 80% in nonholiday periods when school is in session. The difference between weekend and weekday narrows in the summer and during the Christmas–New Year week because kids are out of school and available to patronize weekday performances. During the peak summer-vacation period, the three-day weekend's share of weekly box office falls to about 66%; the remaining third comes from the Monday–Thursday time frame.

There is an economic rationale for distributors to "buy" incremental domestic box office by sheer dint of heavy marketing expenses and wide releases. A big opening and large box office prompt video retailers to increase orders once the film hits home-video release. Also, when major studios license films to pay television, the prices for films are often set via a complex formula whose single most important component is a given film's box office. Foreign pay and free-television contracts for major-studio films often peg prices based on performance in domestic box office, too. Finally, an impressive opening week presents a marketing tool to cite in advertising for subsequent weeks in theaters, because moviegoers view it as an endorsement by peers.

A consequence of the sliding-scale formula is that exhibitors prefer unheralded hit films. These films build from a modest start to achieve long and steady runs, with a big part of their box office earned in the second half of the theatrical run when the box-office take by exhibitors is highest. An example is the supernatural romantic drama *Ghost* starring Patrick Swayze, Demi Moore, and Whoopi Goldberg. The Paramount film premiered July 1990 with a then-okay $12.2 million three-day opening to rank second that week. The top film was holdover *Die Hard 2*, which had opened nine days earlier with a huge $35.5 million for the five-day Independence Day holiday. However, *Ghost* held steady as the slow-to-materialize adult audience patronized the film in later weeks. The film finished the year number one at the box office (at $218 million including some box office carrying over into the next year). Its opening week—with a then-sizable 1,101 playdates—accounted for just 9% of its total box office, which is incredibly low when measured against today's era of front-loaded films. Meanwhile, *Die Hard 2* finished in seventh place for 1990.

Blockbusters

Hollywood keeps on churning out cinema blockbusters, despite movies being increasingly available on new media platforms and despite worries about film

Table 7.5. Average U.S. ticket price, 1980–2007

Year	Average price ($)	Change over prior year (%)	Change in CPI[1] (%)
2007	6.88	5.0	4.3
2006	6.55	2.2	3.2
2005	6.41	3.2	3.4
2004	6.21	3.0	3.3
2003	6.03	3.8	1.9
2002	5.81	2.7	2.4
2001	5.66	4.9	1.6
2000	5.39	6.1	3.4
1999	5.08	8.3	2.7
1998	4.69	2.3	1.6
1997	4.59	3.9	1.7
1996	4.42	-	-
1990	4.23	-	-
1985	3.55	-	-
1980	2.69	-	-

Sources: Motion Picture Association of America and National Association of Theatre Owners
Note: 1. CPI is consumer price index, which is indicator of inflation for a given year, and is provided for comparison purposes.

piracy. The $100 million mark is still the benchmark for a blockbuster, but with inflation, there are more of them. In 2007, four films passed the $300 million level in domestic box office, led by Sony's *Spider-Man 3* with $336.5 million in domestic box office. In 2006, an off year for blockbusters, just one film hit this mark but surpassed it by a wide margin: Disney's *Pirates of the Caribbean: Dead Man's Chest* collected $423.3 million.

In the past fifteen years, these super blockbusters with grosses far higher than other films seemed to pop up every two or three years, but that trend is waning. Paramount's *Titanic* collected a staggering $601 million in domestic box office in 1997 and remains all-time box-office champ by a wide margin. Fox's *Star Wars: Episode 1—The Phantom Menace* generated $431 million in 1999, over $130 million more than the second-place film and far more than the $260 million film that was the following year's box-office winner. Three blockbusters surpassed $300 million in 2002, as that benchmark became a norm, led by Sony Pictures's first *Spider-Man,* which took in $404 million. The other two were New Line's *Lord of the Rings: The Two Towers*, which generated $342 million, and Warner Bros.' *Harry Potter and the Chamber of Secrets* with $302 million.

Big-budget films that bombed are also part of the box-office landscape. Warner Bros.'s $150 million production of sea-disaster yarn *Poseidon* grossed a disappointing $60.7 million domestically in 2006. Disney's historical epic *The Alamo*, which reportedly cost $100 million to make, opened to a disastrous $9.1 million in April 2004 and finished its run with just over $22 million. Sony Pictures's *Gigli*, a romantic comedy that cost $55 million to make, generated just $6.1 million in domestic box office after an August 2003 premiere.

Blockbusters are holding up, but mid-level box-office films—those in the $40 to $80 million range—are in the decline. That makes for an increasingly feast-or-famine business. Nobody's sure why the middle has softened. The most popular theory is that with the proliferation of new-media platforms for movies there is less urgency to see mid-level films in theaters.

Canada

The Hollywood majors all distribute their films in Canada themselves and films from the United States dominate box office. Canadian films take around 5% of the English-speaking home market but triple or quadruple that level in French-speaking Quebec, which provides more film subsidies.

Independent distributors in the United States are required to sublicense their Canadian rights to local distributors. Canada's proprietary-rights industrial policy, which dates back to the 1980s, mandates a film must be distributed by a Canadian company unless a non-Canadian distributor owns worldwide rights or contributes at least 50% to a film's production cost. In general, only the self-financed Hollywood majors meet the criteria. Canada's leading distributor is Alliance Films, which handles New Line, Focus Features, Overture Films, and Miramax titles in the country. Other big Canadian distributors are Entertainment One and Lionsgate Films, North America's biggest indie and a force in Hollywood, too. Other key Canada-only distributors are Maple Pictures, Equinoxe Films, Mongrel Media, TVA Films, Think Films, Seville Pictures, Christal Films, and Maximum Films.

History of Distribution

Movie distribution enjoyed a spectacular upward trajectory for the first half of the twentieth century. But the arrival of television as mass medium in the late 1940s drained audiences and nearly killed cinema, especially because Hollywood and theater operators were so ill advised in their response. To combat TV, Hollywood foolishly invested in big-budget spectacles to lure audiences away from television, initially with some success such as Paramount's $13.5 million production of *The Ten Commandments* in 1956, MGM's $15 million production of *Ben-Hur* in 1959, and Columbia's $15 million production of *Lawrence of Arabia* in 1962.

The moguls struggled in large part because they had little understanding of their audience, so they courted adults who increasingly were becoming glued to the tube. This strategy resulted in costly misfires, such as Twentieth Century Fox's *Cleopatra* in 1963 (reportedly made for a then-astronomical $44 million) and Fox's $20 million musical production of *Hello, Dolly* in 1969.

Salvation in the television era was obvious: cater to the youth audience, which is mobile and oriented to out-of-home entertainment. The major studios finally latched onto this formula starting in the late 1960s with Columbia's *Easy Rider* in 1969 (an added benefit was that the social drama presented via motorcycle cost just $375,000 to produce) and continued the ride with Universal's coming-of-age youth comedy *American Graffiti* (just $775,000 for production) in 1973, Universal's *Jaws* in 1975, and Universal's college-campus farce *Animal House* in 1978.

The apex of this movement toward films aimed at younger audiences was *Star Wars*, the 1977 release from Twentieth Century Fox, which grossed an astronomical $461 million just in domestic box office and cost just $12 million to make. Reportedly, *Star Wars* film rentals, pocketed by Fox, went on to exceed $1 billion from all media worldwide, including television and video. These films were vastly different from the moralistic Westerns, historical epics, musicals, and earnest family dramas that the majors were used to churning out.

The major studios—seeing edgy, independent films break through—began releasing more-controversial movies, such as *Bonnie and Clyde* in 1967 and *The Wild Bunch* in 1969 (both Warner Bros. films). Hollywood veered away from the avant-garde after the too-arty, $40-million-budgeted period Western *Heaven's Gate* bombed in 1980 for United Artists (now MGM). That stretch from the late 1960s through the 1970s set the tone for today's filmmaking, moving Hollywood away from sentimental, unrealistic films and installing a blockbuster mentality targeting the youth market.

Smallish, specialized film distributors popped up in the 1960s to 1980s and focused on family films that seemed underserved by Hollywood at the time. These family-film specialists included American National Enterprises, Sunn Classics, and Pacific International. They were known for booking wholesome films on a *four-wall basis* (also called *four-walling*), whereby the film distributor rented theaters for a flat fee and kept all the box office. This was a no-risk deal for exhibitors, who were uncertain that the small distributors would spend sufficient sums on advertising to promote films.

A famous four-wall episode involving a major studio occurred with the PG-rated social drama *Billy Jack*, whose initial release via Warner Bros. in 1971 fizzled. After a court battle, filmmaker and lead actor Tom Laughlin was able to re-release *Billy Jack* on a four-wall basis and generated substantial returns with regional saturation ad campaigns. In the aftermath, Hollywood distributors experimented with four-walling briefly, but today the practice is rare in exhibition for mainstream films.

Film classification underwent some upheaval as well because it marched in lockstep with changes in filmmaking. Within a week of taking the helm of the Hollywood studio trade group MPAA in 1966, Jack Valenti recalls being thrust into the maelstrom. The industry's highly restrictive Production Code Administration, which dated back to 1922 and was also known as the "Hays code" after creator Will Hays, was being challenged by filmmakers and audiences. "The first issue was the film *Who's Afraid of Virginia Woolf*, in which, for the first time on the screen, the word *screw* and the phrase *hump the hostess* were heard," Valenti recalled in a 2000 remembrance. "In company with the MPAA's general counsel, Louis Nizer, I met with Jack Warner, the legendary chieftain of Warner Bros., and his top aide, Ben Kalmenson. We talked for three hours, and the result was deletion of *screw* and retention of *hump the hostess*. But I was uneasy over the meeting."

By 1968, a four-point classification scale was set: G, M (mature), R, and X. The first three classifications were trademark protected but not X, which was added at the last minute. Eventually, the erotic film industry appropriated that final designation with such tantalizing come-ons as "triple-X" that had nothing to do with legitimate cinema classifications. As for the film-classification system, the intent was not to prohibit some depictions, as the Hays code did, but simply to communicate to the public the nature of a film's content.

8

Exhibition

> The play was a great success, but the audience was a disaster.
>
> —Oscar Wilde

The U.S. movie industry depends on movie theaters (also called cinemas)—the equivalent of brick-and-mortar retail stores for other consumer-oriented businesses—to sell its products. Movie theaters promote Hollywood product and complete sales transactions directly with consumers. Those theater screens can also be viewed as the movie industry's shelf space.

Some prognosticators get attention with forecasts that theaters will soon wither and die, though that's a highly unlikely scenario. *Admissions*—meaning *ticket sales* and also called *unit ticket sales* and *head count*—are steady, which is an achievement as posttheatrical platforms for movies proliferate. With flat unit ticket sales, theaters are squeezing more revenue out of the business by dramatically increasing in-theater advertising and periodically raising ticket prices.

The cinema business continues to hold its place in the movie-distribution cycle, despite encroachment by DVDs, pay-per-view television in its numerous forms, subscription pay television, and film pirates. Hollywood likes cinema release because it creates a marquee value for films that carries over to DVD and TV and because consumer consumption is limited to one view per ticket. And no other movie platform captures the collective experience of a group huddled in a darkened auditorium sharing the laughs, the tears, and the wide-screen spectacle of cinema. Moviegoing is further entrenched by theaters investing in big screens, crystal-clear digital sound, plush seats, and stadium-style seat placement with unobstructed sight lines.

"Though exhibition experiences cyclical ups and downs over the short term as the quality of the movies comes and goes, the business experiences consistent growth over the long term," said John Fithian, president of U.S. trade group National Association of Theatre Owners. "In the U.S., we sold an average of 980 million tickets in the 1970s, 1.1 billion in the 1980s, 1.3 billion in the 1990s, and 1.5 billion so far this decade." Going back further, admissions peaked in 1946 and then slid down to a bottom in 1970 as TV siphoned audiences. The rebound came as Hollywood began to cater to the youth market, and theaters upgraded facilities.

Overview

The United States, with 38,794 screens in its 5,928 locations (as of the end of 2007), and Canada, with 2,826 screens at 580 locations, are a significant force in global cinema (see table 8.1). The United States and Canada account for roughly 29% of the world's 146,000 screens and just 19% of admissions, but roughly 38% of global box-office revenue in the 2006–7 time frame. The reason for the high share of global box office is high average ticket prices versus cinemas in economically poor regions.

A few key phrases in describing the exhibition and distribution businesses are necessary to understand data, and these phrases often are misused: screens, (release) prints, and playdates. *Screens* refer to auditoriums. The United States averages about seven screens per theater location. *Release prints* are the bulky and heavy film reels shipped in canisters. Because some modern multiplexes occasionally use one print for two screens via an interlock, prints and screen counts sometimes vary for the same movie. A *playdate* is a theater booked to show a film and is counted as one even when a film is shown on multiple screens at the same location. Another word for playdate is *engagement*. In the multiplex era, the playdate count typically is much lower than screens and prints. A film that opens with more than thirty-five hundred playdates can be on more than eight thousand screens, because many theaters play the same film in multiple auditoriums.

At the high end, for the Friday-through-Sunday period of July 18–20, 2008, the Warner Brothers blockbuster *The Dark Knight* appeared on 9,400 screens, an all-time high 4,366 theaters (or playdates), on its way to another record of $158.4 million in box office for a three-day weekend. That screen count surpassed the 4,362 theaters for the 2007 Disney release *Pirates of the Caribbean: At World's End*. Also premiering the same weekend as *The Dark Knight* were Universal's musical *Mamma Mia!* on more than 3,700 screens with 2,976

Table 8.1. U.S. screen count, 1988–2007

Year	Indoor screens	Drive-in screens	Total screens
2007	38,159	635	38,794
2006	36,776	649	38,425
2005	37,092	648	37,740
2004	36,012	640	36,652
2003	35,361	634	35,995
2002	35,170	666	35,836
2001	34,490	683	35,173
2000	35,567	683	36,250
1999	36,448	683	37,131
1998	33,418	750	34,168
1997	31,050	815	31,865
1996	28,905	826	29,731
1995	26,995	848	27,843
1994	25,830	859	26,689
1993	24,789	837	25,626
1992	24,344	870	25,214
1991	23,740	899	24,639
1990	22,904	910	23,814
1989	21,907	1,014	22,921
1988	21,632	1,497	23,129
1987	20,595	2,084	22,679

SOURCE: National Association of Theatre Owners, www.natoonline.org/statisticsscreens.htm

theaters, and Fox's animated kids' film *Space Chimps*, which orbited on about 2,600 screens at 2,511 theaters.

Audience Profile

The cinema industry is heavily dependent on a core audience of frequent moviegoers who go to at least one movie per month, or twelve movies per year. That heavy-moviegoer demographic is skewed to youth. In 2006, persons ages twelve to twenty-four accounted for 22% of the U.S. population, but 37% of frequent moviegoers, according to the Motion Picture Association of America's *2006 U.S. Movie Attendance Study* (see table 8.2). Conversely, ages sixty and over are 20% of the U.S. population but just 9% of frequent moviegoers.

Table 8.2. Age groups in U.S. admissions, 2004–6

Ages	Moviegoers (%)			All persons 12+ years[1]	Frequent moviegoers[2] (%)		
	2004	2005	2006	(%)	2004	2005	2006
12–24	28	29	28	22	41	42	37
25–29	9	10	10	8	9	11	11
30–39	20	18	19	17	17	15	18
40–49	18	19	18	19	16	15	16
50–59	14	13	14	15	9	10	9
60+	12	11	12	20	8	7	9

Source: Motion Picture Association of America

Notes: 1. This column is for comparison and is the demographics' percentage of overall U.S. population.

2. Frequent moviegoers attend at least twelve movies a year; these columns exclude light moviegoers.

The United States and Canada have very active moviegoers by world standards. In the United States, each person averaged 4.7 movie-theater admissions in 2007. The comparable per capita figure for Canada is only slightly lower. In comparison, Europe musters just 2.3 per capita movie attendance. In much of Asia Pacific and Latin America, the per capita figures are even lower.

Economics

The movie-theater business is coming off hard times. In the 1999 to 2001 time frame, thirteen sizable U.S. theater chains landed in bankruptcy, a casualty of audience demand for state-of-the-art facilities and overexpansion of theater circuits. In this superheated period, exhibitors invaded the turf of rivals by expanding aggressively (see "History of Exhibition" at the end of this chapter). Theater chains in court-supervised bankruptcies exercised rights to "reject" unwanted theater leases. They emerged stronger as they either shed unwanted theaters or renegotiated leases to lower payments by threatening to reject burdensome leases in court.

Out of the rubble of bankruptcy, theater circuits merged in a consolidation trend. "Currently, the top one-third of screen probably account for 75% of all theater grosses," estimates Hal Vogel in the seventh edition of *Entertainment Industry Economics*. "As of 1982, the top-grossing third of screens generated half of box office." Regal Entertainment was a big part of this consolidation, growing to a hefty 6,415 screens (16% of total U.S. screens) in the United States at the start of 2007. Regal circuit gobbled up fourteen other exhibitors from 1995 to 2003 to bring its annual revenue to $2.7 billion. In early 2008, Regal agreed to buy the Consolidated circuit with four hundred screens in the mid-Atlantic region. Despite gloom-and-doom forecasts for North American cinema, new theaters are still being constructed, offsetting closure of antiquated screens and unprofitable theaters. Not surprisingly, exhibitors who call for industry-wide reductions in theaters typically want their competitors to make most of the cutbacks.

Despite growing heft, theaters are keeping a smaller slice of box office. It is estimated that theaters pay distributors about 53% of box office for films, which is called the *rentals*. Historically, it was a 50/50 split but tilted in favor of distributors in recent years.

One benefit that exhibitors retain is their hold on box-office money. Typically, consumers pay for tickets in cash, which immediately goes to the coffers of theaters. The theaters don't pay out film rentals to Hollywood distributors for one to three months after a film plays, so Hollywood distributors wait for their cut of box office. Therefore, theaters can collect interest income on ticket-sales cash before paying distributors, which in business is known as the *float*.

Historically, exhibitors have been slowest to pay independent distributors, who also complain when money finally arrives, it is sometimes less than bargained for, particularly from small-size cinema operators. Mel Gibson's Icon Distribution filed a lawsuit in June 2004, alleging that Regal Entertainment offered to settle at just 34% of box office from booking blockbuster *The Passion of the Christ*, whereas Icon asserts a 55% film-rental rate was promised. The lawsuit later ended with an undisclosed settlement benefiting Icon.

Overall, distributor complaints about underpayment have diminished in recent years because today's top circuits are large publicly traded companies that are closely watched by regulators and investors. Also, the introduction of computer information technology makes underpayments more difficult to hide. Distributors sometimes use ticket counters to do secret spot-checks of ticket sales of films, which are compared later against the final tallies provided by the theaters themselves. The Theater Entertainment Service unit of TNS Media Intelligence is one such verification service.

A centerpiece of exhibition economics is food and beverage sales, which account for roughly two-thirds of an exhibitor's operating profit. Those bags of popcorn and soft drinks each costing $2 to $6 each generate gross profit margins of 80% to 85% (revenue minus direct cost but excluding overhead).

A modern, top-grossing U.S. theater chain averaged around $2.80 in food/beverage sales per admission in 2006 compared to roughly $7 for an admission ticket. The national average is a bit lower, so food and beverages sales work out to around $2.6 billion in annual sales. It's instructive to remember that widely discussed cinema box-office figures are billions of dollars short of the total revenue of the movie-theater industry. Exhibitors keep all the food/beverage sales—and the smaller on-screen and in-theater advertising and revenue from occasionally renting theaters for nontheatrical uses.

Movie theaters are becoming more aggressive in selling national advertising to nonfilm companies, a trend that Hollywood distributors fret could ultimately cut into film-marketing efforts inside theaters. On-screen and lobby advertising amounted to a $456 million business for U.S. theaters during 2006, according to the Cinema Advertising Council. Though in-theater advertising is fast growing, it is still hundreds of millions of dollars less than in Europe. However, Europeans see fewer ads on television. In the United States, consumers are barraged with more television advertising and may ultimately prove unreceptive to in-cinema ads. Researcher InsightExpress found high levels of moviegoer dissatisfaction with burgeoning on-screen advertising, in survey results released in 2004, though there are few other signs of moviegoer backlash.

Theater circuits are betting that national advertisers will embrace in-theater placement because traditional television advertising suffers from audience fragmentation. These days, on-screen ads are presented as moving pictures (referred to as *rolling stock* by exhibitors), not just the still-slide shows that were prevalent in the past. Theaters tout their cinema audiences as being particularly valuable to advertisers, because these audiences have above-average incomes and are extremely mobile and light television viewers.

Film distributors are buying into such paid on-screen advertising, which augments free showings of their movie trailers. By early 2008, Sony Pictures, Universal Studios, and Warner Bros. signed with National CineMedia—an in-theater ad company—to show behind-the-scenes promotions for upcoming their movies in theaters. The National CineMedia platform encompasses 13,500 screens. In the past decades, some major-studio film distributors objected to on-screen advertising in auditoriums showing their movies, but the distributors mostly are silent now. They backed off because theaters are coming off a tough economic stretch and because theaters pay high film rentals to distributors by historical standards.

Another change in the economics landscape is that so-called dollar houses have shrunk to perhaps 1% of box office, down from 3% in the early 1990s. *Dollar houses* are theaters with low admission prices—typically $3—that show movies that premiered at least ten weeks earlier in other theaters charging higher ticket prices. Dollar houses tend to book well-known major-studio films, not indie titles, and make profit on food and beverage sales. Older theaters with dwindling box office sometimes are reconfigured as dollar houses. These theaters often are in blighted city centers or small towns where theater leases are cheap. However, the narrowing home-video window rushing films to DVD is squeezing the dollar houses.

The investment community is of two minds about whether the broad exhibition industry will thrive in the future. Some analysts suggest exhibition will be a low- or no-profit business because its infrastructure needs constant refurbishing, major studios hold the upper hand in negotiating film rentals paid by theaters, and—despite recent building restraint—plenty of screens still are available across North America.

A completely different thesis is that exhibition is something of a juicy moneymaking franchise for big, well-located theaters. "Although theatrical exhibition is inherently volatile over the short run, over the longer run there is nevertheless a remarkable consistency in the way the domestic business behaves," notes *Entertainment Industry Economics*. "Since the 1960s, for instance, in a typical week approximately 8 to 10% of the U.S. population buys admission to a movie."

Megaplexes

The megaplex remade exhibition because of its ability to draw moviegoers from a wider geographic area than smaller multiplexes. These days, a *megaplex* is defined as a theater with a minimum of fourteen screens at one location (some industry executives suggest twelve should be the minimum screen count). They are the big, flashy department stores of the cinema-retailing business.

In the boom of the late 1990s, the megaplex definition was a minimum of twenty screens. However, theater operators discovered that twenty screens were unprofitable in times of weak box office that periodically afflict the movie business, so the biggest new-build theaters today aren't as large as in the late 1990s. For example, Regal Entertainment says its ideal configuration is ten to eighteen screens, each with auditoriums ranging from one hundred to five hundred seats. A *multiplex* is a theater with at least six screens and up to eleven or thirteen screens, depending on where one starts defining a megaplex.

Theaters with fourteen or more screens tend to pull audiences from an eight- to twelve-mile radius, depending on population density and geographic barriers in a given area. That number compares to the three- to five-mile radius for smaller theaters (thirteen screens or fewer). In very densely populated areas such as Manhattan, the zones can be smaller than three miles in radius. *Zones* are the geographic areas in which distributors and exhibitors book films.

Until the arrival of the megaplex in 1995, moviegoers almost always went to the nearest theater to see a movie. However, these days a moviegoer might drive past a nearby six-screen theater showing a desired film for the enhanced experience of seeing the same movie in a megaplex. Megaplexes offer sheer size that makes going out a spectacle, particularly because they offer amenities such as extensive food and beverage service that can include cafes. More than that, megaplexes tend to have stadium-style seating where rows are sharply tiered, which provides better sight lines to the screen than the simple sloped floors at older theaters. The megaplexes also are apt to offer the latest digital sound, bright screens, and the highest-quality film-projection equipment.

The megaplex revolution has had a dramatic impact on film-booking strategies. Because megaplexes draw moviegoers from a bigger geographic swath than do smaller theaters, there is more overlap by theaters, which gives film distributors more choices in covering a city. This undercuts the negotiation leverage of exhibitors. If there is more than one exhibitor in a film-booking zone, a distributor can literally auction films. Despite the availability of multiple exhibitors, film distributors tend to book movies with the same exhibitor over and over in a zone because of the simplicity in dealing with just one buyer. If there are competitive theaters in a booking zone, it's advisable for distributors to maintain the appearance of being open to all comers so as not to leave themselves open to charges of anticompetitive practices. Zone exclusivity is referred to as *clearance*. Exhibitors can negotiate clearances in individual booking contracts that exclude nearby rivals from showing the same film at the same time.

Theater Chains

After several rounds of consolidation, the top-five circuits each operate at least a thousand screens and together account for around 45% of all U.S. screens. The top-five U.S. circuits (in descending order of screens) are Regal Entertainment, AMC Entertainment, Cinemark Cinemas, Carmike Cinemas, and National Amusements (see table 8.3).

The big five circuits have slightly different profiles. Carmike Cinemas operates smaller theaters in towns and suburbs with populations under one hundred thousand, where cinema competition is light. In contrast, AMC Entertainment concentrates on jumbo megaplexes in urban centers, averaging 14.7 screens per location in 2007. That is more than double the industry average of less than seven screens per theater. Further, AMC, which also owns the Loews circuit, unveiled an aggressive IMAX big-screen building effort in 2007. Regal Entertainment and Cinemark Cinemas are also noted

Table 8.3. Top exhibitors in North America by screens, 2007

Rank	Exhibitor	Country	Screens
1	Regal Entertainment[1]	U.S.	6,415
2	AMC Entertainment	U.S.	4,431
3	Cinemark Cinemas	U.S.	3,593
4	Carmike Cinemas	U.S.	2,475
5	Cineplex Galaxy	Canada	1,319
6	National Amusements	U.S.	1,092
7	Century Theatres (acquired by Cinemark)	U.S.	994
8	Kerasotes Theatres	U.S.	602
9	Wallace Theatre Group	U.S.	524
10	Marcus Theatres	U.S.	504
11	Rave Motion Pictures	U.S.	427
12	Empire Theatres	Canada	378
13	Consolidated Theatres[1]	U.S.	363
14	Dickinson Theatres	U.S.	357
15	Harkins Theatres	U.S.	315
16	Georgia Theatres	U.S.	281
17	Malco Theatres	U.S.	280
18	Goodrich	U.S.	265
19	Pacific Theatres	U.S.	258
20	Clearview Cinemas	U.S.	254

Source: *Screen Digest*, www.screendigest.com

Note: Regal Entertainment purchased Consolidated Theatres in 2008.

for modern infrastructure. Theaters face concentrated power on the other side of the bargaining table when booking movies. The top-ten film distributors—Hollywood's six historic majors, DreamWorks Animation, Lionsgate, and MGM—account for approximately 94% of box office in a normal year.

