

# Microsoft Film Studios...

The future for Microsoft in Film



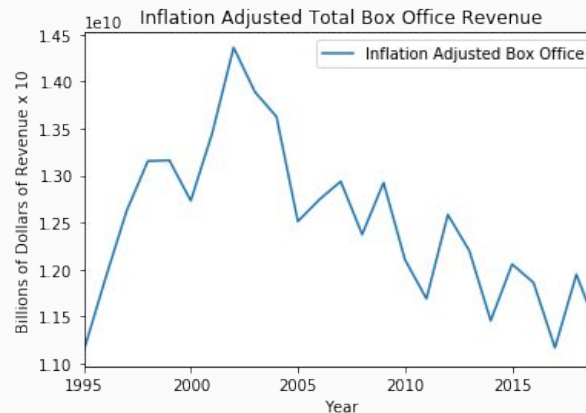
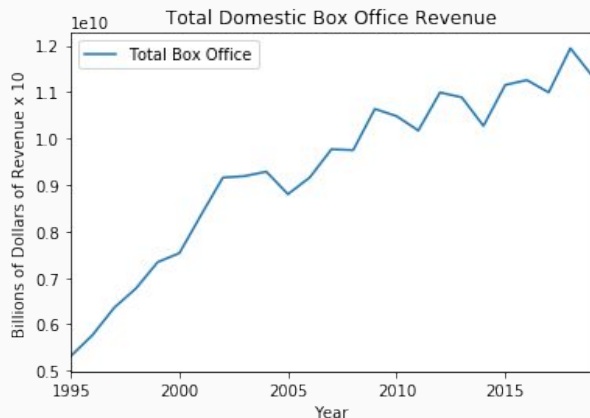
# Key Questions about the film industry:

1. Where should Microsoft enter the film market?
2. At what financial level should Microsoft enter the market?
3. What kind of films should Microsoft make?

# Current State of the Movie Industry

A cursory look at box office totals paints a picture of an industry on the rise.

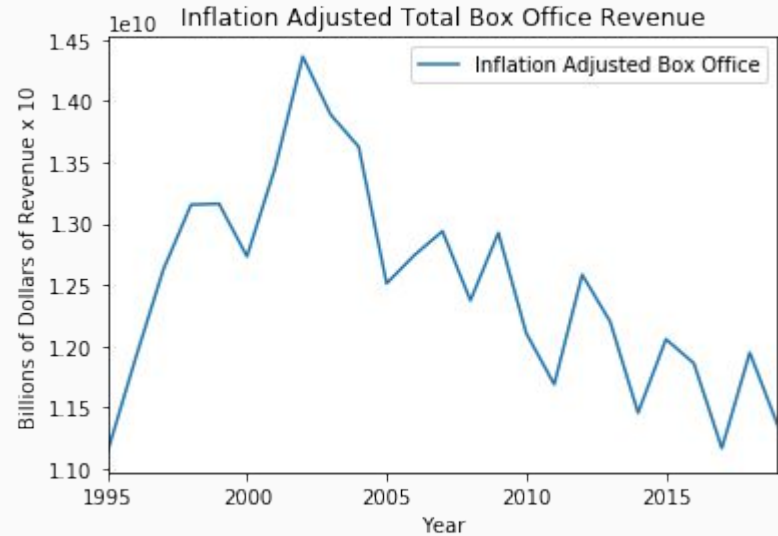
However, looking at inflation adjusted box office paints a less rosy picture.



# Key Question #1:

## Where should Microsoft enter the film market?

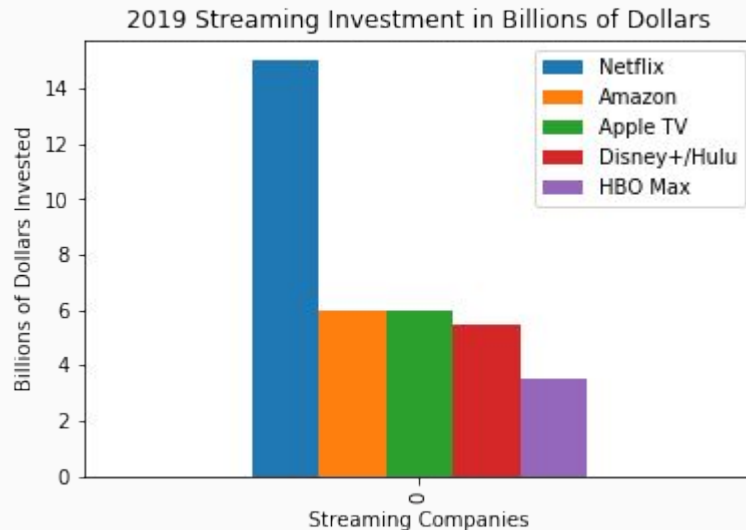
- Seeing the steady decline in box office revenue is certainly a red flag
- The top 5 studios now make over  $\frac{2}{3}$  of all box office revenue (the-numbers.com)
- This would be a costly and uncertain area of the market for Microsoft to make a first entry into film



