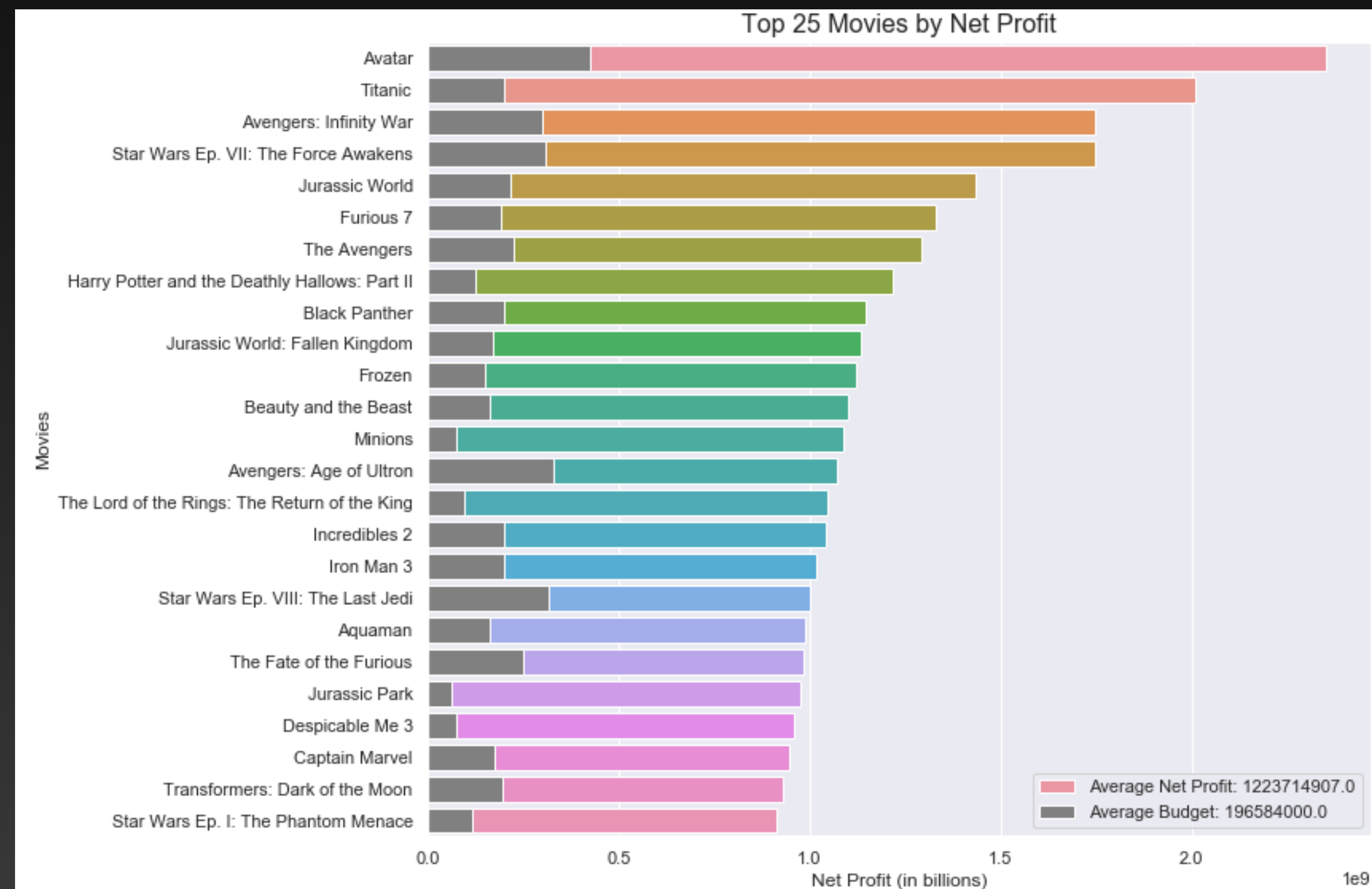# Movie Industry Analysis

Presented By: David Bartholomew

Objectives

- Provide a foundation for Microsoft to enter the movie industry

- Determine factors that contribute to successful movies based on analysis of movie data

