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## Invited Commentary

# Research Opportunities at the Movies

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*Key words:* motion pictures; new product research; product placement

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### 1. Introduction

The complex and dynamic interactions that determine the success or failure of motion pictures make the industry not only interesting, but also challenging to study. In their article in this issue, Eliashberg et al. (2006) have provided a comprehensive overview of the motion picture industry, reviewing the large body of research and identifying important research questions. In this comment, I will briefly explore some of the ideas associated with their work. First, I will address the relation between movies and other new product categories and associated research opportunities. Second, I will briefly address a marketing phenomenon that is huge in practice and mostly ignored in the marketing literature; namely, product placement. Third, like Eliashberg et al. (2006), I will suggest that we can improve our knowledge in even the most heavily researched area of motion pictures, the determinants of movie success.

### 2. Movies and New Product Development

Eliashberg et al. (2006) note a number of reasons to study movies, one of which is that insights may generalize to other industries that have similar characteristics. When movie researchers speculate as to what other product categories their results might generalize to, music, books, video games, and fashion are the usual suspects. More broadly, the rapid introduction of new movies makes the industry an appealing context to explore issues in new product

development (NPD) and commercialization, generally. Movies, however, differ in significant ways from product categories that are more commonly studied in the NPD literature.

One major difference is that new movies are not (usually) functionally or technologically superior substitutes for existing movies, and the product development effort is not focused on innovations that will replace existing ways of doing something. A very large part of the NPD literature assumes a context of innovation to improve on, and then replace, an existing product. An existing great movie, in contrast, will fade and disappear even if the new movies replacing it are terrible. At first glance, this seems to limit the generalizability of movie research. We could, however, treat the difference between movies and more conventional product categories studied in the NPD literature as an opportunity rather than a limitation. If, for example, we are interested in the determinants of new (technological) product success *independent* of its technological or functional superiority, we could start by studying product categories where functional superiority does not play a role—such as movies—and doesn't mask these other determinants. A research question in this category is the magnitude of the purely psychological and social value of being an early adopter, independent of any benefits realized from functional superiority of the new product. Even in the context of motion pictures, that psychological value, and the implications for distribution, release timing, temporal pricing decisions, and the likelihood of piracy, has not been studied.

A second difference from most other products is that, even though movies provide rich data for the entire product life cycle, with many unique products released in a relatively short time period, the motion picture revenue life cycle is usually extremely

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short and highly skewed. Available weekly time series data for each picture is usually no more than 10 or 15 data points—and those rapidly approach zero after release—which makes empirical work challenging. Consider, for example, the difficulty of teasing out the intensity of competition among movies in the presence of various movie genres and quality, release timing and distribution decisions, seasonality, and limited temporal overlap among films when each one has only a few data points. Fortunately, the large numbers of movies provide some compensation for researchers using econometric methods, and some progress has been made in understanding competition among movies (e.g., Ainslie et al. 2005). On the positive side, short time series can motivate new approaches to empirical analysis. Krider et al. (2005) demonstrate a graphical approach to studying the relationship between motion picture distribution and revenues that has some advantages over econometric approaches.

### 3. Product Placement

Among the many issues that Eliashberg et al. (2006) discuss, product placement stands out as one where practice has rapidly outpaced research and which has numerous interesting dimensions, including legal and ethical. On the legal side, it may be alien to readers of this journal to imagine difficulties with product placement, generally, but there have been attempts by advocate groups in the United States to require disclosure of, or outright bans on product placements (Karrh 1998). Baerns (2005) argues that at least some forms violate German laws that require commercial advertisements to be clearly identified as such. Aside from legalities, audience acceptability of placements and conditions under which a consumer backlash can occur are largely unknown. As in advertising, product placement targeting children is especially likely to raise legal and ethical questions, as is the placement of tobacco, alcohol, and guns (see, for example, Auty and Lewis 2004). Increasing awareness of the commercial nature of a product placement could create more negative than positive impressions, so that keeping awareness of the commercial content low may be important. Research on the impact of the placement as a function of how obvious the product is in the scene and how smoothly it integrates into the story is beginning (e.g., Russell 2002), and indicates that there is much more to learn. Eliashberg et al. (2006) also note the potential use of digital technologies, “at the production stage, for the seamless introduction of product placements.” An extension of that is the possibility, at the exhibition stage, of localizing the product placement, with different products for different exhibition sites.

### 4. Why Sleepers and Turkeys?

A final comment relates to one of the more heavily researched areas of motion pictures; namely, determining the production elements leading to success or failure. Most econometric box-office success models use easily available predictors, such as star power, budget, genre, ratings, and studio. One approach to identifying predictors of success, which does not seem to have attracted attention, is to examine what various expert sources, such as screenwriting consultants and film schools, teach about the literary ingredients that go into a successful film. While creative talent in Hollywood would surely see this as yet another step toward the dark side of formulaic filmmaking, an interesting research question is whether we can catalogue and measure the themes, characters, dialogue, and story structures that make a successful movie. A forecasting model based on these predictors could be applied very early in the development process, possibly even to support the assessment of screenplays.

An interesting issue in the prediction of success is that while movies generally have mass appeal, the audience for a particular product can be highly segmented. A striking example of audience heterogeneity can be seen in web ratings of *Sin City*, in which male viewers from 13 to 17 years old gave an average rating on a movie website of 9/10, while males over the age of 50 rated it as 2.6/10. Females’ ratings were consistently 1–2 points lower in all categories, and for both males and females, the ratings declined monotonically with age (<http://www.cinemaclock.com/>). This kind of variation adds to the difficulty of purely judgmental green-lighting decisions, especially if there are no 17-year olds on the decision team, and adds to the potential value of decision support and box-office forecasting models.

### 5. Conclusion

There are very significant marketing practices, such as product placement, associated with movies that have attracted little research. Moreover, even the most researched areas of the motion picture business, such as movie success factors, are far from fully exploited. Furthermore, as Eliashberg et al. (2006) note,<sup>1</sup> practitioners rely on intuition and rules of thumb, and while old habits may die hard, that is an environment where decision support models can have a sudden impact. Marketing researchers can offer much to the motion picture industry, and the movies can offer much to researchers, including pure entertainment. That’s about as good as it gets.

<sup>1</sup> The article by Eliashberg et al. (2006) is timely and stimulating. Two thumbs up!

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