Movie Industry: Points of Entry

On Behalf of Microsoft

Agenda

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

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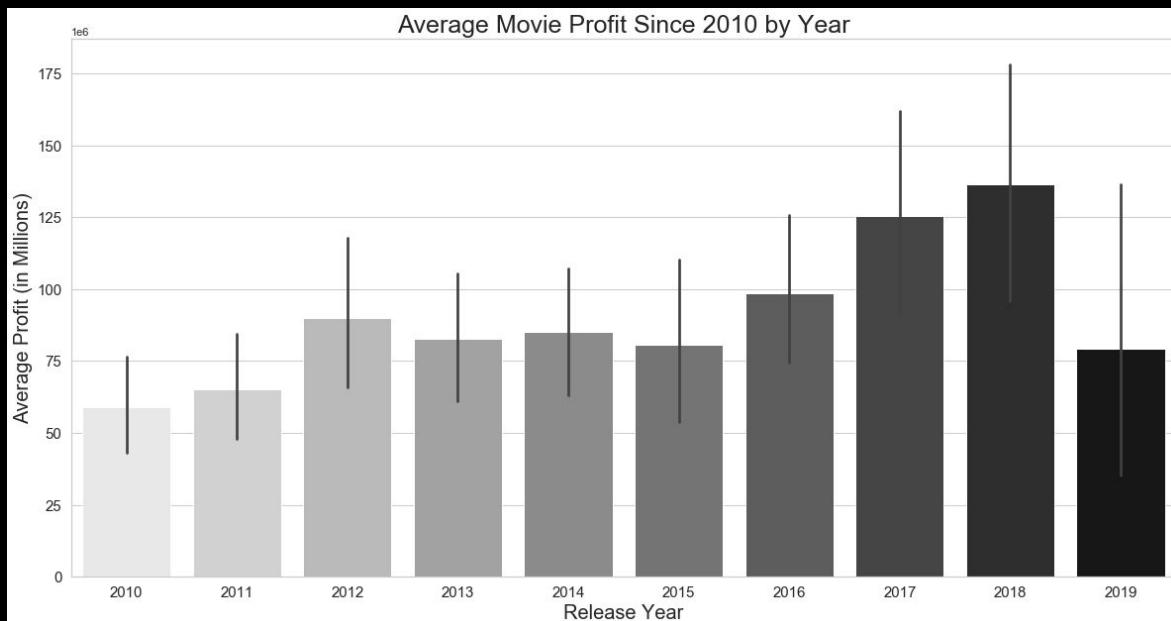
**<u>The Ask</u>**: Microsoft has decided to create a new movie studio. What types of films are currently doing the best at the box office?

<u>The Approach:</u>

- Leveraged data provided and built upon these data sources to obtain additional data around points of interest. 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 of the most profitable points of entry