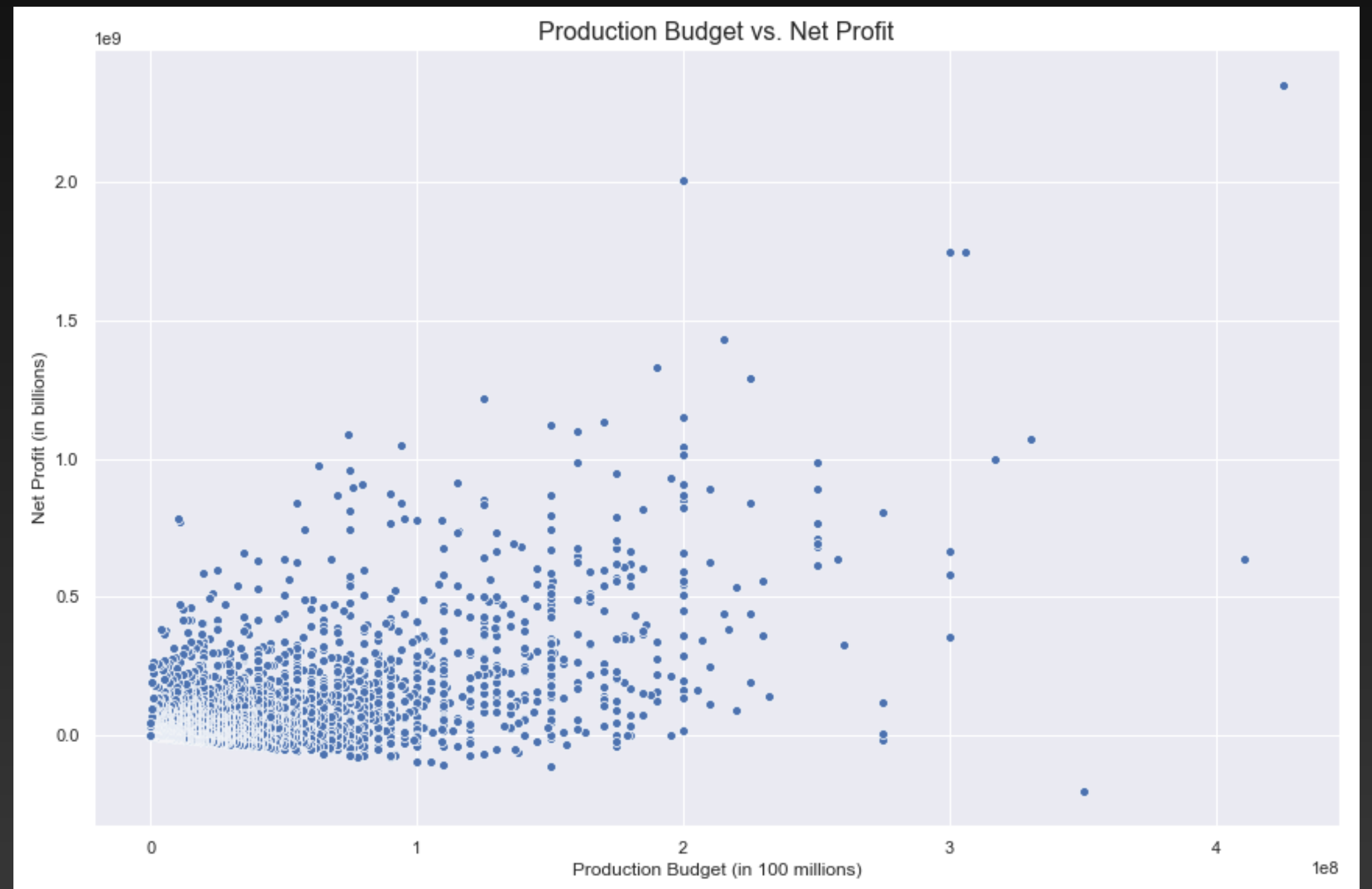- Focus on four questions and recommendations

Question 1: What are reasonable budget and profit margin targets?