# What's the alternative?

Because traditional domestic box office is on the decline, what else is there?

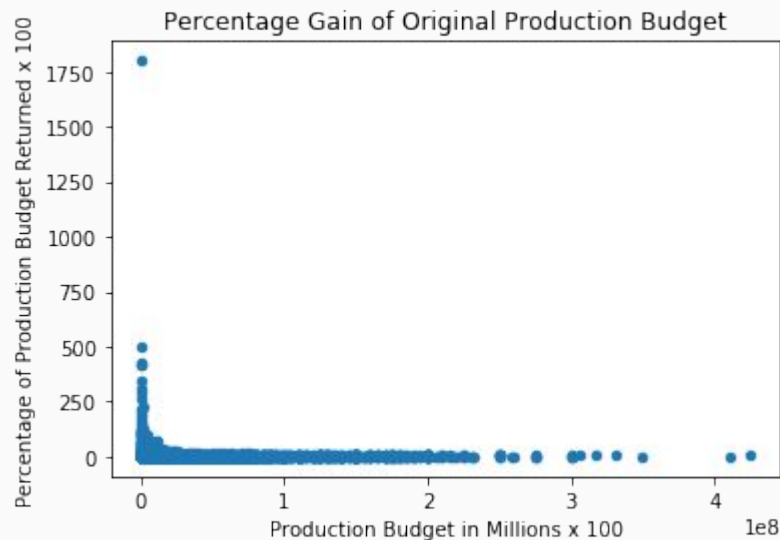
# Streaming!



- Netflix, Amazon, Apple and Disney (Hulu included) have been spending big in this arena.
- Streaming allows content to be delivered to customers all over the world as well as localized for specific audiences
- Microsoft is well positioned to enter this space with the already existing xbox store and millions of windows PC's around the world

Key Question #2:  
At what financial level should Microsoft enter the market?

- Film budgets vary drastically \$8,000 - \$450,000,000
- Highest production budgets do not seem to correlate with higher **percentage gain**
- It's difficult to decide on investment when looking at the whole field of possible investment
- Let's zoom in on a better range of budgets that are more realistic for Microsoft



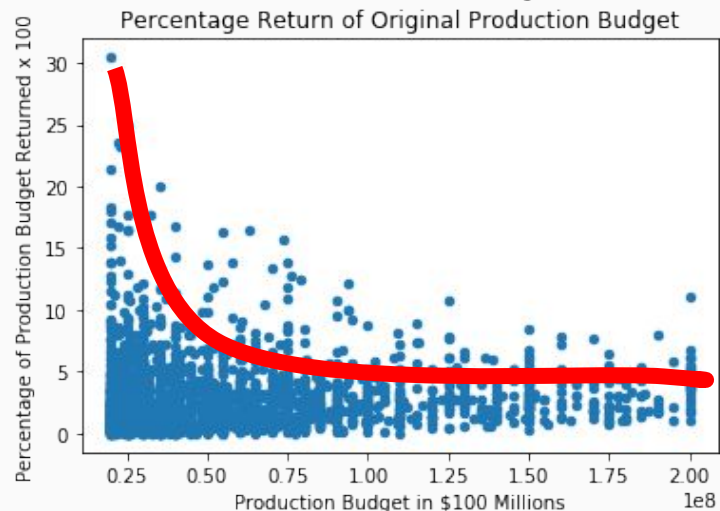
Is more investment  
in production  
budget  
worthwhile?

Does bigger risk

=

bigger reward?