The trend toward wider theatrical releases has ended the segmentation between first-run theaters getting premieres and second-run theaters—the latter of which are often located in suburban or outlying areas. City-center and outlying theaters play a film at the same time with today's wide-release patterns. Thus, all of today's national circuits operate theaters booking first-run movies.

Each circuit has film buyers who preview films, making evaluations of their commercial prospects. The opinions of each circuit's buyers help a circuit decide how widely or narrowly to book a given film and what kind of financial terms to seek from distributors. Exhibitors say they also are keenly attuned to what a given film's classification will be in the evaluation process. Although films may not yet be rated when they are screened for theater buyers, distributors let exhibitors know what classification they are working to get. Films rated R and G have spotty box-office records (see chapter 7). Films with NC-17 classifications or films that are released unrated have poor track records in part because the media often rejects advertising for such movies, so these films are hard to market to moviegoers.

Another part of the buyers' calculus is to estimate how long a given film will run, which is crucial in determining how clogged or uncrowded screens will be in the weeks and months ahead. The better a film's prerelease prospects are, the higher the film rental distributors typically can negotiate. Likewise, films with poor commercial prospects generally get lower-than-average deals from exhibitors. Thus, the booking strategy by exhibitors is an exercise in a kind of three-dimensional chess. It takes into account a given film's prospects, how crowded screens are expected to be when the film is scheduled to be released, and how long the film's run is expected to be.

Giant Screen

Large-screen theaters, once confined mostly to museums and institutions, are popping up as part of or adjacent to regular megaplex and multiplex theaters. Giant screens are one hundred feet wide and eighty feet high, giving the viewer an immersion viewing experience unlike that of a smaller, conventional cinema screen. Special effects-laden films, sci-fi, fantasy, historical epics, and action films are best suited for immersion treatment.

The dominant player is the publicly traded, $120 million–revenue IMAX, which is headquartered in suburban Toronto and was founded in 1967. Originally focused on institutions such as museums, IMAX developed a more compact projection system for regular commercial theaters. IMAX film frames are nearly ten times larger than conventional film and more costly, so the company is eager to convert to electronic digital projection. The United States has 139 IMAX screens and Canada 23, out of 284 in globally. In late 2007, U.S. circuit AMC agreed to build one hundred new IMAX screens in the United States from 2008 to 2010. Getting emphasis is the IMAX 3-D presentation with which moviegoers get a sense of depth when they wear special eyeglasses.

IMAX pushed hard to diversify into commercial locations with the success of Warner Bros.–distributed *The Matrix Reloaded* in 2003. Seventy IMAX screens that accounted for just 7% of the sci-fi film's total domestic screens contributed 27% of its box office. On top of that, *Matrix Reloaded* had already premiered in conventional theaters four weeks before its IMAX run. IMAX premiere soon came simultaneous with regular theaters. In 2007, IMAX said that its runs of *Beowulf* accounted for 13% of the Paramount release's domestic gross from 2% of screens.

There are two goals in putting mainstream films on giant screens. First, distributors seek film-rental revenue because ticket prices are higher at giant-screen theaters. Ticket prices for the two *Matrix* movies ran 30% higher, on average, than in conventional screens. Second, films tend to run longer, and re-releases from the vaults are possible via IMAX. For example, in 2002, IMAX screens booked a re-release of Universal's 1995 space-disaster drama *Apollo 13*. A drawback is that Hollywood films typically have running times that are twice as long as scientific/nature films, so giant-screen theaters don't squeeze in as many showings with mainstream films. As long as giant-screen theaters fill up with moviegoers, the economics work even with fewer runs.

Canada

Canada generated around US$860 million in box office in 2007 and has two languages: English and French (in the Quebec province). Canada's population is about 11% that of the United States, but its box office historically has been 7% to 9% of the United States due to the impact of currency exchange and lower Canadian per-capita attendance. However, the Canadian dollar, which in 2000 exchanged C$1.46 and in 2002 C$1.20 to the U.S. dollar, reached 1-to-1 parity in late 2007, so the trend is for its box office differences to narrow on a revenue basis.

Canada's contribution to domestic box-office figures was frequently a source of confusion in the past. Weekend domestic box-office grosses, which are issued in a rush, sometimes add Canadian grosses on a one-to-one basis with U.S. dollars. When the Canadian-dollar exchange rate was lower, this created a distortion, which now narrows with parity of Canadian and U.S. dollars. In other frequent inadvertent misstatements, pundits cite U.S. box-office figures that also include Canada or else they talk about "domestic box office" that in reality is only for the United States.

The country's dominant theater chain is Cineplex Galaxy with 1,319 theaters at end 2007, ranking fifth in North America. Publicly trade on the Toronto Stock Exchange, its theater brands are Cineplex Odeon, Galaxy, Famous Players (including Coliseum, Colossus, and SilverCity), Cinema City, and Scotiabank Theatres. Its theaters account for well over half of Canadian box office.

Canada has a more stringent regulatory regime than the United States. Six regional government entities operate a mandatory film-rating system in Canada. These are for Alberta, British Columbia, Manitoba, the Maritime Provinces, Ontario, and Quebec. (In contrast, the United States film-classification system is voluntary—films do not have to submit to ratings—and the classification organization is industry run).

The Ontario Review Board is one of the few classification agencies that do not have the authority to ban a film. It can only issue a restrictive rating, and it is a police decision whether to pursue any obscenity-law enforcement. In 2004, a court in Ontario, which is the province that includes Toronto, barred the Ontario Film Review Board from banning films, ruling that conflicts with the Constitution of Canada.

As part of a test in 2008, the National Film Board of Canada placed electronic digital projectors in small towns underserved by commercial cinemas. The digital screens show NFB films and are attractive to distributors because the projectors don't require costly film prints.

For distribution purposes, Canada is combined with the United States in what is called the *domestic market*. The countries are combined because most of Canada's population lives along the southern border with the United States, where it gets American television-broadcast television channels (either over the air or via cable retransmission). Because Canadians see movie ads from the United States, and there is no language barrier (except in French-speaking Quebec), films premiere simultaneously in both countries. The term *domestic market* irks some Canadians who feel the phrase makes Canada seem like part of the United States. However, such multicountry combinations exist elsewhere in the film business, such as the Benelux region in Europe (Belgium, Netherlands, and Luxembourg), without suggestion of undermining sovereignty.

Marketing by Theaters

Exhibition is a business with little brand identification or loyalty. Consumers traditionally make a cinema decision primarily by choosing the nearest theater offering a desired movie or the nearest cinema equipped with sought-after amenities such as stadium seating for unobstructed sight lines to the screen.

In recent years, some U.S. exhibitors experimented with loyalty programs, offering discounts for frequent moviegoing in a bid to increase per-capita attendance from their regular customers and to draw patrons from rivals. This ticket-price–cutting strategy borrows a concept used in Europe with mixed results. U.S. circuits mostly dropped such programs, partly because of conflicts with distributors over lower film rentals resulting from a drop in average ticket prices.

In another bid to foster consumer loyalty, theaters push gift cards and seek promotional tie-ins with distributors. For example, graphics from New Line Cinema's *The Lord of the Rings: The Return of the King* and *Universal's Dr. Seuss' The Cat in the Hat* were imprinted on Loews Cineplex cinema's Reel Dollars gift certificate to promote the films.

Independent Theaters

Independent films, which in the broadest definition are any movies not originating from the major studios, have grown in stature since the late 1960s. Since then, audiences gravitated toward edgy, realistic "new American cinema" films that stood in sharp contrast to tame studio fare. Due to that success, mainstream theaters started booking indie films, so theaters with a pure indie-film focus now face broader competition. The video revolution also cut into the indie-theater business. Out-of-the-mainstream films became more accessible via DVD videos, putting less pressure on filmgoers to catch the films in cinemas.

The largest circuit devoted to independent films is Landmark Theatres, which has fifty-five locations (with about two hundred screens) in twenty-two metropolitan areas. Founded in 1974, the circuit has a footprint covering the top U.S. cities, which enables Landmark to tap the bulk of the art-film audience. Its theaters tend have diverse names such as the Nuart Theatre in West Los Angeles, Embarcadero Center Cinema in San Francisco, Kendall Square Cinema in Cambridge, Massachusetts, the Plaza Frontenac Cinema in St. Louis, Missouri, and the Sunshine Cinema in New York City.

Dot-com billionaires Mark Cuban and Todd Wagner purchased Landmark in 2003 for $80 million, with ambition to ride the digital technology wave now engulfing the movie business. The duo are producing movies as well, include Steven Soderbergh's working class drama *Bubble*, which was released to underwhelming response in 2006 simultaneously to theaters, DVD, video and cable TV's HDNet TV. The multiple-windows-at-once model is not spawning imitators. Indie distributor Magnolia Pictures and HDNet are also part of the duo's film ventures. Another company banking on digital technology to remake the indie sector, New York City–based Madstone, which was founded by a Wall Street executive, abruptly downsized its ambitions and pulled out of the art-house–theater business in 2004.

A fixture of independent exhibition is *calendar houses*, which screen out-of-the-mainstream films with short runs, sometimes as brief as a single day. The name comes from the promotional brochures, which show the theater's film schedule for one or two months with playdates presented in a calendar format. Calendar houses are usually stand-alone theaters and not part of larger circuits. Located in an outlying New York City suburb, the Jacob Burns Film Center is an example of a calendar theater that is set up as a not-for-profit. Established in 2001, the Burns Center proved to be a quick success, drawing two hundred thousand admissions in 2003 (including special group screenings) and booking 450 different film titles each year on its three screens. A salute to Italian cinema is an example, with thematic films making short runs.

The Burns Center mails out thirty thousand to forty thousand printed calendars per month, sends e-mail newsletters to eleven thousand persons who opt-in, and uses the promotional muscle of sponsors. Its Web site and publicity-generating stories in outside media are other marketing mainstays. One employee devotes full time to publicity. "We have developed a community base where we can often sell-out a screening just using e-mails," said Steve Apkon, executive director of the Burns Center. "People understand that filmmakers come into town or films become available on short notice, and everyone has become used to checking the Web site and looking for electronic bulletins as part of their everyday routine. It has become a very powerful marketing tool."

The Burns Center has six corporate sponsors, including Pepsi, Fujifilm, and a local newspaper, which use the association to target the upmarket cinema audience. To tap an audience interested in nutrition, a local health-club chain that is a permanent sponsor and a health-food-store chain underwrote an event built around the screening of fast-food documentary *Super Size Me*. Given the segmented appeal of films, the Burns Center can deliver to audiences such as children, women, ethnic groups, and educators who otherwise are spread out geographically and difficult for corporate sponsors to reach.

Indicating a consumer loyalty for edgy films, the Burns Center outgrossed a suburban theater by a ratio of 5:1 when both screened 2006 Danish import *After the Wedding*, according to Burns Center program director Brian Ackerman. The Burns Center sometimes will not book indie films that are saturating mainstream theaters nearby because that strays from its mission to cater to underserved segments. One of the Burns Center's three screens turns over film on a daily basis or sometimes runs two different films on the same day. A second screen holds films for a half week to a week. The third screen has long runs, up to a maximum of five weeks.

On-line Ticketing

Two big on-line ticketing services sell tickets and provide show-time information for films. Some general entertainment Web sites also push cinema information and ticketing, though ticketing is often done through a third party.

Among the big two services, Fandango appears the biggest, claiming its fifteen thousand screens represent 70% of on-line-ticketing screens. Purchased by cable giant Comcast in 2007, Fandango emphasizes entertainment content, which draws ad revenue and commerce on its Web site. The other big on-line player, MovieTickets.com, which pursues a strategy of being a provider to handle on-line transaction services to third-party Web sites. MovieTickets.com does fulfillment for ticket purchases made through AOL Moviefone, CitySearch, MySpace, MSN, and Movies.com.

Theaters are represented exclusively. Fandango has Regal Cinemas, Carmike Cinemas, Century Theatres, Kerasotes, and Cinemark Theatres. MovieTickets handles AMC, Mann Theatres, Marcus Theatres, National Amusements, Pacific Theatres, and UltraStar. The on-line-ticketing providers generally add an extra $0.75–$1.50 per ticket as a convenience fee and generally sell tickets for screenings limited to forty-five days in the future. Exhibitors are involved in setting the amount of the ticket-price markup. The on-line services also offer tickets via toll-free telephone calls.

Volume for on-line ticket sales ranges from 3% to 8% of total cinema ticket sales. Peak sales are for opening weekends of anticipated blockbusters with a possibility of sold-out performances, going as high as 12% for high-demand movies. Fandango says that it was selling ten tickets per second over multiple hours for *Spider-Man 3* in 2007. Earlier, Fandango reportedly sold $8.8 million of the $125 million five-day opening-weekend box office for *The Passion of the Christ*, or about 7% of the tickets sold for the religious drama for February 26–29, 2004. The opening of *The Passion of the Christ* accounted for 98% of Fandango's sales for some dates. On-line ticketing is more popular in other parts of the world where cinemas and seating capacity are in short supply, while theater seats are more plentiful in the United States and Canada. Reserved tickets can be picked up at the theater using a verification identification code. When tickets are printed at home, the printouts have individual bar codes for verification.

The ticketing services are platforms for film distributors and their promotional partners to run sweepstakes, plugged on home pages, and other promotions in connection with theatrical film premieres. The MovieTickets Web site offers contests. In 2007, MovieTickets.com mounted the "Experience Heaven on Earth in the British Virgin Islands" sweepstakes in connection with Warner Bros.'s *Bucket List*. The prize was a Caribbean vacation for two. In 2004, Paramount conducted a MovieTickets.com contest for the release of the remake *The Stepford Wives*. The grand prize was a trip to New York City, and the studio's partners—Marriott New York Marquis, travel agency Orbitz, and retailer Z-Gallerie—got plugs on a sweepstake entry page of MovieTickets.com. MovieTickets.com is a joint venture of publicly traded Hollywood Media Corp., which has a 26% stake, and several theater circuits.

Film Piracy

Exhibitors find their venues are the front lines in the battle against film piracy. The Motion Picture Association of America (MPAA) estimates 90% of movies popping up unauthorized on the Internet originated from camcorders copying off cinema screens. Further, the trade group from Hollywood's major studios says movie piracy is a multibillion-dollar global problem.

U.S. theater trade group National Association of Theatre Owners (NATO) rallied its members to police theaters to crack down on piracy. Its efforts include promotions aimed at consumers, employee training to detect and report violators, financial rewards for employees, and utilizing equipment to detect piracy. Piracy concerns flared in Canada, where Warner Bros. stopped prerelease promotional screenings in May 2007, citing weak antipiracy regulations and camcorder copying of movies off Canadian cinema screens.

In a bid to thwart pirates, film distributors are moving up premiere dates in other countries closer to or, in some instances, simultaneous with North America release. That's because North America release spawns pirate DVD and Internet copies of films, including camcorder copies made surreptitiously in theaters. An illicit copy can be downloaded to other countries, where DVD bootlegs are immediately duplicated.

In overseas territories, having release dates close to those in the United States has a drawback, however. Peak cinema periods and holidays in other countries are mostly out of synch with those in the United States and Canada. For example, summer is the peak in North America, while in Europe autumn the strong season. Still, the trend is for fast international release of films that are expected to be widely pirated, especially blockbusters and visual action-adventure films that don't face significant language barriers. This breaks from a tradition of gradual country-by-country rollout over months.

Digital Projection

Electronic digital movie projectors, which replace mechanical film equipment using analog technology, are becoming a force. At the end of 2007, there were around 5,000 d-cinema screens worldwide out of 100,000 "modern" global screens suitable for digital (out of 146,000 total screens), according to London-based global media research and consultancy Screen Digest.

"I think it's been looked at, wrongly, as a straight switch of projection technology," said David Hancock, senior analyst at Screen Digest. "D-cinema will change the way cinema is viewed." He said digital's flexibility will allow theaters to project more films and on a more flexible basis, responding more effectively to local demand. Digital will enable a theater to screen more local ads and programming, which marks a big change in how local communities will view their movie theaters. Right now, theaters are seen as purveyors of national media—both movies and ads. In another revolutionary change, theaters will be able to easily project nontheatrical attractions such as sports events and live events like concerts and other special programming.

Nontheatrical content—called *alternative programming*—utilizes digital projectors (see fig. 8.1). A one-night showing of a *Battlestar Galactica* special took place in theaters in 2007 backed by the Sci Fi Channel TV series and Microsoft, which plugged one of its video games. This meant theaters linked up with a cable TV channel, a video game, and the DVD release of *Galactica* via major studio Universal. In 2004, a concert from rock musician Prince's Musicology tour was offered at more than forty d-cinema screens using electronic projection for an admission price of $15. Such alterative fare is becoming more prevalent. If alternative programming becomes pervasive, it likely will cut into screen time for films. The specter of alternative programming pushing movies off screens makes film distributors reluctant to help exhibitors pick up the cost of converting to d-cinema.

The changeover to d-cinema faces obstacles regarding quality. Exhibitors want to use digital projection as a vehicle to justify a higher-priced ticket, for example, charging $1 to $2 more than screens showing the same film with conventional mechanical projectors. That requires d-cinema having visible superiority to film projection.

D-cinema electronic projection quality only became comparable to mechanical film projection for the naked eye in the late 1990s. D-cinema promoters obscured the inconvenient reality that the quality of digital projection was simply about the same as conventional film projection. This is in contrast to digital sound, which is a fixture today in cinema. Digital sound when introduced represented a dramatic improvement, which caused some pundits to later overestimate the impact of digital technology on image projection. In one possible scenario, the United States trails the rest of the world in installing d-cinema because the U.S. infrastructure of mechanical film projectors is of top quality. Some pundits dismiss the standard 35-mm mechanical projector as obsolete, but that's not the case. The film-projection platform experienced many improvements over decades, such as improvements in film stock, brighter light bulbs, and better screens.

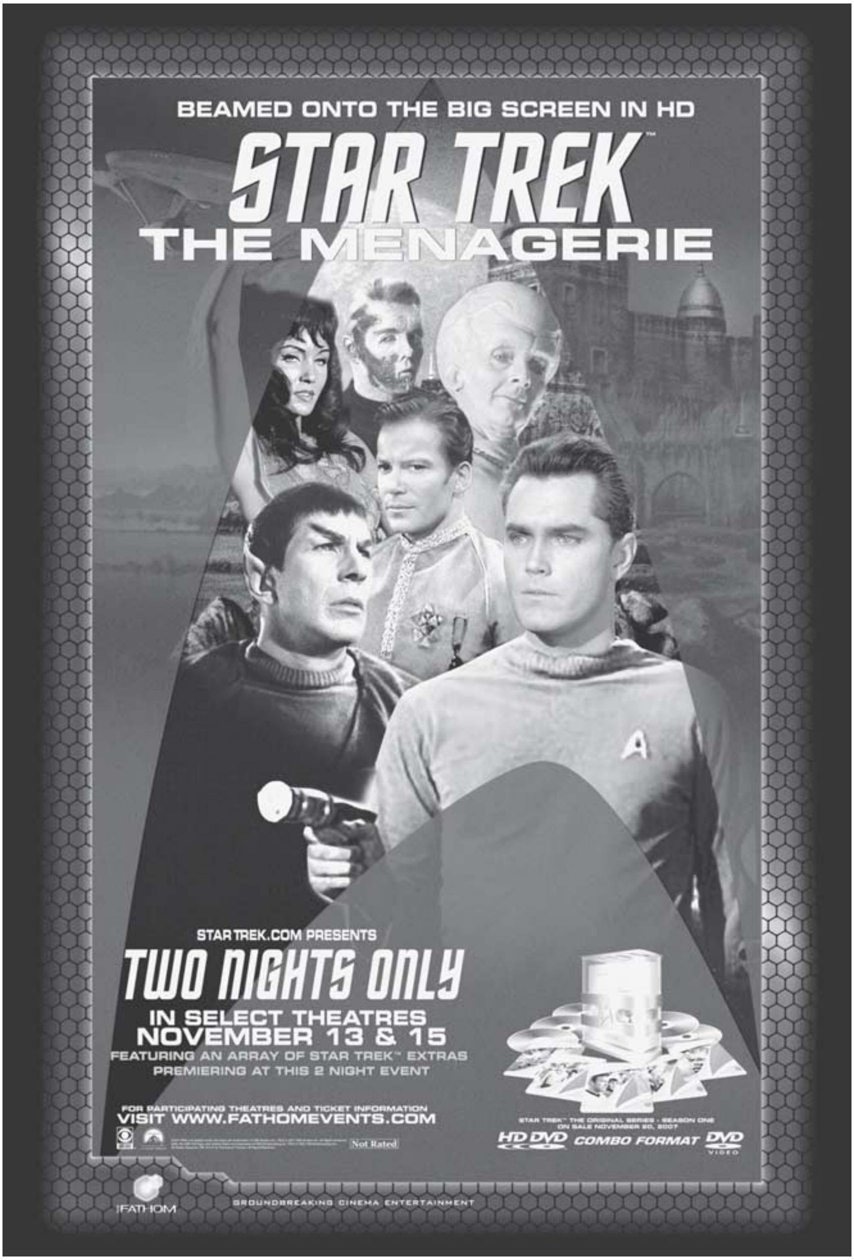


Fig. 8.1. A two-night cinema run for *Star Trek: The Menagerie* in November 2007 promotes Paramount's home-video release; digital cinema projection makes screenings of such TV content feasible.

Economic concerns enter the picture for adoption of d-cinema. One is that theaters have to buy digital projection equipment, whose utilization mainly benefits film distributors. Unless d-cinema screenings command higher ticket prices, the big gain is freeing Hollywood distributors from shouldering the expense of supplying bulky analog-film release prints and related shipping costs (which theaters don't pay for). It's estimated that the U.S. film industry pays $800 million to $1 billion a year to make release prints. A single release print costs approximately $1,000 in a high-volume order. Shipping costs are substantial because film prints are bulky. If a theater destroys a print, distributors typically charge a $2,000 replacement fee to cover added shipping and to deter theaters from being careless with prints.

The equipment price tag is another economic issue. Mechanical projectors for conventional film projection cost about $30,000 each. That's far less than cinema-quality digital projection equipment for a cinema screen, which costs around $80,000 (including on-site digital storage equipment), although this expense is falling. On top of that, mechanical projectors are more durable and last longer. Less-expensive digital projection systems are available, but they fall short of cinema quality and are used for noncinema image projection.

A sporadic shift in technical standards for d-cinema is another deterrent to theaters, which are accustomed to their mechanical projectors being viable for decades while d-cinema hardware could be just years. The consortium Digital Cinema Initiative, formed by Hollywood's major studios, evaluated technology and equipment with an eye to setting standards and issued a final report in 2005. The film industry wants to avoid multiple standards, such as the DTS and SDDS audio format that fragments digital sound in theaters. But collaboration risks being cited for anticompetitive behavior by playing favorites. A final concern is that movies in d-cinema format will be easier for pirates to intercept. A digital copy can be used to make identical duplicates, which is not the case with analog technology in which copies made from film prints are of lesser quality than the original. Conventional film prints also are more difficult to intercept because of their bulk.

Whenever digital cinema arrives, it will level the playing field between major studios and independent film distributors. The Hollywood majors currently have an advantage because their large sizes enable them to pay for and manage thousands of cumbersome analog-film release prints. D-cinema streamlines the delivery process by using satellite transmission, high-speed broadband connections, or inexpensive portable disks, which independents should be able to accomplish as easily as majors. As noted earlier, dot-com tycoons Wagner and Cuban bought the two-hundred-200-screen Landmark Theatre art-house circuit with the intention of pushing d-cinema as part of a broader foray into the movie business.

In film production, Hollywood cinematographers and directors are expected to stick to using traditional analog film for principal photography of major studio films because of its soft "look." Many feel digital images are too sharp, bordering on being harsh to the human eye. However, lower budget films will embrace digital production to reduce costs. Also, postproduction editing is done with digital electronic equipment, and, of course, special effects are mostly digital creations.

The slow-to-materialize d-cinema revolution has already claimed a casualty. Industrial giant Boeing quit its effort to lease transponders on satellites to the film industry and thus abandoned a plan to serve as a middleman.

Group Screenings

Several types of private screenings, which are not open to the general public, typically are components of exhibition of family, special interest, and up-market films. Some are revenue-generating affairs coming late in a film's theatrical run. Others are prerelease screenings aimed at drumming up word of mouth with a target audience.

One type of screening is private-group sales designed to generate revenue. A youth organization screening a popular, mainstream family film is an example. For such screenings, a theater allocates an off-peak screening time or even a morning slot when a screening would not occur anyway. Paid private-group screenings usually are scheduled a few weeks after theatrical release when box office is waning.

Groups for revenue-generating screenings typically pay theaters, which then make a film-rental payment to distributors. Usually, a group must meet a minimum audience requirement to qualify for a private screening, such as fifty persons for morning screenings when a theater would have to open early. A minimum group size might be twenty-five for an off-peak, early-afternoon date. Prices—typically slightly discounted—usually are set by agreement among the film distributor, the distributor's group sales organizer (if it's an outside marketing consultant), and the theater. Such special showings typically account for a tiny slice of revenue for a major-studio release but can be one-third of box office for low-grossing indie films. Film distributors sometimes often hire outside marketing consultants to market group screenings on behalf of theaters.

Another type of private screening is aimed not so much at generating revenue but rather positive word of mouth among an audience segment for which a film holds special interest. These screenings come prior to theatrical release for the purpose of building prerelease awareness, given that there's little point to mounting such an effort after a film is out. For example, a movie that has dancing as a focal point of the plot might use special screenings for dance music theaters, dance studios, and arts organizations. The prime purpose is to engage opinion leaders of the film's prime target audience; generating revenue is a secondary consideration. Admission may be at a reduced price or even free to entice opinion leaders to attend. A promotional tie-in partner, such as a dance-clothing company, might pay for such screenings as part of a larger promotion tied to the movie.

