

# Movie Industry: Points of Entry

On Behalf of Microsoft

# Agenda

- **Approach**
- **Industry Wide Profit Trends**
- **Industry Entry Points**
- **Recommendations & Next Steps**

# Approach

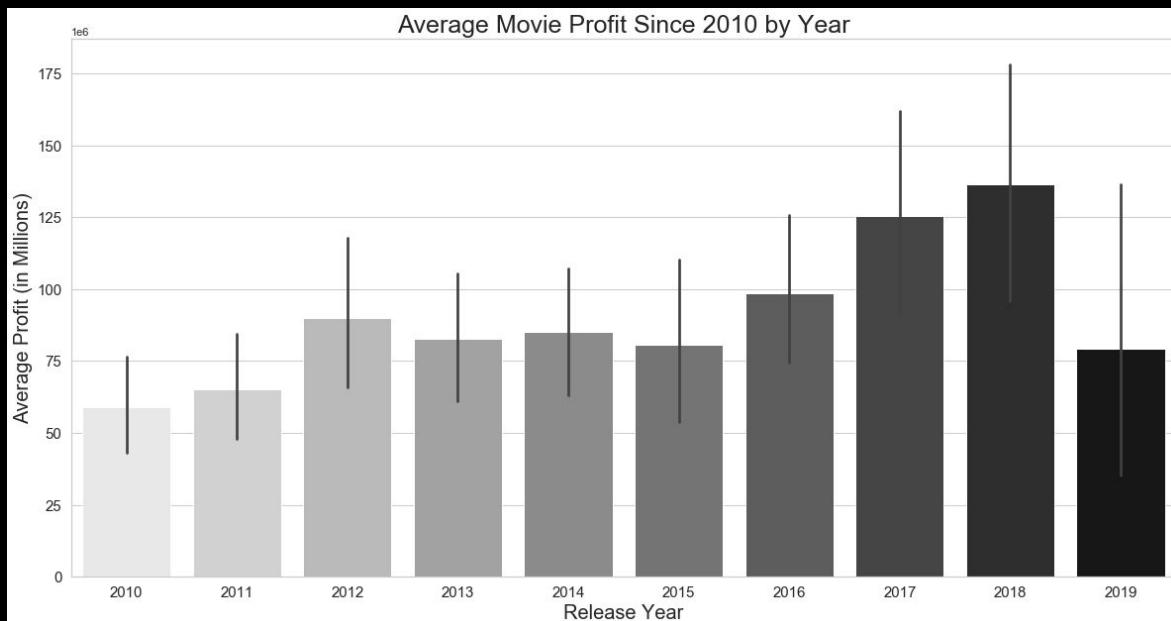
**The Ask:** Microsoft has decided to create a new movie studio. What types of films are currently doing the best at the box office?

## **The Approach:**

- Primary source of data for this analysis is ***The Movie Database***
- Analyzed profit trends since 1915 to asses earning potential and industry stability.
- Narrowed our focus to 2010-2019 to provide more relevant recommendations