- The average net profit for the top 25 movies is over 1.2 billion

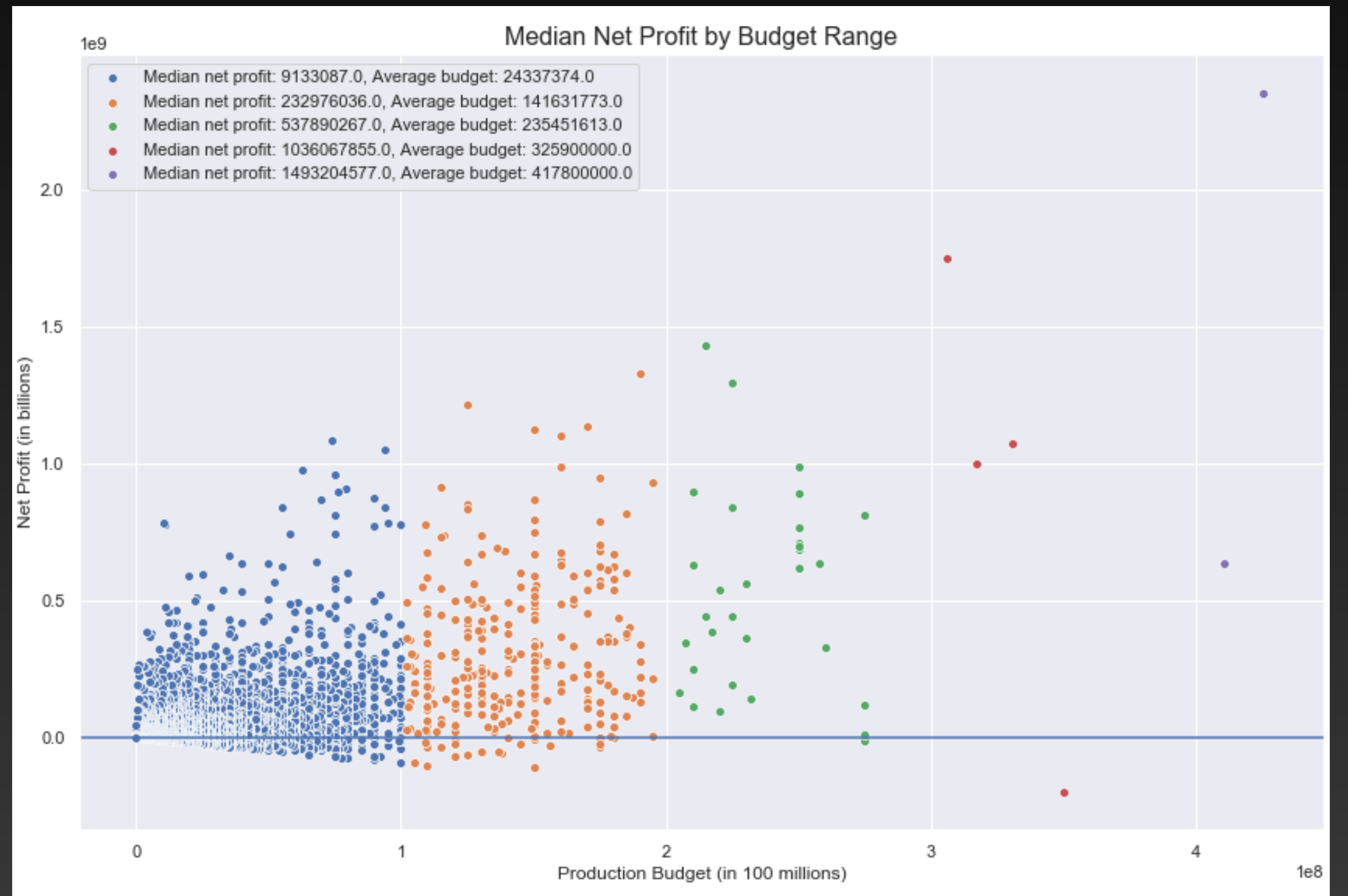- The average budget is over 196 million

Budget correlation to net profit

- Looking at the overall picture, budget does correlate with net profit

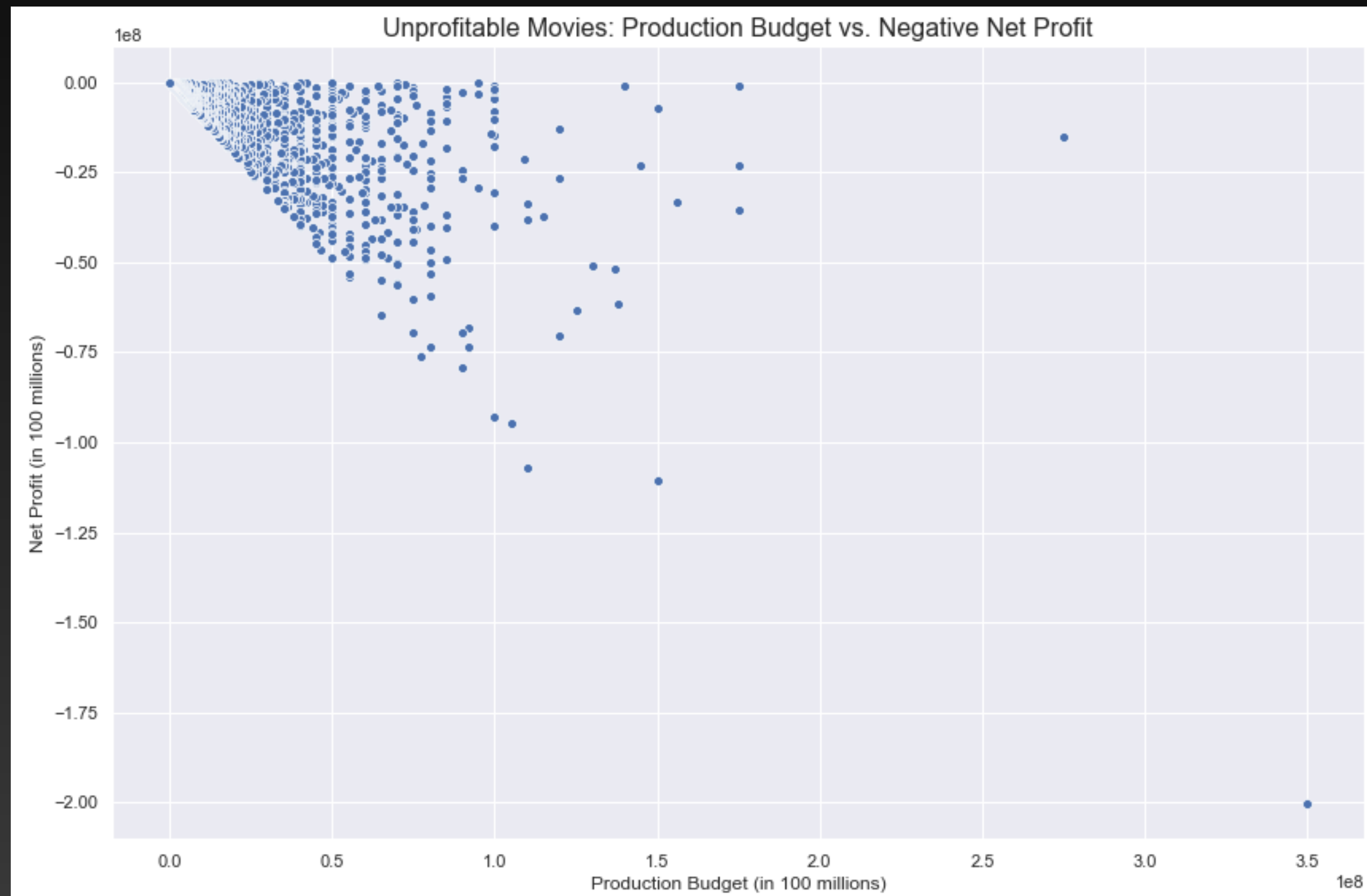- It seems that the higher the budget, the higher the net profit

