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HOLLYWOOD DOMINANCE: WILL IT CONTINUE?

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ABSTRACT

Hollywood has dominated the global film business since the First World War. Economic formulas used by governments to assess levels of industry dominance typically measure market share to establish the degree of industry concentration. The business literature reveals that a marketing orientation strongly correlates with superior market performance and that market leaders that possess a set of six superior marketing capabilities are able to continually outperform rival firms.

This paper argues that the historical evidence shows that the Hollywood Majors have consistently outperformed rival firms and rival film industries in each of those six marketing capabilities and that unless rivals develop a similarly integrated and cohesive strategic marketing management approach to the movie business and match the Major studios' superior capabilities, then Hollywood's dominance will continue.

This paper also proposes that in cyberspace, whilst the Internet does provide a channel that democratises film distribution, the flat landscape of the world wide web means that in order to stand out from the clutter of millions of cyber-voices seeking attention, independent film companies need to possess superior strategic marketing management capabilities and develop effective e-marketing strategies to find a niche, attract a loyal online audience and prosper.

However, mirroring a recent CIA report forecasting a multi-polar world economy, this paper also argues that potentially serious longer-term rivals are emerging and will increasingly take a larger slice of an expanding global box office as India, China and other major developing economies and their respective cultural channels grow and achieve economic parity with or surpass the advanced western economies. Thus, in terms of global market share over time, Hollywood's slice of the pie will comparatively diminish in an emerging multi-polar movie business.

PART 1: HOW DID HOLLYWOOD DOMINATE FOR A CENTURY?

Introduction

The Major Hollywood studios have dominated the global box office since the First World War, and surprisingly compared to other industries, without any really serious or sustained competition from rival firms or rival film industries. Whilst over time, there have been multiple changes of ownership of the Majors and two periods where most Majors went broke twice (1930s - Great Depression and 1960s when they had to be recapitalised by new owners), during a century of truly dramatic geopolitical, social, cultural and technological change, it is hard to think of another example where a small number of corporations or brands have so completely dominated an industry in the face of such developments over a span of nine decades.

A multi-disciplinary review of the relevant literature on Hollywood's dominance and the global popularity of its movies, revealed twenty one potential explanations for that dominance, yet none of them individually or collectively seem able to account for such high levels of concentrated market power over such a long period of time.

For example, the 'structuralist' school within the economics discipline argues that industry structure and the size and scale economies of the Majors enable them to dominate the movie business. Yet when the first Majors - Universal, Fox and Famous Players (which became Paramount) were founded between 1912-1915, they were comparatively small film companies facing the combined economic might of the Thomas Edison inspired Motion Picture Patents Company (MPPC) that comprised the most powerful film companies in the U.S. as well as the largest film company in the world.

Logically then, if dominance was really just about size and scale and industry structure, how then could the emerging Hollywood studios have possibly challenged and surpassed the MPPC's market power within a few years when facing the combined economic clout of the old line firms - Pathe, Edison, Biograph and other members of the MPPC? And if dominance were just about size and scale, then why did Britain's Rank Organisation in the 1940s and 50s not become a globally dominant player equal to any of the Hollywood Majors when it's corporate assets were larger than any individual Hollywood studio and it also owned 25% of Universal? And how could Disney evolve from a small, niche company specialising in animation into a Major studio in its own right when competing with the combined market power of the other Hollywood Majors? Whilst it is obvious that size and scale economies and industry structure must be key factors in why firms dominate, they cannot completely explain the emergence of Hollywood or its enduring dominance in the face of significant industry change over a 100-year period.

Another more recent explanation advanced from within the media studies discipline proposes that the underlying cause of Major studio dominance is that their movies are transparent because they tell stories with universal themes i.e. "certain texts seem familiar regardless of their origin, to seem part of one's own culture, even though they have been crafted elsewhere" (Olson p. 18). The unrivalled global popularity of Pathe's films from the early-to-mid 1900s until the First World War would also seem to indicate that its films were also 'transparent', yet within a decade, Hollywood was able to surpass the French company in the world film market. And the many thousands of best selling novels that have emerged from all over the world indicate, that the ability to tell transparent stories is not limited to the United States, so whilst transparency theory may well be a significant contributing factor to Hollywood's dominance it alone cannot fully account for Major studio dominance over time.