# Industry Wide Profit Trends

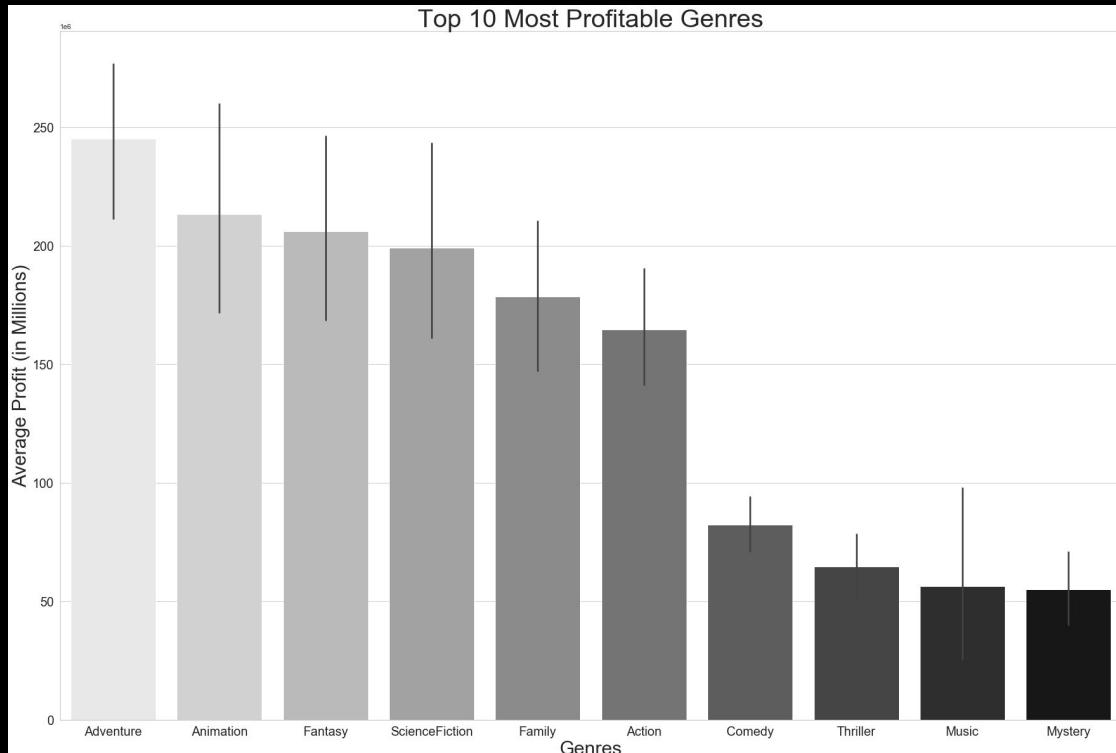
While worldwide profits generally trend upwards from 1915 through the last decade, profits dipped dramatically in 2019.



## Considerations:

- Limited sample size of 2019 movies.
  - **Next step:** Repeat analysis using a larger sample size ( $n=1922$ ). Average number of movies released per year is 600\*.
- Movie-watching is shifting from theaters to streaming services.
  - **Next step:** Investigate additional revenue generated by streaming services and consider this revenue in future analyses.