Budget ranges vs. net profit

- There is less correlation when looking at budget ranges in 100 millions

- The correlation is different for each budget range

- There are several movies falling under a negative profit range

Median Net Profit by Budget Range

- Median net profit: 9133087.0, Average budget: 24337374.0
- Median net profit: 232976036.0, Average budget: 141631773.0
- Median net profit: 537890267.0, Average budget: 235451613.0
- Median net profit: 1036067855.0, Average budget: 325900000.0
- Median net profit: 1493204577.0, Average budget: 417800000.0

Net Profit (in billions)

Production Budget (in 100 millions)

What about unprofitable movies?

- It seems that the higher the budget, the higher the deficit for these movies

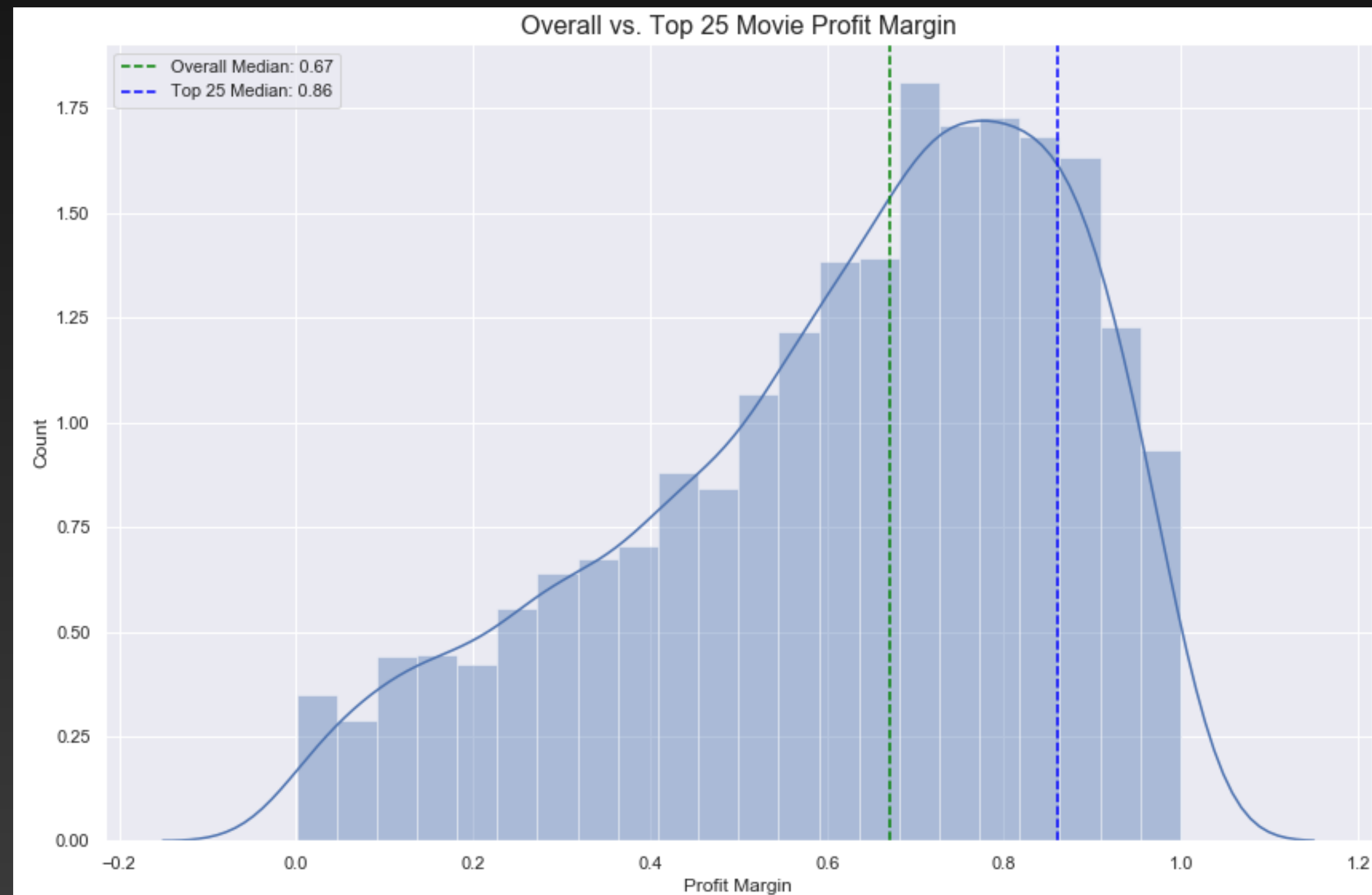Unprofitable Movies: Production Budget vs. Negative Net Profit

Determining budget

- Determining a budget based on correlation with net profit does not work.