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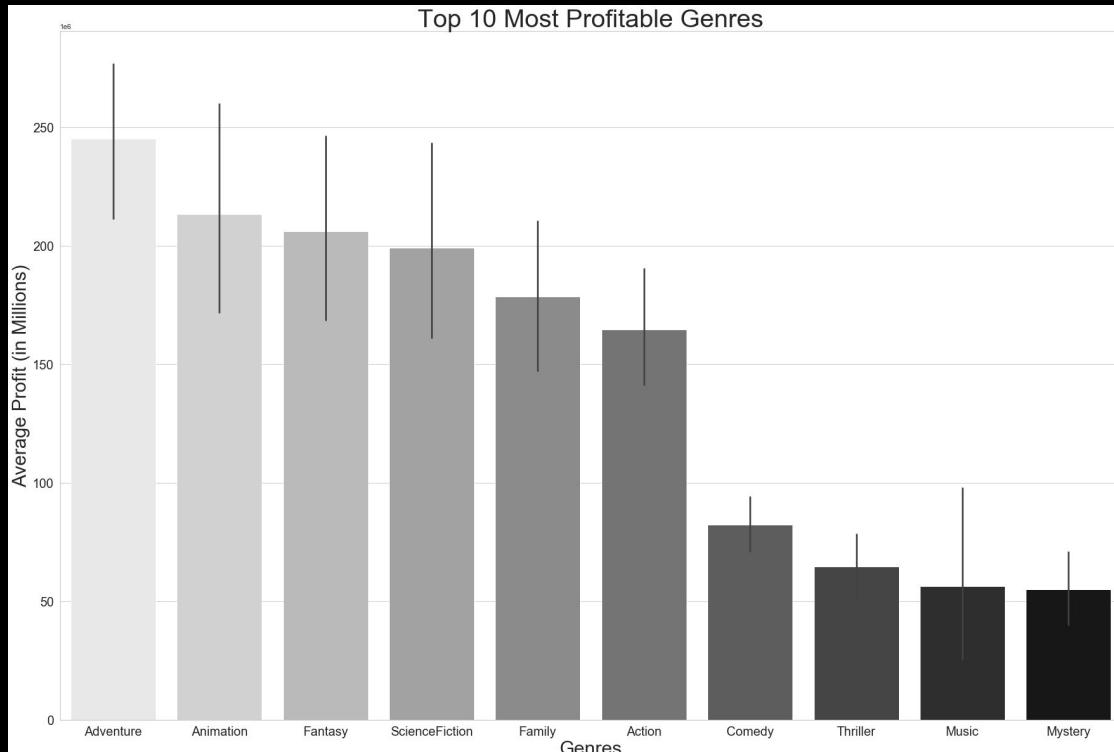
While worldwide profits generally trend upwards from 1915 through the last decade, profits dipped dramatically in 2019.

Average Movie Profit Since 2010 by Year

Considerations:

