

Microsoft Movie Studios - Industry Analysis

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May 15, 2023





Outline

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Overview

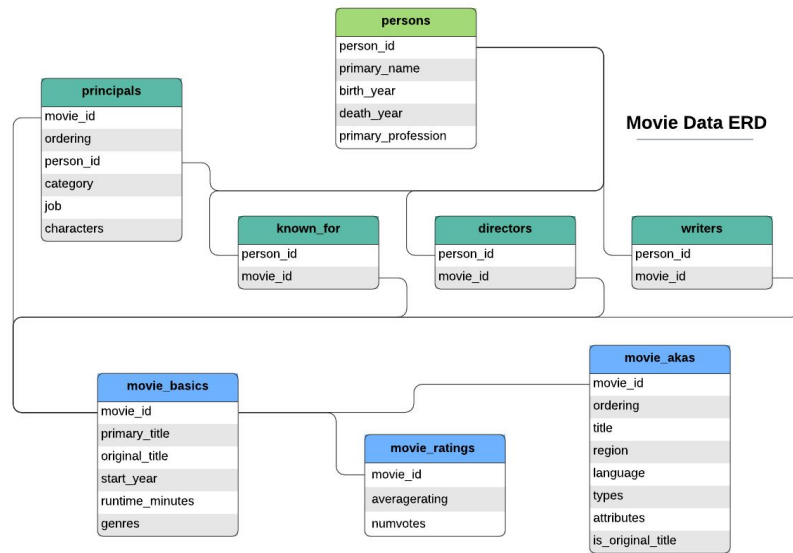
Movies are a \$283 billion market. Microsoft seeks to build studio and make an entry into the industry.

Descriptive analysis of various large movie databases reveal opportunities to achieve significant returns while managing risk. Strategies include:

- Diversifying production across budget ranges
- Focusing resources on animated and adventure films
- Producing movies between 90 and 140 minutes long

Data Understanding

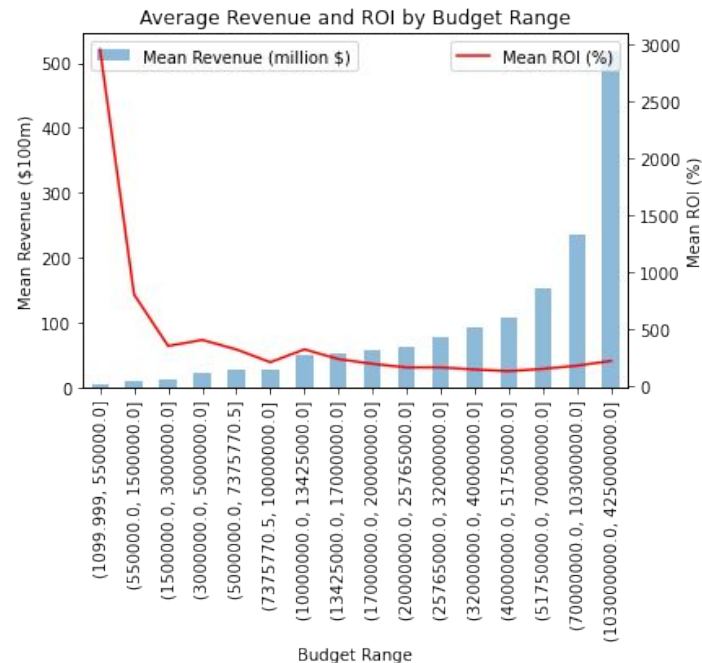
- Six databases from various sources:
 - IMDb
 - Box Office Mojo
 - Rotten Tomatoes
 - TMDb
 - The Numbers
- Focus on budget, genre, and runtime





Budget Analysis Results

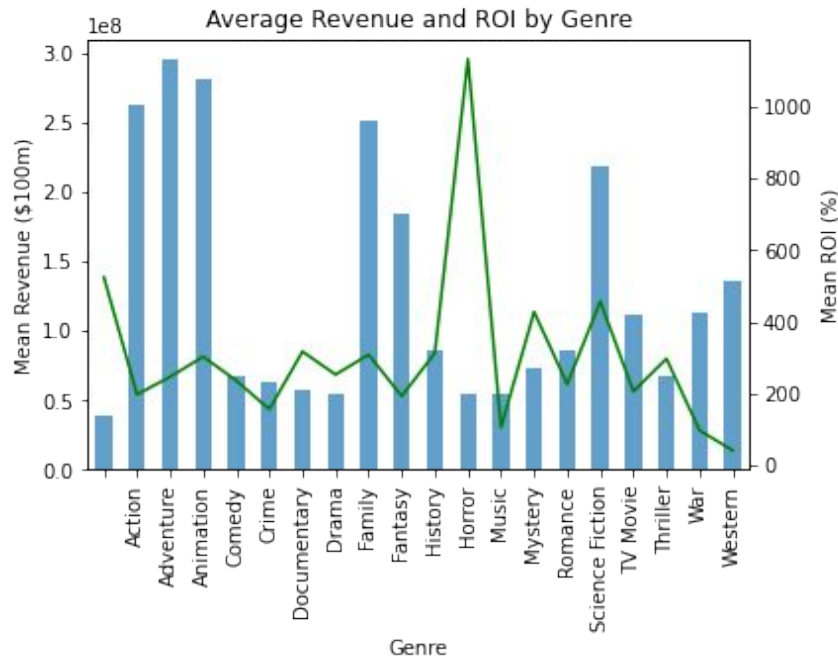
- Revenue and ROI create an almost symmetrical pattern. As budget increases:
 - Revenue increases.
 - ROI decreases .
- Revenue tends to always climb with budget
 - High-budget revenue is driven up by outliers
- ROI has a steep drop, plateaus with a slightly negative trend