Similarly when the other nineteen explanations of Hollywood's dominance that we identified were critically analysed, individually or together, none them of them could fully account for the Majors unrivalled market leadership for almost a century.

We then turned our attention to the business literature on market dominance to seek answers as to how and why market leaders achieve and sustain their positions.

There is hard evidence in the business literature that a marketing orientation is positively correlated to superior business performance (Narver & Slater 1990; Jaworski & Kohli 1992; Deshpande, Farley &Webster 1993; Day 1994), and that market-driven firms that have developed a set of six superior marketing capabilities to their rivals and consequently are are able to outperform their less market-driven rivals on four critical dimensions – firm growth, customer satisfaction, adaptability and profitability (Vorhies & Harker 2000).

We contend that the historical evidence demonstrates that the Hollywood Majors have consistently outperformed rival firms and rival film industries because they were marketing orientated and possessed six superior strategic marketing capabilities that are common to market leaders and that unless rivals develop a similarly integrated and holistic strategic marketing management approach to the movie business and match the Major studios' superior capabilities, then Hollywood's dominance will continue.

Strategically orientated firms are outwardly focused and responsive to change

Strategically orientated firms seek to 'shape' their environment and create a sustainable competitive advantage by providing superior value to customers (Aaker and Mills 2005 pp. 4-7, Cravens 2000 p. 5). This paper argues that over the course of their first nine decades, whilst there have been periodic lapses (1960s), generally the Majors collectively "fit" the model of strategically orientated firms.

Marketing-driven firms outperform rivals and possess six common capabilities

Field research by Vorhies, Harker & Rao (1999); Vorhies and Harker (2000) and a benchmarking study by Vorhies and Morgan (2005) identified six key marketing capabilities that typically characterised the best-performing market-driven firms and enabling them to consistently outperform their rivals: a) systematic and strategic use of marketing research (marketing intelligence and market research) to optimise exploitation of market potential. b) Development of new products designed to match consumer needs and desires and therefore outperform competitor offerings. c) Strategic use of competitive pricing. d) Effective distribution and marketing channel strategy e) Effective promotional strategies and marketing communications that persuade consumers to buy and f) effective leadership that maintains an externally focused and responsive strategic orientation and cohesively manages the firm's marketing mix to satisfy existing and potential customers and markets.

THE MAJORS' SUPERIOR MARKETING CAPABILITIES

1. Market Research and Marketing Intelligence

The historical evidence shows that the Majors have been undertaking marketing intelligence activities since the 1920s through a variety of channels. For example, three of the Big Five Major studios engaged in marketing intelligence-gathering activities during the 1930s. William Fox studied every aspect of his corporation's business as well as the wider industry and foreign markets. *(Sinclair 1970 pp 5-6; 51).* A Harvard study from the 1930s found that Paramount and Universal were actively scanning the external environment trying to anticipate trends and changing audience tastes in order to develop new movies that would match those changing needs *(Lewis 1933).* Four of the old Hollywood's studio chiefs conducted regular observation of audiences (Zukor 1953 pp 37 and 43; Ramsaye1954 p. 240; Stohr 2004; Eyman 2005 p. 298).

The Majors conducted various forms of market research since the late 1910s and early 1920s (Zukor 1953 p. 37, 223; Franklin in Waller 2000 p. 158); Paramount commissioned the first exhibitor survey in 1916 and Universal hired a psychologist to assess market reactions to various plots and to forecast public reaction in the first evidence of market demand studies (Bakker 2003); primitive consumer panels using staff members were established at Warner Brothers as early as 1922 (Hampton 1970 pp. 311-312). Hollywood also pioneered tracking studies and market segmentation research in the 1930s (Bakker 2003); the Majors have commissioned regular movie-going audience surveys since the 1930s (Garrison 1972 pp. 146-147) and studies of advertising effectiveness also began in the 1940s (Fiske and Handel 1947 p. 274-275).

