

The Success of Motion Pictures

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THE SUCCESS OF MOTION PICTURES – AN ECONOMIC GAMBLE: SELECTED MOVIE EXPLOITATION PHENOMENA

More than 5,000 marketable movies are produced worldwide every year - a risky economic gamble running into billions. Despite the potential risk of commercial failure, film producers still try to achieve outstanding box-office results. There are also special movies that are able to preserve or even increase their intrinsic value due to the longevity of their commercial success. This article focuses on distinctive movie exploitation phenomena, which can be observed worldwide. These phenomena show the unpredictability of film success due to the fact that the cycles, the duration, and the progress of film exploitation are unforeseeable.

Myth

Success is the big myth of the international film industry: on the one hand enormous profits, glamour, film stars, red carpet shows at Cannes, Berlin, and Venice - the big film festivals. And as climax - the Oscars in Los Angeles.

On the other hand, the unpredictability of the commercial success of films can mean disastrous financial flops, inexplicable losses, and bankruptcies of small companies or even conglomerates. It can also be seen in distinctive movie exploitation phenomena, which occur worldwide. These include sleeper films, cult films, classic films, and director's cut films. These films still achieve remarkable commercial success years or even decades after production.

Despite the high financial risks involved, on average around 1,000 (!) full-length feature or documentary films with a total cost of €2.5 billion (US\$3.52 billion) are produced every year in Europe alone.⁽¹⁾ In the United States of America, around 677 marketable full-length feature films were produced in 2009 for a total of US\$13.3 billion. In the same year, India produced 1,288 full-length feature films. And finally, Japan produced 448 full-length feature films for a total cost of US\$1.3 billion⁽²⁾: a notoriously risky economic gamble running into billions of dollars.

Not surprisingly, the successful commercial utilization of a movie becomes of paramount importance. Since the mid-1990s the cycle and process of film exploitation has lasted considerably longer due to the rapid technological development of new digital media. This inevitably means that the exploitation chain has now become even more complex to manage because the exploitation windows can be structured more variably.

In the last twenty years, the dynamic changes in digital technology, user demands, and consumer behaviour have radically challenged the global film industry and its established exploitation opportunities. 1995, for example, saw the global market launch of the new commercial media storage format DVD. The increasing popularity of the Internet since the late 1990s has contributed to a measurable change in consumption of television and other traditional media services like radio, telephone or print journalism. As the high-definition follow-up format to the DVD, the Blu-ray Disc ousted the competing improved quality digital format HD-DVD from the market in 2005. Further new technical developments are already on the horizon.

Research on the effect films have on cinemagoers explains why people go to the cinema at all. Research on the success of films attempts to explain how they achieve success.

Success

The success of audiovisual work can be divided into commercial and artistic success, whereby combined artistic and commercial triumph brings a film the highest recognition. The definition of artistic success appears to be rather subjective because it is often simply a question of personal taste. The "artistic quality" of a film, on the other hand, can be an elusive and occasionally controversial criterion. Audience numbers and box-office results, however, provide a precise quantitative definition of commercial success.

The commercial success of films depends on numerous economic and artistic success factors such as genre, story, director, cast, and budget, as well as implementation in all areas of film production (including the

production value, the editing or the dramatic score music). Other factors, which in some cases can also have an impact as early as during the development phase (depending on marketing, promotions, campaigns, and their budgets), include the time and place of the premiere, competition from other films or major events, the number of film prints, the opinion of film critics, public taste, and finally completely uncontrollable factors such as word-of-mouth and weather conditions. But the success of a film is certainly also dependent on awards for artistic achievement at international film festivals.

It goes without saying that the commercial success of a movie is the essential basis for its financially successful exploitation. It is defined as the total (net) revenue minus the production aka negative costs (story rights acquisition and story development, pre-production, principal photography, post-production) and exploitation costs (including marketing, distribution, advertising, promotion, publicity, merchandising and licensing).

Many films only become profitable on the basis of the revenues from additional exploitation opportunities in downstream markets and (or) ancillary markets. The commercial success of the initial exploitation step of a motion picture, i.e. the film's exclusive (domestic and worldwide) theatrical release, is just the beginning of a very long exploitation chain. The film copyright and related copyrights are then marketed by the licensing of various sales, distribution and merchandising rights to third parties who are active in film sales, distribution, exhibition, home entertainment or merchandising.

These include the rental and sale of formats for storing images and sound such as DVD or Blu-ray, especially the worldwide sales of licenses to TV stations or other licensees, the licensing of merchandising articles (e.g. video and computer games, soundtrack albums, books, action figures, and comic books), film franchises or remakes. After the expiry of temporary limited exploitation rights - normally the total duration of the first exploitation cycle (theatrical release DVD retail and rental pay-TV free-TV) is about five to ten years - the rights return to the rights-owner who can re-sell them again for a limited time to licensees in various territories. A film can therefore repeatedly go through the above-mentioned exploitation cycle and generate continuous revenues for decades.