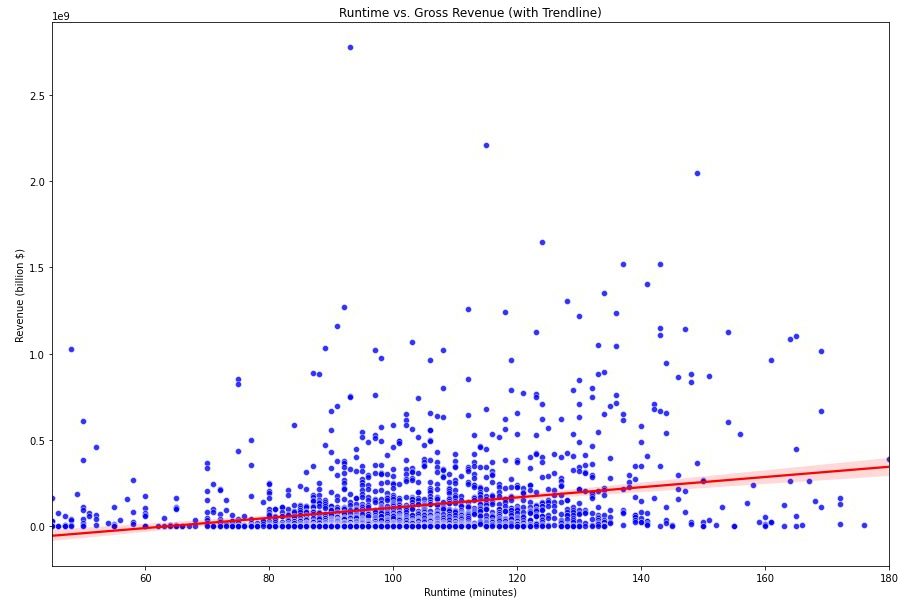
Genre Analysis Results

- Adventure, Animation, and Action lead in revenue
- Horror leads ROI followed by Sci-Fi and Mystery
- Animation has a higher ROI than Adventure, making Animation preferable
 - Cheaper to produce
 - Almost identical revenue
 - Can contain Adventure/Action elements



Runtime Analysis Results (Revenue)

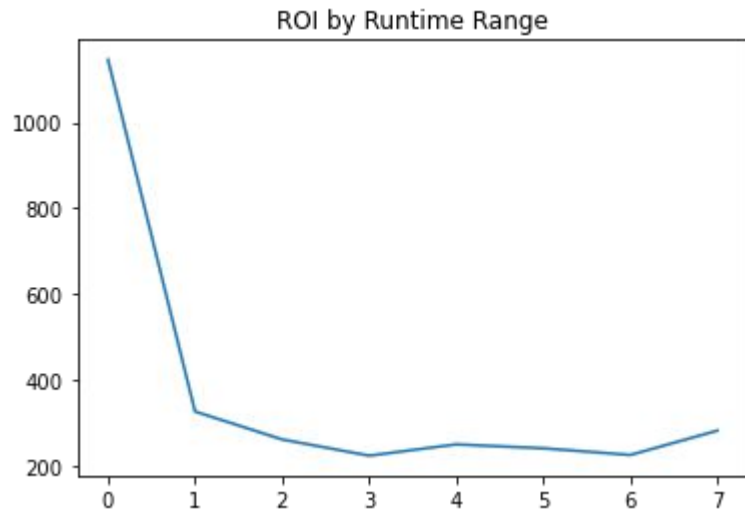
- Revenue tends to increase with runtime until about 140 minutes
- Rough bell shape between 70 and 140 min.
 - High earners pull up revenue averages
- Not enough data to correlate higher runtime/revenue past 140 min.





Runtime Analysis Results (ROI)

- Runtime ROI chart similar to budget
- Steep decline and plateau
- Not much clear ROI upside beyond 95 minutes





Conclusions

I recommend a starting budget of \$650 million, about 1% of MSFT's free cash flow.

This analysis led to three key business recommendations for Microsoft as they open their new studio:

- **Produce ten films across multiple budget brackets:**
 - 3 high-budget (\$103m+)
 - 3 mid-budget (\$51m-\$102m)
 - 4 low-budget (\$5m-\$17m)
- **Focus resources on producing at least one animated film, with a secondary focus on action and adventure movies.**
- **Diversify runtimes, with higher-budget movies between 113 and 140 minutes, and lower-budget films being closer to 90 minutes.**



Strategy

- Use high-budget films to generate the bulk of the revenue and market the studio.
 - Mainstream genre, average runtime
- Use low-budget films to generate high returns and appeal to niche audiences.
 - Unconventional genre, runtime

This strategy properly diversifies Microsoft's film portfolio and balances risk while still being capable of producing high returns.



Next Steps

Further analyses could yield other actionable insights for Microsoft. These include:

- Synergies between primary and secondary genre.
- Genre performance by runtime.
- Leading actor effect on revenue/ROI.

Thank You!

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