"Specialty films or films that target a specific audience are ideal for group screenings," said film marketing executive Karen Gold, who booked group sales for *Schindler's List*, basketball documentary *Hoop Dreams*, and other films. She said that targeted groups can include seniors; religious entities such as churches, Bible-study groups, chabads, and choirs; youth groups such as YMCAs/YWCAs; community centers; book groups; party planners; fraternal, professional, social and civic organizations; arts groups; and, most important, schools, especially if the story in a film is part of the curriculum. For *Hoop Dreams*, sports-equipment outfit Nike and the magazine publisher for *Sports Illustrated* helped pay for group screenings. As a sponsorship, they printed educational literature: 110,000 study guides dubbed *Play Books* that were mailed to teachers and students.

Ads for group screenings typically are modified from the mainstream release materials but use the same typeface, logo, and any other signature elements that the mainstream materials use. Marketing efforts can include e-mail blasts, postcard mailings, poster mailings, and telephone solicitations. Typically, a toll-free number is available for groups to make contact and book theaters. The key to making group sales work is obtaining good mailing/contact lists for the target audience. Such lists are available for purchase or rental from direct-marketing companies. Group-sales marketers also hook up with organizations to gain access to their membership lists.

A final type of private screening is arranged by "cinephile clubs," which regularly book artistic films and are a staple for indie film releases. Again, this type of screening is designed to build a buzz in the marketplace and comes before regular theatrical release. Many clubs don't even let members know the name of the film showing and build a following with "surprise" screenings of provocative films.

Although distributors get low or no rental fees, cinephile clubs charge their members entry prices that typically are higher than a normal ticket. The clubs pay for the theater and for promotion to members. In some cases, the distributor provides a speaker to answer questions after the screening.

History of Exhibition

The early days of film present an industry that would be unfamiliar today, from the invention of motion picture to nickelodeons to silent films to the first talkies. "Back in the 1920s, a 65-cent movie ticket would buy a few hours in a comfortable seat in the grandeur of a marbled and gilded theater palace in which complimentary coffee was graciously served while a string quartet played softly in the background," notes *Entertainment Industry Economics*.

The modern era was ushered in when a federal court in New York City forced a handful of Hollywood major studios to separate from their theater chains in 1948. The so-called Paramount Consent Decree broke up vertically integrated studios, whereby a film distributor owned the theaters playing its films.

By the 1950s, Hollywood distributors and theaters were under separate ownership for the first time in decades. "To achieve economies of scale, since the 1960s, exhibitors have tended to consolidate into large chains operating multiple screens located near or in shopping-center malls," states the *Entertainment Industry Economics*. So the trend is that the number of theater locations shrinks as antiquated single-screen and other small theaters close. However, screen count per location is growing.

For theaters in the United States and Canada, the multiplex era arrived in 1969 when what is now AMC Entertainment opened a brand-new six-screen theater in Omaha, Nebraska. Until that time, the few multiscreen theaters were big auditoriums built in the pre–World War II Golden Era of cinema. They were later subdivided and thus not originally built with multiple screens.

Consolidation has also been a trend in Canada. Exhibition had long been a Canadian duopoly of Famous Players, which was purchased by Hollywood major Paramount in 1994, and Cineplex Odeon. The duopoly dissolved when Cineplex Galaxy, which includes the old Cineplex Odeon circuit, agreed to buy Famous Players and its eight hundred screens for $400 million in 2005. Their decades-old duopoly was already undermined when AMC Entertainment began building megaplexes in select big Canadian metropolitan areas, though it stopped short of national breadth. The Kansas City, Missouri–based AMC Entertainment entered Canada with high hopes in 1998, only to be blunted when Famous Players opened theaters wherever AMC built. When the Cineplex Odeon–Famous Players duopoly reigned, film distributors booked one circuit for near-national coverage. Film rentals—the share of box office that goes to film distributors—were lower at approximately 45% (theaters kept 55%) than in the United States, although distributors benefited from simplified film booking via just one theater chain.

As AMC and others fragmented the marketplace, a U.S. style of booking by geographic zones started to take hold. A distributor tends to place a film with just one exhibitor in a zone and covers Canada with a patchwork of theaters, often from different chains. Before AMC's entry, Famous Players booked on a national basis movies from Disney, DreamWorks, MGM, Paramount, and Warner Bros. Cineplex Odeon was the circuit for Columbia/Sony, Twentieth

Century Fox, and Universal Pictures. AMC, whose cinema roots date back to 1920, is also credited with introducing the megaplex theater to the United States when, in 1995, it opened the twenty-four-screen Grand 24 in Dallas, Texas. The Belgium-based exhibitor Kinepolis pioneered the megaplex concept in Europe.

Another milestone for exhibition was the bankruptcy of thirteen significant U.S. theater circuits between 1999 and 2001, following the boom in megaplex theaters from 1995 to 2000. Those events are intertwined because the megaplex-building craze made theaters with smaller screen counts obsolete, including some six- or eight-screen theaters that were just a few years old.

In a sudden end to hard times, the Regal Entertainment circuit raised a whopping $342 million in a 2002 initial public stock offering. The bonanza was due to good timing: the stock market was hot, and box office was sizzling. Regal Entertainment also benefited from a decline in national screen count in the aftermath of the bankruptcies in 1999 through 2002. Telecom billionaire Philip F. Anschutz bought Regal Entertainment out of bankruptcy in partnership with distressed-securities outfit Oaktree Capital Management shortly before the public stock offering. They also had acquired the United Artists and Edwards circuits and a chunk of the Hoyts circuit.

Investment house Tejas Securities estimates that from 1996 to 1999, the then top-five exhibitors—AMC Entertainment, Carmike Cinemas, Cinemark USA, Loews Cineplex, and Regal—pumped a staggering $4 billion into capital expenditures, which mainly went to opening 5,325 screens. U.S. screen growth averaged 7.5% per year from 1995 to 2000, which was accelerated from an annual growth rate of 3.2% from 1990 to 1995. While screen count mushroomed, cinema attendance grew just 2.4% per year from 1990 to 1999, which meant ticket sales lagged behind the increase in screens in the late 1990s. Still, box office is on a growth track, having increased from $5.3 billion in 1995 to $9.6 billion by 2007 (see table 8.4).

A two-tier exhibition structure faded in recent years with the boom in theater building that erected modern theaters in outlaying areas. The building boom led to increasingly wide releases by film distributors that focused massive advertising on initial premiere. As a result, big films now open everywhere at the same time. In past years, the marketplace was segmented by first-run and second-run theaters. In the old system, release prints first went to city-center theaters, and then the same prints were used weeks later by outlying, second-run theaters.

One fallout of the megaplex trend is that amenities such as digital sound, wide screens, and stadium seating increasingly are seen as mandatory for each screen. Until the mid-1990s, multiplexes tended to have two levels of luxury. A multiplex operator in this era might outfit two or four main auditoriums with top luxury, while the remaining four or more screens would be sparsely appointed. Exhibitors complained that the audience demand for uniform luxury of digital sound, wide screens, raked stadium-seating floor configuration, and plush seats with cupholders makes theaters at least twice as expensive to build as just a few years earlier.

The boom of the late 1990s and the following bust largely resulted from an invasion by investment from private equity firms, which pumped up exhibition with a flurry of investments. Private equity outfits buy existing businesses with

Table 8.4. Domestic box office, 1983–2007

Year[1]	Box office[2] ($ billion)	Change from prior year (%)	Change versus 2007 (%)
2007	9,629	5.4	-
2006	9,138	3.5	5.4
2005	8,832	-4.2	9.0
2004	9,215	0.5	4.5
2003	9,165	-1.2	5.1
2002	9,272	14.1	3.9
2001	8,125	8.8	18.5
2000	7,468	2.1	28.9
1999	7,314	8.2	31.7
1998	6,670	8.8	42.4
1997	6,216	6.9	54.9
1996	5,817	10.4	65.5
1995	5,269	1.6	82.7
1994	5,184	5.9	85.7
1993	4,897	7.3	96.6
1992	4,563	-	-
1991	4,803	-4.4	-
1990	5,022	-0.2	-
1989	5,033	12.9	-
1988	4,458	4.8	-
1987	4,253	12.6	-
1986	3,778	0.8	-
1985	3,749	-0.7	-
1984	4,031	7.0	-
1983	3,766	-	-

Source: Motion Picture Association of America

Notes: 1. Because of later revisions, some percentage changes for 1983 through 1993 are not presented.
2. Figures are the sum of United States and Canada box office.

the goal of increasing their value for resale in three to five years. Private equity outfits typically invest a relatively small amount of their capital to purchase companies and augment that capital with massive borrowing. The borrowing magnifies returns on their foundation capital when assets are sold but loads up a company with debt that may crush it.

When the growth rate for box office revenue lagged behind the increase in screen count, the debt-heavy capital structure of exhibitors acquired by private equity outfits was untenable. Their cash flow could not service debt. The final nail in the coffin came when aggregate ticket sales fell from 1999 to 2000.

9

Major Studios

> Well, good-bye, Mr. Zanuck. And let me tell you that it certainly has been a pleasure working at Sixteenth Century Fox.
>
> —director Jean Renoir

Hollywood's venerable six major studios are criticized for being impersonal, stodgy, tight fisted, and unwilling to change with the times. The quote above, which plays off this viewpoint, is a farewell from the famous French director to Hollywood mogul Darryl F. Zanuck. The reality is that the Hollywood majors are world-beaters in business—nobody else comes even remotely close—so they must be doing something right. For all the knocks about inflexibility, the majors are changing with the times, as evidenced by their embrace of the DVD video format and entrance into the video-on-demand business.

The venerable six, which have been the eternal Hollywood giants since the 1920s, are Walt Disney Studios, Sony Pictures's Columbia Pictures, Paramount Pictures, Twentieth Century Fox, Universal Pictures, and Warner Bros. Those six constitute the entire membership of the Motion Picture Association of American (MPAA) trade group. For decades, Metro-Goldwyn-Mayer was a seventh, but it downsized distribution after being sold in 2005 to a consortium. Their worldwide revenues from distribution of feature films to all media amounted to over $39 billion by 2008, according to Adams Media Research. The majors—when including their indie-style affiliates—account for around 97% of box office in the United States in a normal year.

The remaining few percentage points of market share are fragmented among independents that are not affiliates of major studios, which illustrates an important characteristic of the U.S. movie business. There are few middle-size film companies. At one time, Orion Pictures (*Dances with Wolves* and *The Silence of the Lambs*) and A-picture producer Carolco Pictures (*Basic Instinct* and *Terminator 2: Judgment Day*) were hefty mid-sized players, but they landed in bankruptcy in 1991 and 1995, respectively.

It's not surprising that the middle ground is dangerous, because the movie business is capital intensive with unpredictable swings, both down and up. Large size is necessary to ride out financial and cyclical vagaries endemic to the business. Looking more closely at the studios, Hollywood's top-five majors each weighs in with revenue of over $6 billion per year (see table 9.1). The sixth major, Paramount, has traditionally been much smaller, but its recent investment program is closing the gap.

The next-biggest film distributors are MGM, which is a fallen major, and true independent Lionsgate Entertainment whose revenue runs about $1.1 billion annually. DreamWorks Animation SKG is also big at around $700 million a year in corporate revenue; its films are distributed by Paramount, which includes DreamWorks box office in its total.

Overview

Although the workings are little understood, even within the film industry, the majors are essentially banks and distribution machines, whose economic clout comes from their film libraries. Having a physical production facility is not critical, and no studio operates with a permanent roster of star talent, as in the 1930s golden era. The majors contract out for production talent with their piles of money, creating new films in what is a low-profit business to replenish their film libraries, whose licensing to TV outlets and DVD sales is a high-profit business.

Table 9.1. Hollywood's major studios ranked by revenue, 2006–7

Studio	Revenue ($ billion)
Warner Bros.	11.0
Sony/Columbia	8.3
Walt Disney	7.5
Universal	7.0
Twentieth Century-Fox	6.7
Paramount	4.6
Total	**45.1**

Source: From company reports

Note: Revenue figures comprise all filmed entertainment, including television programs and studio-affiliated indie films.

As banks, the majors have the financial resources to make or acquire films without presales. Thus, the majors are not forced to collect fixed amounts of money in advance by selling off rights to third-party distributors to fund their current slates, as the independents are. The distribution prowess of the majors results from their ability to sell films directly to theaters around the world. Europe's big film companies don't have the ability to directly distribute films theatrically even to their next-door neighbor countries, much less to Asia or Latin America.

One consequence of their distribution muscle is that the major studios are perfectly suited to market big, glossy mainstream films but not specialized films. Beverage giant Coca-Cola found this out the hard way in the 1980s when it owned Columbia Pictures (which was sold to Sony in 1989). Under the leadership of distinguished British filmmaker David Putnam, whose credits include *Chariots of Fire* and *Midnight Express,* the studio arranged to distribute quality films such as the Soviet-era Afghanistan war drama *The Beast* and the Serbo-Croatian language *Time of the Gypsies.* However, Columbia's earnings suffered from the small streams of box office generated by such niche films, and the strategy was abandoned.

At any given moment, each major studio has about 150 films in active development, of which twelve to twenty typically are made each year. Their release counts are augmented with acquisition of films from outside sources. For example, Walt Disney released *Around the World in 80 Days* to disappointing box office in 2004, although the adventure-film remake starring Jackie Chan was actually produced by Walden Media, which put up the film's $120 million-plus production budget.

Another aspect of current film slates is that major studios sometimes pair up on films to make them joint ventures. In this arrangement, one studio handles domestic distribution, and the other handles foreign distribution. After some deductions, net revenue goes into what is called a shared pot, from which the two partners divvy up proceeds. The shared pot is an equalizer because there's always an imbalance between revenue streams from the foreign market and the domestic (United States and Canada) market. For example, Paramount/DreamWorks distributed *Sweeney Todd: The Demon Barber of Fleet Street* domestically in 2007, while Warner Bros. handled the gory musical thriller overseas.

The strategy of split rights represents a portfolio approach. Instead of owning whole films, studios divide some film investments into half ownership. This spreads their production investment over a broader slate—the portfolio—which tends to even out the ups and downs of the movie business. The majors also hedge their bets by producing a wide range of film types, with emphasis on genres that generate hits (see table 9.2).

Table 9.2. Film economics of major-studio films worldwide by genre[1]

Genre	Number of titles	Average box-office gross ($000)	Average worldwide revenues[2] ($000)	Average negative costs ($000)	Average P&A[3,4] ($000)	Average gross profit ($000)
Action	118	85,029	353,446	87,708	69,561	196,178
Animation	49	101,249	434,638	66,837	73,603	294,198
Comedy	191	54,959	175,472	38,429	60,088	76,955
Drama	88	49,450	188,635	45,586	54,844	88,205
Family	31	81,012	322,625	52,871	65,572	204,183
Horror	31	40,375	145,473	28,129	55,779	61,565
Romance	11	29,418	117,724	31,727	50,517	35,480
SciFi/Fantasy	24	120,693	496,850	90,167	70,574	336,110
Thriller	41	45,249	160,041	44,073	57,908	58,060
Other	3	38,144	132,752	31,333	43,202	58,217
Total or Average	**587**	**66,092**	**251,805**	**54,346**	**62,407**	**135,052**

Notes: 1. This table is major studio films released on 1,000+ screens from January 2002 through June 2007. Major studios include Disney, Columbia, DreamWorks Animation, DreamWorks SKG, Fox, MGM, Paramount, Universal, and Warner.

2. *Average WW revenues* include domestic and international box-office rentals, domestic and projected international HV revenues, and projected domestic and international TV/PTV revenues.

3. *Negative cost* is the expense of producing a film and thus excludes marketing and overhead costs.

4. *Average P&A* includes average domestic prints and advertising, as well as estimated average international P&A.

Looking back in history, the major studios emerged in the 1920s and have dominated film distribution ever since. In those early days until the post–World War II period, there were two tiers of studios. The Big Five were MGM, Paramount, RKO, Twentieth Century Fox, and Warner Bros., although RKO eventually faded and the bulk of its film library was absorbed by Warner Bros. These studios were vertically integrated because they were distribution companies that also owned theater chains. The second-tier studios—known as the Little Three because they lacked theaters—were Columbia, United Artists, and Universal. Today, the United Artists library of films is owned by and represents the backbone value of MGM.

Marketing by Majors

The major studios spend heavily on marketing—mostly paid ads—to launch their films, and their approach has grown in sophistication since the 1980s. Hollywood majors each spend $600 million per year or more in advertising media buys (TV commercial time, magazine ads, Internet banners, and so forth) for domestic theatrical releases. Then, each forks over hundreds of millions of dollars for bulky release prints of films for theaters and collateral expenses related to advertising, such as ad testing, audience tracking, and costs of creating ads themselves. Thus, the job of studio-marketing chief requires adroit management skills because ad expenditures are spread over a wide array of television, Internet, print, and other media.

The complexion of the executive suites at the major studios began to change radically in the 1980s because of marketing considerations. For the first time, the top studio jobs went to executives with backgrounds in television, movie distribution (those who licensed films to theaters), and marketing. Television executives brought a sense of discipline from their spreadsheet mentality of weighing the cost of television programming versus the ad-revenue potential of the program's intended time period. The executive-suite makeover in the 1980s also reflected the importance of distribution expertise in management, as selling to television and video became important generators of revenue.

Prior to the 1980s, studio bosses invariably came from inside the film business with backgrounds in production, film development, and finance. The production and development executives displayed something of a riverboat-gambler mentality by choosing films based on gut instinct and believing that a blockbuster was always just around the corner.

In examples of the new executive-suite ladders at studios, former Warner Bros. co-chiefs Bob Daly and Terry Semel, who ran the studio for two decades in the 1980s and 1990s, climbed from careers in theatrical distribution and network television, respectively. Former Disney corporate chief Michael Eisner and current media tycoon Barry Diller went from network-television program jobs to jointly running Paramount Pictures from the mid-1970s to mid-1980s. The late Brandon Tartikoff, who briefly was chair of Paramount from 1991 to 1992, began his career in local television-station promotion and later segued to network programming. Also in this era, former Paramount and MGM chief Frank Mancuso and ex–Universal Pictures chairperson Robert Rehme climbed up the ranks from theatrical distribution jobs. Top former Warner Bros. and Paramount executive Rob Friedman started his career in film publicity. The late Dawn Steel, who was head of production at Columbia, came from a promotions and merchandising background.

The trend is also evident at the Academy of Motion Picture Arts and Sciences, which was founded in 1927. For decades led by actors, producers, and directors, the organization that confers the Oscars elected Rehme, who started his career in distribution, and Sid Ganis—whose background is in marketing—as presidents starting in 1992. Two currently serving studio chiefs are part of the trend: Warner Bros. president Alan Horn broke into Hollywood via television programming and began his business career at packaged-goods giant Procter & Gamble, and Walt Disney Studios chairperson Richard Cook spent much of his career in distribution and also worked in television. Also, Disney Studios marketing boss Oren Aviv, who is a former advertising-agency executive, was elevated to president of production in 2006 for Walt Disney Motion Picture Group, which is an executive promotion that would have been inconceivable given his background a quarter century earlier.

Besides bringing TV and in-house marketing execs into the top jobs, studios began reaching outside of Hollywood to staff their marketing divisions. This became a trend in the 1980s came after majors realized that the fickle youth audience was their salvation, with films such as Columbia's youth counterculture drama *Easy Rider* in 1969, and their homegrown film-marketing executives were unprepared for complex consumer marketing.

Among the outsiders in the first wave was Peter Sealey, who jumped from Coca-Cola to Columbia Pictures in 1983 shortly after the beverage marketer bought the studio. Today, he is a board member on several Silicon Valley tech firms and adjunct professor of marketing at Claremont Graduate University. Other studios later recruited executives from cosmetics giant Revlon and from various Madison Avenue advertising agencies. In today's Hollywood, marketing executives wield real power to an extent that was unthinkable a few decades ago because they are asked for their opinions about marketplace potential for films in development.

A marketing and distribution orientation became valuable as the velocity of film distribution quickened. Through the 1980s, movies spent months in theatrical release, but now they are often just a six-week business at cinemas. The time between a film's theatrical release and subsequent DVD video rollout decreased from 5.7 months in 2003 to around 4.0 months in 2008, and it's not clear when the narrowing will cease. The studios collect money faster by contracting release windows, but the risk is that moviegoers will skip cinema release. Meanwhile, theaters press distributors to keep a healthy interval.

The prospect of having a simultaneous theatrical release and DVD rollout is sometimes raised, but that would surely reduce total revenue. The reason is that consumers have no incentive to purchase movies in multiple windows, as is the case now. Also, despite some faults, the theatrical window is one of the most valuable to Hollywood because only one moviegoer sees a film per ticket, which is not the case with DVD and TV presentations, which groups can watch.

Economics and Recent History

The overriding objective of major studios is to distribute films that are profitable. If the films are engaging, witty, and thought provoking and win awards, that's simply icing on the cake but not the first concern. Studios want films that are as creative as possible without sacrificing marketability. Because the majors occasionally produce artistic masterpieces, such as Paramount's first two *Godfather* movies, some pundits mistakenly believe art is an integral part of the equation. It's not.

Critics also rap the major studios for picking safe subjects, for ordering movie endings to be reshot after unfavorable audience response in test screenings, and for not catering to minority audiences. Faulting the majors for producing blockbusters is silly because creating glossy, crowd-pleasing films that generate large amounts of money is their primary business. What's sometimes underappreciated is that majors attempt to balance their annual film-release slate with the occasional thought-provoking, personal film, such as Sony Pictures's father-son drama *The Pursuit of Happyness*, Warner's death-row drama *The Green Mile*, and Universal's WWII drama *Schindler's List*. The job of trying to consistently please critics goes to the studios' wholly owned indie-style subsidiaries, which are big winners of Oscars. This strategy started in earnest with Disney's 1993 acquisition of Miramax, which went on to distribute best-picture Oscar winners *Chicago* and *The English Patient*. Further, Warner owns New Line Cinema, which made the Oscar-winning *Lord of the Rings* trilogy.

The studios themselves dabbled with controversial films over the years but worried about triggering consumer backlash that could hurt other businesses of their parent companies. For example, in 1992 Paramount struggled with how to responsibly market urban drama *Juice*. The studio removed a handgun from later waves of ads that was prominent in early advertising, but that change watered down the film's impact in marketing to moviegoers.

The major studios create a layer of insulation by creating separate identities for their independent-style affiliates that handle edgy movies. This method separates controversial films from the mainstream-studio slate. The indie arms also represent an economic segmentation because they produce, acquire, and market films at far-lower cost than their studio parents. Of course, some films are too controversial even for insulated indie subsidiaries, as evidenced by Disney forcing its Miramax unit to sell off anti–Iraq war documentary *Fahrenheit 9/11* in 2004.

A popular strategy of major studios is to acquire just domestic rights to independent films packaged outside the studio system. The majors typically pay 25% to 40% of the production costs of such films, yet those domestic rights can generate 55% or more of each film's economic benefits when video and television sales are factored in. Only the majors can extract that 55% value by virtue of their power in theatrical distribution, high-volume sales to the video trade, and volume sales to television outlets.

Studios share riches from certain blockbuster films with talent. The most expensive studio films probably cost over $125 million to make when royalty participations for talent are included, which is tens of millions more than usually cited in industry figures. Royalty participations are bonuses—sometimes called profit participations—that actors, directors, writers, producers, and others receive if films exceed contractually specified financial benchmarks.

The financial underpinnings of the majors are their film libraries of a thousand to forty-five hundred major-studio films, each stretching back decades (and excluding any nonstudio films acquired over the years). Each film library throws off hundreds of millions of dollars annually in free cash flow, which is a profit cushion that is critical whenever a studio's current releases suffer losses. The library films were long ago amortized, so the main expenses are minimal residual payments to talent for reruns, costs for physical manufacturing of DVDs, and overhead expenses of studio sales.

The film library assets would be a melting ice cube if new films were not constantly added, because fresh titles are locomotives that help sell older titles in home video and television. Over $1 billion in production costs are racked up by each of the six major studios for a year's worth of new films. The actual numbers may be difficult to pin down because the majors sometimes sell off slices of foreign rights to their films for quick cash, bring in financial partners, and tap government subsidies for their offshore production. A strategy of selectively parceling off some distribution rights weakens the clout of majors in licensing their slates to pay-television and broadcast-television outlets overseas.

In what is considered Hollywood's "modern" era, the majors endured a harsh winter from the 1950s to the 1970s, after the government forced them to divest their theater chains. A bigger source of bleeding was steady cinema decline at the hands of emerging broadcast TV. The majors initially resisted licensing their movies to TV, for fear of helping a competitor, despite the easy money. One by one, the struggling major studios were bought up starting in the 1960s by conglomerates that wanted a footprint in entertainment business, though the marriages proved a bad fit. Parent companies were rattled by unexpected quarterly write-offs when films bombed, which unnerved investors accustomed to steadier results from other operations within the same conglomerate. Insurance company Transamerica bought United Artists, and Gulf & Western Industries acquired Paramount Pictures in this period. Mel Brooks lampooned Hollywood's conglomeration by inserting the villainous Engulf & Devour Corp. in his 1976 release of *Silent Movie*. Eventually, the majors realigned with conglomerates that were focused on media, which was a good fit because studio films could be used by sister companies such as TV channels. The major studios also improved their financial performance by embracing TV with both film sales and TV program production.

Today, major studio economics are in a trough because the boom of the original DVD format is over, and the replacement high-definition DVD format got mired in a war between two incompatible systems. The cash-cow standard-definition DVD was introduced in North America in 1997. Now the high-definition DVD format war is resolved with victory by Sony's Blu-Ray, a new wave of consumer purchases of new and old movies will follow in the years ahead.

In the 1990s, Hollywood also benefitted from the introduction of new commercial broadcast-TV and subscription-TV channels overseas and from the rebuilding of overseas theater infrastructure. The longer-range outlook for Hollywood is bright because new movie-consumption media platforms are gaining momentum. These are video-on-demand, streaming video via the Internet, and video played by handheld devices such as Apple's iPod and iPhone.

Profiles of Major Studios

Columbia-TriStar-Sony Pictures

Sony Pictures, which is the parent of Columbia and TriStar, used to be the studio without any movie franchises until the explosion of its three *Spider-Man* blockbusters (and counting) at the box office. *Spider-Man 3*, which premiered in May 2007, grossed $336.5 million domestically. Sony distributes about twenty-five studio films a year, after ratcheting down output somewhat from early this decade. In 2004, the studio repositioned its TriStar Pictures as the release banner for mainstream films made by and purchased from third parties. The studio is among Hollywood's most active in acquiring finished films, particularly to exploit their value in home video.

