

Movie Industry: Points of Entry

On Behalf of Microsoft

Agenda

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

Approach

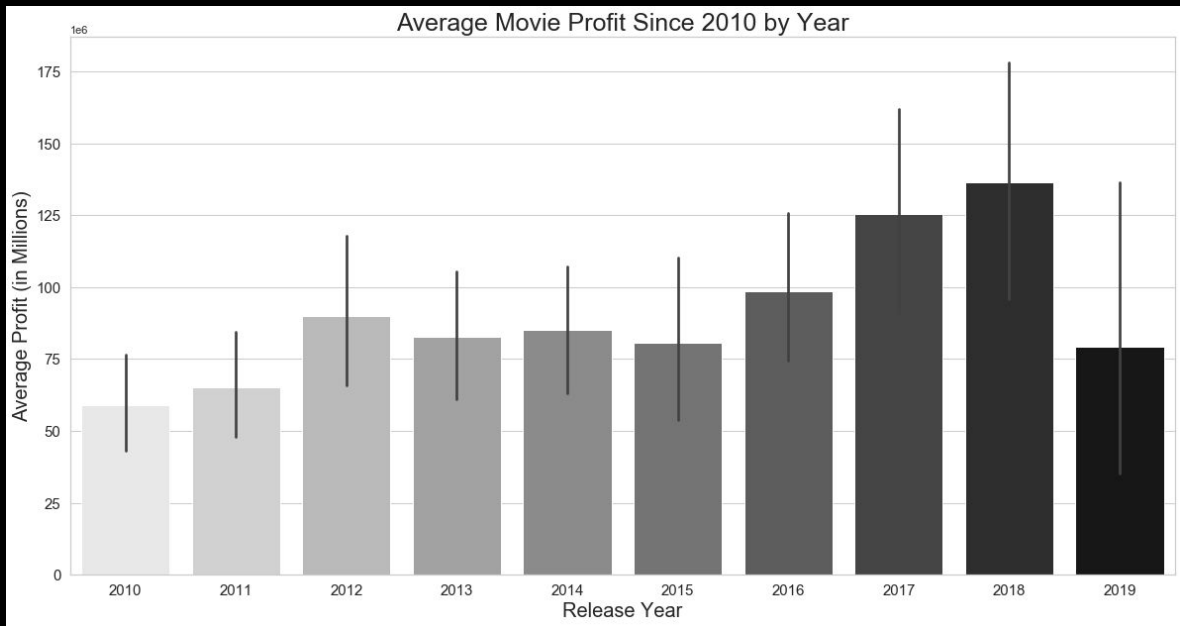
The Ask: Microsoft has decided to create a new movie studio. What types of films are currently doing the best at the box office?

The Approach:

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

Industry Wide Profit Trends

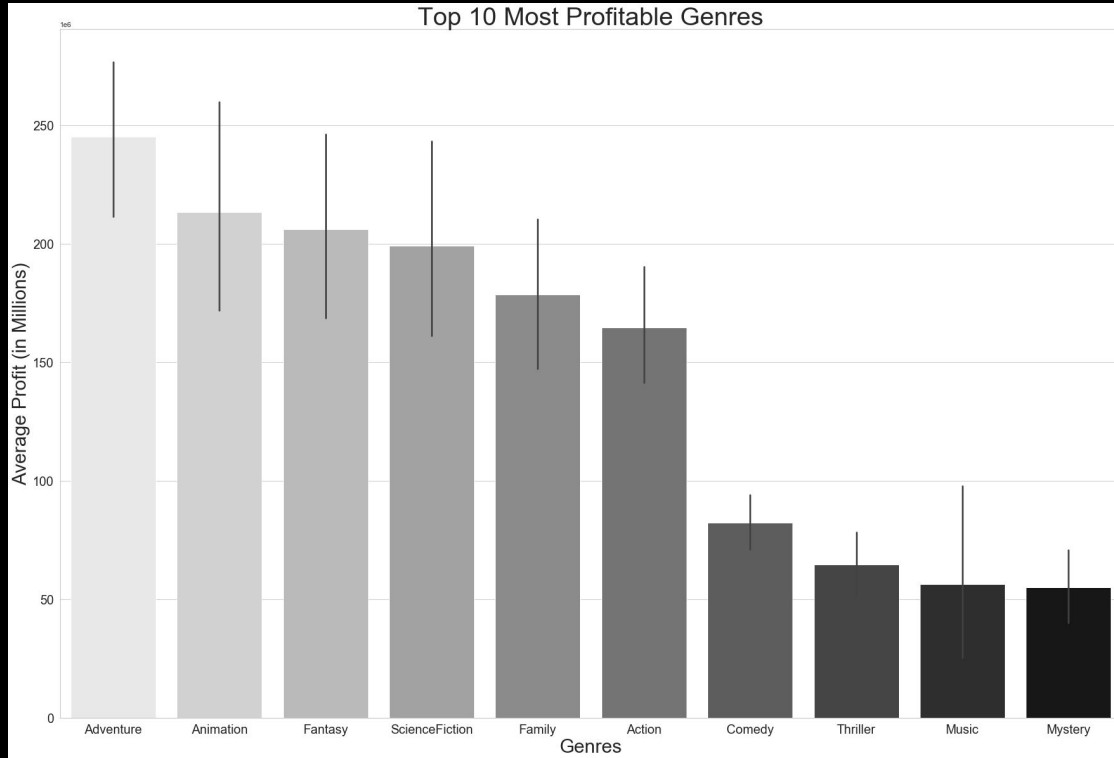
While worldwide profits generally trend upwards from 1915 through the last decade, profits dipped dramatically in 2019.



Considerations:

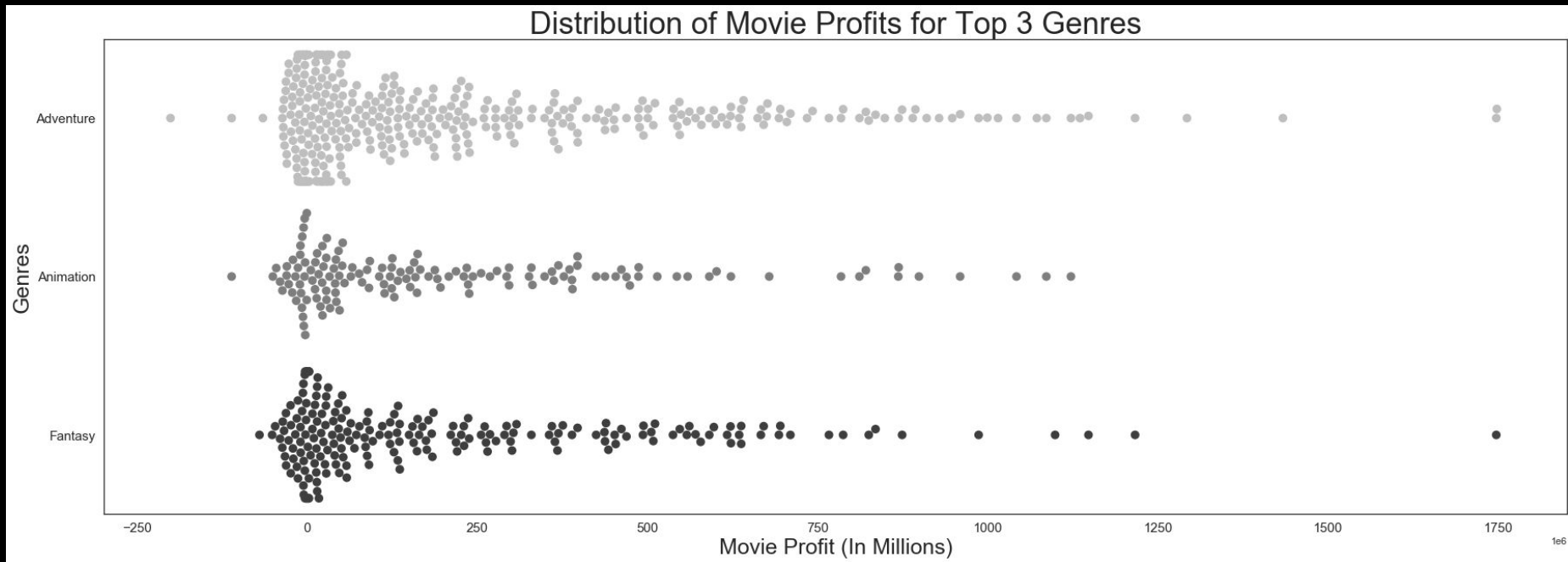
- Limited sample size of 2019 movies.
 - **Next step:** Repeat analysis using a larger sample size (n=1922). Average number of movies released per year is 600*.
- Movie-watching is shifting from theaters to streaming services.
 - **Next step:** Investigate additional revenue generated by streaming services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