- Limited sample size of 2019 movies.
  - ***Next step:*** Repeat analysis using a larger sample size (n=1922). Average number of movie 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 10 Most Profitable Genres
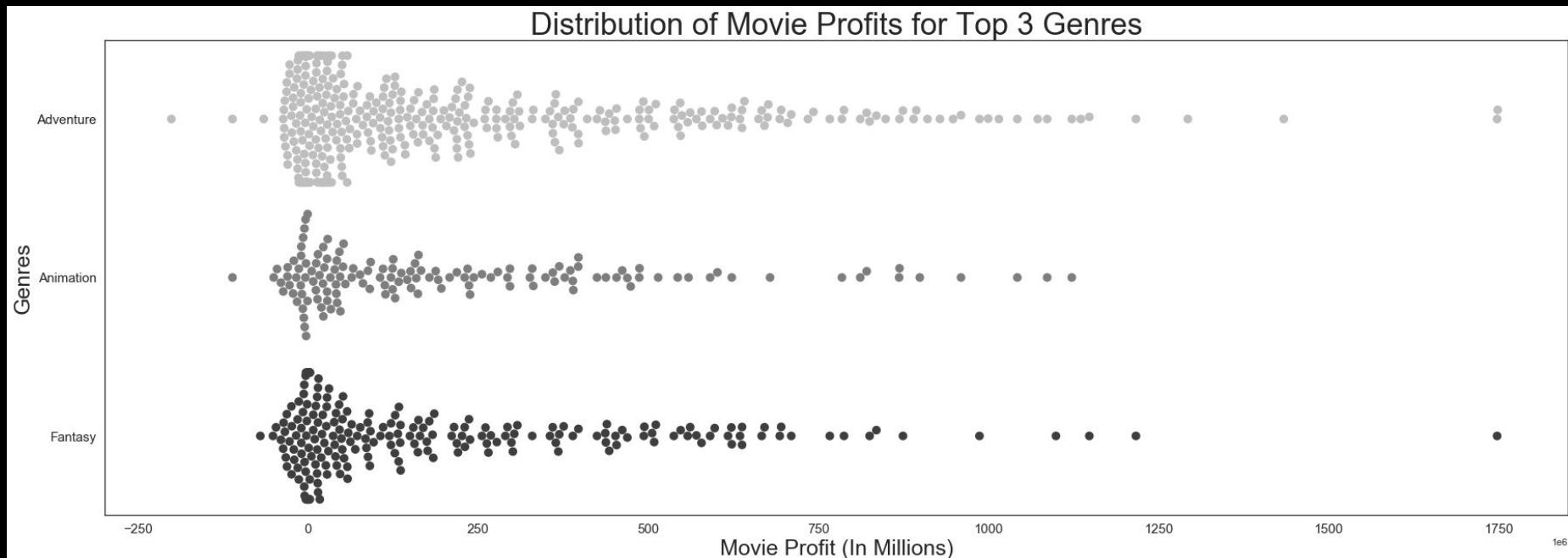
- Top 3 most profitable movie genres:
  - Adventure
  - Animation
  - Fantasy
- Most common movies:
  - Drama
  - Comedy
  - Action
  - Not as lucrative; perhaps due to saturation of this portion of the market and/or being appealing to a narrower audience
- *Avengers: Infinity War* was the most profitable movie in the last ten years (of movies represented here), propelling adventure movies to the top spot.
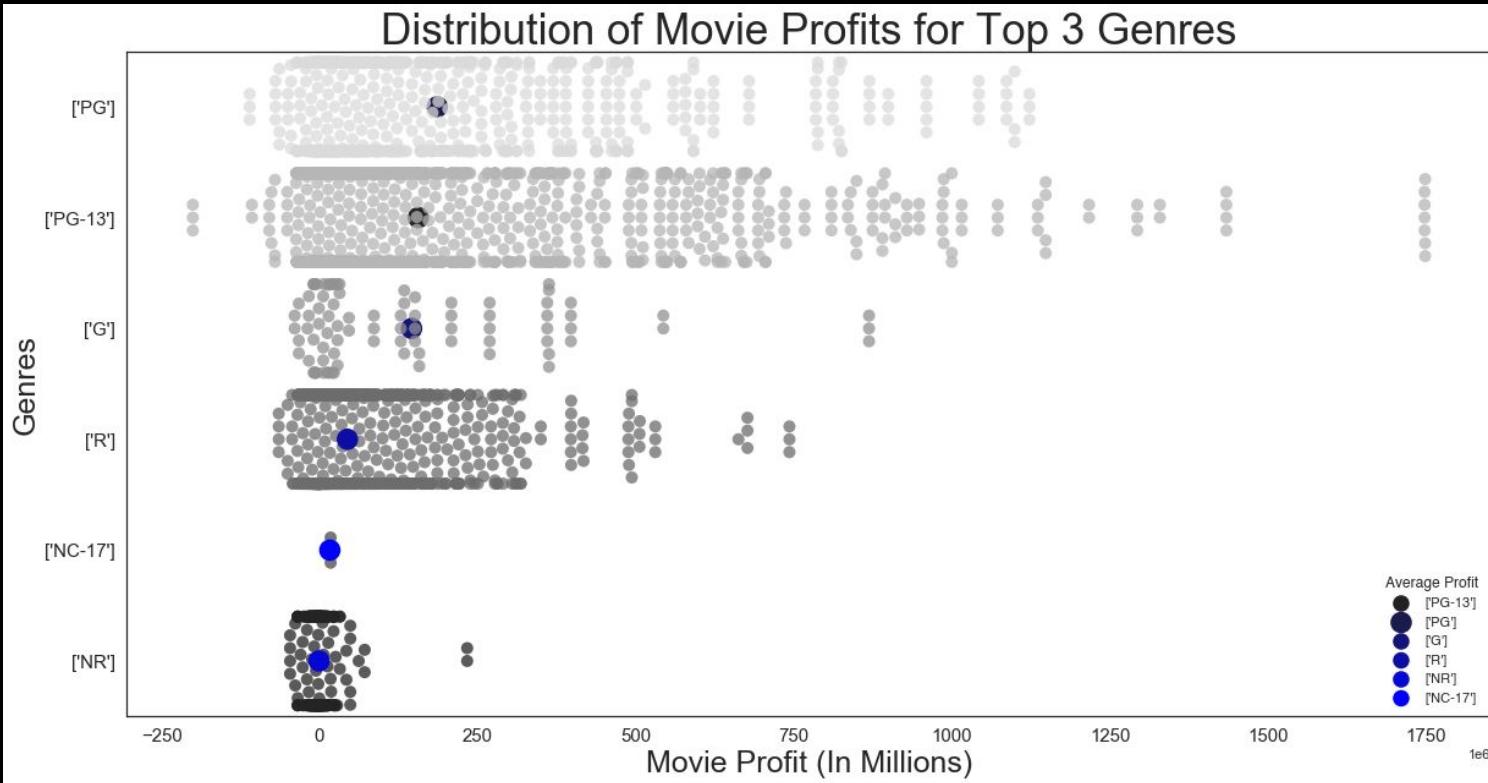
Entry Points: Genres