- In reality, we can get an idea of average budget amounts of other movies, but we can only determine budget based on calculating all potential expenses

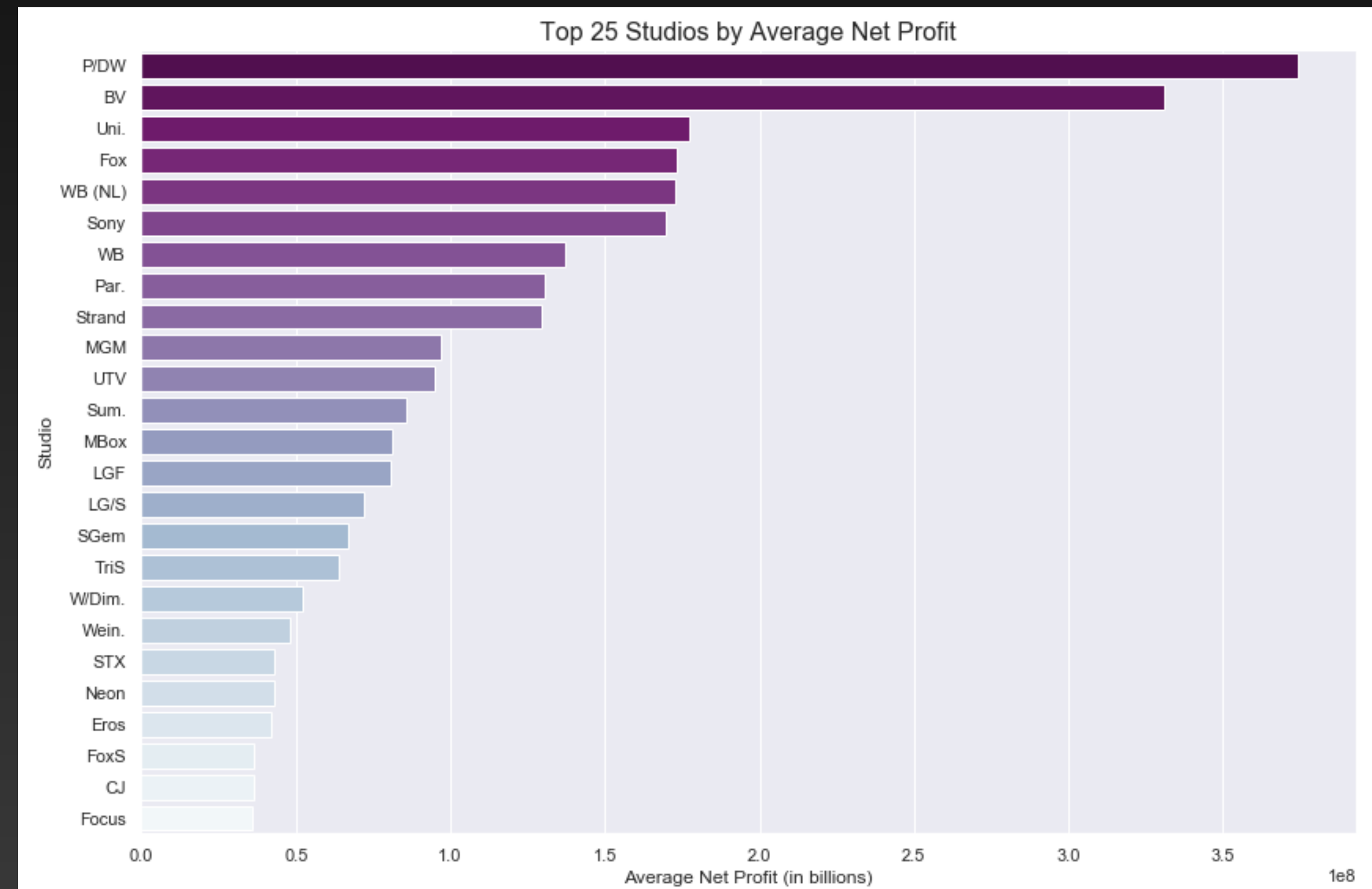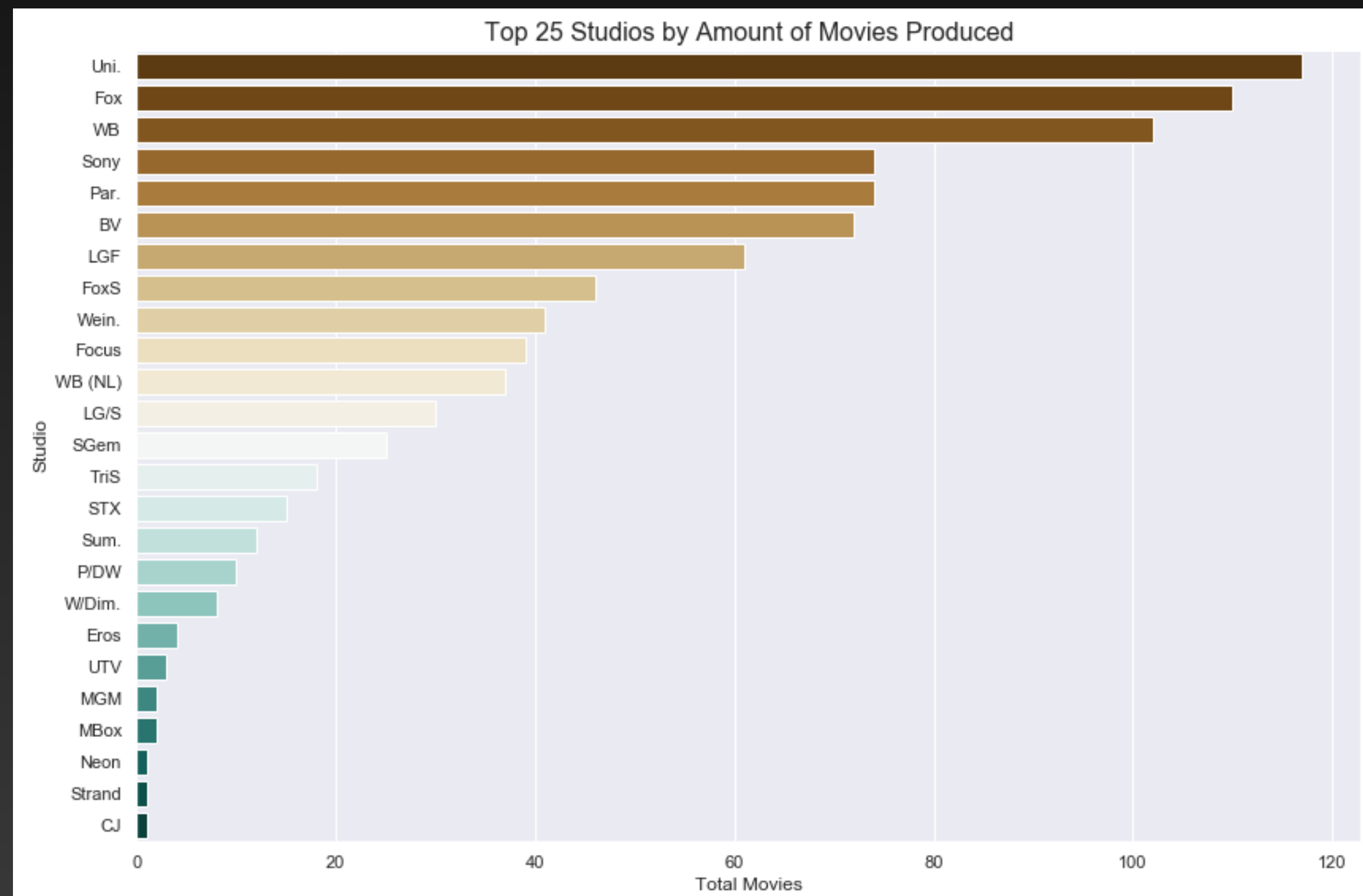- What we can determine is a profit margin goal