Besides the commercial success of a film, its artistic success is also highly relevant for the length of its exploitation cycle. A film is usually seen to have achieved remarkable artistic success if it receives an award from the distinguished jury of one of the prestigious international film festivals: the annual Cannes Film Festival in France (with its associated Cannes Film Market) is considered to be both culturally and economically the most important film festival in the world - followed by the Berlin International Film Festival (Germany). Further important film festivals are the Venice International Film Festival (Italy), the Toronto International Film Festival (Canada), the Sundance International Film Festival (USA), the Pusan International Film Festival (South Korea), the Locarno International Film Festival (Switzerland), or the Karlovy Vary International Film Festival (Czech Republic). International and national film festivals run competitions with films as a showcase of annual film production. To be nominated in one of these competitions is already an extraordinary success for a film. To receive the award is the "ultimate" artistic recognition of a film.

The United States Academy Awards are considered the most prestigious of the numerous different film awards which take place around the world every year. The Oscars have been held every spring since the late 1920s by the Academy of Motion Pictures Arts and Sciences (AMPAS) and enjoy the biggest audience appeal - and therefore also have the greatest potential impact on viewer behaviour. The fact that a motion picture wins an Academy Award is said to add as much as US\$10 million to a film's gross box-office receipts during a film's continuing or subsequent runs. Being nominated alone for an Oscar definitely helps to increase the market value of a film.

The example of the German feature film *Nowhere in Africa* by Caroline Link (Germany 2001) showed the surprisingly positive impact of the artistic honour of receiving an Oscar for the further commercial exploitation of a film in cinemas in North America. The 2002 Academy Award for Best Foreign Language Film guaranteed this film box-office earnings of US\$ 6.2 million in its North American theatrical release (USA and Canada).⁽³⁾ According to experts, the estimated box-office result for a high-quality German drama would have been four times lower without winning an Oscar.

In addition to the commercial effect of winning an Academy Award, the ability of a film to make a profit

in long-term exploitation is extremely important; especially in the case of sleeper films, cult films, classic films, and director's cut films. In this case, however, a successful exploitation is not limited to film theatres or television, but also includes other exploitation categories.

Blockbuster films

Blockbuster films meet high box-office expectations because they magnetically attract cinemagoers. Regardless of the age of their protagonists and their stories, these films address a wide variety of different target groups. The most successful five percent of all movies (almost all blockbusters) generate nearly 80 percent of the profits of American film studios⁽⁴⁾ due to the fact that they contain characteristic success factors and translate them optimally. Famous American blockbuster films include *Jaws* (1975), *E.T. the Extra-Terrestrial* (1982), *Jurassic Park* (1993) or *the Lost World: Jurassic Park* (1997) by Steven Spielberg; *Terminator 2: Judgment Day* (1991), *Titanic* (1997) or *Avatar* (2009) by James Cameron; the *Star Wars* series by George Lucas; *Apollo 13* (1995), *A Beautiful Mind* (2001) or *The Da Vinci Code* (2006) by Ron Howard, *The Lord of the Rings* trilogy (2001, 2002, 2003) by Peter Jackson, as well as the *Harry Potter* series (2001 -2011).

Sleeper films

The American film scholar Thomas G. Schatz suggests that we "might see New Hollywood as producing three different classes of movie: the calculated blockbuster with the multimedia marketplace and franchise status in mind, the mainstream A-class star vehicle with sleeper-hit potential, and the low-cost independent feature targeted for a specific market and with little chance of anything more than 'cult film' status."⁽⁵⁾

A sleeper - also known as a surprise hit - is a movie produced by a major film studio or an independent film production company, which becomes a delayed and surprisingly unexpected box-office hit after a certain time - weeks, months or even years - after its initial weak theatrical release. Such a film is initially believed to have only limited audience appeal, but is able to "cross over" to a much broader audience because of positive word-of-mouth. A sleeper can also be a film that becomes a financial success although it had not been expected to be one, e.g. a low-budget production brought out with little advance publicity.⁽⁶⁾

Famous sleeper films include *Pretty Woman* (USA 1990, Garry Marshall), *Fried Green Tomatoes* (USA 1991, Jon Avnet), *The Crying Game* (USA 1992, Neil Jordan), *Sleepless in Seattle* (USA 1993, Nora Ephron), *My Best Friend's Wedding* (USA 1997, P. J. Hogan), *There's Something about Mary* (USA 1998, Bobby and Peter Farrelly), as well as *Waking Ned Devine* (UK 1998, Kirk Jones). When it comes to a sleeper hit, there is also typically a considerable gap between the original production costs and the final box-office results. The low-to-no-budget independent horror film *The Blair Witch Project* (USA 1998, Daniel Myrick and Eduardo Sánchez) is regarded as one of the most profitable sleeper films ever - especially with the help of its pioneering viral online marketing campaign using the Internet as an important modern marketing tool. Its production costs were - depending on the data sources used - only between US\$25,000⁽⁷⁾ and US\$50,000⁽⁸⁾. Worldwide box-office sales, however, finally grossed approximately US\$250 million⁽⁹⁾.