Distribution of Movie Profits for Top 3 Genres
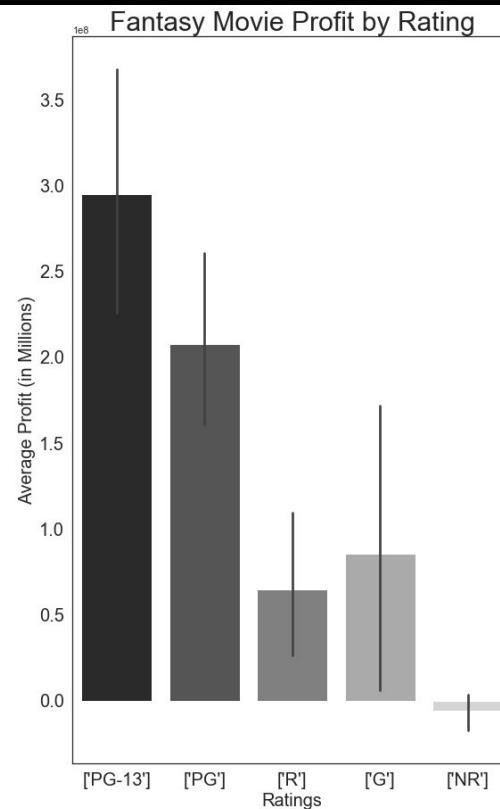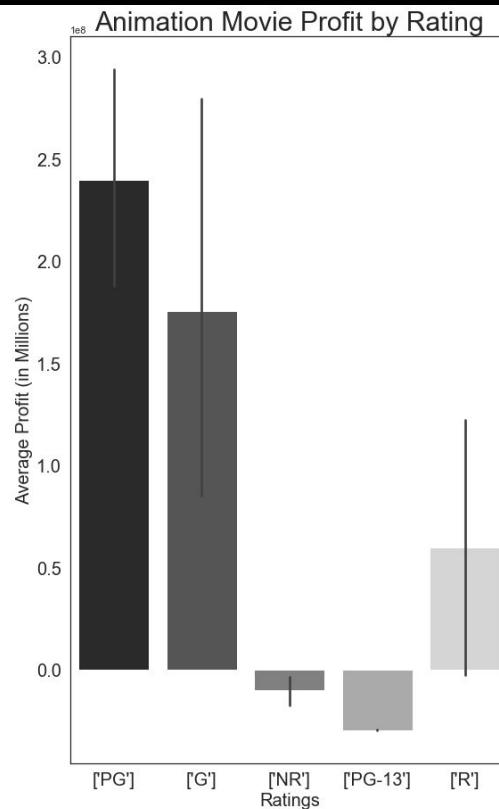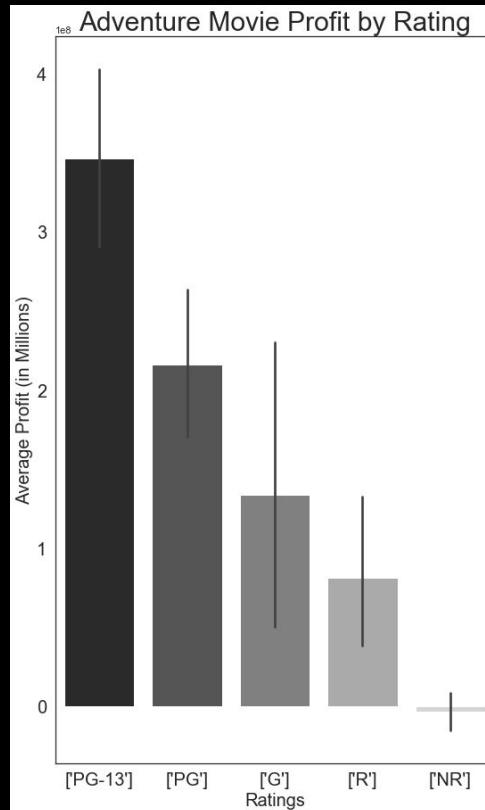
Although these genres have the highest average profits per movie, the range of profits for these genres is quite large and there are many outliers.