Only the French film company Pathe, the global market leader in the pre-Hollywood era, was found to have systematically collected marketing intelligence on any scale, or to have undertaken any other form of marketing research and then used that intelligence to strategically respond to changing market conditions (Abel 1999 p. 89; p. 177; New York Times 1913). We found no evidence of rival film studios undertaking any form of marketing research and rival distributors have not operated on the same scale as Hollywood in global markets and hence have had less well developed channel relations.

2. The Majors' superior new product development capabilities

Fundamental differences were found in the approach to script development taken by Hollywood relative to other film industries, with marketing dominating the American approach (Ross and d'Amico 1996). A leading global consulting firm - Booz Allen and Hamilton (1988) studied over 700 corporations and found that most new products fail. It developed a systematic eight-stage new product development (NPD) process now widely used or mimicked in most industries. We found that the Major studio approach to NPD is aligned to the Booz Allen model. The NPD process employed by Hollywood since the 1920s is rarely if ever used by its rivals and they spend far less than Hollywood on the script development process (Dale 1997 p. 164; Zee News 2006).

3. The Majors' superior distribution capabilities

Hollywood's superior distribution capabilities are the result of several factors:- 1) The Major studios' strategies of intensive global market coverage. 2) Hollywood's enduring strategy of temporally regulating the flow of new movies into the market and adapting release patterns in each era to suit changing market conditions. This enabled Hollywood to roadblock access to screens (by rivals) via Major studio theatre ownership before Divorcement was enacted in 1948, and since then, using distribution strategies involving wider and wider releases for tent-pole movies. 3) The nurturing of enduring business relationships with the world's theatre chains that prefer 'the Hollywood brand' when booking movies.

Since the late 1910s, Hollywood's Major studios have maintained the largest distribution networks at home and abroad. The overwhelming channel-dominance of the Majors and their ongoing ability to block access to movie theatres by rivals meant that by 1944 independent distributors had basically vanished from the U.S. market (Huettig 1944 pp. 143-150). From the mid-1930s to the early 1970s, the biggest Majors – Warner, Fox, M.G.M. and Paramount maintained large global networks generally above 90 offices worldwide (Film Daily Yearbooks; International Motion Picture Almanacs). In 1948, Rank/Eagle Lion's presence in world markets (6 other foreign sales offices plus the U.S.) was dwarfed by the international presence of the Major Hollywood studios (International Motion Picture Almanac 1948-1949).

Table Snapshot of the world's largest film companies foreign market exposure in 1948

Film Company	U.S. / Canadian branches	Number of foreign distribution sales offices in 1948
Warner Brothers	31 + 6	105
Paramount	32 + 6	104
MGM	32	89
Columbia Pictures	31	88
United Artists	25 + 6	85 + 20 sub-distributors
20th Century-Fox	31 + 6	75 + 6 agents
R.K.O.	32 + 6	50
Universal	32	42
Republic Pictures	32 + 1	11 foreign sales offices + 33 franchised agents
Monogram Pictures	31	9 foreign sales offices
Rank / Eagle Lion	Based in New York (8 regional sales managers) and Toronto (1)	6 other foreign sales offices located in Czechoslovakia, Denmark, France, New Zealand, Palestine and in Australia (through Rank's 50% ownership of Greater Union and its distribution subsidiary British Empire Films.)

4. The Majors' promotional capabilities

Prior to the 1970s, 'exploitation' was the general term used within the movie business to describe 'marketing' as contemporary marketing scholars understand it. *"Exploitation was all of the advertising, publicity, merchandising, licensing and promotion of a motion picture*" (Cones 1992 p. 176). Since the 1970s the Majors' 'exploitation departments' were re-constituted and re-badged as *marketing* departments. During the Studio Era, movie marketing was partially de-centralised, with theatre managers in the studio-owned circuits trained in exploitation (promotional) methods playing an active role in local promotions (Gomery in Waller 2002 pp 129). Press books were devised by advertising, publicity and promotions experts in the studio, and provided theatres with a range of pre-approved ads, posters, ready-to-publish feature stories and promotional ideas that could be employed in the local market. Following Divorcement and the rise of TV during the 1950s, the Majors centralised marketing communications and increasingly used saturation-advertising campaigns to drive the ever-widening releases of their blockbusters.