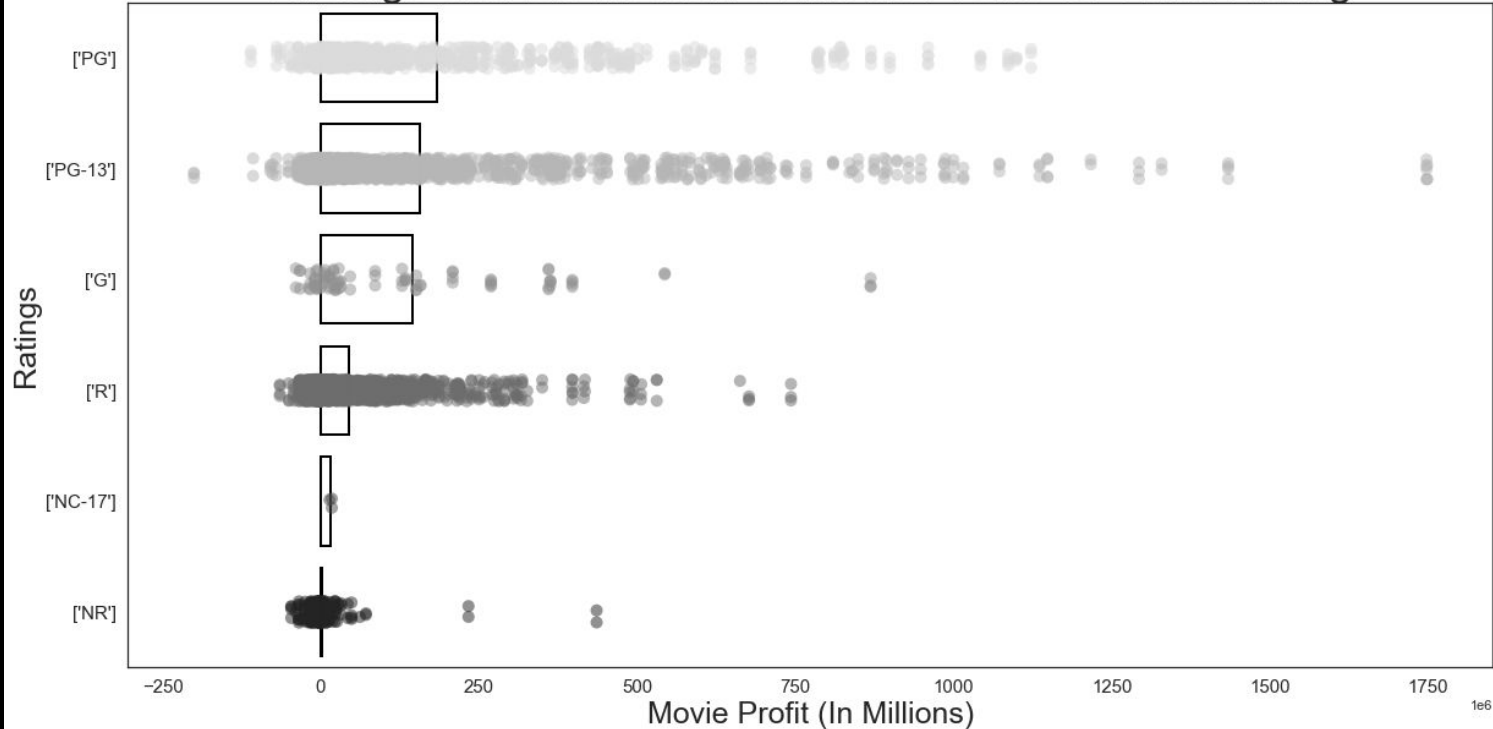
Entry Points: Genres



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.