Brothers Harry Cohn and Jack Cohn incorporated Columbia Pictures in 1924, after entering the movie business in 1920. The studio was most associated with populist comedies of Frank Capra in its early days, such as the 1939 uplifting drama *Mr. Smith Goes to Washington* starring James Stewart. The studio thrived in the 1960s with films such as *Funny Girl*, *Lawrence of Arabia*, and *Easy Rider*.

Coca Cola bought what was then called Columbia in 1982 and in 1989 sold the studio to Japanese electronics conglomerate Sony. In 1994, Sony took a staggering $3.2 billion asset write-down on the studio. The studio struggled from the early 1970s to the end of the century but in recent years has been a good financial performer for Sony. This is particularly welcome because Sony's traditional, vast electronics business is under pressure from low-cost mainland Asia rivals and also Apple's iPod.

The parent corporation thought enough of its filmed entertainment business to join the consortium that bought rival MGM in 2005. The Sony/Columbia movie library has around thirty-five hundred titles today.

Walt Disney Studios

Walt Disney Studios adopted a new strategy for theatrical films in 2006 that emphasizes family films—which obviously is a good match with the animation and theme-park conglomerate's image—and moderate budgets, with the exception of an occasional big tentpole. The new strategy—which veers away from costly star-laden movies and edgy films—paid off handsomely when its formulaic father-daughter comedy *The Game Plan*, which cost an estimated $22 million produce, grossed $89.8 million domestically in 2007. That is twice as much box office as Paramount's edgy comedy *The Heartbreak Kid* that cost three times as much to make and was released at around the same time.

Disney's two film-releasing banners are Walt Disney Pictures, which is being emphasized under the 2006 strategy, and Touchstone Pictures, which is designed to separate the Disney name from nonfamily fare. These two banners release about twelve to fifteen films a year.

Early this decade, Disney's hallmark animation business hit a rocky patch, which was shored up with the $7.4 billion acquisition in 2006 of animation supplier Pixar, which made *Toy Story*. That means recent Pixar successes such as *Ratatouille* and *Cars* are now in-house hits for Disney. Leading up to the Pixar corporate acquisition, only two of the seven animated films from Disney's in-house animation arm achieved $100 million in domestic box office. In 2002, its in-house *Treasure Planet*, which cost $140 million to make, was a big financial disappointment, incurring an estimated $98 million write-off. Disney's traditional film arm got back on track with 2005 hit *Chicken Little,* which grossed $135.3 million domestically.

The Disney studio was nominally founded in 1923 when brothers Walter Disney and Roy Disney began producing cartoons. In 1928, they came up with *Steamboat Willie*, which featured a Mickey Mouse–like character. The brothers achieved a breakthrough with the 1937 full-length feature hit *Snow White and the Seven Dwarfs,* which grossed $8 million in box office the first time around (equivalent to about $100 million today) and which launched the modern company. The next decades were marked by up-and-down financial performance and memorable animated movies.

Following the death of Walt Disney in 1966, the company was buffeted by financial uncertainties until former–Paramount chief Michael Eisner took the helm in 1984. Under Eisner, Disney experienced tremendous growth, though his tenure ended in a slump. His successor, Robert Iger—who took charge of Disney in 2005—reenergized the company.

The Disney film library contains 911 live-action feature films and 79 full-length animated features, which is relatively small among the majors in terms of film count. But those full-length animated features are big revenue generators. Disney also owns ABC Television.

DreamWorks

In 1994, ex–Disney executive Jeffrey Katzenberg, filmmaker Steven Spielberg, and entertainment entrepreneur David Geffen founded DreamWorks. Their goal was to create an artist-friendly studio, but the hurdles in creating a major from scratch are daunting, and their ambitions then downsized.

Although not one of Hollywood's major studios today, DreamWorks Animation SKG is a significant player. A publicly traded company, DreamWorks Animation achieved notable success with the *Shrek* animation film franchise. It also was behind Oscar winners *Gladiator* and *American Beauty,* but these were in its live-action film business sold in 2006.

Metro-Goldwyn-Mayer

Purchased in 2005 for its library of old films, Metro-Goldwyn-Mayer is no longer a major Hollywood studio. Today, it's not a member of the major-studio trade group, and its distribution reach has been cut back. The 2005 purchase price of $5 billion amounts to $3 billion in cash and assumption of $2 billion in debt, which was suffocating the studio. MGM had been a publicly traded company, which was 74% owned by financier Kirk Kerkorian. Its new owners are a consortium of private equity investors, Sony Pictures (a 20% stake) and cable-TV giant Comcast (20%). They bought MGM just as an industry-wide DVD film decline arrived, hurting MGM's library revenue. In 2006, MGM hired Tom Cruise and his producing partner Paula Wagner to run the studio's United Artists division.

MGM has a glorious history that can be traced back to 1924. In its heyday, MGM boasted in promotions of having "more stars than there are in heaven." By the late 1950s, the studio suffered financially, and its original film library was eventually sold and is now controlled by Warner Bros. Today, MGM has a new batch of four thousand film titles, but many are low-profile independent pictures acquired as libraries in recent years. The 950 United Artists films that include the Rocky and James Bond series are the core of the MGM library value now. UA was originally founded in 1919 by four creative figures, including Charlie Chaplin. The MGM library also includes the Orion Pictures films.

Paramount

A strategy shift in 2004 to step up to bigger films and invest in growth is paying off for Paramount Pictures, which was Hollywood's top-ranked distributor in 2007 based on its 15.5% of domestic box office.

Its 2006 deal to buy the DreamWorks library of live-action film projects brought it hit live-action films and gave the studio distribution rights to DreamWorks Animation SKG movies (such as *Shrek the Third*), though the animation company remains separate from Paramount. Paramount's parent Viacom paid $1.5 billion for the DreamWorks live-action movie business and immediately sold off part of the acquired assets for $675 million for a partial recoupment. Such splashy spending had been avoided under the studio's prior strategy. Up to 2004, Paramount's investment in films was modest compared to the other majors, in a bid for stable profits, because it feared some big films would bomb. The downside of its prior play-it-safe strategy was that producers of Hollywood's big films made other studios their first stops.

Now distributing upwards of twenty studio films per year (including DreamWorks Animation releases), Paramount's output of mainstream films is in line with other majors, after previously being lower. Its parent Viacom is a big owner of cable-television networks, whose brand names and properties have been used in the marketing of the studio's films, such as MTV Films and Nickelodeon. Viacom's controlling shareholder Sumner Redstone separately owns National Amusements (based in a Boston suburb), one of the largest theater circuits in the United States.

Paramount was founded by furrier Adolph Zukor, who invested in nickelodeons in turn-of-the-century New York City with Marcus Loew, in a brief pairing of the two eventual Hollywood moguls. In 1912, Zukor founded what became Paramount Pictures. Its roster of stars later included Gary Cooper, Mae West, Bob Hope, and Bing Crosby. The company was the first major studio to sign a deal with government antitrust authorities to separate theaters from film distribution, in what became known as the 1948 Paramount Consent Decree. In 1994, Paramount was acquired by media conglomerate Viacom.

Today Paramount is the smallest of the true majors in revenue, but in the 1970s and 1980s, Paramount was Hollywood's trendsetter. Its 1970s hits include *The Godfather*, *The Odd Couple,* and *Rosemary's Baby*. In the 1980s, its films captured the mood of the brash youth MTV generation with *Flashdance* and *Beverly Hills Cop*. Today, Paramount's film library comprises three-five hundred full-length features.

Twentieth Century Fox

Fox has the reputation of being the most profitable studio year in and year out, due to careful investment in films and lean overhead. Perhaps emblematic of this approach, it distributed goofball comedy *Borat*, which grossed $128.5 million in domestic box office after its 2006 premiere but then bowed out of an auction for *Borat* filmmaker Sacha Baron Cohen's next picture. *Borat* is said to have cost Fox just $18 million. Universal acquired Cohen's next picture for a reported $42.5 million commitment.

This focus on costs came after its production of *Titanic*, the 1997 release that spiraled out of control with an estimated final budget of $235 million. The epic *Titanic* proved out, becoming the highest grossing film of all time; Fox had sold off half of the movie prior to release to Paramount, which got a bargain.

These days, Fox distributes a wide array of films, from sci-fi yarn *The Day After Tomorrow* to screwball comedy *Dodgeball: A True Underdog Story* to animated hit *The Simpsons Movie*. The studio is trying to carve out a niche in faith-based films that appeal to religious moviegoers, and this includes a joint venture with Walden Media that has scored hits with uplifting-themed movies at other studios. Fox distributes about thirty films annually in what it calls "general release," which is one-third more than a few years ago.

The studio's Fox Searchlight indie arm is one of the most successful distributors of independent films, with its hits *Juno, Sideways*, and *Little Miss Sunshine*, each grossing over $50 million domestically. The studio consolidated its marketing operations of its smaller Fox Atomic unit to the parent studio and Fox Searchlight in 2008.

The studio was transformed by its acquisition by Rupert Murdoch–led News Corporation Limited in the 1980s, thus aligning the studio with a global media conglomerate that owns the Fox Broadcasting television network and subscription-TV operations around the world. An earlier transforming event in its corporate history was launching *Star Wars* in 1977, which turned around the studio's then-precarious finances.

Twentieth Century Fox traces its roots to 1904 when young garment-factory owner William Fox opened a penny arcade in Brooklyn, New York, that eventually grew into a theater circuit. By the next decade, Fox Film Corporation was producing movies. The Great Depression vanquished the overextended, debt-heavy company. In 1935, it merged with small Twentieth Century Pictures led by Darryl F. Zanuck, who became the legendary movie mogul associated with the studio. The studio's stars of the past included Tyrone Power, Gregory Peck, and Marilyn Monroe, and today Fox says its film library has "several thousand" titles.

Universal Pictures

Universal Pictures, which is 80% owned by General Electric and is part of the NBC Universal division, has historical roots in the horror genre, but today offers a full range of films from family to sophisticated adult tastes. The studio is best known for comedies, including those with R-ratings. Its R-rated pregnancy romantic comedy *Knocked Up* emerged as a surprise blockbuster with $149 million in 2007 domestic box office. Its series of spy thriller movies based on Robert Ludlum's Bourne books are consistent successes at relatively modest budgets for flashy action films. Under GE's ownership, Universal is noted for systematically attempting to forecast profit/loss of its decisions, which led it to pull out of bidding for the DreamWorks live-action-film business that Paramount eventually acquired.

The studio distributes fourteen to eighteen major-studio films per year (excluding titles from its indie affiliates). Perhaps reflecting parent GE's philosophy of relentless self-examination, Universal has consolidated movie-marketing divisions more than rivals. In early 2007, its domestic home-video distribution unit was combined with its domestic theatrical distribution arm. In 2008, distribution oversight of theatricals released under the Rogue banner of specialty films shifted to Universal from the studio's Focus Features indie-style arm.

Universal's founder is Carl Laemmle, a clothing-store manager who opened a theater in Chicago in 1906. He soon moved into film distribution, creating the foundation for Universal Pictures. The studio struggled financially until after World War II, when its horror films and Alfred Hitchcock–directed thrillers were noteworthy.

A talent agency bought Universal in 1959, transforming it into a top-tier major studio with films such as *Spartacus* in 1960, *Jaws* in 1975, and *E. T.—The Extraterrestrial* in 1982. In 1990, the studio's publicly traded parent MCA Inc. was acquired for $6.1 billion by Matsushita, the Japanese conglomerate best known for its Panasonic brand. This kicked off a series of ownership changes. In May 2004, General Electric's NBC broadcasting subsidiary purchased an 80% stake in the studio business from French conglomerate Vivendi Universal in the first phase of a two-step sale. Vivendi retains a 20% stake that it is expected to liquidate, possibly with GE selling out at the same time. The Universal library has about four thousand films.

Warner Bros.

The largest major by dint of its relentless investment in film, Warner Bros. releases about twenty studio films per year and prides itself on a slate that includes several "event" movies each year. Its overall releases include films under its Castle Rock distribution banner. The studio is known for its series of movies such as its *Harry Potter*, *Lethal Weapon*, *Batman*, and *Matrix*. The studio is the longtime home for Clint Eastwood and is a leader among Hollywood's majors in distributing foreign-language films overseas in their home countries with around thirty such films a year.

To bring in outside capital to support its film ambitions, Warner Bros. has been inclined to take on financial partners on its films, including Alcon Entertainment, Dark Castle Holdings, Legendary Pictures, Village Roadshow Pictures, and Virtual Studios. Only four of its 2006 releases were fully financed by the studio, according to a regulatory filing of the parent Time Warner Inc. The parent also owns Home Box Office and an array of cable channels, including Turner Classic Movies, which give the studio direct access to television outlets for its movies.

The studio traces its origins to 1903, when future Hollywood mogul Harry Warner opened an early movie theater. By 1913, he began producing and distributing in a company that became the Warner Bros. studio. Known for its gangster dramas in Hollywood's pre–World War II golden era, the studio was home for James Cagney, Errol Flynn, and Bette Davis. In the late 1920s, the studio pioneered talking pictures.

Its corporate parent began a long period of instability when its high-flying video game division Atari crashed in the early 1980s (not related to the current Atari company). Time Warner's 2001 merger with Internet titan AOL was a financial disaster. Warner Bros. has perhaps Hollywood's largest film library at around forty-five hundred titles, though an exact title count is difficult, because the studio holds only partial rights to some acquired films. The library includes most of MGM's pre-1986 films.

10

Independent Distributors

> I never knew why it took the majors at least fifteen years to capitalize on summer releases geared for the youth market. . . . You (simply) made a film about something wild with a great deal of action, a little sex, and possibly some sort of strange gimmick.
>
> —B-movie filmmaking legend Roger Corman

Independent distributors tend to fill market segments—meaning niches—not covered by the majors. They also focus on low-budget films. Roger Corman's book *How I Made a Hundred Hollywood Movies and Never Lost a Dime* from which the above quote is taken, recalls that the indies feasted on teen and youth summer movies in the 1950s to 1970s. The movies had provocative titles, such as *Sorority House Massacre* and *Piranha*.

By the 1970s, the majors finally wised up and went after the youth audience, releasing their own low-budget youth films in the late summer. For example, Paramount's *Friday the 13th Part 3: 3D* slasher film opened in mid-August 1982. The majors have dominated the summer seasons ever since.

It's difficult to prosper in the hardscrabble independent sector today, but occasional films have achieved unbelievable riches, which keeps hopes alive. The horror *Saw* series—which numbers four films and counting—has grossed $286 million in the United States and Canada for Lionsgate on production budgets ranging from just $1.2 million to $10 million. At the other end of the genre spectrum, *The Passion of the Christ* generated a mind-boggling $370 million in domestic (United States and Canada) box office via distributor Newmarket Films. Hollywood A-list actor Mel Gibson financed, directed, and cowrote the religious drama, which cost $30 million to make. That production budget is higher than most theatrical releases marketed by independent distributors, which typically cost hundreds of thousands to $20 million to produce, versus an average $70.8 million production expense for a major studio film in 2007. Then there's romantic comedy *My Big Fat Greek Wedding* that cost about $5 million to make and took in staggering $241 million in domestic box office in 2002 via IFC Films. *Crouching Tiger, Hidden Dragon*, the Chinese-language action drama that cost an estimated $15 million to make, rolled up $128 million in 2000 domestic box office for Sony Pictures Classics.

Reflecting the creeping impact of cost-saving digital technology, *Open Water*, a scripted drama about recreational scuba divers who encounter a school of sharks after being mistakenly abandoned by a resort boat, was made with digital cameras for a reported $130,000. The suspense drama received an estimated $15 million marketing campaign launch in August 2004 from distributor Lionsgate, grossing a satisfactory $30.5 million domestically.

Indie companies can be divided into two camps. True independents do not have major-studio backing; examples include Newmarket Films (*Memento*), Lionsgate Releasing (*Fahrenheit 9/11*), and IFC Films (*This Film Is Not Yet Rated*). Then there are indie-film divisions owned by major studios, such as Miramax Films (Disney) and Sony Pictures Classics (Sony Pictures.). The studio-owned indies dominate box office in the indie category (see table 10.1). The major-studio connection is a dependable source of capital, and studios have the distribution clout to maximize DVD and TV sales of movies supplied by their indie divisions.

Overview

In pursuit of niches, indies look for openings in film-release schedules. After the majors roll out big-budget, glossy youth films in the peak summer season, the indies counterprogram with up-market films aimed at underserved sophisticated audiences. Island Releasing started the trend with a successful box-office run for *Kiss of the Spider Woman*, which grossed a healthy $17 million after premiering in late July 1985. More recently, Miramax took in a decent $18.7 million in 2007 box office with British drama import *Becoming Jane* after an early-August debut. Fox Searchlight raked in $60 million releasing low-budget acquisition *Little Miss Sunshine*, which was an edgy R-rated comedy that premiered in late July 2006.

Fox Searchlight's pregnancy drama *Juno* rolled up $140 million in domestic box office, after an early-December 2007 launch that was risky given that mainstream Christmas holiday films flooded screens two weeks later. Focus Features slipped *Lost in Translation* in an inauspicious September 2003 slot, yet the dry comedy rolled up awards and accumulated $44.6 million in domestic box office. *Lost in Translation* premiered at just 23 theaters and then mushroomed to 882 theaters at its peak, building on positive word of mouth. However, most indie films don't hit 600 theaters at any point in their run.

Although indie films seldom saturate the theater marketplace, some achieved sizable box office even though they never hit a thousand playdates at any time during their theatrical runs. Occasional indie films receive wide releases. *The Passion of the Christ* opened at 3,043 theaters (translating to over 3,600 screens at those theaters) in its February 2004 premiere. But the cinema landscape is getting increasingly crowded. "Fifteen, even ten years ago, you could find seams in the studio release schedules," said indie film marketer Richard Abramowitz. "There would be a lightly contested weekend with maybe three or four new releases. Now the year is packed with 812 films. So it's harder to get screens, films have to compete more heavily for attention in all the advertising media, and there's less space available for the press to publicize any one film." Abramowitz operates Abramorama, a boutique theatrical distribution company, and also is a marketing and distribution consultant based in Armonk, New York.

The film business lives off income from video and television, which has an impact on the marketing push in the theatrical window. Buyers of video and pay-television rights to independent films often specify in contracts that purchased films must have a minimum amount of marketing spending in theatrical release for the purpose of creating a marquee value. A bare-bones expenditure is $1.4 million for prints and advertising (P&A), which is a sufficient amount to support a limited theatrical release in a few big cities. For a significant national release, the P&A spend needs to be much higher, starting at $5 million.

An independent film distributor that pays $5 million to acquire United States rights to a finished film really is making a $10 to $20 million investment. The distributor can easily spend another $5 to $15 million in theatrical marketing costs if it opts for a substantial national release. Thus, film buyers must evaluate if a given film has the screen power to earn back all expenses.

Booking Theaters

Independents tend to select release dates three to five months in advance, with the idea that they might shift that date slightly if strong competition materializes later. Independent distributors move up release dates to take advantage of screen availabilities if one or more big films sputter and exit screens early. Likewise, if surprise hits occupy screens longer than expected, then indies push back release dates to let screen congestion diminish.

The ability to shift typically is restricted to one or a few weeks forward or back from the original date, because advertising and marketing promotions are difficult to move on short notice. If an eight-hundred-theater premiere is anticipated, usually four hundred to five hundred theaters are booked weeks and

Table 10.1. Distributor market share, 2007

Rank	Distributor	Share (%)	Total box office[1] ($ million)	Total films tracked[2]	2007 premieres
1	Paramount	15.5	1,499.3	20	16
2	Warner	14.7	1,417.4	34	24
3	Disney	14.0	1,350.2	21	13
4	Sony/Columbia	12.9	1,245.6	31	25
5	Universal	11.4	1,101.9	20	18
6	Twentieth Century-Fox	10.5	1,017.7	24	16
7	New Line	5.0	487.5	17	13
8	Lionsgate	3.8	368.1	17	17
9	MGM/UA	3.8	366.2	29	19
10	Fox Searchlight	1.4	132.8	15	10
11	Miramax	1.3	126.1	10	8
12	Rogue Pictures	0.8	73.0	3	3
13	Picturehouse	0.6	60.6	9	8
14	Par. Vantage	0.6	60.4	9	8
15	Focus Features	0.5	51.0	6	6
16	Sony Pictures Classics	0.4	38.9	23	18
17	Weinstein Company	0.4	37.0	12	9
18	IDP	0.2	22.5	8	7
19	Warner Independent Pictures	0.2	15.7	7	5
20	Yari Film Group	0.2	14.8	9	8

21	Eros (Indian)	0.1	13.6	13	13
22	Freestyle Releasing	0.1	12.8	4	4
23	Alliance	0.1	12.0	18	14
24	ThinkFilm	0.1	11.4	25	21
25	First Look	0.1	10.7	8	6
26	IFC	0.1	9.3	33	30
27	Roadside Attractions	0.1	8.8	7	7

SOURCE: Box Office Mojo (www.boxofficemojo.com)

NOTES: 1. Box office is for the United States and Canada from January 1 through December 31, 2007.

2. *Total films tracked* includes carry-overs from late 2006.

months in advance. The remaining three hundred to four hundred playdates are secured within the last one to three weeks on an opportunistic basis.

Prestige films aimed at sophisticated audiences premiere at art-house theaters in big cities. For New York City, opening in three to five Manhattan locations is common: East side, Upper West side, Forty-second Street, Chelsea, and downtown. Within weeks, films expand to the suburbs of New York. Simultaneous with New York premiere, the film typically opens at a few screens in Los Angeles and Chicago. Assuming press write-ups are favorable, a second wave of cities follows one week later, especially Boston, San Francisco, and college towns, which are art-house strongholds.

The relationship between exhibitors (theaters) and film distributors is characterized by a constant tug-of-war, with each side flexing its muscle in negotiating a booking agreement. A theater with few competitors in a geographic area has the upper hand, but the distributor wields the clout if a booking zone has many theater operators. Film bookings in mainstream theaters typically are for two to four weeks. If a film dies on arrival, exhibitors press distributors to end the run early, even if a four-week contract is in place.

Independent film distributors usually negotiate film rentals that work out to 40% to 50% of box-office gross, which is about 10 percentage points lower than majors (the ad campaigns of the majors are bigger, hence they get more in rentals). Rentals are the distributors' share of the box office and typically are set by a complex, two-part contract (see chapter 7). Art-house theaters sometimes negotiate rentals as low as 35% to 40% of gross because they shoulder proportionally more promotion/advertising expenses than mainstream theaters.

Reflecting the difficulty indies sometimes have collecting from theaters, Mel Gibson's Icon Productions filed a lawsuit in June 2004 against the giant Regal Cinemas circuit, alleging underpayment of film rentals on *The Passion of the Christ*. The suit alleges the then-6,045-screen Regal circuit offered to pay just a 34% rental on the religious blockbuster, whereas Newmarket Films, which distributed the film for Icon, asserts it was promised "studio terms." Icon interpreted that as calling for a 55% rate. The lawsuit was settled out-of-court in March 2005, and Regal took an $8.3 million earnings write-off on the transaction. Elsewhere, in recent years, big theater circuits dropped or reduced contribution to cooperative advertising for certain independent films, ending a program of paying for ads jointly with distributors.

Independents are squeezed because of economic pressure to finish theatrical release quickly, which means releasing on a national basis. In past decades, slow rollouts and regional bookings were feasible. Before the video age arrived in the late 1980s, independent films usually were distributed in a patchwork of regional runs over a period of months or even a year, saturating one area for a time and then moving elsewhere. For example, the European drama *A Room with a View* went through a fourteen-month theatrical run starting in 1986. It grossed a then-spectacular $21 million-plus from just 151 theatrical prints moving around constantly and eventually played on many hundreds of screens. Since the late 1980s, movie economics rely heavily on revenue from home-video release—DVD—so films can no longer linger in the cinema market. A theater rarely books a movie when it is in video stores, despite distributors trying that strategy for some of their weaker films.

Marketing Indie Films

Independent films don't fit in a standard profile, so generalizations are difficult. The more expensive an indie film is to make, the more the marketing push resembles that for a major-studio release, especially when costs reach $20 million and beyond. This process includes consumer-market research, sizable purchase of television advertising, and wide releases of at least eight hundred theaters that cater to a general audience, all of which are described in depth in other chapters.

But the bulk of indie films are released with smaller marketing budgets without benefit of formal test screenings before a recruited consumer audience and without broadcast-network television advertising. Indie films with small budgets begin marketing via the Internet, because it is a low-cost medium that can pull together a widely dispersed target audience. The central strategy for indie film campaigns is to emphasize frequency over reach in buying advertising (see fig. 10.1). The frequency strategy utilizes low-cost ads in media with small audiences that deliver the film's demographic target. Demographics are a slice of audience, such as the youth market, specific ethnic groups, age groups, and others. Piling on those ads frequently in a small media space saturates the core target audience, without which most indie films would be dead on arrival at theaters. The indie strategy contrasts with that of the major studios, which place their ads on wide-reaching media—such as commercials televised during the Super Bowl football game—so there's substantial spillover to noncore audiences. With this reach approach, the goal of majors is delivering the advertising to as big an audience as possible, and achieving this goal requires hefty spending.

There's no uniform template for marketing low-budget films, which cost less than $5 million to make. Middle-range indie films, which cost $5 to $20 million to make, can be released with shoestring marketing budgets or multimillion-dollar campaigns, depending on the pocketbook and enthusiasm of their distributors. Much of the marketing for these films relies on publicity that hopes to ignite a buzz that delivers an audience but isn't as consistently effective as paid ads. Audiences can discover indie films because of a critic's

Fig. 10.1. A shed ad, which is also called a construction wrap, is plastered on the side of protective scaffolding for Lionsgate's 2007 animated children's film *Happily N'Ever After* in New York City. Outdoor ads are ideal for reaching a concentration of urban dwellers. Photo by Robert Marich.

review or a buzz on the Internet. This is unlike launches for big-budget films by major studios. The majors spend tens of millions of dollars in advertising per film, which delivers a studio-manufactured message via a paid placement in media to a large audience.