Old Hollywood' primarily used below-the-line marketing communications strategies to stimulate audience demand for movies and drove their promotional campaigns with a combination of publicity, showmanship, merchandising, plus some advertising. Studios immediately supported the new fan magazines (*Motion Picture Story*, *Photoplay*) that began appearing from around 1911-1912, exploiting this new publicity channel by placing stories about their stars and movies. By 1919, fan magazine readership exceeded one million (Staiger 1990 p. 10) and was a key channel for movie publicity throughout the Studio Era.

Washington's ongoing assistance to Hollywood helped it penetrate overseas markets and neutralise trade barriers, however assistance from Washington over the decades has been *an outcome of Hollywood's ongoing PR lobby* via the MPPDA/MPAA. All past and current Presidents of the MPPDA/MPAA have been senior Washington insiders. Thus the U.S. government support stems from a strategic marketing capability – in this instance PR (using a government lobby) – part of the marketing communications / promotional mix and one of Vorhies and Harker's (2000) six critical marketing capabilities.

The Majors have consistently out-spent the rest of the world in advertising their movies. For example, in 1939 US film industry advertising expenditure was 59% of the world total **(***Film Daily Yearbook 1940 pp 37)***.**

The Majors have been particularly adept at segmenting markets, targeting audiences, positioning their movies and building brands. Since the early 1910s, 'Old Hollywood' successfully developed the star system and film genres into market segmentation strategies that would ensure that new movies with no brand equity had an in-built core audience to target. For decades the Major studios have considered genre to be a critical factor affecting decisions to green-light movies.

We found no evidence of Hollywood's rivals exhibiting a similar set of promotional capabilities, yet in other industries foreign firms have often outperformed US companies in terms of new product launches.

5. The Majors' Pricing capabilities

The historical evidence demonstrates that over time the Majors have indirectly induced audiences to pay continually increasing ticket prices to watch Hollywood's movies in theatres on the big screen, despite increasing competition from direct product substitutes like home video and pay TV.

It is essential in marketing to send consistent signals to consumers so that price reinforces promotion and other marketing elements. Hollywood invested heavily in high quality production values (the world's leading movie stars, expensive special effects, costume design, elaborate sets, location shooting, cinematography etc.) that sent potential audiences signals of quality. Research by Basuroy, Desai and Talukdar (2006) indicates that the Majors still use price to signal high quality.
The Majors have throughout their history used their superior capabilities in new product development, distribution and promotion to leverage premium priced film rentals from movie theatres, which in turn, used premium ticket pricing strategies with movie-going audiences comprising innovators, early adopters and the early majority.

The customers of the Major studios are the movie theatres that sign a contractual license to exhibit each new movie for public exhibition and in return pay the distributor an agreed film rental for that transaction. The average film rental figure is critically important to a pricing analysis because it is the only available indicator of the Major studios pricing policies relating to their revenues via leasing of their movies to theatres. Rising film rentals over time indicate that the Majors have applied a premium pricing strategy when leasing their films to cinemas (Film Daily Yearbooks – 1933-1970; Donahue (1987) pp 32 and 178; Vogel (2004) pp 58).

6. The Majors' strategic marketing management capabilities

The Majors of Old and New Hollywood have always been outwardly focused on the business environment, the world film market and competitors, trying to 'shape the environment' to their competitive advantage. This can be seen over time in the ongoing MPPDA/MPAA lobby in Washington on a range of issues and also in their monitoring and strategic responses to threats and opportunities presented by potential product substitutes like radio, television, video, VOD via the Internet and digital cinema (Wasko 1994 pp 8-14).

The narrow 'Fordist' view of the Majors as product-driven mass manufacturers ignores the bigger picture that during the Studio era, the vertically integrated Majors' were quite sophisticated marketers that understood their audiences. The Majors' theatre chains were designed and segmented to appeal to different types of audiences based on price discrimination (*Variety* Jan. 4th, 1956 p, 43), that theatre management manuals for Paramount and Fox reveal staff were trained in customer service values and skills, and that theatre managers provided weekly management reports including observations on audience composition and enjoyment v-a-v positive or negative word-of-mouth, or that they also undertook various forms of marketing research (discussed earlier) as part of the new product development process (Franklin 1928 in Waller 2002 pp 158).