Determining Profit Margin

- Based on the median profit margin of all profitable movies, I recommend a profit margin target of at least 67%

- Based on the top 25 movies, we can create a stretch goal at 86%.

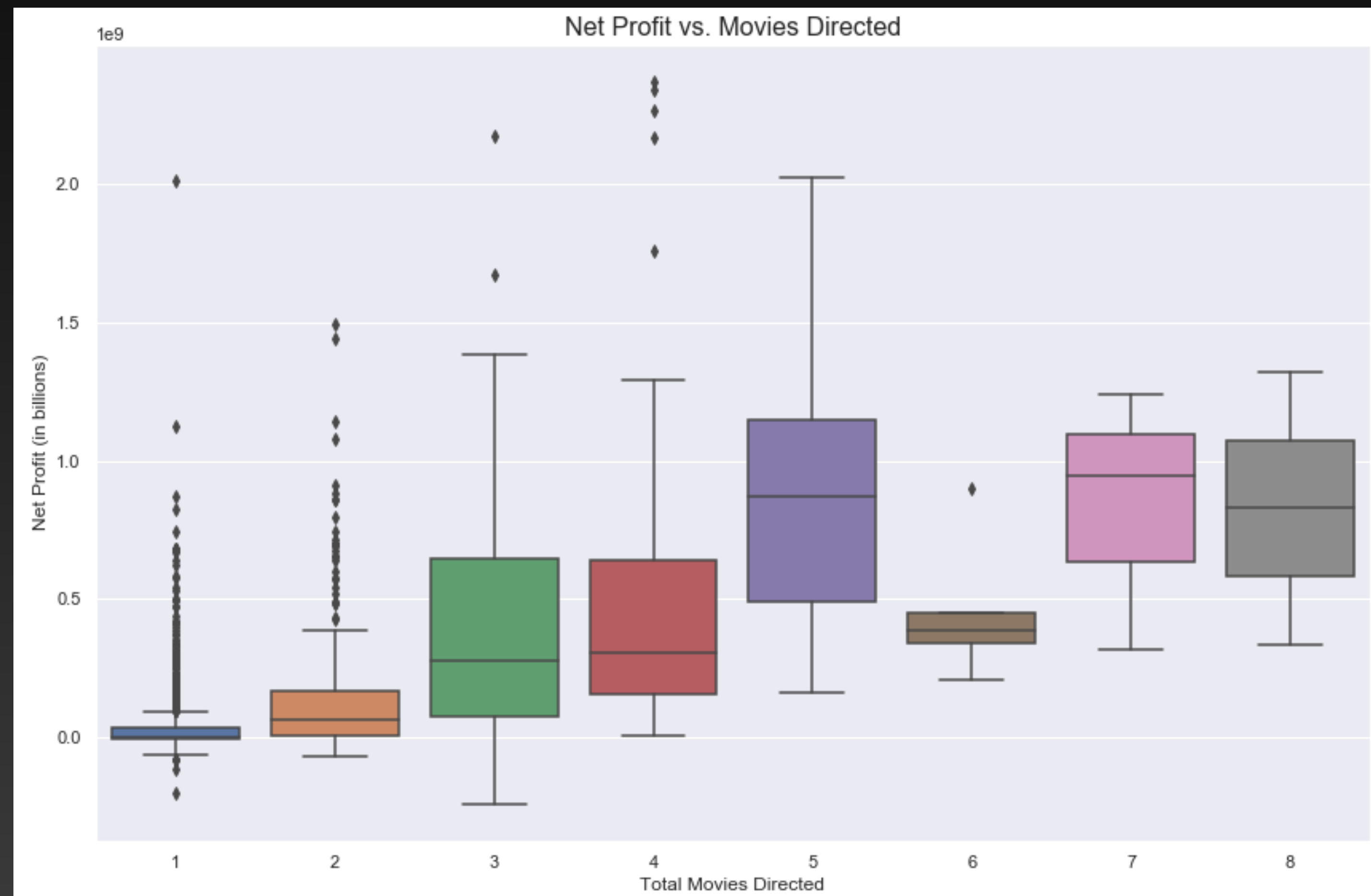Overall vs. Top 25 Movie Profit Margin

Question 2: Who would be the top competitors?