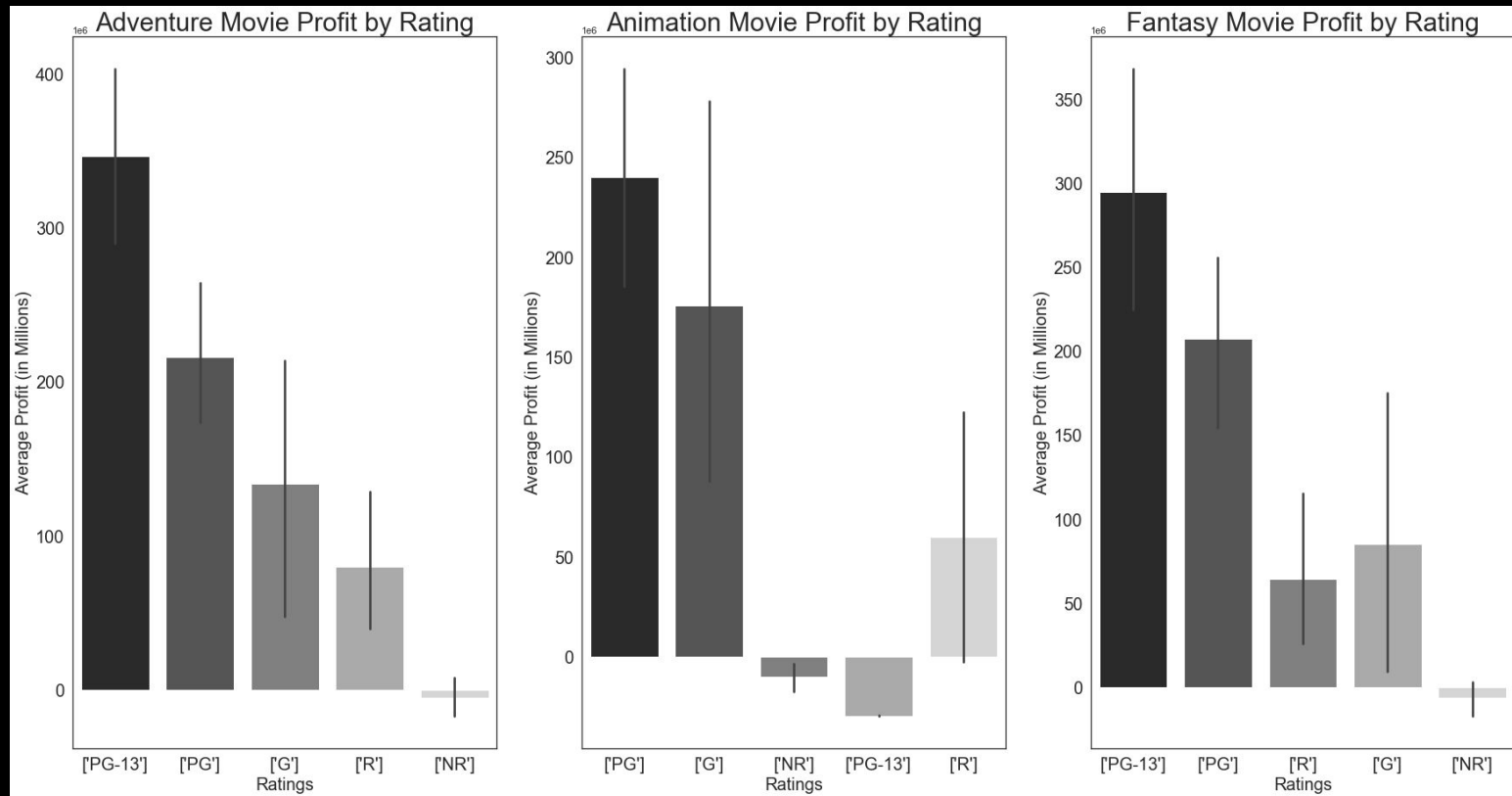
Entry Points: Ratings

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