Our examination of the senior executive rosters at the Majors at different snapshots in time, revealed many experienced marketing professionals in early Hollywood: Universal President Carl Laemmle had been a successful retailer; Universal Vice President Robert Cochrane previously ran a Chicago advertising agency; Famous Players-Paramount President Adolph Zukor had been a fur salesman; B.P. Schulberg his publicist had been a press agent; Al Lichtman the head of Paramount's first exploitation department had been a film salesman; Paramount's distribution chief

Sidney Kent had been sales manager in distribution with the U.S. Drugists Syndicate; William Fox had been a retailer; Columbia's Jack Cohn and Joe Brandt had worked at Hampton Advertising agency in New York; MGM marketing chief Howard Dietz had been a copywriter in a New York ad agency.

The Majors strategically managed their marketing since the late 1910s. Studio era MGM marketing chief Howard Dietz wrote: "*the marketing with all its complications was in my care*" (Dietz 1974 p. 256). Paramount established the first marketing department in 1915, in which advertising personnel, publicists and promotions staff reported through to a single senior executive. It was called the exploitation department (Staiger 1990 pp. 9-10). Such departments created the press books that allowed the studios to control their marketing campaigns (Laemmle in Balio 1976 pp. 161-163; Sennett 1998 pp. 69;132).

We found no evidence of rivals at home or abroad operating at this level of marketing sophistication since the rise of Hollywood.

We conclude that unless rival firms or film industries adopt a similar marketing orientation and develop a similar "holistic package" of six superior strategic marketing capabilities, Hollywood's dominance of the global box office is likely to continue.

Part 2 : Does the Web democratize film distribution?

In 2008, total U.S. online market for movie downloads/streams was only US $227 million. By comparison, *'Harry Potter & Half Blood Prince'* took US $229m at the box office in the first 14 days of its North American release in 2009.

We therefore contend that online movie distribution is a long way from reaching a critical mass. Consider the following observations: "The Web is a great leveller … this flatness creates a major challenge … how do you attract more visitors?…. Organisations want to build mountains or attractors in the otherwise flat landscape of web-based marketing" (Watson, Akselsen & Pitt, 1998). "Many have argued that the Internet renders strategy obsolete. In reality, the opposite is true… it is more important than ever for companies to distinguish themselves through strategy" (Porter 2001). Branding matters more on the Internet (Rubenstein & Griffiths 2001). "Online distributors will need to build *brand awareness* and *brand equity* in order to lure the traffic needed to sustain their business." (Silver & Alpert 2003). "Sticky sites are ones that capture our interest and our imagination…and make you want to stay at the site and to return frequently" (Lewin 2009).

We propose that whilst the Internet does provide a channel that potentially democratises film distribution for Hollywood's rivals, the flat landscape of the Web means that in order to stand out from the clutter of millions of cyber-voices seeking attention, independent film companies need to possess superior strategic marketing management capabilities and develop effective e-marketing strategies to find a profitable market niche, attract a loyal online audience and prosper.

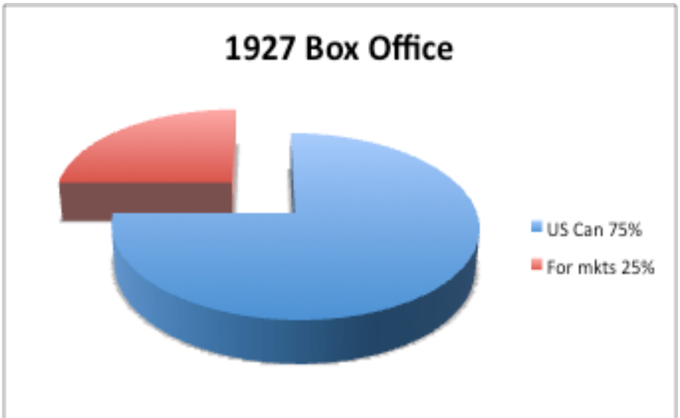
PART 3: CAN POTENTIAL SERIOUS RIVALS TO HOLLYWOOD EMERGE?