For indies, titles are particularly important because a name alone should carry some weight to position a film in the minds of moviegoers. The title of the 1957 horror film *I Was a Teenage Werewolf* was a draw for the youth market. The 1983 youth comedy *Valley Girl* tapped into the trend of suburbia becoming hip. Audiences knew to expect romantic hijinks from *I Think I Love My Wife* in 2007. However, the up-market films in the indie sector tend not to follow this philosophy, often because the films are adaptations of novels, such as the rather dry-sounding *Howards End* from 1992.

Another frequent element of indie marketing is an effort to court controversy because controversy generates publicity, even if the attention is tinged with ill fame. A producer of *Taxi to the Dark Side* in a quickly posted a commentary on www.HuffingtonPost.com in December 2007 complained about "censorship" when the Advertising Administration rejected a one-sheet poster for the documentary about prisoner treatment. The ThinkFilm movie is free to distribute unrated. Rock musician Anton Alfred Newcombe of the Brian

Jonestown Massacre rock group posted a denunciation of his portrayal in the Palm Pictures–distributed music documentary *Dig!* "I was shocked and let down when I saw the end result," Newcombe wrote on the band's Web site in 2004. "I just feel ripped off by the 'lowest common denominator' culture machine [which is] something that I don't cater to." Although Newcombe felt obliged to present his view, his commentary does have the unintended ripple effect of raising the profile of the film.

For low-budget films, a fundamental strategy choice is whether to hold out for theatrical release as a first window or to try to create buzz with limited exposure in other media in order to create momentum for a theatrical release later. Certainly, theaters are loath to book films that have appeared in other media, but there are occasional breakthroughs. In an early example, after thriller *Red Rock West* gained acclaim from its HBO telecast, it received a theatrical release in 1992. It became the first of a string of titles that received theatrical runs after brief exposure on premium-pay television.

Internet Strategy

For indies, Internet publicity and promotion start months before theatrical release. Some filmmakers launch into Internet marketing to connect with a potential audience while a film merely is in development and before the first frame of film has even been shot. The existence of an active fan base is used as a selling point to line up potential financial backers.

A centerpiece of the first stage of marketing can be the official movie Web site. An inexpensive but attractive Web site costs from, at the low end, $5,000 to $20,000 to create. A cheaper, early-stage Web site, which is very sparse and can be set up quickly, can be simply a single page or poster—known as a *splash page*.

At the earliest stage, a core audience that will be most enthusiastic about a film needs to be identified as the target for low-cost Internet and other grass-roots marketing, such as passing out handbills at events. For a film about dogs, circulating fliers at dog shows and e-mailing members of kennel clubs are examples of low-cost promotions that corral a tightly defined target audience. For a movie about punk rock, rave parties or other underground youth gatherings can whip up interest, as when part of a film is screened at an evening gathering at a parking lot or warehouse. A common complaint from film distributors that take over filmmakers' Web sites once they acquire distribution rights to films is that initial e-mail promotional materials sent to fan mailing lists did not include an opt-out. That's the ability for the subscriber to remove himself or herself from the mailing list. The lack of an opt-out makes use of those e-mail lists a sticky legal issue and is an impediment to a smooth transition in promotion.

Another early consideration is that filmmakers shoot lots of visual materials for use on Web sites and in other promotions. The material, which includes recording events promoting a film before it is even made, can be added to the official Web site. Systematically adding new content from a reservoir of material provides fans with a reason to keep coming back. Marketing executives advise filmmakers to shoot scripted promotional vignettes for use on Internet sites when a film is in principal photography, because actors are assembled in costume and at movie backdrops. A growing trend is to present original content or big parts of the film in episodic television programming on the Internet in what are dubbed *Webisodes*.

Festivals

The tried and true avenues for creating a favorable buzz are festival appearances and receiving acclaim in film reviews. Festival exposure is particularly vital for imported films (see chapter 11), because festival awards influence art film aficionados. For films that screen in festivals, excerpts from favorable reviews are used in later publicity and advertising for general theatrical release.

Festivals also are platforms for independently produced films to line up distribution deals. In buying finished films, distributors make an immediate cash payment, mount a general theatrical release at a later date, and—for films that are financial successes—make additional bonus payments to the producers. In some cases, distributors also finance partial reshoots or further polishing, such as improving music tracks for films they acquire.

In North America, the most important film festivals for unreleased films to reel in distribution deals are the Sundance Film Festival (Park City, Utah) in January and the Toronto International Film Festival in September. The United States and Canada have roughly eight hundred multiday film festivals of significance per year, meaning on average more than two fests start on any given day. The festival circuit is large because municipalities create them as part of arts/culture initiatives and as tourism incentives. Some festivals have thematic slants, such as gay and lesbian film events in Philadelphia, Toronto, San Francisco, and Los Angeles.

In the United States, second-tier events, which also draw film buyers, include the AFI Los Angeles International Film Festival in Los Angeles (in tandem with the American Film Market), the Chicago International Film Festival, the Denver International Film Festival, the Florida Film Festival (Orlando), the Mill Valley Film Festival (California), the Palm Springs International Film Festival (California), the Santa Barbara International Film Festival (California), the Seattle International Film Festival, South by Southwest (Austin, Texas), and the Tribeca Film Festival (New York City). In Canada, the significant second-tier events are the Montreal World Film Festival and Vancouver International Film Festival.

Customarily filmmakers do not receive film rentals from screenings at the top festivals. For the lesser festivals, however, filmmakers often negotiate a percentage of box office or a fixed-fee for screening their films—typically in the hundreds of dollars up to $1,000. Filmmakers argue that festivals can afford rentals because they are subsidized by a municipality or business interests and also charge for tickets to their screenings. For filmmakers, a movie making its first screening anywhere is particularly coveted by festivals and can be a basis for negotiating payments and nonfinancial benefits. After the first fest exposure, this leverage disappears because festivals are obsessed with films that can be promoted as "premieres."

Producers always hope that a festival award or screening will be a catalyst for a distribution deal that results in commercial theatrical play for their films. Further, audience reactions can be used as de facto test screenings, so filmmakers and producers can reedit—based on fest-audience reactions—to make a film more marketable. However, the hard truth is most festival films, even the ones that receive awards, don't get commercial theatrical release and even struggle for home-video deals. Many filmmakers don't understand that festival kudos do not necessarily equate with success in the marketplace.

Arty films that wow film critics and judges at festivals often fall flat with moviegoers in a commercial release. This reality is demonstrated by Sundance Film Fest winners from 2004 through 2007. The big breakout indie hit from 2006 was Fox Searchlight's offbeat comedy *Little Miss Sunshine* grossing an impressive $59.9 million, but the Sundance winner of the grand jury and audience awards was youth drama *Quinceanera*, which grossed just $1.7 million for Sony Classics. Sundance grand-jury winners of 2004 and 2005 were *Primer* and *Forty Shades of Blue* but were overshadowed in box office by other Sundance entries *Napoleon Dynamite* and *Hustle & Flow*, respectively. Sundance's 2007 grand-jury winner *Padre Nuestro*, a thriller with overtones for the immigration political debate, still had not gotten a theatrical release a year later.

An indie film company reportedly paid $4 million for domestic rights to the violent Iraq-war–veteran drama *Harsh Times* after its Toronto International Film Festival screening, which then grossed a paltry $3.3 million in 2006 theatrical release, despite a costly marketing effort. U.S. film distributors paid an estimated $45 million to acquire films shown in and around the Sundance event in 2006.

Advertising and Trailers

The centerpiece of marketing campaigns for low-budget films consists of trailers and print ads. To create ad campaigns, independent distributors generally hire outside advertising boutiques to make their trailers and key art, which is the central graphic look for posters and print ads. At the low-end of pricing, a trailer costs $25,000 from a professional outside shop. Besides being placed in theaters, trailers are put on Web sites and can be used to pitch theaters for bookings. The price tag for an outside agency to design the key art for the print ad campaign (which essentially is a one-sheet poster) usually starts at $5,000.

Strategies in this area differ for independents and majors. Independents usually employ just one creative boutique per job in order to save money. In contrast, the major studios typically hire more than one shop for the same assignment, using two or three boutiques to make trailers for the same film even though only one trailer ultimately will be used. The majors also tend to pay ten times those fees for creative materials and receive more services and consultation in shaping the creative message. For indies, the trailer house often makes any television commercials as well, which is another way to reduce costs and again is unlike the major studios.

Independent film distributors tend to provide a lot of direction to boutiques by identifying audience targets and elements of a film that should be highlighted. Creative approaches vary, of course, although for prestige films, a centerpiece of advertising is quoting critics or citing festival honors. “We find trailer makers have different tastes and talent, which not necessarily encompass all types of films,” said Michael Barker, copresident of Sony Pictures Classics, the specialty unit of major studio Sony/Columbia. “What’s important is that the trailer maker understands and loves the film.”

Advertising for the indies is purchased by outside specialists known as media buying agencies. In media buying, the essentials are print advertising (that identifies theaters and showtimes) in daily newspapers and entertainment weeklies, starting days before premiere. A minimalist budget for such an ad campaign reaching some big cities is $160,000 (see table 10.2). This price covers only making a trailer, newspaper advertising, some Internet ads, and screenings/festival promotion. A bigger campaign of $1.4 million covers more media (see table 10.3). Above this level pays for spot cable and spot broadcast-TV delivering audiences in local geographic areas and perhaps national cable-network buys. Further enlarging ad spending extends buys to network broadcast television in off-peak periods and syndicated television programs.

A geographically wide but thin ad campaign for an indie film was $750,000 in the late 1990s, which is comparable to $1.4 million today. What changed is that ad-rate hikes require more spending to offset media fragmentation, and distributors have a greater willingness to spend, believing cinema films would profit from higher DVD sales. In the past few years, indie film distributors changed course and have been less willing to jack up spending, finding DVD sales softened and that incremental ads don’t necessarily lift box office. The top-end average ad spend for indie film campaigns these days is around $10 million, which is down several million dollars from a few years ago.

Table 10.2. Sample of low-budget $160,000 movie ad campaign

Type of marketing	Spending[1] ($)
Print/daily	75,000
On-line/Web site	15,000
Wild posting (labor)	0
Radio	0
Outdoor billboards	0
Print/magazines	0
Television	0
Subtotal paid media	**90,000**
Creating trailer/ads	35,000
Duplicating posters and the like	5,000
Publicity and screenings	30,000
Festival screening support	0
Grand total	**160,000**

NOTE: 1. The figures exclude the cost of manufacturing and shipping the release film prints.

Table 10.3. Sample of low-budget $1.4 million movie ad campaign

Type of marketing	Spending[1] ($)
Print/daily and weeklies	750,000
On-line/Web site	250,000
Wild posting (labor)	25,000
Radio	50,000
Outdoor billboards	0
Print/magazines	75,000
Television	0
Subtotal paid media	**1,150,000**
Creating trailer/ads	80,000
Duplicating posters and the like	15,000
Publicity and screenings	125,000
Festival screening support	30,000
Grand total	**1,400,000**

NOTE: 1. The figures exclude the cost of manufacturing and shipping of the release film prints.

The more expensive the television ad campaign, the more likely an independent distributor will hire a market-research firm to test ads for their effectiveness (see chapter 2). Usually, the ad campaign merits testing when the film is set for release in eight hundred or more theaters. "Without question, television advertising is still the driving force in the marketing of a wide release film," said Tom Ortenberg, president of Lionsgate Film Releasing, which distributed *Crash* among other independent hits. "That's the one constant. The promotion and publicity are valuable to support the opening. But you cannot open a film on a wide basis, meaning one thousand-plus theaters, without a television campaign."

For network television, late-night entertainment and talk shows are relatively inexpensive ad buys, yet they deliver youth and young adult audiences that are heavy moviegoers. Another type of low-cost national ad is syndicated television programs, which are nonnetwork programs televised via a lineup of broadcast stations. Daily magazine-formatted series *Entertainment Tonight* is an example of a syndicated television program. For movies not in national release, spot broadcast and cable ads are used. Spot-television ads cover just individual metropolitan areas and thus minimize any wasted delivery to geography where a film is not booked in theaters.

Ad buys also focus on the target audience in the appropriate geography. This can mean aiming for children ages eight to fourteen with television commercials on cartoon and family channels or teenagers ages thirteen to nineteen with buys on rock radio stations. Looking at a completely different target, adults ages twenty-four to fifty-four read arty magazines. Another way to slice the audience demographically is by ethnic group, such as African Americans, Latinos, Asians, and whites. For instance, African-Americans account for 13% of the population in the United States, or thirty-nine million persons. They are clustered in big-city metropolitan areas, representing around one-fifth of the population in greater New York, Chicago, and Philadelphia. Another audience segment is the college/university market, which is a prime target for film marketers when school is in session. Full-page ads in student newspapers can cost just hundreds of dollars. Other elements of college campaigns are postering, street teams passing out handbills, closed-circuit television channels on campuses, and radio publicity via noncommercial stations that frequently are located at schools.

Indies have the option of releasing films that have not been rated by the national film-classification service. However, a minority of media outlets, particularly daily newspapers, have policies against accepting paid ads for unrated films. Most media run ads for unrated films as long as the ads don't present excessive sex or violence. The bigger problem is booking theaters, because films without ratings and films with the most restrictive classification of NC-17 (no children) have a poor track record in box office.

Screenings as Publicity Strategies

After Internet and grass-roots marketing start months before theatrical release, other waves of film marketing follow. Monthly magazines have a three-month lead time, so their press screenings are held four to six months in advance of theatrical release. The lead time for press screenings for weekly magazines is about eight weeks. Press screenings for dailies and electronic media come two to six weeks before theatrical premiere.

The objective is to interest editors and reporters in editorial coverage (excluding reviews), ranging from a capsule brief on a film to a cover story. Of course, meeting this sequence of deadlines depends on the film being finished months in advance of theatrical release. For the long-lead press, presenting segments of the film may be sufficient if a movie is not completely finished. Screenings for reviewers at daily newspapers with short lead times and electronic press might be as few as three days before theatrical release.

Distributors usually set an embargo date for reviews so that the reviews reach moviegoers just as a film premieres. Unfavorable reviews that are published far in advance risk undercutting theatrical release before the film even starts. Favorable reviews that appear far in advance of a film's premiere can be a problem as well because moviegoers may forget the reviews by the time the film hits theaters.

Screenings in film festivals generate reviews in print media, of course, but these reviews often are concentrated in trade publications that are not read by moviegoers. The reviews also may be so old by the time the film hits general theatrical release that they have been forgotten.

Self-Distribution

Independent filmmakers who are frustrated by an inability to place a film with an established independent distributor may opt to self-distribute their own films. In theory, this plan is feasible. But it has many drawbacks, including that filmmakers who already spent a lot of money to fund production need more money for marketing expenses. Filmmakers who go the self-distribution route usually are forced to quit making/developing new films because distributing is a full-time business.

Another drawback is that even when self-distributors are able to book theaters, they find collecting film-rental money can be difficult. Theaters can be slow to pay, or they may attempt to lower payments in negotiations after a film screens. Theaters that are geographically distant can be particularly difficult with regard to slow pay or underpay. Self-distributors do not have clout in collections because they do not provide a theater with an ongoing flow of films. National media outlets are not likely to cover self-distributed films because media editors know that their readers or viewers probably won't find the film at a nearby theater.

There are occasional success stories for do-it-yourself distributors. In 2007, the multimillion-dollar production of car-racing drama *Redline* grossed $6.9 million, which is big for this class of distribution but far less than the film reportedly cost to make. Award-winning auteur filmmaker David Lynch self-distributed his surreal thriller *Inland Empire* to just $861,355 in box office in 2006, after being dissatisfied with financial offers from distributors for domestic rights.

Out-of-the-mainstream filmmaker Jay Craven—a movie-studies teacher in Vermont—created a string of movies devoted to regional themes that he self-distributed. Craven's 1993 local period social drama *Where the Rivers Flow North* was reviewed by the *New York Times* and stars Oscar-nominated actor Rip Torn. It played at 212 theaters nationally using twenty-three theatrical release prints that moved around in clusters. The film's home-video distribution deal included a $200,000 fee earmarked for theatrical release, which generated around $1 million in box office from a series of regional bookings until the nation was covered. Theatrical marketing relied primarily on publicity and cosponsorships with media, such as radio stations. At the time, Vermont had just eighteen towns with movie theaters, so Craven booked his films for screenings in nontheatrical venues such as town halls and church basements. This plan worked in his home state and elsewhere in New England where Craven's films have particularly strong appeal because of their regional flavor. To get the word out, Craven ties up with local groups, using their membership lists for direct-mail and e-mail campaigns. Theatrical release "is the toughest, most costly, and most labor intensive market" in the film distribution cycle spanning cinema to television, said Craven. Craven also made the 1999 social drama *A Stranger in the Kingdom*, which stars Ernie Hudson, David Lansbury, and Martin Sheen. The film sold over ninety-two thousand videos after a regional theatrical run. *A Stranger in the Kingdom* is about the 1950s upheaval in a Vermont community that is surprised to find a local church's new minister is black.

In an interesting example of well-known talent carving out a market for a personal film, singer-songwriter Neil Young wrote, directed, and produced *Greendale*, which was booked in theaters in tandem with Young's music tour. The film, which is a social drama set to Young's music, grossed $290,000 in box office with less than $100,000 in marketing expenses. It's only paid media buys were print ads. Distributor Abramowitz booked *Greendale* for seventy-five theatrical runs using fifteen prints that went along with the concert tour. Young did press interviews via radio, television, and alternative press (arts and counterculture newspapers) to support *Greendale*'s theatrical release. Promotions with radio stations offered CDs of Young's album, tickets to the film, and tickets to the concert. Young's personal Web site (www.neilyoung.com) promoted the movie with a cascade of positive reviews and information on playdates.

Theatrical distribution is a bottleneck because it is labor intensive and relies on release prints, which cost $1,000 to manufacture. On top of that, the bulky release prints are expensive to ship. The looming conversion to electronic digital cinema—replacing mechanical film projectors—will make distribution less costly because films can be delivered to theaters via satellite transmission, low-cost optical disks, or high-speed-broadband connection (see chapter 8).

Documentaries

The feature-length documentary is a segment that experienced a boom early in this century but then sputtered. Still, over the years, the category has piled up hits (see table 10.4). The high-water mark is Iraq-war critique *Fahrenheit 9/11*, which cost just $6 million to make but grossed a blockbuster $119 million in 2004, making it the all-time box-office champ in the segment. The following year, Warner Independent Pictures hit the jackpot with the reedited French documentary *March of the Penguins* that grossed $77.4 million. *An Inconvenient Truth* warmed up to $24.1 million in 2006 for Paramount Classics.

Filmmaker Michael Moore followed his *Fahrenheit 9/11* with health-care indictment *Sicko*, whose solid $24.5 million gross in 2007 via Lionsgate was good but far short of the predecessor. Other than *Sicko*, the class of 2007 feature-length documentaries included no other titles that passed $1.5 million for domestic box office, which reflects the downturn.

Still, the segment is energized by plunging production costs and new thinking that have documentary output flourishing. With digital technology, shooting a full-length documentary with a sharp cinema presentation for about $175,000 is possible, and compact electronic cameras capture images that were beyond the reach of filmmakers using the bulky equipment of the past. Some documentaries are made for less, although they often suffer from uneven technical quality.

A new school of documentary makers is presenting stories in new ways that they feel are more relevant to audiences than traditional journalism. Many of the new-school documentaries focus on promotable pop culture or political themes, turn on the Hollywood glitz in presentation and consumer marketing, and eagerly court controversy. Old-school documentarians sniff at the new wave for being detached from reality and one-sided in presenting complex subjects.

Table 10.4. Top-grossing documentaries

Rank	Title	Distributor	Total gross ($)	Theaters at widest	Opening weekend ($)	Opening theaters	Premiere
1	*Fahrenheit 9/11*	Lionsgate	**119,194,771**	2,011	23,920,637	868	6/23/2004
2	*March of the Penguins*	WIP	**77,437,223**	2,506	137,492	4	6/24/2005
3	*Sicko*	Lionsgate	**24,540,079**	1,117	68,969	1	6/22/2007
4	*An Inconvenient Truth*	Paramount Vantage	**24,146,161**	587	281,330	4	5/24/2006
5	*Bowling for Columbine*	United Artists	**21,576,018**	248	209,148	8	10/11/2002
6	*Madonna: Truth or Dare*	Miramax	**15,012,935**	652	543,250	51	5/10/1991
7	*Winged Migration*	Sony Pictures Classic	**11,689,053**	202	33,128	1	4/18/2003
8	*Super Size Me*	IDP	**11,536,423**	230	516,641	41	5/7/2004
9	*Mad Hot Ballroom*	Paramount Classics	**8,117,961**	202	45,348	2	5/13/2005
10	*Hoop Dreams*	Fine Line	**7,830,611**	262	18,396	3	10/14/1994
11	*Tupac: Resurrection*	Paramount	**7,718,961**	804	4,632,847	801	11/14/2003
12	*Roger and Me*	Warner	**6,706,368**	265	80,253	4	12/22/1989
13	*The Aristocrats*	ThinkFilm	**6,377,461**	234	243,796	4	7/29/2005
14	*Spellbound (2003)*	ThinkFilm	**5,728,581**	117	17,508	1	4/30/2003
15	*Touching the Void*	IFC	**4,593,598**	137	96,973	3	1/23/2004

Source: Box Office Mojo, www.boxofficemojo.com

Note: Figures cover the United States and Canada box office from 1982 through February 1, 2008, and exclude large-format, concerts, and reality TV movies.

A case in point for the new wave is *Super Size Me*, which generated a relatively strong $11.5 million in domestic box office for IDP Distribution as it knocked McDonald's restaurant food. *Super Size Me*, which filmmaker Morgan Spurlock reportedly made for just $65,000, has appeal because it deconstructs an American pop-culture icon. The documentary uses McDonald's familiar corporate images as props in the film and in promotion, even as the restaurant chain itself keeps a low profile and tries not to call attention to the film. At one juncture, IDP Distribution issued a press release claiming cable network MTV was balking at carrying commercials for *Super Size Me* (the ads showed vomiting), although the ads eventually ran.

The big kahuna in the controversy department is the Iraq-war critique *Fahrenheit 9/11*, whose step-by-step introduction to the marketplace represents a masterpiece in promotion. In May 2004, the news reports blared that Walt Disney would not let its Miramax Films distribute the film. Studios almost always steer clear of what would be perceived as inflammatory content for fear of suffering a painful consumer backlash on their other corporate interests. But the flavor of press reports was that sinister censorship was at play. *Fahrenheit 9/11* premiered later that month at the prestigious Cannes Film Festival, which was a perfect launch pad given that Europe's cultural press corps was generally hostile to President George W. Bush. After the documentary got a rousing reception in Cannes, filmmaker Moore asserted in press interviews that opponents were trying to block the film's release in the United States, even as distributors clamored to acquire the film. When the film was jointly released to theaters by Lionsgate and IFC Films in June, political groups such as the large moveon.com political-action group urged members to see the film immediately. That's an example of grass-roots marketing getting the core audience into theaters during opening week.

Both documentaries were award winners on the festival circuit, which bolstered their credibility and generated media coverage. *Super Size Me* received the Director's Prize at the Sundance Film Festival. *Fahrenheit 9/11* took the Golden Palm top prize at the Cannes Film Festival.

The majors are jumping on pop-culture documentaries in a small way, with Warner Bros. in mid-2004 rolling up more than $19 million in box office for car-racing themed *NASCAR: The IMAX Experience*. Universal distributed *Inside Deep Throat* to $691,880 gross in 2005.

Old-school serious documentaries still make waves, too. The British-made insect documentary *Bugs!* generated more than $10 million for SK Films in a 2003–4 release on big-screen theaters. Bird wildlife documentary *Winged Migration*, an import from France, posted $10.8 million in domestic box office in 2003 for Sony Pictures Classics. The scientific documentaries have an advantage of not being language specific because the narration voiceover can easily be changed. The 1998 release of mountain exploration and disaster film *Everest* by MacGillivray Freeman Films generated $87.2 million in domestic box office in the big-screen format.

Canadian audiences have long been receptive to documentaries, but until recently, they had been a hard sell in the United States. Audiences in the United States had preconceptions that documentaries were dull and simply educational, even though they usually were not. Smoothing the way for the current popularity of documentaries are reality-television programs. Winnowing-contest *Survivor*, intimate-living *Big Brother*, and business-hustle *The Apprentice* are television programs that are true life, entertaining, and popular with audiences. Another boost for the current generation is that filmmakers increasingly think of presentation in cinema when framing projects and not just television as in the past.

Documentaries are often shorter than feature films, which typically are defined as having a minimum running time of ninety minutes (including opening sequence and all end credits). The documentaries shown in big-screen cinemas such as IMAX often run under sixty minutes, which benefits cinemas because they can squeeze in more screenings per day than they can with longer films. For Oscar-classification purposes currently, the Academy of Motion Pictures Arts and Sciences (AMPAS) defines a documentary feature as running over forty minutes. A documentary running under forty minutes is classified as a short subject.

AMPAS has revamped eligibility rules to try to fence out documentary programming actually made for TV and other outlets. Rules prohibit "episodes extracted from a larger theme series," and no TV or Internet telecast is eligible until sixty days after it starts a qualifying theatrical run (and the requirements are very specific as to what constitutes a theatrical run). A short-lived requirement for documentaries to be screened in at least ten states on fourteen screens was scrapped for 2008, replaced by only Los Angeles and New York City runs. Filmmakers found the multistate cinema runs played to empty houses outside those big cities. An Oscar win means more revenue from DVD and TV sales. AMPAS often gets knocked for its selections and exclusions, in particular not even nominating acclaimed youth basketball documentary *Hoop Dreams* in 1995.

Studio-Affiliated Indies

It can be argued that the independent sector today has evolved into a wholly owned subsidiary of the major studios, which dominate with their autonomous indie-style film arms. This trend started when Disney purchased Miramax Films (*The English Patient*) in 1993 for a reported $80 million.

Miramax was an indie trailblazer even before it was acquired by Disney. Run by brothers Harvey Weinstein and Bob Weinstein from 1979 to 2005, Miramax was first in convincing mainstream movie theaters to play edgy U.S. independent fare and the better foreign imports. Previously, those types of films only screened in art-house cinemas. This type of film's breakthroughs came in the 1990s with the Irish terrorist–hostage drama *The Crying Game*, slackers' lifestyle comedy *Clerks*, and violent drama *Pulp Fiction*. In this era, Miramax acquired from third parties or produced in-house inexpensive films that were edgy but still not too extreme for mainstream tastes. With films in hand, Miramax's large publicity department courted the press and stoked controversy for its films.