# Entry Points: Genres

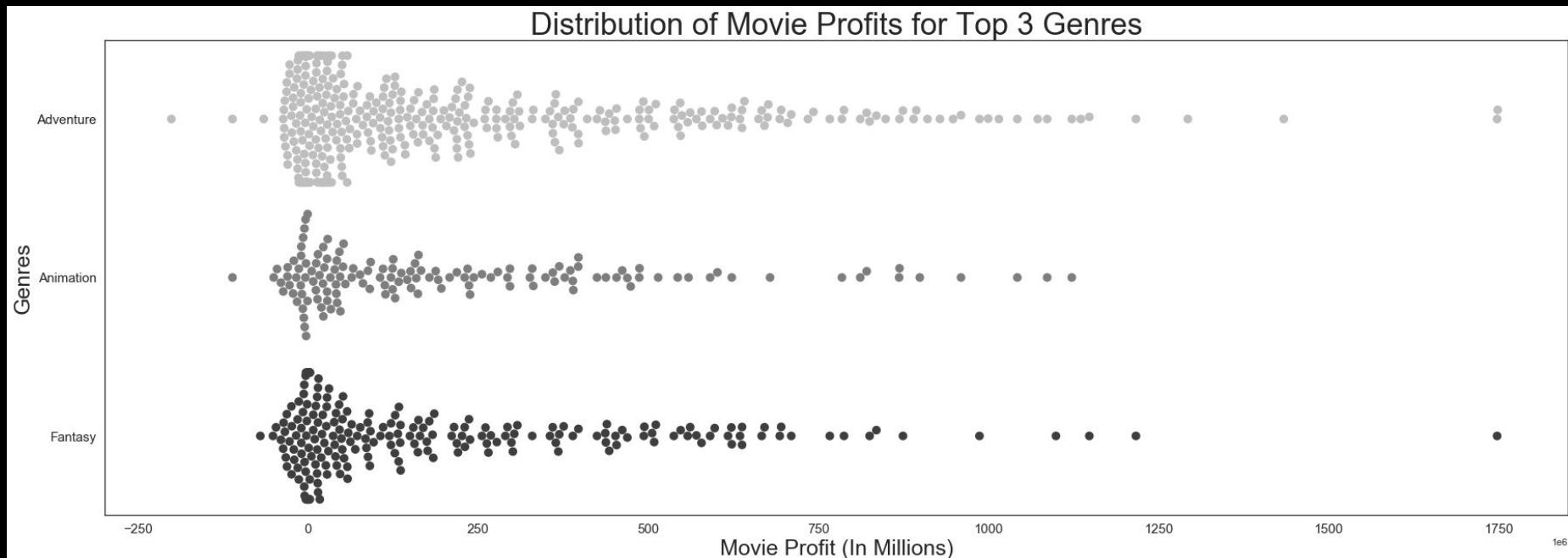


- Top 3 most profitable movie genres:
  - Adventure
  - Animation
  - Fantasy
- Most common movies:
  - Drama
  - Comedy
  - Action

○ Not as lucrative; perhaps due to saturation of this portion of the market and/or being appealing to a narrower audience
- *Avengers: Infinity War* was the most profitable movie in the last ten years (of movies represented here)

# Entry Points: Genres

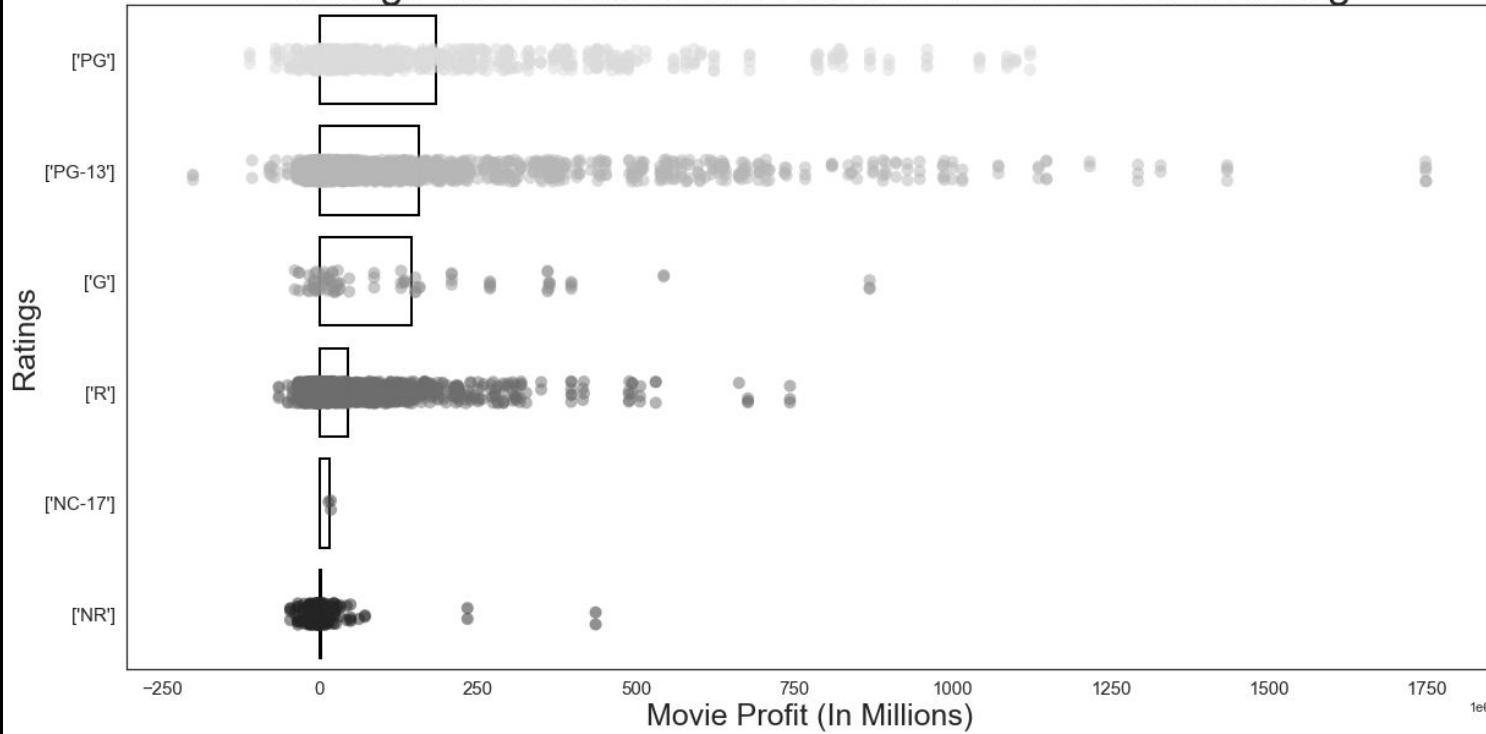
Distribution of Movie Profits for Top 3 Genres



Although these genres have the highest average profits per movie, the range of profits for these genres is quite large and there are many outliers.