Entry Points: Ratings

Distribution of Movie Profits for Top 3 Genres

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

Adventure Movie Profit by Rating

Animation Movie Profit by Rating

Fantasy Movie Profit by Rating

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
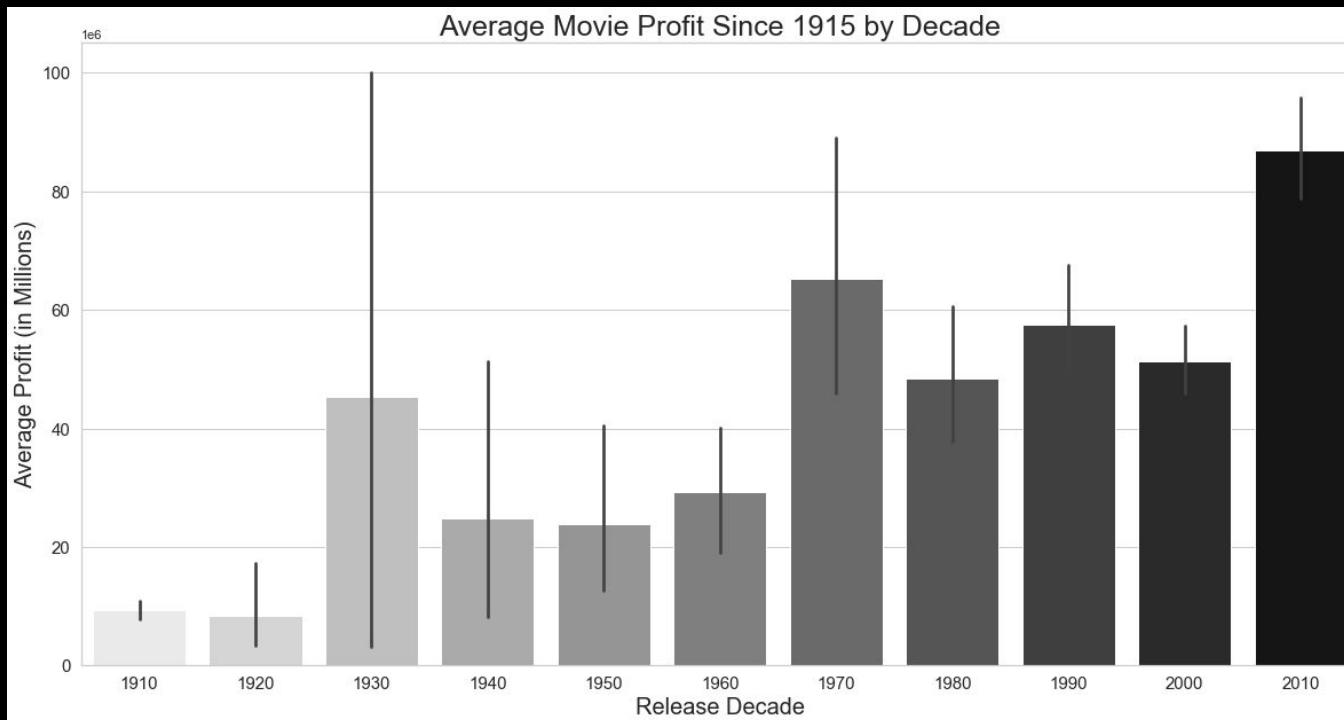
Next Steps