Another favorite Miramax marketing technique was showing all or part of a film prior to release in private screenings to journalists, who often jumped on a film because they wanted to be among the first to report on the next Miramax controversy. "If you say a film is great enough times and can back it up with some footage, the press will begin to believe it," notes one ex–Miramax marketing executive. Miramax also is known to be fond of conducting prerelease test screenings of its films to general audiences, whereas other indies test sparingly or not at all. In advertising, Miramax scaled its outlays to match anticipated box office, spending richly to push popular films. The flip side, which is less obvious, of this ad-media strategy is that Miramax was careful not to overspend for films that fell flat. In some cases, Miramax, not willing to spend to release them at all, would simply sit on some films acquired at festivals.

In the Weinstein era, Miramax also was a trendsetter in reviving the horror genre via its Dimension Films unit with *Scream*, which generated $103 million in domestic box office in 1996. *Scream* cost just $15 million to make. The mass-market Dimension films were Miramax's true profit engine in the Weinstein era, overshadowing returns from its high-profile prestige films. The Weinsteins took the Dimension name with them when they exited Miramax.

At the end of the Weinstein era, Miramax revenue was upwards of $1 billion annually, fired up by big-budget films such as the $80 million production Civil War drama *Cold Mountain*. In 2002, Miramax was involved with three of the five films nominated for best picture: eventual winner *Chicago*, *Gangs of New York*, and *The Hours* (the latter jointly with Paramount Pictures). Now Miramax sticks to films costing under $20 million.

The studio indies operate autonomous theatrical marketing operations in the United States that are separate from the distribution divisions of their studio parents (see fig. 10.2). The reason for this separation is that marketing low-cost films requires a smaller scale and different mentality than distributing big-budget extravaganzas.

Fig. 10.2. The Indie-style distributors affiliated with major studios

Major studio	Indie affiliate	Comment
Disney	Miramax	After run with big-budget films in 2000–2004 ($100 million production *The Gangs of New York*), management change returns to less-expensive fare including *No Country for Old Men*
Fox	Fox Atomic	Downsized in early 2008 with distribution absorbed by Searchlight and studio
	Fox Searchlight	Considered tops in this class with hits *Juno*, *Little Miss Sunshine*, *Sideways*
	Fox Walden Films	Family-friendly film joint venture with billionaire Philip Anschutz (*Chronicles of Narnia* series at Disney)
Paramount	Paramount Vantage	Devoted to low-budget, high-quality films including *An Inconvenient Truth* and *There Will Be Blood*
Sony/Columbia	Screen Gems	Finances and produces films that are marketed to targeted audiences
	Sony Pictures Classics	Emphasizes arty films and hit jackpot with $128 million grosser *Crouching Tiger, Hidden Dragon*
Universal	Focus Features	Hits include *Brokeback Mountain*, *Lost in Translation*, and *Atonement*
	Rogue Pictures	Founded in 2004 and devoted to action, thriller, and urban genres
Warner Bros./ Time Warner	New Line	Downsized in 2008 despite blockbuster *Lord of the Rings* trilogy
	Warner Independent Pictures	Closed after hitting jackpot with documentary *March of the Penguins*
	Picturehouse	Closed in 2008 after releasing hit *Pan's Labyrinth*

A budding trend is to consolidate marketing operation of indie affiliates with the studio parent. In 2007, the marketing department of Rogue Pictures—which handles non-arty specialty films—was rolled into parent Universal Pictures, after being berthed at separate sister company Focus Features. This is in keeping with Universal consolidation efforts throughout the studio. In 2008, Fox Atomic marketing was absorbed by its parent studio and Fox Searchlight. In mid-2008, Warner Bros. absorbed most of New Line Cinema, whose separate status was dissolved.

As the major studio-owned players piled into the indie sector, competition intensified, and marketing costs escalated. According to major-studio trade group Motion Picture Association of America (MPAA), the studio-owned indie distributors spent an average of $25.7 million in domestic marketing costs per film in 2007, up sharply from an average $6.5 million in 1999. Because of audience fragmentation and increased output in the film sector, marketing costs have spiraled as distributors find it necessary to spend to give releases a chance to grab an audience. Film marketing and production costs at studio-affiliated indies skyrocketed early this decade, but studio parents have tapped down production costs since 2003. Studio top brass felt that expensive films competed with studio titles, and their indie affiliates were straying from their core mission to distribute moderately budgeted fare. A milestone for going back to indie roots was the departure of the two Miramax founders in 2005, after which Disney reined in spending at its indie arm. In general, films from studio-affiliated independents can be produced in-house or else acquired from third parties who have already-finished films, such as those screened at film festivals.

Foreign rights to the films of studio affiliates are in most cases controlled by outside sales companies that sell to a patchwork of international buyers. In comparison, the majors market their big-studio films worldwide through in-house distribution arms. In some cases, the studio-affiliated indies place foreign rights to their films themselves to overseas buyers. For example, Sony Pictures Classics cofinanced and handled U.S. distribution to the Chinese-language blockbuster *Crouching Tiger, Hidden Dragon*. In addition, Sony Pictures Classics took the English-speaking international territories (such as the United Kingdom and Australia) and Latin America, where the film was distributed by Sony Pictures Classics sister company Sony Pictures Releasing International (formerly Columbia TriStar Film Distributors International). The studio's parent Sony Corporation gained good will from China—in which Sony is heavily invested in its other corporate businesses—by elevating a Chinese film on the global stage.

The economic rationale for studios to push into the indie business stems from the value they can extract for ancillary markets—DVD and television sales. Theatrical release is the least of the economic motivations, other than to build a marquee value that will propel a film in downstream windows. In exchange for contributing typically 25% to 40% of the production cost for U.S. rights to films they distribute, the studio-owned indies capture over half the total economic benefit, when video and television income are included. (Foreign buyers contribute the remaining production costs.)

In video, the modest indie films that the majors handle are carried to stores on the coattails of studio blockbusters. In television, the majors can add the indie titles to film packages that they license to cable networks, local television stations, and, in rare cases, broadcast networks. Because studio affiliates can count on sales pull in the ancillary markets, the affiliates justify bigger spending in theatrical release than indies without studio ownership.

True indie distributors—those that are not owned by major studios—tend to struggle in sales to ancillary markets, which reduces the economic return of their films and crimps their ability to spend heavily for theatrical release.

Economics

Despite the occasional hit, the reality is that prosperity is fleeting for independent film distributors without connections to major studios. The reason is simple—the vast majority of independent films are unprofitable, despite occasional hot streaks. It's hard to build a thriving business on a foundation of red ink.

A case in point is one-time high-flier Vestron Inc., which released the 1987 hit *Dirty Dancing* that generated $63.4 million in domestic box office and Michael Jackson's 1983 music video blockbuster *Thriller*. However, Vestron landed in bankruptcy by 1990, with its stock nearly worthless, after a cold streak at the box office. Those same shares were valued at $486 million in Vestron's 1985 initial public offering.

Among the prominent indie distributors that folded in recent years are Shooting Gallery (*Sling Blade* and *You Can Count on Me*) and Destination Films (*Thomas and the Magic Railroad*). Another promising indie film distributor, Savoy Pictures (*A Bronx Tale*), exited to concentrate on other media businesses with better profit potential. The track record for independent film distributors is so dismal that investors have funded few in recent years.

The Achilles heel in the economic model is that many of the independent films that manage to get a cinema release don't receive revenue from video and television sales that are commensurate with their box office. In network broadcast television, the major studios license some of their films for $3 to $15 million each, whereas few indie films achieve network-television sales. In the premium-pay window, the three channel groups Home Box Office, Showtime, and Starz Encore are not particularly aggressive in buying smaller films, which are the staple of indies. Their program budgets not already allocated to acquiring major-studio films are poured into original series, such as HBO's *Sopranos* and *Sex and the City*. These land high-value publicity such as cover shots of television-listings publications and contribute to channel branding.

In the category of advertising-supported basic-cable television channels, it can be argued that independent-film economics are improving given the growth of film channels IFC, Bravo, and the Sundance Channel. Also, channels with nonfilm formats sometimes add movies. For example, Animal Planet created its first movie slot in 2007, more than ten years after its launch.

Still, the negatives outweigh the positives. Non-English-language films are famous for doing poorly in video, even after generating decent box office. Also, there is the rising cost of advertising on a cost-per-thousand unit basis, which increases marketing expenses to reach comparable moviegoers as past years. Finally, the trend is for consumers to wait for the DVD to catch up with nonblockbuster films, which hurts indie film performance at cinemas.

There is some good news. Some Hollywood producers largely or fully fund independent films based on international sales, making revenue from the United States less essential. A medium-budget indie film costing $10 million—and with known talent—can on occasion snag a million-dollar-plus sale to Japan, Germany, or the United Kingdom. However, those in the indie business know that such medium-budget films are problematic. Indie films that cost $5 to $20 million to make are sizable financial risks and merit multimillion-dollar advertising campaigns. Yet, that budget level typically doesn't provide electrifying star power, special effects, or screen spectacle, so these films often lack elements for built-in promotion to mainstream audiences.

On the other hand, films produced on shoestring budgets of a few million or even hundreds of thousands dollars are relatively small financial risks with the potential of hitting it big. For example, *The Blair Witch Project*, which was produced for tens of thousands of dollars, grossed $140.5 million in 1999 domestic box office. Indie films with bigger budgets may display production values and star talent that can attract a large audience in theatrical release, but they compete with major-studio films for prime theatrical-release slots, where the majors can outmuscle independent distributors.

Financing for independent films in the late 1990s was abundant, making a difficult business somewhat easier for a time. Unusual funding vehicles, such as insurance-backed film loans and gap financing (that is, lending against estimated values of unsold film rights) eased financing of indie films. That ended when the 2000 dot-com bust recession arrived, sending prices that indie films received from the international market down 20% in three years. As a result, films did not generate anticipated revenue, and financing dried up. An estimated $3 billion in insurance-backed film loans were underwritten in the late 1990s, triggering $1 billion in claims for insurers that had collected just $400 million in underwriting fees.

Filling the gap somewhat had been "soft money," which includes tax-shelter financing and government subsidies that are most plentiful overseas. German tax shelters for several years pumped hundreds of millions of dollars a year into English-language films of majors and indies, but in 2005, the German government revised tax laws to deal with a budget deficit, slamming the door on Hollywood. Since 2005, Wall Street institutional investors pumped billions of dollars in private equity funding for Hollywood films, though the majors were the main recipients.

History of Independents

The diverse independent sector defies easy categorization, other than to say it embraces films not distributed by the six major studios. In the first sixty years of the motion-picture business, various strands of independent specialty films rode waves of booms and busts at the hands of marketplace economics. One such strand was films made specifically for black audiences, which go as far back as the silent-film era. For instance, Norman Studios, based in Jacksonville, Florida, made a string of polished films from 1919 to 1928 sporting "all-star negro cast," including *The Green Eyed Monster*, for which a poster promised "an $80,000.00 train wreck" scene (see fig. 10.3).

As television swept the landscape, the movie audience became more segmented. Older people stayed home, content to watch game and variety shows that dominated the small tube in the 1950s, but the youth audience continued an endless quest for out-of-home entertainment. Drive-in movies, which emerged after World War II but are barely in evidence now, supported frothy youth films such as *Dragstrip Girl* and good-old-boy action films set in the South like *White Trash on Moonshine Mountain*. Some of the youth films of this era were simply derivative of major-studio hits, such as the 1965 James Bond spy spoof *Dr. Goldfoot and the Bikini Machine* from the era's notable indie distributor American International Pictures (AIP). AIP, which was founded in 1954 by Samuel Z. Akoff, released a number of provocatively titled films including *She-Creature* and *Terror from the Year 5000*. Films from AIP, the Woolner brothers' Dimension Pictures (*Super Dude*), Roger Corman's New World (*Women in Cages*), and others catered to undemanding youth audiences.

By the 1960s, television had contributed to a dramatic reduction in the cinema audience and undercut the fragile economics of independents. Out of the ashes, the New American Cinema movement emerged in the late 1960s and stressed realism and serious subject matter. In the 1960s and 1970s, serious independent films made a statement with Avco Embassy's *The Graduate* starring

Fig. 10.3. Released in 1919 during the silent-film era, *The Green Eyed Monster* is aimed at black audiences. Note the main selling points: "See the $80,000.00 train wreck" and "Stupendous All-Star Negro Motion Picture." Courtesy of Posteritati.

Dustin Hoffman in 1967 and the battle-of-the-sexes drama *Carnal Knowledge* in 1971. Martin Scorsese directed social drama *Boxcar Bertha* from AIP in 1972. Up-market distributors of this era included Aquarius Releasing, Audubon Films, First Run Features, New Yorker Films, and New Front Films.

In response, the majors co-opted the trend. Breaking from their orientation of middle-of-the-road movies, the majors cranked out big-budget versions of edgy cinema concepts. Two examples from 1969 were antisocial road drama *Easy Rider* from Columbia Pictures and gun-fest *The Wild Bunch* from Warner Bros.

Another boom came in the 1980s when Wall Street showered money on indies, expecting small-fry distributors to flourish in the then-budding home-video revolution. Investors pumped into independent film companies a staggering $3.5 billion raised in public securities offerings from 1987 to 1989. However, most of the investment went sour, mainly because independent companies that suddenly were flush with capital unwisely tried to battle the majors head-on. Cannon Group—led by the go-go boys Menahem Golan and Yoram Globus—churned out films at a dizzying rate using Wall Street money until an accounting scandal deflated their balloon. Vestron was another casualty.

With the sector in disarray by the early 1990s, independents staged another comeback with a new wave of edgy films coupled with clever film marketing. The studios helped clear the way when they veered back to the middle market with glossy entertainment fare such as *Superman* and *Batman*, which aimed right at the youth audience. But the majors again co-opted the indies, this time by buying some of them, starting with Disney's 1993 purchase of Miramax for $80 million. The majors let their indie affiliates operate autonomously to keep talent and marketing costs from spurting up to major-studio levels.

A marketing milestone was the groundbreaking Internet campaign that made *The Blair Witch Project* a 1999 blockbuster on a shoestring marketing budget for Artisan Entertainment, which later was absorbed by Lionsgate. Web surfers eagerly pursued mysterious video clips from the movie that popped up on the Internet while not knowing if the story about missing documentary makers was real or not. The strategy was held out as a model that other films could use, but in reality similar successes are rare because the public is now wise to such movie stunts.

11

Foreign-Language Films

> I like a film to have a beginning, a middle, and an end but not necessarily in that order.
>
> —filmmaker Jean-Luc Godard

When discussing foreign movies, what usually comes to mind is art house, esoteric cinema most closely associated with Western Europe. Such a notion may have been the case in past decades, but today there are several diverse strands of foreign films in the domestic market (United States and Canada).

There's a global audience for the Hong Kong school of glossy martial-arts action film. Dubbed *chopsocky*, these films are characterized by highly choreographed and exaggerated fight sequences. In 2005, *Kung Fu Hustle* grossed $17.1 million domestically for Sony Pictures Classics. Chinese/Hong Kong import *Crouching Tiger, Hidden Dragon* hit the mother lode with an astronomical $128 million in 2000 domestic box office for Sony Pictures Classics.

South Korean and Japanese films—particularly horror—export well across Asia and have cracked the U.S. market. Oddball animated fantasy *Spirited Away*, which grossed over $200 million in Japanese box office, collected a respectable $10 million domestically via a Disney release in 2003. There's a growing fan base for anime, Japanese animation featuring characters with big eyes and big hair. Anime often targets adult audiences, unlike most Hollywood animation, which aims at kids and families.

Films using both English and Spanish languages that tell stories about the Latino population in the United States are another strand aiming at a domestic mainstream audience. India's signature song-and-dance Bollywood films are also a force outside their home country, though so far mostly playing to expatriate Indian/Southeast Asian communities in the domestic market.

Even continental Europe is diversifying from its historic emphasis on art house. A new generation of European filmmakers is embracing the mass market with broadly accessible films, in sharp contrast to highbrow arty fare. An example is the whimsical French comedy *Amelie,* which posted $33.2 million in United States/Canada box office in 2002 via Miramax. At that box office level, *Amelie* is an *artbuster*, which is a blockbuster by art-house economic standards. There is no universally agreed upon benchmark for artbusters, but $10 million and up is often used. The wry Paris-set comedy presents a lonely lead character—portrayed by the engrossing Audrey Tautou—who is on a mission to do good in the world.

It could be argued that highly localized-films from English-speaking territories—such as South Africa, Ireland, New Zealand, Australia, and even the United Kingdom—fit into the foreign-film category if their dialect is heavily accented. Characters with thick accents abound in *Waking Ned Devine*, a quirky Irish dark comedy that grossed hit-caliber $24.8 million domestically for Fox Searchlight in its 1998 release. English workingman comedy *The Full Monty* rolled up $45.9 million in domestic box office for Fox Searchlight in 1997, despite Yorkshire-tinged dialog.

The highest-grossing foreign-language film in the domestic market is *The Passion of the Christ*, which took a staggering $370 million in box office via Newmarket Films in 2004. The period epic from Mel Gibson uses subtitles because the dialog is in the ancient Aramaic language.

Despite occasional hits, foreign language films are a small slice of domestic box office. Just $1.5 million in domestic box office is often considered a success, although as noted above, a small number of foreign-language films have achieved a larger, sizable box office (see table 11.1).

The audience for foreign language films in the United States and Canada can be subdivided into three broad segments. Two of the categories are poles apart—art house and ethnic. *Art house*, a staple of film festivals, is cinema geared toward sophisticated tastes. *Ethnic films* are popular-culture films from other countries that are not highbrow and appeal mostly to an immigrant population. The third category is a middle strand from a new generation of mainstream foreign films that is neither particularly arty nor so country-specific that only ethnic audiences embrace them.

Foreign-language films often run into problems with the voluntary ratings service in the United States, because imagery that doesn't raise eyebrows at home can trigger a restrictive-audience classification. Canada's patchwork of regional ratings authorities also can impose stringent classifications. One option is to release films unrated in the United States, although ratings are mandatory in Canada.

Art-House Overview

The art-house crowd tends to be college educated (or in college) and oriented to high culture. This group gravitates toward esoteric and personal films that are popular on the festival front but which mainstream audiences find too talky and hard to penetrate.

A frequently used adjective with this market is *auteur*, which is the French word for author. Auteur films are associated with a cinema philosophy that originated in France in 1954 (from a magazine article by film-critic-turned-filmmaker François Truffaut) asserting that the director is the dominant creative force. In this philosophy, a film should bear the personal imprint of the director, with producers, writers, and actors of secondary importance. However, mainstream audiences typically find auteur films too esoteric.

The highbrow art-house audience has one important characteristic in common with the youth audience, whose taste is markedly different. Both audiences consist of heavy moviegoers, and the frequency of their cinema attendance varies depending on whether films in theaters are compelling. "The size of the pie for foreign-language films will expand if there are a lot of good movies," said one art-house film marketer. "The moviegoers in this category will go two or three times a week if the films are really good."

Hard-core art-house filmgoers insist on subtitles, which contrasts with mainstream American audiences that historically have shied away from films in foreign languages unless the films have dubbed English audio. The art-house crowd wants to experience the inflections of native voices. Attempts to dub foreign-language films into English voices have a spotty record. Such dubbing attempts usually are made for films aimed at a children's audience, which would struggle with reading subtitles. Miramax's 2002 release of *Pinocchio*, a live-action Italian film starring Roberto Benigni that reportedly cost a hefty for $45 million to make, was a box-office disappointment with just $3.7 million in domestic box office. Hong Kong martial arts/sports yarn *Shaolin Soccer*, another 2002 Miramax film, mustered less than half a million dollars in domestic box office, again presented with dubbed voices.

Art house is a segment where film directors are almost like brand names that transfer across all their films and attract loyal audiences. These include Spain's Pedro Almodóvar (*Tie Me Up! Tie Me Down!*), Lars Von Trier (*Dogville* with Nicole Kidman), and Ken Loach (*The Wind That Shakes the Barley*).

Art-House Marketing

Foreign-language films aimed at the art-house market usually open on an exclusive basis—one theater per city—hoping to ride a wave of positive reviews in media and audience word of mouth to wider release. The goal is to expand to fifty to one hundred theaters. The flipside of this strategy is that if critical

Table 11.1. Top-twenty foreign-language films

Rank	Title[1]	Origin	Distributor	Total gross[2] ($)	Theaters at widest	Opening weekend ($)	Opening theaters	Premiere
1	*Crouching Tiger, Hidden Dragon*	Taiwan	Sony Pictures Classic	**128,078,872**	2,027	663,205	16	12/8/2000
2	*Life Is Beautiful*	Italy	Miramax	**57,563,264**	1,136	118,920	6	10/23/1998
3	*Hero*	China	Miramax	**53,710,019**	2,175	18,004,319	2,031	8/27/2004
4	*Pan's Labyrinth*	Mexico	Picturehouse	**37,634,615**	1,143	568,641	17	12/29/2006
5	*Amelie*	France	Miramax	**33,225,499**	303	136,470	3	11/2/2001
6	*Jet Li's Fearless*	China	Rogue	**24,633,730**	1,810	10,590,244	1,806	9/22/2006
7	*Il Postino*	Italy	Miramax	**21,848,932**	430	95,310	10	6/16/1995
8	*Like Water for Chocolate*	Mexico	Miramax	**21,665,468**	64	23,600	2	2/19/1993
9	*La Cage aux Folles*	France	MGM	**20,424,259**	n/a	18,709	5	3/30/1979
10	*Kung Fu Hustle*	Coproduced	Sony Pictures Classic	**17,108,591**	2,503	269,225	7	4/8/2005
11	*The Motorcycle Diaries*	Coproduced	Focus	**16,781,387**	272	159,819	3	9/24/2004
12	*Iron Monkey*	Hong Kong	Miramax	**14,694,904**	1,235	6,014,653	1,225	10/12/2001
13	*Monsoon Wedding*	India	Focus	**13,885,966**	254	68,546	2	2/22/2002
14	*Y Tu Mamá También*	Mexico	IFC	**13,839,658**	286	408,091	40	3/15/2002
15	*Volver*	Spain	Sony Pictures Classic	**12,899,867**	689	197,703	5	11/3/2006

16	*The Protector*	Coproduced	Weinstein/ Dragon Dynasty	**12,044,087**	1,541	5,034,180	1,541	9/8/2006
17	*Cinema Paradiso*	Italy	Miramax	**11,990,401**	124	16,552	1	2/2/1990
18	*Das Boot*	Germany	Columbia	**11,487,676**	2	26,994	2	2/10/1982
19	*The Lives of Others*	Germany	Sony Pictures Classic	**11,286,112**	259	213,589	9	2/9/2007
20	*Brotherhood of the Wolf*	Coproduced	Universal	**11,260,096**	405	100,839	37	6/1/2001

Source: Box Office Mojo, www.boxofficemojo.com

Notes: 1. Only foreign-made films are included.

2. Figures cover only the United States and Canada box office from 1980 to February 1, 2008, and exclude reissues.

kudos and audiences don't materialize in the early, narrow release, then the wider release is scaled back or even abandoned.

The opening may be just two to six theaters in total in New York City, Los Angeles, and possibly some other big cities. Opening a film in one theater in New York costs $10,000 to $40,000 for a print-ad campaign. Los Angeles requires about the same. Given the low box-office potential from a small theater base, the initial advertising usually is limited to just daily newspapers, weekly print publications, and the Internet.

Traditionally, a small preopening ad typically appears the Sunday before a Friday premiere, though these days this is sometimes skipped to allocate more to on-line advertising. Listing print ads appear two days before the Friday opening. The print vehicles are daily newspapers with upscale audiences and with local entertainment weekly publications and alternative weeklies, which tend to be read by art-house aficionados. Internet postings of show times and trailers, as well as pitching bloggers, are inexpensive and crucial to getting the word out.

For highbrow films, critical praise is usually the main thrust of the advertising message. IFC Films squeezed awards and a favorable film critic's comment in the print ad for its domestic release of Romanian abortion drama *4 Months, 3 Weeks and 2 Days*. The ad highlights award laurels for 2008 Best Foreign Film nominee by the Spirit Awards, the top Palme D'Or prize at Cannes, and four other fests. There's also a twenty-five-word quote from *Time* magazine's Richard Corliss calling the film "startlingly good."

The publicity routine follows the template of English-language films but on a diminished scale, because publicity budgets for foreign films tend to be much smaller. Journalists from mainstream media are less inclined to jump on foreign-language films because these reviews don't sell their print publications or boost their television ratings. At a minimum, a publicity campaign hopes to generate "opening this week" items in print publications, which are the small stories, sometimes with photos.

Occasionally, a foreign-language film makes a surprisingly big publicity splash. In 2002, Gael García Bernal—a lead in the Spanish-language coming-of-age film *Y Tu Mamá También* (And Your Mother, Too)—made a guest appearance on David Letterman's late-night CBS Television talk show. *Esquire* magazine, which is a prized outlet given its circulation of 721,000, published an upbeat seven-hundred-word write-up of the off-beat French animated chase film *The Triplets of Belleville* in November 2003. Several weeks later, the film received two Oscar nominations.

Many publicity challenges are unique to foreign films. Creative talent may not speak English well or at all, which eliminates interviews with English-language press. Talent from outside the region may not be able to travel to North America to participate personally in publicity efforts because of expense. Personal schedules can be an obstacle because directors, actors, and others who typically participate in publicity for home-country release have moved on to their next films by the time the U.S. and Canada premieres come around.

The key marketing material is the trailer, where again foreign-language films represent a challenge because of language. Film distributors for their domestic release tend not to present dialog or subtitling; instead, they emphasize music and mood, and they usually include narration in trailers. One reason for this practice is the lack of time needed to insert subtitles, so dialog isn't presented. Another reason given by film marketers is that some filmgoers who have no experience with foreign films might find the trailer intriguing, so there's no need to call attention to the language barrier. Even without dialog, film marketers say they're not fooling anyone because a language difference usually is obvious from the scenes and atmosphere.

Foreign-Film Oscar

Without doubt, the most important award to influence U.S. marketing is the Oscar for Best Foreign Language Film because of the consistently high quality of past winners and the stature of its originator, the Academy of Motion Pictures Arts and Sciences (AMPAS). The Cannes Film Festival in France is world renowned, but its top award, the Palme d'Or (Golden Palm), is not a catalyst for big box office in the United States. Cannes fest winners over the years were of uneven quality, which is a result of film-industry politics in Europe.