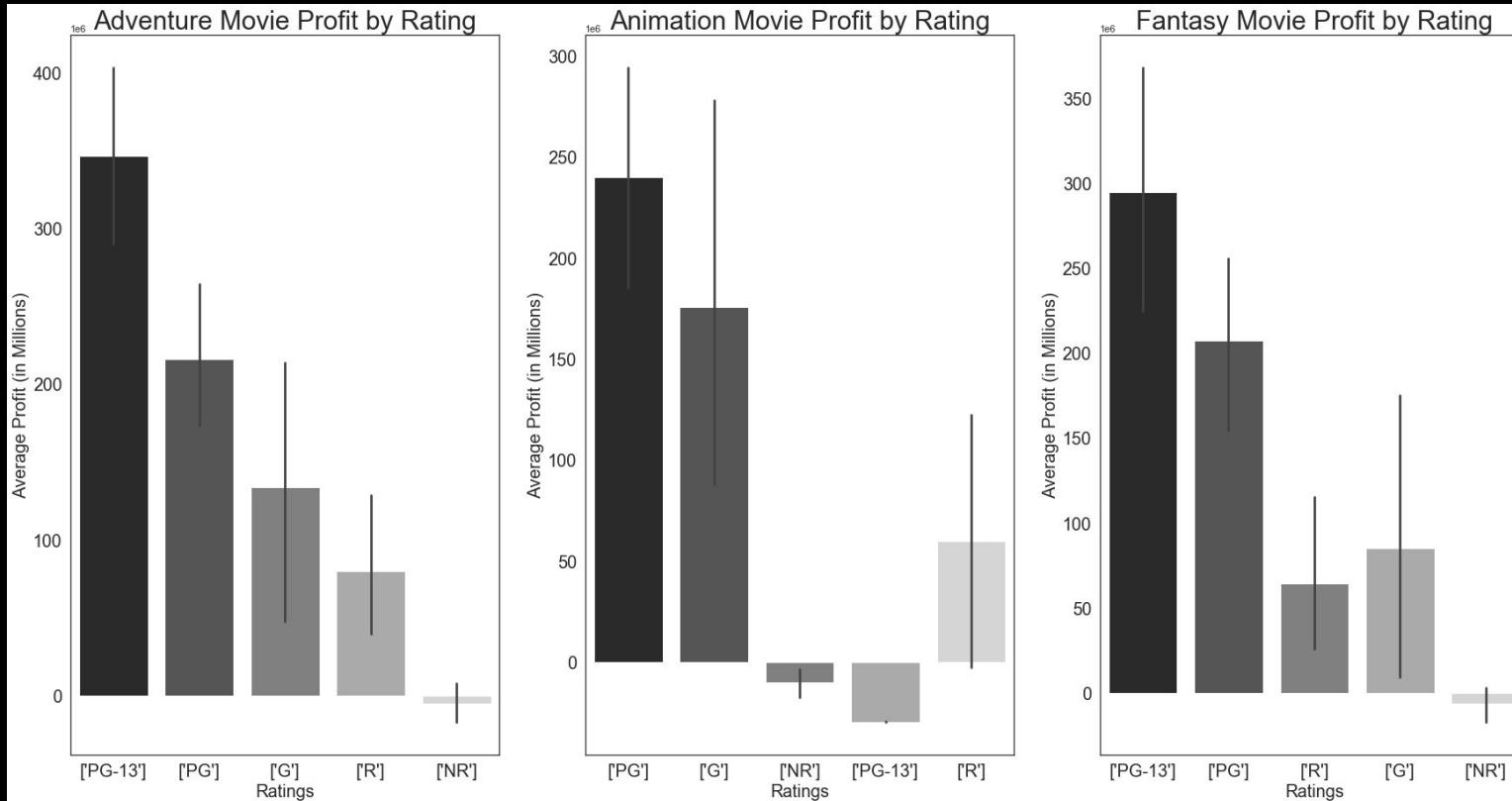
# Entry Points: Ratings

Average and Distribution of Movie Profits for Each Rating



PG, PG-13 and G rated movies have the highest average movie profit. Average profit falls 64% to just under \$45 MM between Rated G and Rated R movies (see Appendix), so it is best to focus our production efforts on PG, PG-13 and G rated movies.