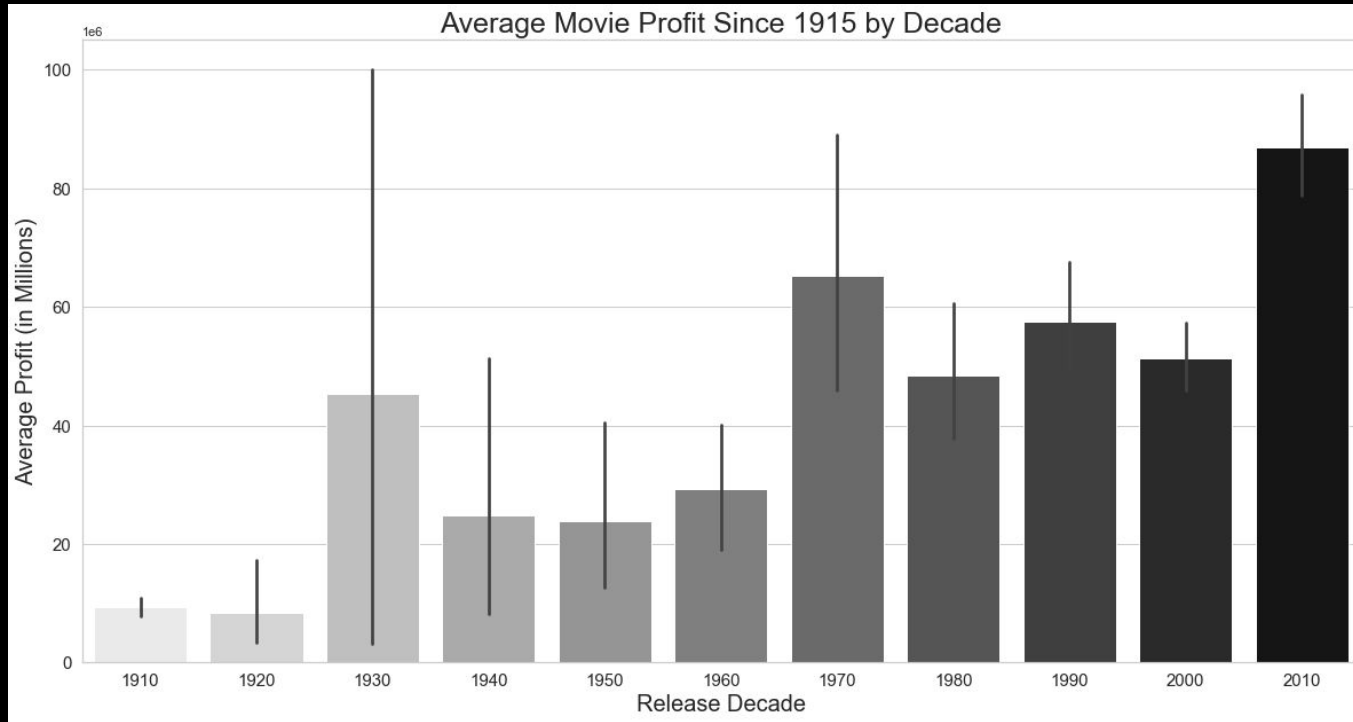
Next Steps

- 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!