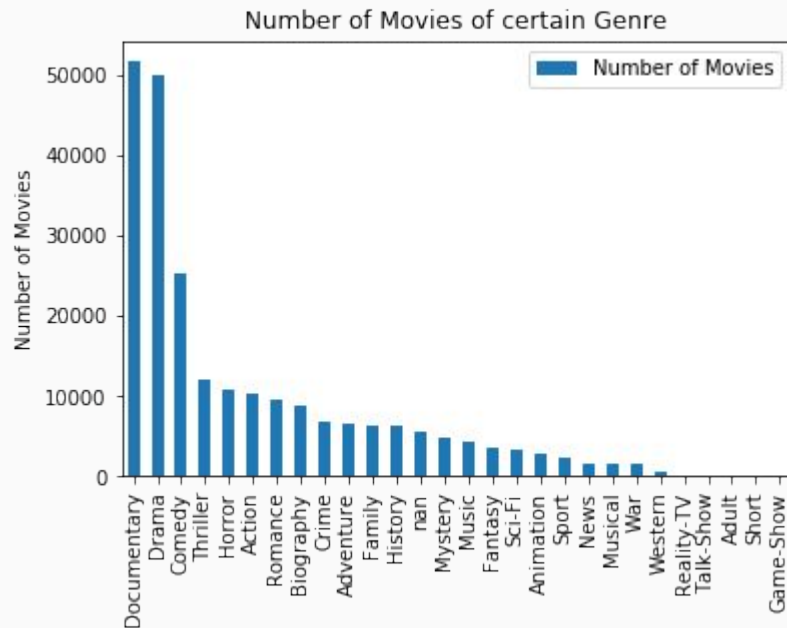
# Not really...



- Zooming in on production budgets from \$20 - \$200 million
- The curve seems to actually disincentivize investment after \$50 million
- Cheaper movies will allow Microsoft to make more content as well as expand content to different places worldwide.

# Key Question #3: What genre of features should Microsoft make in \$20-\$50 million range?

- Documentaries are the most common movie genre
- Drama is a close second, but Drama is a broad category
- While it's nice to know what is made the most, what we want is to know what makes the most money...

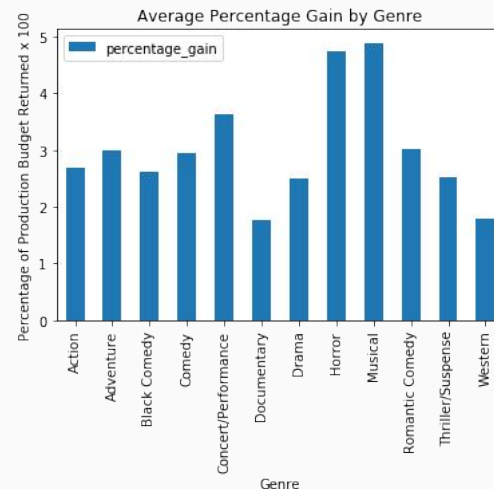
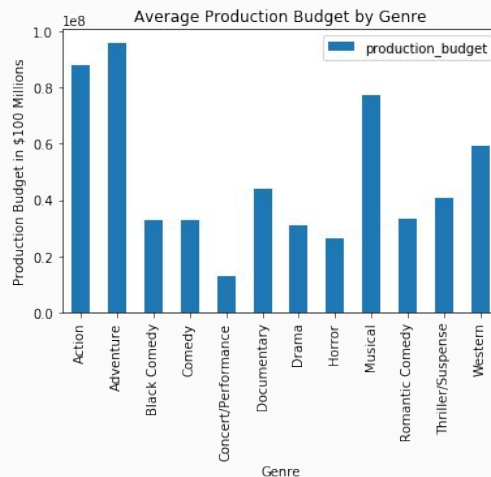




# Short Answer: Horror

What genres make the most money?

...with the least investment



- Horror movies have the second highest percentage gain and the second lowest average budget
- Concert/Performance have the third highest percentage gain and by far the least production budget
- Comedy and Romantic Comedy round out the top 3 being tied for 4th highest percentage gain and 3rd lowest average budget

# Conclusion

1. Microsoft should focus on the streaming and international market
2. Microsoft should focus on pictures between \$20-50 million to produce
3. Microsoft should initially create features in the Horror, Concert/Performance and Comedy genres



# What's next?

## Ideas for future research...

- Streaming:
  - Dig deeper into streaming profitability and revenue streams?
- Film budgets:
  - Find whether Actors, Writers, Directors, Cinematographers, etc. are more cost effective?
- Genres:
  - Analyze whether there is a longitudinal change in profitability of certain genres?

# Thanks!

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Data Sources:

[The-Numbers.com](http://The-Numbers.com)  
[Observer.com](http://Observer.com)  
[IMDB.com](http://IMDB.com)