# Entry Points: Genres & Ratings



While G, PG and PG-13 movies are the most profitable overall, be sure to consider the most profitable rating for each genre.

# Recommendations

- Pursue production of Animation, Adventure and/or Fantasy movies.
- Keep ratings to PG-13 and below in order to maintain as large of a potential audience as possible
- Highest potential ratings/genre combinations:
  - Adventure & PG-13
  - Animation & PG
  - Fantasy & PG-13

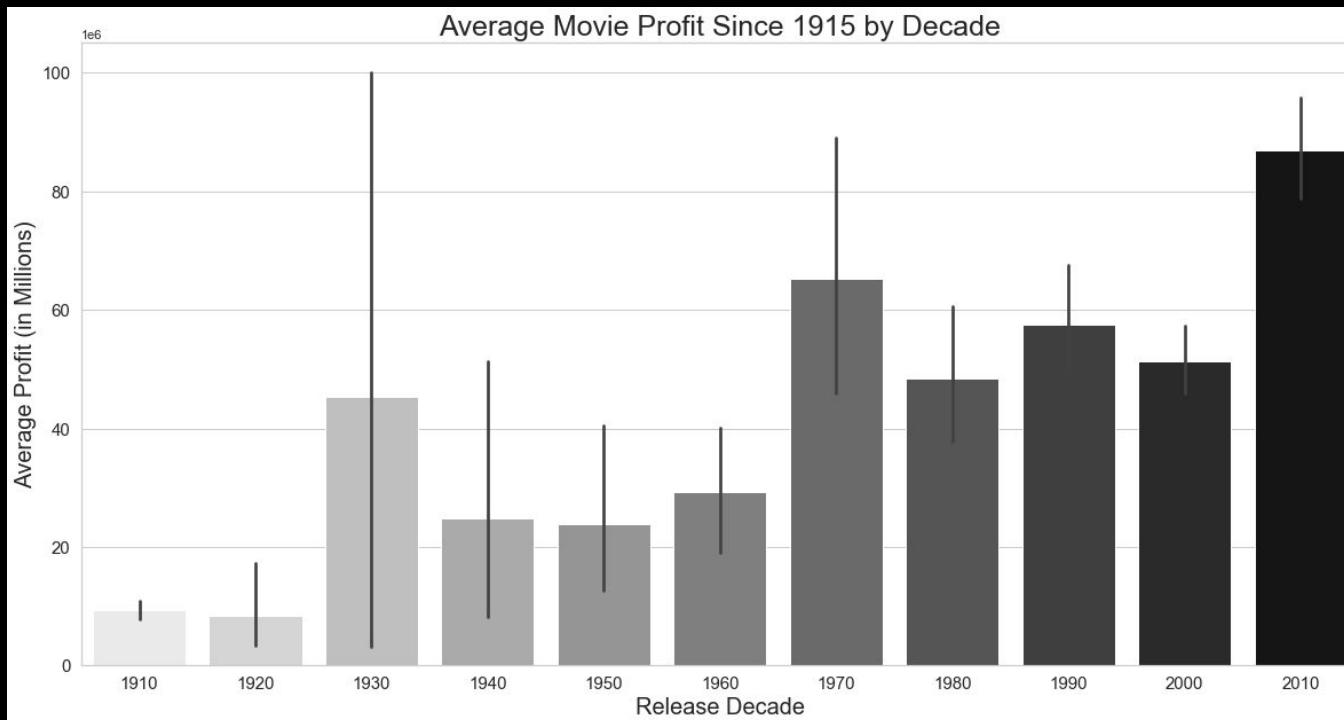
# Next Steps

- Perform this analysis on a significantly larger sample size
- Determine incremental profit from streaming services and other potential revenue streams
- Assess average cost of production and potential production companies to partner with who have a history of success. These partnerships can help to foster relationships with key contacts in the industry (distributors, actors, etc.)
- Establish a target list of directors, writers and actors to hire based on their history of financial success.
- Consider correlation between marketing budgets and profits to gather a holistic view of costs.