The Oscar choices are sometimes controversial. AMPAS voters declined to put Romania's acclaimed *4 Months, 3 Weeks and 2 Days*, which won the Golden Palm, on the short list of nine semi-finalists for best foreign-film Oscar in 2007.

The 2002 best-foreign-language-film winner *Nowhere in Africa,* a period drama about a Jewish family that flees Nazi Germany, is illustrative of how to ride the coattails of Oscar glory (see fig. 11.1). The German import grossed $6.2 million domestically, which is around four times the box office expected for a high-quality foreign-language drama without the award. The U.S. marketing campaign for *Nowhere in Africa* included placement at approximately twenty festivals. In October 2002, the film won the Audience Award at the tenth Hamptons International Film Festival, which raised its profile in nearby New York City. Its U.S. distributor, Zeitgeist Films, pushed hard for prestigious opening or closing screenings, which the film mostly received. "We had a feeling it might not necessarily be a critics' film but we felt it would be an audience film," said Nancy Gerstman, copresident of New York City-based Zeitgeist Films. "At the Toronto festival, after we screened it for critics, we heard reactions such as, 'Oh it's conventional, and it's long.' But the film got a standing ovation at one of the public screenings at Toronto. The public went crazy."

Fig. 11.1. ***Nowhere in Africa*** **theatrical roll-out**

Date (2003)	Number of theaters	Cities/comment
March 7	2	New York, Los Angeles
March 14	11	More screens added in New York and Los Angeles
March 21	16	Chicago added
March 23	n/a	Wins Oscar for best foreign-language film
March 28	33	Philadelphia, Seattle, Boston, and Florida added
April 4	42	San Francisco, San Diego, Saint Louis, Atlanta, and Minneapolis added
April 11	61	Baltimore, Cleveland, Columbus, Ohio, wider Florida, and Palm Springs, California, added
April 18	65	Cracks top-twenty-five national box office with a $352,746 three-day weekend as number 24

Source: Zeitgeist Films

Zeitgeist had already acquired the U.S. rights to *Nowhere in Africa* when cinema promotional organization Export-Union des Deutschen Films selected the film as Germany's official Oscar entry in October 2002. *Nowhere in Africa* made its U.S. premiere in March 7, 2003, at two theaters, coming after its Oscar nomination February 11. Zeitgeist's bet that the film would get a nomination paid off, making it easier to book theaters and promote the film to audiences in the United States. *Nowhere in Africa* then won the Oscar on March 23, which gave the German film even more cachet (see fig. 11.2). Through its entire run, the film played at about three hundred theaters in the United States, and its highest number of theaters screening the film simultaneously was seventy-eight.

In a wrinkle for the ad campaign, Zeitgeist bought print advertising in specialty newspapers read by both the Jewish and German populations, in addition to customary mainstream print media. Finally, because Zeitgeist viewed *Nowhere in Africa* as an audience film, the movie was given to ten cinema clubs—private aficionado organizations that screen movies for an adult membership with sophisticated tastes. The screenings came prior to commercial theatrical release to build word of mouth.

AMPAS solicits a film organization in each foreign country to submit one movie each year for best-foreign-language-film Oscar consideration. Usually, upwards of one hundred countries are solicited for entries, and about sixty actually submit qualifying films, of which well over half have no preexisting U.S. distribution deal in place. Selections by foreign film organizations are sometimes engulfed in intrigue, given that being nominated is coveted.

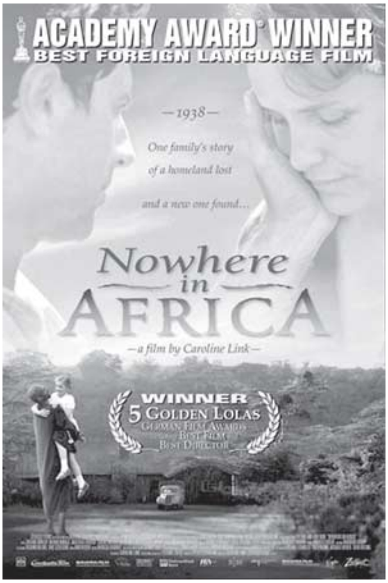


Fig. 11.2. Zeitgeist Films trumpets that its German import *Nowhere in Africa* won the 2003 Oscar for best foreign-language film and swept Germany's Golden Lola Awards. The art highlights relationships of a husband and wife, as well as their daughter and an African servant. Source: Zeitgeist Films.

Filmmakers of films passed over have on occasion alleged fraud in voting. AMPAS generally does not get involved in local issues, because selection is a subjective choice governed by nonaffiliated organizations. AMPAS only checks that selected films meet theatrical release requirements and its objective criteria as foreign-language, national productions. AMPAS rules state, "A foreign-language film is defined as a feature-length motion picture produced outside the United States of America with a predominantly non-English dialogue track. . . . The picture need not have been released in the United States. . . . The submitting country must certify that creative talent of that country exercised artistic control of the film." Films are ineligible if they had Internet or any other TV transmission prior to theatrical release in the home country. Subtitles must be direct, accurate translations and cannot be revised from the underlying foreign-language meaning.

The nominees are selected in a two-step process by secret voting. Several hundred academy members participate and are divided into three blocs. Each bloc screens one-third of the more than sixty films submitted each year. The six semifinalists are selected by weighed average when results from the three groups are combined, and another three are also chosen by a special committee. Because the committee members have a demanding screening schedule, the selecting group is believed to rely heavily on semiretired academy members. Once the five finalists are chosen from nine semifinalists, the winner is selected by a vote of the full academy of those members who verify that they screened all five nominees (AMPAS counted 5,829 voting members for its eightieth Academy Awards). Oscar voters must screen nominees in a cinema (which often comes in private industry screenings), and thus viewing DVDs is insufficient.

A marketing campaign for a film submitted as its national entry typically requires the expenditure of $5,000 to 10,000 to hire a publicist to pump it up with Oscar voters and additional thousands or tens of thousands of dollar for promotion, such as trade-newspaper ads. Often, export promotion agencies in the country of origin pick up this Oscar marketing expense.

The five nominees for best foreign language film also may receive nominations in other categories if they conduct a specified commercial screening for qualifying in the United States. Although such double dipping is rare, the Italian-language *Life Is Beautiful* milked that rule in 1998. The World War II tragicomedy won Oscars for best foreign-language film, best actor (Roberto Benigni), and best original musical score. It also was Oscar-nominated for director (Benigni again), editing, screenplay written directly for the screen, and best picture. *Life Is Beautiful* generated an impressive $57 million in domestic box office for Miramax, making it a foreign-film blockbuster.

To be eligible, a film submitted for best foreign-language film for the eightieth Academy Awards must have had its first public showing in a commercial theater in its country of origin for a minimum of seven consecutive days between October 1, 2006, and September 30, 2007. Projection must be 35 or 70 mm film or else in qualifying high-definition digital format, which eliminates video projection of sub–cinema quality. The film print submitted for Oscar consideration must be identical to the version presented in the home country (except for the addition of English-language subtitles). AMPAS rules don't allow the same foreign film to receive Oscar awards in another year, which in theory would be possible. Eligibility in two different Oscar calendar years could occur because foreign-film eligibility runs from October to September, not the January to December of other Oscar categories (and assuming the token U.S. release requirements would have been met).

The film's soundtrack must be mainly non-English dialogue track and in an official language of the submitting country. If a film contains languages that are not English and are not official country languages, the film still can qualify as long as the languages are germane to the submitting country (for example, dialog of Turkish immigrants in a German film).

Though nominated films need not have received a commercial theatrical release in the United States, any of the five Oscar-nominated foreign films without theatrical deals typically receive offers. Since the foreign-film Oscar was inaugurated as an annual award for 1956, Italian and French films have won over one-third of the time. Germany, Spain, Sweden, Japan, and Mexico are other countries with a knack for nominations and wins.

Determining eligibility for best-foreign-language-film Oscar is not simple, and rules eliminate some high-profile films from non-English-language countries. In an era of coproductions where a film can have numerous producers from multiple countries, the language requirements knock out some foreign films, particularly bigger-budget productions made for the global market with English dialog. For example, *Enemy at the Gates*, the 2001 World War II drama about the battle of Stalingrad, was a European coproduction (Germany, United Kingdom, and Ireland) that was shot in English by French director Jean-Jacques Annaud. The war drama cost $70 million to make. Spanish-language historical drama *The Motorcycle Diaries* had producers from Argentina, Peru, Chile, and the United States, and the film was directed by a Brazilian.

AMPAS sometimes rejects submitted films on grounds they lack a clear central nationality. In 2007, the academy would not accept Taiwan's *Lust, Caution*, saying it lacked sufficient Taiwanese workers, and also initial Israeli entry *The Band's Visit* because twenty-two minutes of its dialog is in English. *The Band's Visit* is a quirky comedy about a small Egyptian police musical ensemble visiting Israel, and it was replaced by the antiwar film *Beaufort*.

For the 2005 Oscars, Italian entry *Private*—about Palestinian refugees in the Middle East—was disqualified because its principal language is Arabic (it was filmed in Italy, but no Italian was spoken in the film). In what was the highest-profile ejection, AMPAS revoked the Oscar nomination of 1992 foreign film *A Place in the World*, which was Uruguay's entry. The academy disqualified the movie upon determining it had been filmed in Argentina and made with "insufficient Uruguayan artistic control" to be considered a national film.

Festivals

An estimated eight hundred annual multiday film festivals are held in the United States, which can provide a platform for theatrical screening of foreign films. These include the Los Angeles Latino International Film Festival, the Indian Film Festival of Los Angeles, and DC Meets Delhi Film (Indian films in Washington, D.C.). Meanwhile, New York City hosts Cine Fest Petrobras Brazil, Mahindra Indo-American Arts Council Film Festival (see fig. 11.3), New York Asian American International Film Festival, and the New York International Latino Film Festival. In addition, mainstream film festivals often program strands devoted to ethnic or foreign-language films.

An example of a highly specialized festival providing a theatrical platform for foreign films is the South East European Film Festival held in Los Angeles during the first week in May. The fest, which screens twenty-three films over five days, is held at the local Goethe Institute, part of a network of German cultural centers, and the Fine Arts Theater. The fest draws several thousand attendees viewing films from in and around the Balkans. Besides marketing

Fig. 11.3. Films from India are showcased in New York's Mahindra Indo-American Arts Council Film Festival. Sponsors logos at bottom include Mahindra and Time Warner Cable.

to local ethnic audiences, the organizer solicits movie aficionados via ads in Hollywood movie trades and by extensive e-mailings to fellow international arts communities and organizations, diplomatic corps at local consulates, and film school students at local universities. "If you hitch yourself to only one demographic, you exhaust the possibilities rather quickly," said Vera Mijojlic, president of the South East European Film Festival.

The fest's main sponsors are the Goethe Institute and University of California, Los Angeles (UCLA) Center for European and Eurasian Studies. Other sponsors are American Cinema Foundation, UCLA Department of World Arts and Cultures, *Cinema without Borders* magazine, Borders Books, *Virgin Megamagazine*, and community cultural and arts centers. Another class of sponsors included consulates of southeast European countries, as well as Germany, Austria, Czech Republic, and Hungary. South East European Film Festival (www.seefilmla.org) dates back to 2004 to a predecessor fest Spirit of Sarajevo Arts Project, from which it broadened.

Ethnic Audience

Ethnic audiences are a far cry from the diverse art-house crowd. They are demographically homogeneous, encompassing immigrants and export workers from foreign countries. The ethnic groups also include offspring who may have been born in the United States or Canada but are imbued with the heritage of the parents' homelands and are bilingual. The immigrant and expatriate worker groups have tastes for films that are more broadly focused, including slapstick-comedy imports and foreign pop-culture movies, which are not favorites of the festival circuit.

The Latino population in the United States is huge, estimated at around 15% of the population or about forty-five million persons, according to the U.S. Census Bureau in 2008. Despite a weak economic profile, this population has a moviegoing culture and is responsible for approximately 17% of the U.S. box office. The Latino market (sometimes referred to as Hispanic, although technically that excludes Brazilians) is a relatively youthful group with a median age of twenty-six years, which is ten years below the U.S. average. The ethnic Latino market itself is somewhat segmented, with 60% of Latinos in the United States having roots in Mexico, making this bloc the most significant cultural force from Latin America. "If you want to make it with this population in the United States, you need Mexican films," said Luis Balaguer, president of Latin World Entertainment, a talent management, consumer-marketing, publishing, and production outfit operating in the United States. "Anything with a Spanish or Argentine accent doesn't fly."

Despite being a large population segment, the Latino audience is being served only in fits and spurts by mainstream Hollywood. There are brave predictions that movies catering to this audience are about to explode, but the reality is such films recently have mostly disappointed in theatrical release. Hollywood's major studios occasionally target this demographic with films for which they believe Latinos are a crossover audience, meaning secondary target. The Warner Bros. 1997 English-language biography drama *Selena*, which provided Jennifer Lopez with her first starring role in a big film, generated $35.3 million in domestic box office. In 1987, Columbia Pictures achieved success releasing the Latino-themed rock-music period drama *La Bamba*, another English-language film.

Three distributors, each with significant corporate backing, specialize in the Latino market: Arenas Entertainment, Televisa Cine, and Venevision International. These distributors, which operate out of offices in Los Angeles and Miami, pushed cinema releases aggressively early in this decade, but have pulled back to focus more on DVD and TV sales. Box office was lower than expected, blamed in part by Latinos preferring in-home entertainment due to a growing number of Spanish-language TV channels. In June 2008, Mexican distributor Gussi Films opened a U.S. arm. Also, over time, Latinos assimilate into mainstream U.S. popular culture and embrace English-language fare, which undercuts the specialty Latino market. Reflecting this, some Spanish-language DVDs aimed at ethnic audiences in 2005 began incorporating subtitling in English, because video distributors realized that swaths of second- and third-generation Latino customers in the United States were not acquiring Spanish fluency. Straddling the language line, Arenas Entertainment released the 2002 hit *Empire*, an action drama starring John Leguizamo about a Latino drug dealer trying to go straight. Although the dialogue was primarily in English, the film deals with a Latino theme. *Empire* grossed a sizable $17.6 million domestically, and Arenas said it paid just a $650,000 minimum guarantee for U.S. rights. The big Spanish private-equity firm Marco Polo Investments is a shareholder of Arenas, which had a short-lived distribution and coproduction pact with Universal Pictures. Televisa Cine is owned by giant Mexican broadcaster Televisa, which is a diversified $3.6 billion-revenue company whose stock trades on the New York Stock Exchange. It distributed the dry comedy *A Day without a Mexican*, which grossed just $4.2 million after a May 2004 release, despite a big ad campaign. Venevision International, which has distributed a trickle of films since 2000, is part of the Venezuelan conglomerate Cisneros Group, which has large interests in television media and Coca-Cola bottling.

A few mainstream Spanish-language films achieved modest hit status in domestic theatrical release in recent years. Big-budget supernatural Spanish-civil-war drama *Pan's Labyrinth* grossed an artbuster $37.6 million domestically in 2006. Picturehouse Entertainment handled the United States. Other films include the 2002 romantic drama *The Crime of Father Amaro* ($5.7 million in box office), the 2001 romantic comedy *Tortilla Soup* ($4.5 million), and the 2003 family drama set in New York City *Raising Victor Vargas* ($2.2 million). The last three of these were distributed in the United States by Samuel Goldwyn Films, which—along with Miramax—occasionally releases films that connect with ethnic and art-house audiences.

HBO Films also produces films with Latino themes on occasion, including *Maria Full of Grace*, a 2004 drama distributed by Fine Line Features about an innocent caught up in the drug world, and *Real Women Have Curves*, which Newmarket Films distributed in 2002. In late 2005, Focus Features—a unit of Universal Pictures—signed a two- to three-year deal for distribution rights to Mexico City–based Canana Films, which is a production company of actor Gael García Bernal and two others.

Another significant ethnic audience in the United States is the Asian American demographic, which has a moviegoing culture and a higher income and education standard than most other ethnic groups. While having attributes attractive to film marketers, the Asian American audience is highly fragmented. Its dozen main ethnic groups can be grouped into three broad regional categories: Northeast Asians (China, Taiwan, Japan, Korea, and Vietnam), Southeast Asians (Philippines, Malaysia, Indonesia, and Cambodia), and South Asians (India, Pakistan, and Bangladesh). A small but affluent demographic, Asian Americans make up about 4% of the population, or about twelve million persons. Half have college degrees, versus the 27% average for the United States. In addition, Asian Americans possess above-average wealth, accounting for twice the percentage of the richest U.S. households than their footprint in total households.

Ethnic Marketing

Ethnic audiences tend to be clustered geographically, prompting film marketers to emphasize local media in advertising buys. For example, the Latino population is concentrated in the Southwest, California, Florida, Chicago, and New York City. Asian Americans are most clustered in New York City; Los Angeles, San Francisco, and several other cities in California; Honolulu; Vancouver, British Columbia; Chicago; Toronto; Seattle; Washington, D.C.; and Houston. Audiences can be even more localized. For example, Filipinos tend to cluster near hospitals and military bases, which are sources of employment.

In advertising to Latinos, the main buys are broadcast television and cable networks with a mix of national and spot buys. The spot buys tend to be for Los Angeles, cities in Texas, Chicago, and New York, which have active Latino moviegoing populations and therefore often get extra media spend. Miami's big Cuban population is not a strong cinemagoing group. The United States has three national Spanish-language broadcasters: Univision (the dominant player), Telemundo (owned by NBC Universal), and Azteca America (which is connected to Mexico's second-ranked private TV broadcaster). Marketers of Latino films also emphasize Spanish-language radio, newspapers (see fig. 11.4), and magazines in the United States. Also, www.univision.com, a leading Latino Web site, is a place to advertise Latino films.

A key decision for film distributors is whether to use English-language media in marketing efforts or to stick to low-cost, narrowly focused ethnic media. Nationally, 62% of Latino adults have lived in the United States for fewer than fifteen years, which points to an immigrant orientation and expected dependence on Spanish-language media. One startup distributor, Latin Universe, chose to buy ads only in Spanish media for the 2000 drama *Santitos*, which grossed just $400,000 domestically after being a modest hit in its home territory of Mexico. The distributor later disbanded.

Latino films aimed at ethnic audiences sometimes are coproductions in which English is an integral language and so may need to be marketed to an English-speaking audience as well. Films with both English- and foreign-language campaigns often use two separate publicity teams because the targeted media are segmented. Among the films that used advertising in both English-language and Spanish-language media are *Y Tu Mamá También* (And Your Mother, Too) and *A Day without a Mexican*. The former, a Mexican import

Fig. 11.4. Spanish-language daily newspaper *El Diario*, which has a circulation of fifty-seven thousand in the New York City area, devotes a cover to Hispanic Oscar contenders in February 2007.

that was released unrated in the United States because of sexual content, grossed $13.6 million in 2002 for IFC Films. It played to both general and Latino audiences.

A Mexico–U.S. coproduction primarily in the English language, *A Day without a Mexican* is a fable about the chaos that would ensue if Latinos suddenly disappeared from California. Though not a box-office success, the film is noteworthy for its marketing. Stark English-language outdoor billboards in Hollywood simply saying, "On May 14, There Will Be No Mexicans in California" triggered an outcry and thus generated publicity. The billboards were taken down because of public complaints that the message was derogatory, although the film is a satire. Meanwhile, a Spanish-language billboard in Los Angeles that read, "On May 14th, the Gringos Are Going to Cry" did not elicit protest. "We knew that the title of our film and our ad campaign would be bold and risky," wrote moviemakers Sergio Arau and Yarelli Arizmendi in a letter published in a trade newspaper. They said they wanted to raise awareness of Latino contributions to prosperity in the United States. The film was also advertised on bus shelter billboards and on television and radio.

An example of a highly concentrated ethnic audience is the Filipino population in Cerritos, a suburb of Los Angeles. Specialty film distributor Richard

Abramowitz has distributed several Filipino films in the Cerritos area that are supported by advertising strictly in Filipino-language media. The ads are placed on local cable television, radio, and newspapers. The local cable systems import a Philippine television channel for which local commercials are inserted. The cable-television ads for the Filipino movie include a text crawl citing specific theaters and starting times at Cerritos-area theaters. The television commercials are simply carry-over ads from the Philippines release of a given film.

In deals with theaters, foreign-language films generally get film rentals of 35% to 45%, which is the distributor slice of box office. That's about 10% to 15% less than major studio films in mainstream theaters. Given the relatively low cost of advertising because of precise targeting, a distributor can make ethnic theatrical distribution a profitable business.

Ethnic-audience films can generate high per-screen averages. A popular Filipino film can easily bring in $15,000 per week in a Southern California screen, which is double the box office of a mainstream film.

History of Foreign-Language-Film Imports

At the birth of the feature-film business a century ago, Europe was ahead of the United States and Canada as a global force. France, Britain, and Germany each had sizable domestic industries that exported movies around the world. In this early period, films traveled easily because silent films did not face language barriers. Domestic audiences initially were not demanding and accepted, for example, that Indians had mustaches in European-made films about the American Wild West. An early foreign blockbuster in the silent era was the 1913 Italian historical epic *Quo Vadis*, which at nine reels running two hours (including two intermissions) was twice as long as feature-length American films. *Quo Vadis* commanded a $1 ticket price—ten times the average. A contemporary U.S. trade-press review praised its epic scenes of "the burning of Rome, the rushing to and fro of the inhabitants, the general confusion, followed by violence, robbery, lust, etc."

European films lost their grip on the international market as a result of economic isolation stemming from World War I and, it can be argued, have never really recovered. Hollywood flourished from the neutrality of the United States in the first half of World War I and because Americans viewed film as a business. Europeans viewed film from an artistic orientation, which kept their films from being a draw for a mass market. After World War II, foreign-language films made larger inroads in the domestic market. In one catalyst, AMPAS began conferring a special Oscar to a foreign film annually starting in 1947. The formal foreign-film category was established in 1956, thus placing five nominees into a national spotlight.

Europe's orientation to highbrow intensified as the French wing of cinema propagated the auteur theory in the mid-1950s. One ripple effect of this philosophy is that Western Europe, except for the United Kingdom, extends significant legal protections and controls to creative talent. In contrast, Hollywood producers—most conspicuously in the form of the major studios—wield the power over creative affairs in the United States and Canada. Also helping business, mainstream Hollywood aims films at the mass market, and the major studios do not view movies as highbrow art.

Europe's new wave of provocative and mainstream films in the 1960s grabbed audiences worldwide but then petered out. In their era, films such as life-in-the-fast-lane Italian drama *La Dolce Vita* (The Sweet Life) from 1960 were able to skirt U.S.-censorship restrictions that hamstrung studios at the time. Another landmark film was the French art-house drama *Breathless*, whose rebellion against society was influential cinema. It's theorized that once major-studio films displayed risqué sex, which started in earnest in the 1970s, European imports lost their main advantage in cracking the U.S. market.

Asian films began making a mark in the domestic market in the 1980s. For decades a backwater, Asia now cranks out hits such as martial-arts blockbuster *Crouching Tiger, Hidden Dragon*, Japanese animation success *Spirited Away*, and a stream of Bollywood song-and-dance fests from India.

These days, international filmmakers display flashes of mainstream appeal with big hits such as Italy's *Life Is Beautiful* and France's *Amelie*. The grip of the auteur loosened in Europe and elsewhere as filmmakers embraced comedy and popular cultures, which represent sharp breaks from the dreary social dramas of traditional European art house. Another factor in broadening the appeal of foreign-language films is that foreign-television outlets, which are purveyors of popular culture, increasingly are financiers of movies at home. They tend to fund projects aimed at mainstream audiences. The rise of privately owned commercial broadcast television and pay television in Europe during the late 1980s spurred this trend.

12

Prints and Advertising Funds

> A horse, a horse, my kingdom for a horse!
>
> —William Shakespeare, *Richard III*

Hollywood knows what Shakespeare meant in presenting a king stranded on foot in the thick of battle and with victory within grasp but lacking a trusty steed. The movie business has its own version of this plight. Because filmmaking is capital intensive, the money spigot can run dry when it's time to pay for marketing expenses. An independent producer who lined up enough financing for production or even has finished a film can't gallop into the theatrical market because of a lack of funds.

The independent-film sector buzzes about the availability of prints and advertising (P&A) funds, which are investment vehicles focused narrowly on covering marketing costs for theatrical releases. *P* refers to the prints, the bulky reels used by theaters to project films cost about $1,000 per movie to manufacture. *A* is the advertising expense for newspaper, television, and other media to support theatrical release. Ad expenses can range from a hundred thousand to millions of dollars for a true theatrical release. In reality, such financing vehicles are frequently talked about but are hard to find in Hollywood. For example, an offshore fund promising hundreds of millions of dollars in money for movie-release expenses—which is a hefty sum—made a splash in a few years ago with trade-newspaper headlines, but nothing came of it. Independent film companies occasionally issue press releases trumpeting deals with P&A funds yet upon follow-up months later indicate the deals fell through.

Producers who want to place a film with an independent distributor hunt for P&A funding. Smaller independent distributors are more inclined to acquire and offer better financial terms if a third party puts up money for marketing. If a P&A fund covers all marketing costs, the result is called *rent-a-distributor deal*, because it reduces a distributor's role to only physical film delivery and collections from theaters.

When theatrical distributors acquire films, they traditionally cover the P&A expenses. To make sure distributors don't give the films perfunctory theatrical release or no theatrical release at all, producers generally try to negotiate a minimum P&A spend in their distribution contracts. P&A spend should not be confused with P&A fund financing. In such cases, the distributor is simply agreeing to provide a specified level of marketing expense and is not getting financing from any separate P&A fund.

The huffing and puffing to achieve theatrical release aim to improve a film's prospects in home video, the film business's cash cow that typically accounts for half of total film revenue. The theatrical release alone can be a loser financially, but the film can recover with downstream DVD and TV sales. P&A spending in theatrical release helps establish values in subsequent windows, thus building consumer awareness even if box office is mediocre.

Marketing expenditures in the hundreds of thousands of dollars support theatrical releases in big cities but are short of a national release. At about the $5 million threshold, a national release is possible and should noticeably lift a film's sales later in home video because of the halo effect. The theatrical campaign creates a familiarity with consumers and impresses video retailers, which give the title shelf space.

Recipients of Funding

P&A funding can be channeled to individual producers, who can use the funding as a bargaining chip to line up a film distributor; P&A can also go to distribution companies themselves that want outside financing, usually for a series of films.