- 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!
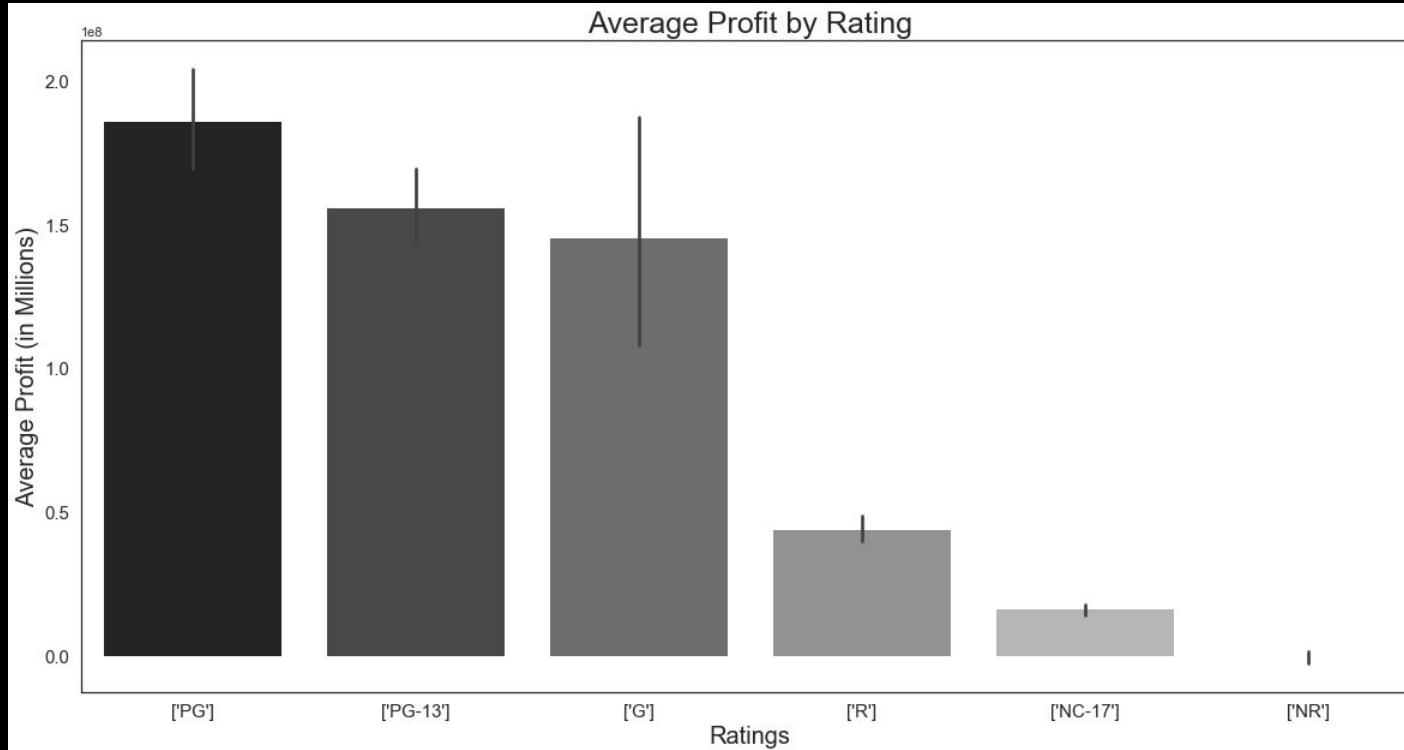
Appendix

Industry Wide Profit Trends

Average Movie Profit Since 1915 by Decade

The movie industry has become increasingly profitable since the 1910s

Entry Points: Ratings

Average Profit by 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.

Entry Points: Genres & Ratings