- By amount of movies made, Universal, Fox, and Warner Bros. are top 3 with over 100 movies made.

- Dreamworks, Buena Vista, Universal, Fox, Warner Bros, and Paramount have the highest net profit all over 1.5 billion
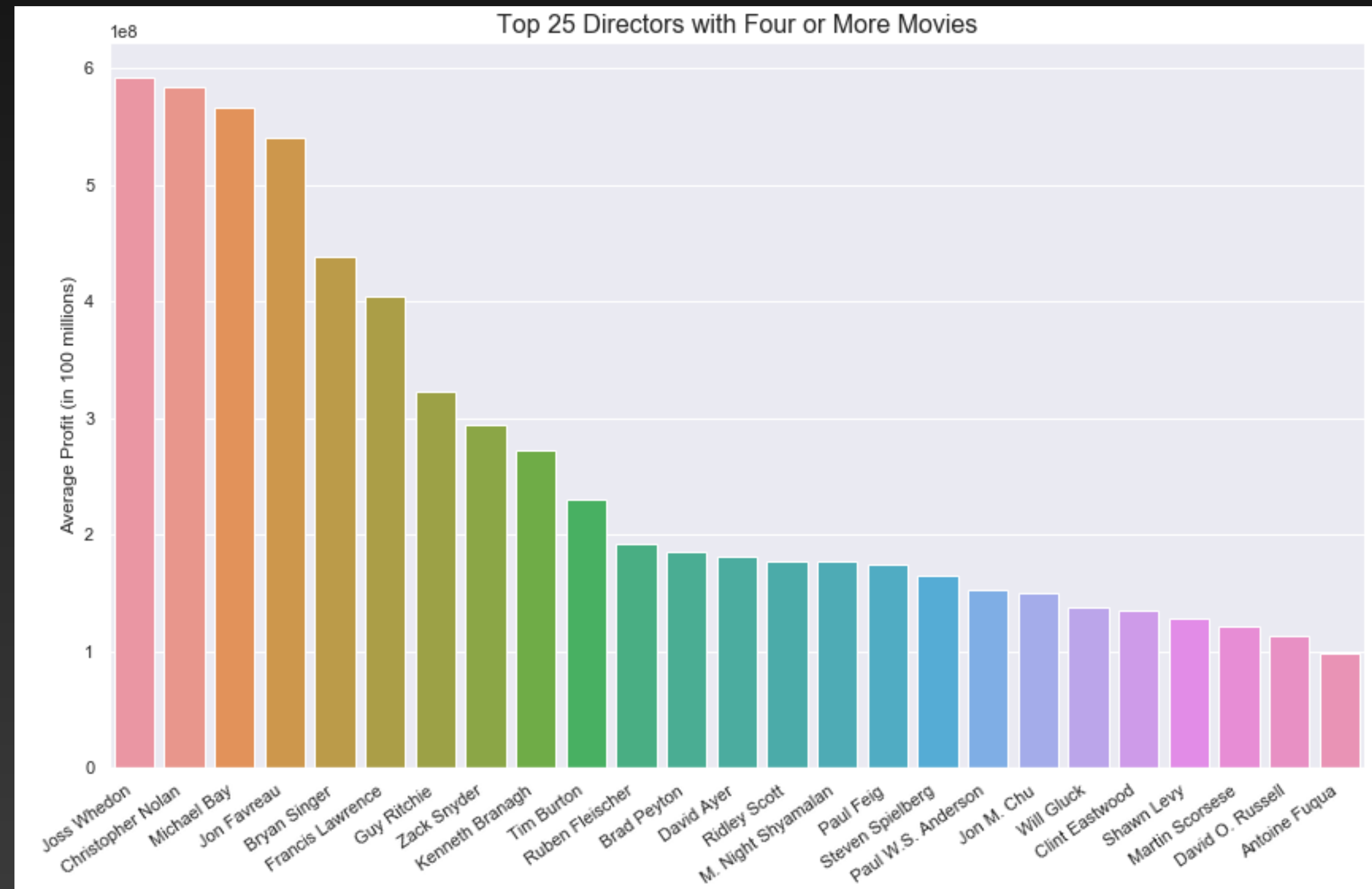
Question 3: Which director/s should we hire?