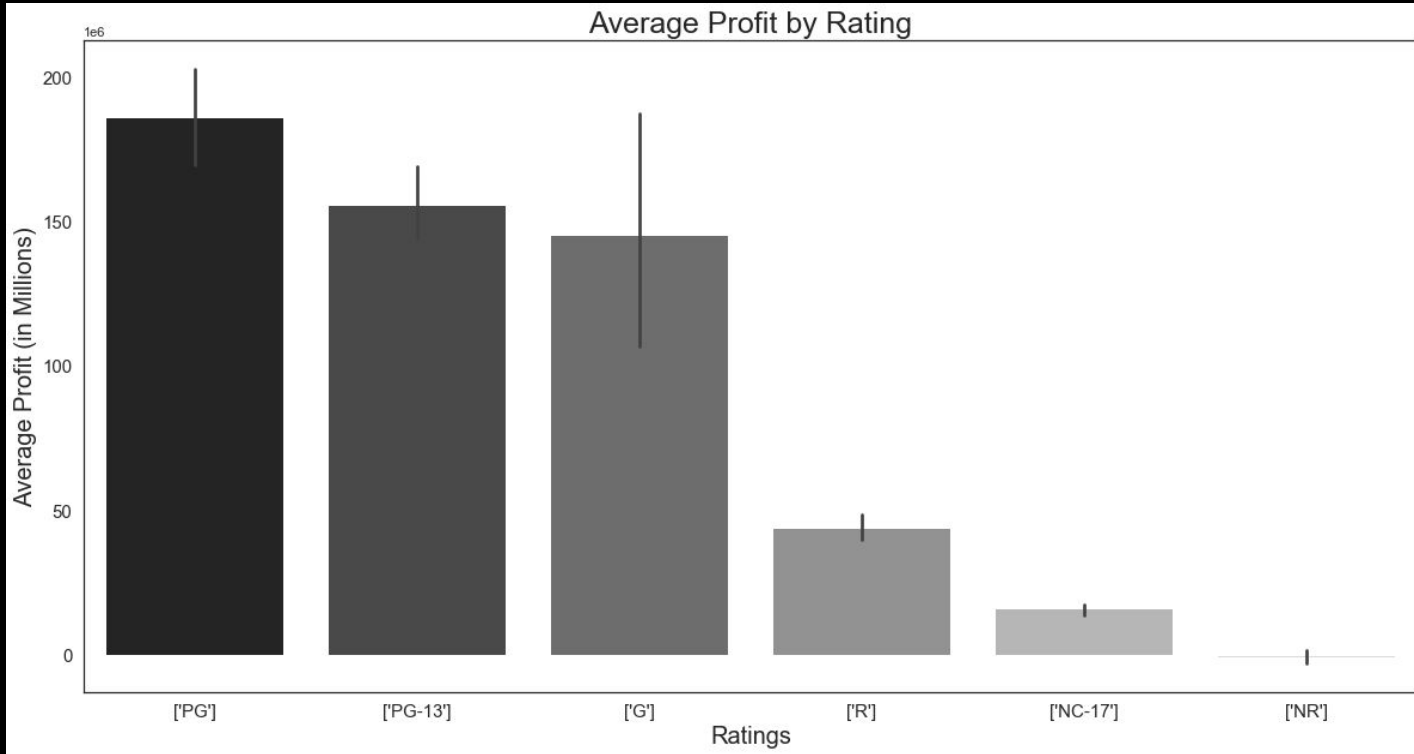
Appendix

Industry Wide Profit Trends



The movie industry has become increasingly profitable since the 1910s

Entry Points: Ratings



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Entry Points: Genres & Ratings