Cult films

Cult films belong to a special minority category of films, which run counter to the mainstream. A film can only be classified as a cult film when a special audience group is prompted to watch it repeatedly because of the film itself - and not due to any specific marketing activities. This can happen years after its premiere. Cult movies can also be box-office successes and subsequently be upgraded to the category of classic films. Among the most famous cult movies that have become classic films with remarkable long-term exploitation are *Easy Rider* (USA 1969, Dennis Hopper), *Harold and Maude* (USA 1971, Hal Ashby), *A Clockwork Orange* (USA 1971, Stanley Kubrick), *The Rocky Horror Picture Show* (USA 1975, Jim Sharman), *Monty Python and the Holy Grail* (UK 1975, Terry Gilliam and Terry Jones), *Taxi Driver* (USA 1976, Martin Scorsese), or *The Blues Brothers* (USA 1980, John Landis).

Classic films

Classic films are films whose initial theatrical release took place in the past, sometimes decades ago, and which set technical, logistical and artistic standards in film production or which won prestigious film awards. In addition, they generated large audiences in cinemas or are still echoed in new movies today. Each film nation in the world has its own classic films. German classic films include the expressionist horror film *The Cabinet of Dr. Caligari* by Robert Wiene (1920), Friedrich Wilhelm Murnau's horror film *Nosferatu: a*

Symphony of Horror (1922), Fritz Lang's iconic science-fiction film *Metropolis* (1927), as well as Josef von Sternberg's legendary film *The Blue Angel* (1930) starring Marlene Dietrich. As these examples demonstrate, the exploitation period can last for more than 80 or even 90 years.

International classic films such as *Battleship Potemkin* (Soviet Union 1925, Sergei M. Eisenstein), *Modern Times* (USA 1936, Charles Chaplin), Victor Fleming's *Gone with the Wind* (USA 1939), *Citizen Kane* by Orson Welles (USA 1941), *Casablanca* by Michael Curtiz (USA 1942), Fred Zinnemann's *High Noon* (USA 1952), *Rebel Without a Cause* (USA 1955, Nicholas Ray), Federico Fellini's *La Dolce Vita* (Italy, France 1959), *Breakfast at Tiffany's* (USA 1961, Blake Edwards) or Ingmar Bergman's *Scenes from a Marriage* (Sweden 1973) still generate audiences and media interest all over the world.

Director's cut films

A director's cut is a new version of a previously released film. Compared to the original studio release, the director's cut version more accurately reflects the director's artistic aims. It is the film director's personal favourite version, which normally includes unreleased footage, is re-edited, and digitally processed. In most cases, these are films which were originally successful. The original success in cinemas is normally repeated by the new director's cut version: e.g. popular theatrical re-release, profitable distribution on DVD or Blu-ray, and repeated broadcasting on TV. Outstanding examples are the Academy Award winning feature film *The Tin Drum* by Volker Schlöndorff (Germany, France 1979/2010) or Wolfgang Petersen's epic war film *Das Boot* (Germany 1981/1997). Further international examples of directors' cut films are the different versions of Ridley Scott's imposing and style-defining science fiction film *Blade Runner* (USA 1982/1991/2007), James Cameron's *Aliens* (USA 1986/1992), Oliver Stone's *Alexander* (USA 2004/2005/2007) or Francis Ford Coppola's epic anti-war drama *Apocalypse Now Redux* (USA 2001) - a director's cut version of the original 1979 film *Apocalypse Now* extended by 49 minutes.

Conclusion

Classification as a sleeper film, cult film, or classic film is not always clear and depends largely on the specific film itself. A sleeper film can be seen as a cult film and a cult film can be categorised as a classic film. Parameters such as the duration, development, and success of exploitation are the determining factors in defining each of these types of film.

Even if these parameters and the success factors for a film are known, film production and exploitation remains a risky economic gamble. As illustrated, the artistic and commercial success of a film as well as the duration of film exploitation has never been predictable. The sheer plethora of leisure activities on offer today is also making it increasingly difficult to attract cinemagoers.

Although the longevity of a film's commercial success is not predictable, it is not impossible, as evidenced by international cult and classic films. The secret to a film's long-term success essentially lies in its timeless attraction or relevance for subsequent generations, thus generating a sustainable audience.

Notes

1. Audiovisual Training Coalition (2008).
2. Motion Picture Association of America (MPAA) and Screen Digest (2010).
3. Marich, Robert (2005), p. 258.
4. Morsch, Thomas (2009).
5. Chapman, James (2003), pp. 138-146.
6. Cones, John W. (1992).
7. Robertson, Patrick (2001), p. 34.
8. Finney, Angus (2010), p. 131.
9. Box Office Mojo database: available online at <http://boxofficemojo.com/movies/?id=blairwitchproject.htm>.

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