**Examining Drivers of Film and Industry Profitability**

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**The Premise/Problem:**

The definition of the film industry is increasingly becoming a relic of the past with the invasion of streaming services and online platforms that give people a plethora of readily accessible-content. Other factors that supposedly drive a movie’s profitability are also changing.

According to the *L.A. Times* and BBC News, the presence of star power in movies of the 21st century no longer guarantees exponentially higher box office performance it once did before the rise of streaming services and social media platforms. By star power, we define this as a Hollywood A-lister who plays the starring role.

Other things that have to be taken into account are: social media marketing of films, the core of the industry’s philosophy that more is better aka, a gamble that one gigantic blockbuster will make up for the failures of the other 80-90% of films released per year (according to *Forbes*).

**The Objective:**

We will perform an analysis of the film industry over time to determine what the key drivers of profitability are in the modern-day to provide a recommendation on how the industry can adapt to the ever-changing entertainment ecosystem.

**Data Used:**

We used datasets from the IMDB database and the Kaggle user base that provides sets that have been scraped from a combination of other movie databases providing financial info.

**Narrative:**

***Overview***

Big Picture of Industry in the Past 30 Years: Externally, the industry of Hollywood has seen many factors have impact on the size and scale of its operations. We have chosen to examine the period of 1980-2016 because of data availability and because it is the period that has seen exponential growth of the internet that has enabled the power of consumers.

Our story begins with the industry’s core philosophy that more is better: in Graphs 1 & 2, below, we can see that this take did not translate into user satisfaction or quality, even if movies boasted budgets of over $50 million.

A screenshot of a cell phone

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With the onset of the 1990s Dot-com bubble, we see a coinciding of an increase in overall average film budgets. The technology boom affected the industry internally as well, with the rise of CGI and coinciding emergence of smaller independent film studios such as Miramax, Lionsgate, and New Line Cinema.

A close up of a map

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With this came the rise of increasingly expensive and innovative ways of producing film, including the use of computer animation that would soon dominate the 2000s. While budgets were seeing a steady increase (until the 2008 Recession), the story of industry revenues wasn’t so smooth.

A close up of a map

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Revenues experienced both the highs and lows of the tech boom, the financial crisis of 2008, and the recovery period of the last decade. This leads us wondering, what do profits look like?

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*Forbes* has reported that the industry is constantly operating on losses – taking gambles on film, “oversupplying and hoping for a miracle” approach that we can see is somewhat true here. The margins between the industry’s revenues and its profits have maintained a steady/ growing gap. This suggests profits have not grown even in the midst of enhanced production methods and increase of fantasy genre & mega-franchises. The rise of streaming services like Netflix could be adding another obstacle to the cause (or is it actually helping?). (See graph above)

Over the years, the number of users voting on databases like IMDB are overall increasing, as the internet and online presence of consumer reviews are used as a decision-making tool of whether or not to watch films.

A screenshot of a cell phone screen with text

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***Build-Up***

To determine what exactly will increase a movie’s chances of maximizing profits in the present-day, we will conduct a meta-analysis of 4 factors: user satisfaction, star power, streaming services, and social media presence.

*User Satisfaction*

Taking a deeper dive in looking at the growing presence of the “empowered consumer,” we look at how movie profits have been affected by average user ratings

*<Outline Graph 4> (Profits over User Scores)*

*Star Power*

Aside from ratings, research articles and media outlets such as the *LA Times* and *BBC News* noted that star power may be having diminishing influence over time on movie profits. We analyze the inclusion of big-name actors in movies and their respective profits over time (Robert DeNiro, Meryl Streep, Tom Cruise, etc.) to determine whether star power is still a relevant factor in the modern industry.

<*Outline Graph 6> (Star Actors w/ movie profits over time)*

<Another possible graph here> *(Major directors’ movie profits over time)*

*Disruption of the Industry: Streaming*

As previously stated, Netflix and other streaming services such as Amazon and Hulu have become major forces in how people access movie entertainment. We proceed to conduct an analysis of Netflix’s profits and compare them to industry profits since its rise to prominence.

*<Outline Graph 7> (Streaming profits over time)*

*Social Media Presence/ Film Marketing*

The last factor we will examine is social media presence, which we define and measure here as the number of likes on a FB movie page to see if it is a dominant influence on profitability.

*<Outline Graph 8> (Profits vs. FB page likes)*

***Recommendation (TBD)***