In the most substantial P&A transaction in recent years, MGM received $175 million in P&A financing in a deal administered by J. P. Morgan in late 2006. Regent Releasing concluded a P&A deal in 2007 from a multimillion-dollar fund via investment house Merrill Lynch. A company called Proud Mary Entertainment helped arranged the financing. Among the recipients is Regent's romantic comedy *The Hottie and the Nottie*.

Individual investors are prowling Hollywood to offer financing to distressed films that they think will earn a profit, but such individuals are smaller and more haphazard than a formal fund that pools money from many investors. Individual investors opportunistically hook up with films of interest if financial terms are attractive.

Drawbacks

P&A funding comes with some onerous strings attached. One drawback is that P&A financing usually is structured as the last money in and first money out. Entities such as banks that provided earlier funding for production and thus enabled the film to be made in the first place balk at standing in line behind any later financiers. Further, P&A funds typically insist on getting a cut of a film's revenue stream beyond theatrical, such as home video, which is another stumbling block to making deals.

The major studios find traditional P&A funds too expensive given the studios' ability to raise capital at low rates and the studios' unwillingness to give outsiders a cut of downstream video and TV revenue. However, hardscrabble indies, which have few other financing options, will consider daunting financial terms. "There are probably five hundred movies a year that get made with average budgets of $500,000 to $1 million," notes Dave Davis, managing partner of Los Angeles–based media-finance outfit Arpeggio Partners LLC. "They pretty much don't get a theatrical release and don't make money. They're all self financed. Collectively, they're losing maybe $200 million a year. Of course, that doesn't mean you don't strike oil with one of them occasionally."

In yet another stumbling block, the independent sector's most promising movies are snapped up by indie distributors in conventional acquisition deals, leaving slim pickings from which P&A funds can choose. "This doesn't mean just a few executives at a studio passed on a film," said Rob Aft, who is partner in Los Angeles–based Compliance Consulting. "All the buyers from the majors and the independent companies look at every single movie that's available. Sure, every once in a while some good films slip through the cracks and don't get picked up. It's maybe a movie a year but that's nothing to base a business plan on." Confirming that assertion, no shortage of suitors was seen when Miramax was forced to offload the Iraq-war critic *Fahrenheit 9/11*; two distributors ultimately shared the film. Lionsgate Films and IFC Films reportedly each put up $5 million of their own money toward marketing as part of their distribution deal for the film, which went on to gross $119 million domestically. When Mel Gibson placed his *Passion of the Christ* at Newmarket Films, he reportedly paid the P&A expense himself in order to get a lion's share of film rentals. Film distributors typically charge a 35% to 40% distribution fee for films financed by third parties but only 8% to 15% when they don't have to cover marketing expenses. The lower fee essentially is to rent their distribution organization, because the distributors do not put up any cash.

Illustrating barriers to theatrical release is the experience of short-lived start-up Premiere Marketing & Distribution, which in 2001 to 2003 attempted to become a distributor of mostly wide-release films early this decade. Its business plan called for handling films that merit release to two thousand theaters at minimum, which statistics show is a safe bet to generate some box-office return (see table 12.1). The producers of Premiere films would receive no guaranteed minimum payment, but the theatrical release would help sell the film in foreign markets. However, no films were ever distributed. "The obstacle was at the end of the day, we couldn't generate enough interest for financing," said an executive involved. When the $58 million production of *Lolita*, a remake starring Jeremy Irons, could not secure a regular theatrical-distribution deal, premium-pay cabler Showtime picked up the film in 1998, reportedly for $4 million. Showtime arranged for the film to get a small theatrical release via Samuel Goldwyn Company, and the film generated $1.1 million in box office.

Table 12.1. Relationship of box office to wide theater release

Box office ($ million)	Films in 2,000+ theaters
100+	68
75–99.9	27
50–74.9	66
30–49.9	79
25–29.9	15
20–24.9	16
10–19.9	48
under 10	7

SOURCES: Nielsen EDI and IMDB
NOTE: The chart indicates the wider the release, the larger the box office. The figures are from the period July 1998 to March 2002.

A growing stumbling block for P&A financing is that theatrical distribution is getting less predictable. "Five years ago, if you opened a movie on two thousand screens, you could expect at a minimum it would generate $10 million in box office in the initial opening weeks," said entertainment media analyst Doug Lowell. "Today, that floor is gone. You can open wide, spend a fortune on pre-release advertising, and it's possible that nobody shows up." That trend to box-office uncertainty for films with solid marketing support can be traced to several developments. Star power is less of a pull. The cinema audience for medium-caliber films seems to be shrinking; while some such films succeed, it's becoming a feast-or-famine exercise (see table 12.2). Moviegoer viral communications is near instantaneous, so moviegoers abandon some films quickly. Moviegoers have more entertainment options, so a film doesn't get an audience simply by being available in theaters any more.

From 2002 to 2004, the Hollywood major studios went shopping in Europe for more than $1 billion in P&A–funding tax shelters, although tax authorities eventually slammed the door on them. The majors sought European funding because European financial terms are relatively easy. Because European investors receive generous tax breaks, less emphasis was placed on receiving back in excess of what they put in.

The major studios don't comment on their financing, although other sources say that all their European P&A deals fell through. Walt Disney, Metro-Goldwyn-Mayer, Sony Pictures, Twentieth Century Fox, Universal, and Warner Bros. went as far as to commit to specific fund brokers when some adverse tax rulings from authorities in early 2004 spooked investors. Hollywood's use of tax-shelter funding is sensitive in Europe, with local filmmakers complaining they—and not foreigners—should be the biggest recipients.

Table 12.2. Top-five highest- and lowest-grossing films at two thousand–plus theaters, July 1998 to March 2002

Title[1]	Box office ($ million)	Maximum theaters	Distributor	Estimated production cost ($ million)
Top-five box office (under $30 million productions)				
There's Something about Mary	176.5	2,186	Fox	23
The Waterboy	161.5	2,664	Disney	23
Scary Movie	157.0	2,912	Miramax	19
Big Momma's House	117.6	2,802	Fox	30
Analyze This	106.7	2,518	Warner	30
Bottom-five box office (under $30 million productions)				
Three to Tango	10.6	2,334	Warner	20
Head over Heels	10.4	2,338	Universal	14
Bats	10.1	2,540	Destination	6.5
Ghost of Mars	8.7	2,048	Sony	28
Lost & Found	6.5	2,469	Warner	13

Sources: Nielsen EDI and IMDB

Note: 1. Figures cover films and that cost $30 million or less to make. The full list of films is eighty titles.

GLOSSARY

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Glossary

acculturated. Describes an ethnic audience that is bilingual and displays traits from more than one culture

admission. Refers to each person admitted to a theater; also called **ticket sale, head count,** or **unit ticket sale**

aggregate d**eal** or **aggregate contract.** Simplest type of film-booking deal; specifies the film distributor gets a percentage of cinema box office without first deducting a house nut

ancillary m**arket.** Film media after theatrical release, such as video and television

answer p**rint.** First complete version of a film but of rough technical quality and perhaps lacking some special effects and music

artbuster. Small-budget, box-office-hit film tailored for sophisticated audiences or in a foreign language; the phrase combines art house with blockbuster

art house. Esoteric, out-of-mainstream films geared for sophisticated tastes; often the creative drive provided by the director

auteur film. A European school of film criticism that holds a deeply artistic film reflects the vision and bears the personal stamp of the director, who is the "author," using the French word

avail (from availability). In television and radio advertising buys, a commercial slot that can be purchased

banner ad. In Internet advertising, a graphical Web unit measuring 468 pixels wide and 60 pixels high that usually is presented like a billboard

billboard. In media, a large outdoor sign with advertising; also, a short audio or visual announcement preceding or following a program that identifies a sponsor

blind bidding. Licensing movies to theaters on a sight-unseen basis, which is illegal in most states

block booking. Illegal practice of bundling unwanted titles in a sale with desired titles

blockbuster mentality. Eternal hit-orientation in Hollywood that every few years some pundit's lament is something "new"

boost. Purchasing additional advertising after the prerelease advertising campaign ends; goes beyond basic newspaper listings

boutique. Specialized advertising agency that usually creates advertising campaigns

box office. Theater ticket revenue at the consumer-spend level

Buena Vista. "Good view," a Spanish phrase used by Walt Disney as the name for some of its film and television-program distribution divisions

calendar house. Art-house movie theater that uses monthly mailings (presented as calendars with film titles and playdates) to promote its schedule; most films run just a few days each, not the customary full week

calling tree. In marketing, an organized network in which recruited persons agree to systemically pass on a message to others to create a mushroom effect, typically via telephone and/or e-mail

CARA (Classification and Rating Administration). Main U.S. audience classification entity for theatrical films, based in Encino, California; self-regulation industry organization created by trade group MPAA; submitting films is voluntary, and films can be released in the United States unrated

Children's Advertising Review Unit (CARU). A nonprofit organization founded in 1974 that promotes responsible marketing to children through voluntary cooperation by the entertainment industry; backed by ad-industry trade groups

clearance. In exhibition, theaters receiving exclusivity to a film in a geographic area, typically limited to several weeks; in television, coverage of the country as a percentage of households for a television program, particularly in syndication

click-through. In Web sites, engaging an element that brings out another page or Web site

cold o**pening.** In film publicity, instances when movies are not made available for press screenings prior to release

comp (from comprehensive layout). Polished movie-advertising poster made for internal review and possible further modification

comprehensive layout. See **comp.**

contract. See **aggregate deal**

co-op advertising (from cooperative). Paid advertising whose expense is shared between distributor and exhibitor

cost per thousand (or CPM). In advertising buys, this metric measures the cost to reach one thousand target households or persons and measures efficiency of the media buy

creative advertising. The content of an advertisement, including text, graphics, and visuals

creative b**outique.** Independent advertising agency that specializes in developing posters, television commercials, trailers, and other source materials for movie advertising

cross-collateralize. In finance, offsetting gains from one sector with losses in another sector, such as lowering profits from video release of a film by subtracting losses from theatrical release

cross-over film or **cross-over** a**udience.** Attracting an additional audience segment that was not the prime target; often occurs later in a film's theatrical run, indicating a film has broad appeal

cume. See **reach.**

day-and-date. Simultaneous release, such as foreign and domestic releases of a movie on the same day

demographics or **demos.** Segmenting a human population by some metric, such as age, income, education, hobbies, religion, or geography

distribution. Process of licensing films to consumer media outlets such as theaters and television channels

distributor. Film company that markets films to theaters, television, and DVD/video stores

documentary. Cinema genre recording actual events to tell a true story or using interviews after the fact

domestic market. The United States and Canada, which for theatrical distribution, are serviced as a single territory by major studios because most films open in both countries simultaneously

engagement. See **playdate.**

exclusive run or **exclusive screening.** In theatrical distribution, booking just one theater per city. See also **platform release**, **saturation release**, **sneak preview**, and **wide release**

executive summary. Several-sentence description of a movie's plot and nuisances; often used by marketing executives to fashion the early advertising/promotion campaign

exhibition. Movie-theater business; a theater operator is an exhibitor

exit survey or **exit study.** In consumer research, quizzing moviegoers with a list of questions about the film they've just seen immediately after they leave the theaters

film rental. See **rental.**

firm terms. In theatrical distribution, insisting that financial obligations be met as stated in the theater-booking contract with no post-run adjustments

flash ads. Standard Web site advertising that is usually static, except for a click-through; less elaborate than rich media

float. Interest income theater owners earn on ticket-sales cash before paying distributors' rentals

floor. In film-booking contracts, the minimum amount of box office that distributors receive; the amount is particularly oriented to later weeks of any film's run when box office revenue is low.

focus group. In research, a group of five to ten moviegoers recruited to discuss content that is presented by a moderator in a closed room to learn consumer attitudes

four-walling. A rare method of distribution or booking; a distributor or filmmaker rents a theater for a flat fee and keeps all box-office revenue

Frankenstein trailer. Splicing together bits of rejected materials to spark creativity in developing film trailers

frequency. Number of times each household or viewer in a target audience on average sees an advertisement; the higher the number, the more a target audience is saturated

genre. Film or movie with highly focused subject matter (such as blood-and-guts, children, crime, horror, karate action) that itself is promotable; in the indie business, it suggests subject matter that is down-market and highly marketable

grass-roots campaign or **grass-roots marketing.** Localized publicity and promotions

green-band trailer. Movie trailers suitable for all audiences; the term comes from the green background, or card, visible when the trailer starts. See also **red-band trailer**

grosses. See **box office**

guerrilla marketing. Unconventional marketing typically done at the local level that aims for maximum results from a miniscule budget

head count. See **admission**

high concept. Movie idea that is so unconventional that it alone is a promotable element

hit. In the Internet world, the request for a file from a server

house allowance. See **house nut**

house expense. See **house nut**

house nut, house allowance, or **house expense.** In film-booking contracts, a negotiated amount of box-office revenue that theaters keep and thus is not shared, after which movie distributors begin to take a percentage

impressions. In media buying, the number of persons reached via an advertising placement, including duplications

indie (from **independent**). Any film company that is not one of Hollywood's six major studios

integrated media. Tying together different media from the same campaign so they interconnect, such as a magazine ad that refers to a related Web site

inventory. In advertising, available commercial slots on television and radio outlets

junket. In film publicity, a mass press event at a single location that brings together journalists and film talent for interviews; in some cases, multiple films can be publicized at a single junket

key art. Basic poster design that becomes a signature for the movie and is used as a consistent graphic for all print advertising; key art also is incorporated into trailers and television commercials

key copy line. Frequently repeated advertising slogan that summarizes the selling message for a movie

legs. Ability of a movie to hold screens and build audience in theatrical release

licensing. Renting a movie to a theater or other media outlets such as television channels; separately, conveying the right to use elements of a movie property in movie-themed products

limited release or **limited run.** In theatrical distribution, a booking pattern of a few theaters per city or theater zone. See also **exclusive run**, **platform release**, **saturation release**, **sneak preview**, and **wide release**

live action. Film footage with real actors, as opposed to animation or computer-generated images

lobby card. In movie promotion, an 11x14-inch miniposter printed on heavy stock paper for use in theaters; decades ago, these were made in sets of eight with seven different scenes from the film plus a title card with film credits

lobby stand or **standee.** Large cardboard displays in lobbies of theaters that promote films

major studio. One of the top six revenue-producing movie companies: Columbia Pictures/TriStar (part of Sony Pictures Entertainment), Walt Disney Studios, Paramount Pictures, Twentieth Century Fox, Universal Pictures, and Warner Bros.

make good. In media buys, free ads to cover any shortfall in promised audience delivery or to compensate for spoiled ads

marketability. In film testing, measuring the degree of difficulty to promote an unreleased film to an audience. See also **playability**

marketing. Promoting a product or service to a target audience

marketing cost. Expenses for creating advertising, buying media to place ads and consumer research, publicity for generating editorial coverage, and manufacture and shipping costs of theater release prints

media buy. Purchasing advertising on television, newspapers, magazines, and the like; excludes costs of creating the ads themselves and consumer research

media stunt. A highly concentrated burst of advertising two to four weeks before a movie premieres

megaplex. In exhibition, a theater with fourteen or more screens, though there's no agreement on minimum screen count

monadic test. In research, allowing a respondent to see only one element under consideration at a time, such as a single movie title, and not simultaneously see any alternative choices. See also **sequential monadic test**

money shot. Most gripping scene in a trailer or television spot that, in terms of pacing, is the climax or payoff

MPAA. Motion Picture Association of America, the trade group of the six major studios

multichannel television. Any television service delivered to homes outside of regular broadcast signals; includes cable, satellite, microwave, and so forth

multiplex theater. In exhibition, a theater with six to thirteen screens

NATO. National Association of Theatre Owners, the trade group for movie theaters

negative cost. As in film negative; the expense of making a movie to the point where a master copy is ready for duplication

New Hollywood. Realistic films with edgy stories and mass-market potential that emerged in the United States in the 1970s, in a sharp break from the middle-of-the-road movies churned out for decades by the studio system

niche film. Movie with strong appeal to a narrow audience segment

norms (from **normative**). In research, expected patterns based on past data covering similar films

one-sheet or **one-sheet poster.** Used in theaters, a standard-size movie poster typically measuring 27 x 41 inches and printed on thin paper

out-of-home media or **out-of-home advertising.** In advertising, any of the vast ad-media platforms outside buildings; includes standard outdoor billboards, bicycle-rack panels, transit ads, TV monitors at check-out counters, and so forth

outside agencies. Marketing consultancies hired to handle marketing functions in full or in part

platform release. Theatrical release strategy of opening a film in a relatively small number of theaters initially, intending to build on positive critic reviews and word-of-mouth buzz; a high-risk strategy because wide release won't materialize if initial reaction is unfavorable. See also **limited release, saturation release, sneak preview,** and **wide release**

playability. In film research, measuring the extent an audience likes or dislikes a film after viewing. See also **marketability**

playdate or **engagement.** In theatrical distribution, booking a film at a theater that is counted as one even when the same film is shown on multiple screens at a single location

positioning study. In research, developing a detailed movie-marketing plan at a very early stage based on a script and casting

press kit. Distributor-supplied packets containing press releases and photos for use by journalists; increasingly delivered on-line

preview screening or **test screening.** A test screening that is a private showing of a film prior to theatrical release to a recruited audience to gauge moviegoer reaction

principal photography. Main film-production period, typically from seven to sixteen weeks for a feature film

print or **release print.** Bulky, heavy reels of a movie used by theaters for projection; a single print can service more than one screen in modern multiplexes

prints and advertising (or **P&A**). Sum of theatrical-release marketing expenses for both the bulky reels that theaters use to project films and for paid advertising

print media. Newspapers and magazines, usually in the context of advertising buys

product placement. Arranging for brand-name items to receive exposure in films, television programs, and other media. See also **story-point product placement**

promotion. Special one-off marketing efforts such as contests and display stands that are often mounted in concert with third parties

publicity. Free editorial exposure such as film reviews, talent interviews on talk shows, stories in newspapers, and the like

quads (from q**uadrants**). In movie research, a standard presentation of results dividing the audience into four groups: male, female, over age twenty-five, and under age twenty-five

qualitative research. Relatively unstructured research where feedback from small focus groups is open to subjective interpretations; tends to be exploratory; findings from its tiny samples shouldn't be statistically projected to a larger audience. See also **quantitative research**

quantitative research. Findings acquired systematically in a uniform way from all respondents and can be boiled down to numeric values and projected to a larger population. See also **qualitative research**

rating or **rating point.** Audience in broadcasting and cable television expressed as a percentage of the total target; in U.S. national television, a 1 rating equals 1.128 million households, or 1% of the total 112.8 million television households

reach. In advertising buying, percentage of households or population in a target that see an advertisement at least once in a measurement period; each household or person counted only once, which prevents double counting; expresses breadth of coverage of a target audience. Also called c**ume** (pronounced with *Q* sound, as in *cumulative*)

red-band trailer or **red-band preview.** Movie trailer for age-restricted audiences, such as R-rated films; name comes from red background at start. See also **green-band trailer**

r**elease print.** See **print.**

rent-a-distributor. Theatrical distribution method where a film's producers or related party agrees to cover all out-of-pocket expenses, such as prints and advertising, incurred by a distribution company in exchange for a low distribution fee. This arrangement is rare because distributors typically want lucrative video and television rights as well.

rental or **film rental.** Payment that film distributors receive from a movie theater for rights to a movie; excludes portion of box office kept by theaters

rich media. Ads in Web-site advertising that users can interact with, usually having elements such as movement, sound, video, and enlargement capability; more elaborate than standard **flash ads**

roadblock advertising. Placing the same television commercial on multiple television channels at the same time

rough. In creating advertising, a crude mockup, unfinished but actual size

rough assemblages. First crude version of a film, which is used as a starting point for distributor evaluation and as a first round to audience screenings

rough television s**pot.** A commercial's first draft; used only for internal review

royalty. Payment for the right to use intellectual property or for personal services; in licensing for movie-merchandise, usually a percentage of wholesale revenue

run-of-the-book. Ads that are not promised any specific placement in print media

run-of-schedule (or **ROS**)**.** Commercial time that can appear at any time at the discretion of the broadcaster and is cheaper than purchasing specific time slots

rushes. Production footage straight from the film-processing laboratory and viewed by filmmakers, studio executives, and marketing executives

saturation release. In theatrical distribution, a film playing at from 2,000 to 2,999 theaters. See also **limited release, platform release, sneak preview,** and **wide release**

scatter market. In media buying, television advertising purchased close to airdate when the television season is already underway

screen. Theater auditorium with a movie screen

screener. In film-awards marketing, a special movie DVD sent out to film industry executives and the press

screener questionnaire. Form soliciting demographic and other personal information from a respondent

search-engine marketing (SEM). Various techniques Web-site operators use to raise their order in the list of search results

sequential monadic test or **paramonadic test.** In research, this variation of a monadic design has each individual assess the research items, such as movie titles, one at a time. Then, the individual is asked for a preference among the alternatives. See also **monadic test**

settlement. Financial adjustments by an exhibitor and distributor after a film finishes its run in a theater; not necessarily specified in the written contract

showings. In advertising buys, the audience exposed to an outdoor billboard expressed as rating points

sneak preview. Limited commercial release of a film to build word of mouth in advance of a broader, regular theatrical release

splash. Page of a Web site; a simple introductory page only and no capability to click through to additional content

spot television and **spot radio.** Local commercials purchased by a national advertiser, such as a film distributor, to increase the advertising spending in selected cities

standee. See **lobby stand.**

storyboard. Sequential series of still photos or graphics that are key scenes of a film trailer or television commercial; used when developing ideas

story-point product placement. Branded item referred to in dialog, handled by a character, or in some way integral to the movie's plot. See also **product placement**

street team. Marketing "foot soldiers" who, on an organized basis, fan out in neighborhoods and spread commercial messages by posting handbills, passing out promotional items at events, wearing branded clothing, and chatting up strangers

stunt. See **media stunt**

target rating points (TRP). In buying television and radio advertising, the number of times each person in a defined demographic group is exposed to a commercial; a TRP of 300 means each person in the audience target sees the ad three times on average

teaser campaign. Short burst of advertising, promotion, and/or publicity weeks or months before a movie opens, designed to raise simple awareness

teaser trailer. Shorter-than-normal promotional film for theaters meant to be played in theaters weeks or months before the regular trailer

television syndication. Programming seen nationally on a patchwork lineup of television stations in various time slots

tentpoles. Biggest films on a distributor's slate that are released in peak moviegoing periods; given that Hollywood is like a carnival, the phrase evokes the idea of a circus tent with big films as its center pillars

test screening. See **preview screening**

tie-in promotions. Joint marketing efforts in which a film distributor partners with a consumer-goods company to promote movies

title treatment. Signature typeface and graphic look of a movie's name in advertising

tracking survey or **tracking study.** In research, measuring comparative audience awareness of films prior to or at their premiere

trailer. Short promotion film, typically about two minutes long, that touts an upcoming film and is shown in theaters before the main feature

trailer derby. In creative advertising, a showing of all trailers made by all outside creative shops that are working on the same assignment; each boutique then refines its trailer(s) for resubmission. See also **Frankenstein trailer**

trailer swap. An accord where two theatrical distributors agree to attach their trailers to the film of the other to achieve optimum timing and target audience; these are shown in theaters to regular audiences

unit photographer. Photographer on the set of a movie who takes still pictures for use in publicity

unit publicist. Marketing executive assigned to prepare foundation publicity materials during production and possibly arrange selective press access of talent for interviews during production

unit ticket sale. See **admission**

universe. In research, the entire potential audience in a target market; the target can be groups defined by gender, race, age, household income, and other demographics

upfront market. In media buying, television advertising purchased long in advance before the television season starts

urban audience. Populations of inner cities

vendor. Outside consultant, such as a shop specializing in creating advertising or providing research services

viral marketing. Communications that encourage recipients to pass on the message or materials to peers in order to achieve a snowball effect

Webisode. Episodic content on the Internet that is a publicity vehicle for films

wide pattern or **wide release.** In theatrical distribution, a film playing at from 600 to 1,999 theaters. See also **exclusive run**, **limited release**, **platform release**, **saturation release**, and **sneak preview**

word of mouth. Moviegoers praising or knocking a film in conversations with peers

zone. In theatrical distribution, a geographic area with one or more theaters that is one unit for film-booking purposes

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Robert Marich has more than two decades of journalism experience covering the film and television businesses while based in Los Angeles, New York, and London. He is a writer and analyst who previously served as editor of the film newsletter *Variety Deal Memo* and business editor at the *Hollywood Reporter*. Earlier, he held full-time reporting positions at *Advertising Age* and *Investors Business Daily*. His freelance articles have been published in *Forbes*, the *Los Angeles Times*, *Screen International*, and *Variety*. His Web site is www.MarketingMovies.net, and he can be reached at RobertMarich@marketingmovies.net.

FILM / MARKETING

"*Marketing to Moviegoers* provides a cogent and extremely pragmatic discussion of studio marketing practices."—Denise Mann, UCLA Producers Program

"This is an excellently written, deeply researched manual that every filmmaker should read. Robert Marich knows his subject matter, and he knows how to drill down deep."—Tim Adler, author of *The Producers: Money, Movies and Who Really Calls the Shots*

While Hollywood executives spend millions of dollars making movies, even more money is poured into selling those films to the public. In this second edition of his comprehensive guidebook, *Marketing to Moviegoers*, veteran film and TV journalist Robert Marich plumbs the depths of the strategies and tactics used by studios to market their films to consumers. Packed with real life examples and useful data, this new edition blends practical, up-to-date information with theory to clearly explain all aspects of promoting motion pictures.

Marketing to Moviegoers covers everything film professionals need to know to mount a successful marketing campaign. Each chapter contains a wealth of useful information—including the historical background of the business, sample market research documents and advertising budgets, as well as comments from successful industry insiders—and offers intriguing insight into the strategies of modern promotion.

A highly navigable handbook that breaks down a complicated process into manageable strategies in an easy-to-read style, *Marketing to Moviegoers* is a must for all film professionals and filmmaking students.

ROBERT MARICH is a business journalist and analyst with twenty-five years of experience covering film and media. He has held senior editorial jobs at media researcher Kagan Research, *Variety Deal Memo* film business newsletter, daily trade newspaper *Hollywood Reporter*, *Investor's Business Daily*, *Television Week*, and *Advertising Age*. His freelance articles have appeared in London-based *Screen International*, the business section of the *Los Angeles Times*, *Emmy* magazine, and *Forbes*.

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