# Thank You!

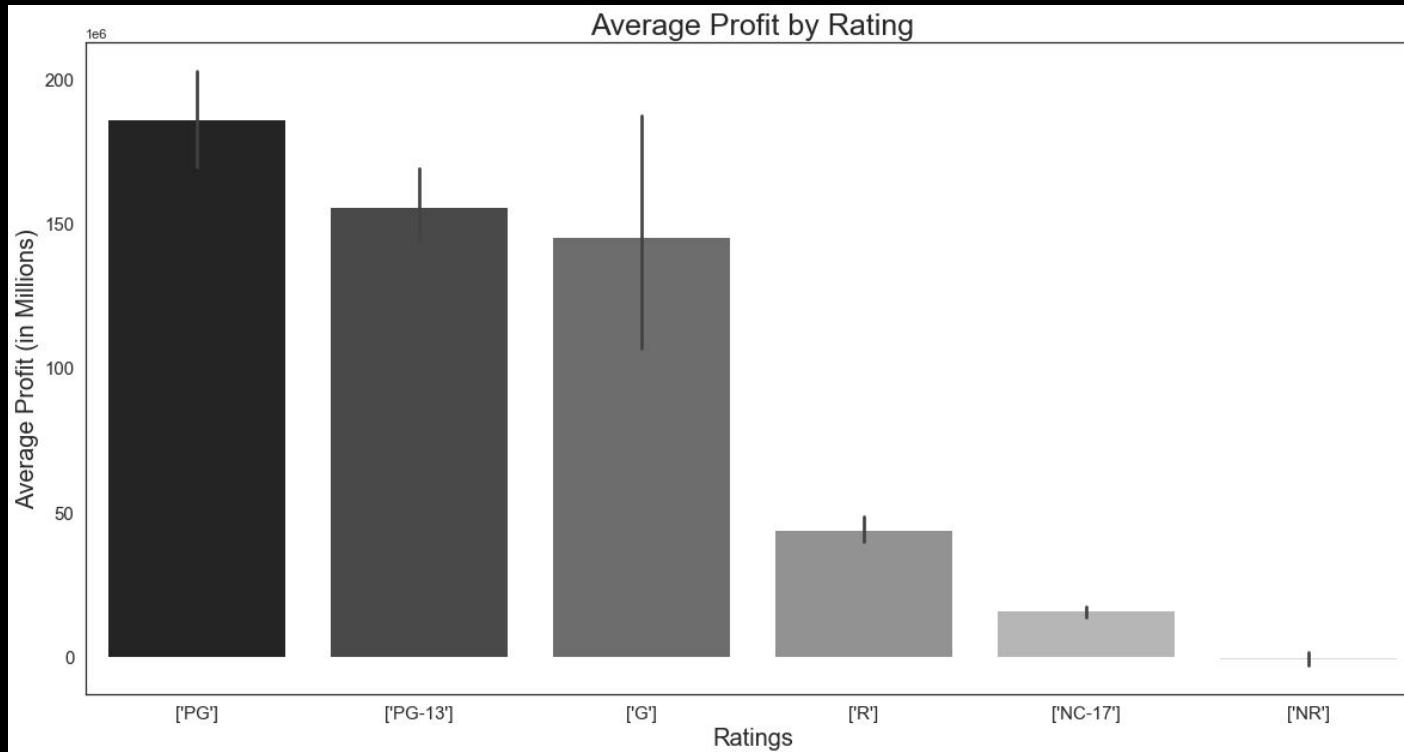
# Appendix

# Industry Wide Profit Trends



The movie industry has become increasingly profitable since the 1910s

# Entry Points: Ratings



PG, PG-13 and G rated movies have the highest average movie profit.  
Average profit falls 64% to just under \$45 MM between Rated G and Rated R movies.

# Entry Points: Genres & Ratings