- Looking at director experience is necessary

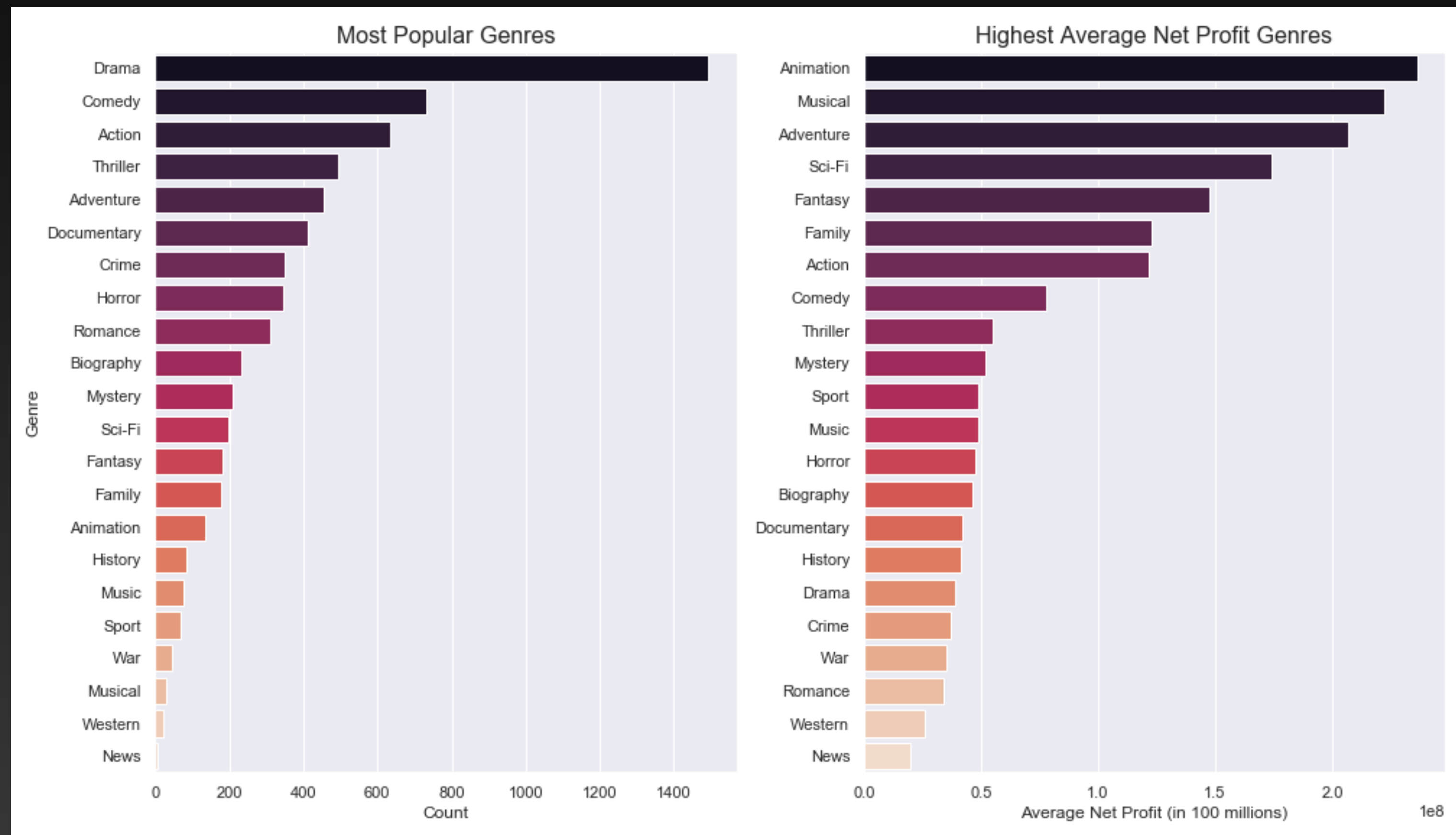- Directors with 4 or more movies almost always have a positive net profit

Directors with highest net profit

- The directors below directed 4 or more movies and have the highest net profit.

- My recommendation is to choose one of the top directors: Joss Whedon, Christopher Nolan, Michael Bay, or John Favreau, each with over 500 million in net profit

Top 25 Directors with Four or More Movies

Question 4: Which genre/s should we choose?

- Drama is the most popular genre at over 1400 movies, almost doubling the amount of Comedy

- Animation, Musical, and Adventure have the highest average net profit over 200 million each.

- Recommendation: choose a combination that is sensible and the most profitable i.e. Animation, Adventure, and Sci-Fi

Conclusion/Further Analysis

- There are many other factors that go into determining what makes movies successful

- It would be beneficial to further investigate release dates and impact on profit, foreign gross vs. domestic, who to hire as the cast, and several other factors

- With this initial analysis, we at least have a starting point to begin creating successful movies