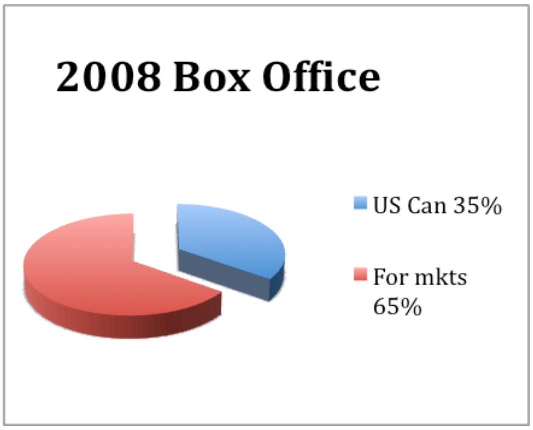
Non-U.S. share of the global box office overtakes U.S. share

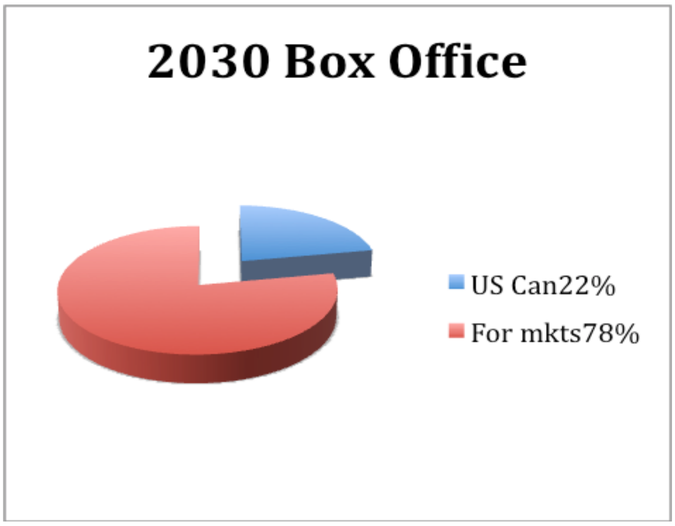
In 2008 the world wide box office was worth US$28.1 billion. The U.S./Canada domestic box office accounted for 35% of this, or $9.8 billion. A simple regression (based on the trend 2002 -2007) suggests that the global box office will increase from US$28 billion in 2008 to $34 billion by 2015 and $46 billion by 2030.

Perhaps more interesting is the continuing decline in the share of U.S. domestic box office of the global box office. The North American market share of the global box office fell from 52% in 2002, to 46% in 2004, and to 35% in 2008. The international or non-U.S. share of the global box office is projected to increase from 65% of the world-wide box office in 2008 to 71% in 2015 and 78% by 2030 (projection based on trends over the past decade).

The following pie charts provide a longer term perspective from 1927 -2030.







In 1927 the U.S. domestic market equated to three quarters of the global box office, yet on present trends this share may be less than a quarter within a generation. Does this have any implications for the continuing dominance of Hollywood?

Consider recent trends in some countries. In the period from 2002 – 2007 the Russian gross box office in US dollars increased 80%. The Chinese box office grew 75% over this period, while the Czech Republic, Brazil, Poland, Argentina and Ireland all increased by about 50%. Substantial growth rates over the five years 2002 - 2007 were also experienced by Australia (39%), UK (31%) and Canada (23%). The U.S. stood out with a decline of 8%.

The decline in the share of U.S. domestic box office of the global box office may be attributable to a number of factors of course, including differential population growth rates, mature vs developing economies, differential growth rates in incomes and the much faster increases in theater ticket prices outside the U.S. However another relevant trend may be box office market share by country of origin in international markets. In the European Union from 1999 – 2008, the share of films produced solely in the U.S. fell significantly. European film admissions for films originating in the U.S. fell from 70% in 1997 – 98 to 53% in 2008. There were increases in admissions across the EU for EU / US co-productions as well as for films produced in France and other European countries. In France in 1999, U.S. films enjoyed double the French box office market share of local films. Yet by 2008 the market share of local films had overtaken U.S. productions. Similar trends could be seen in Germany, Italy and the U.K. US / EU co-productions increased from 4% in 1997 – 98 to 17% of European admissions by 2008, with instances where the EU provides the major partner, almost as many as where the US provides the major partner.

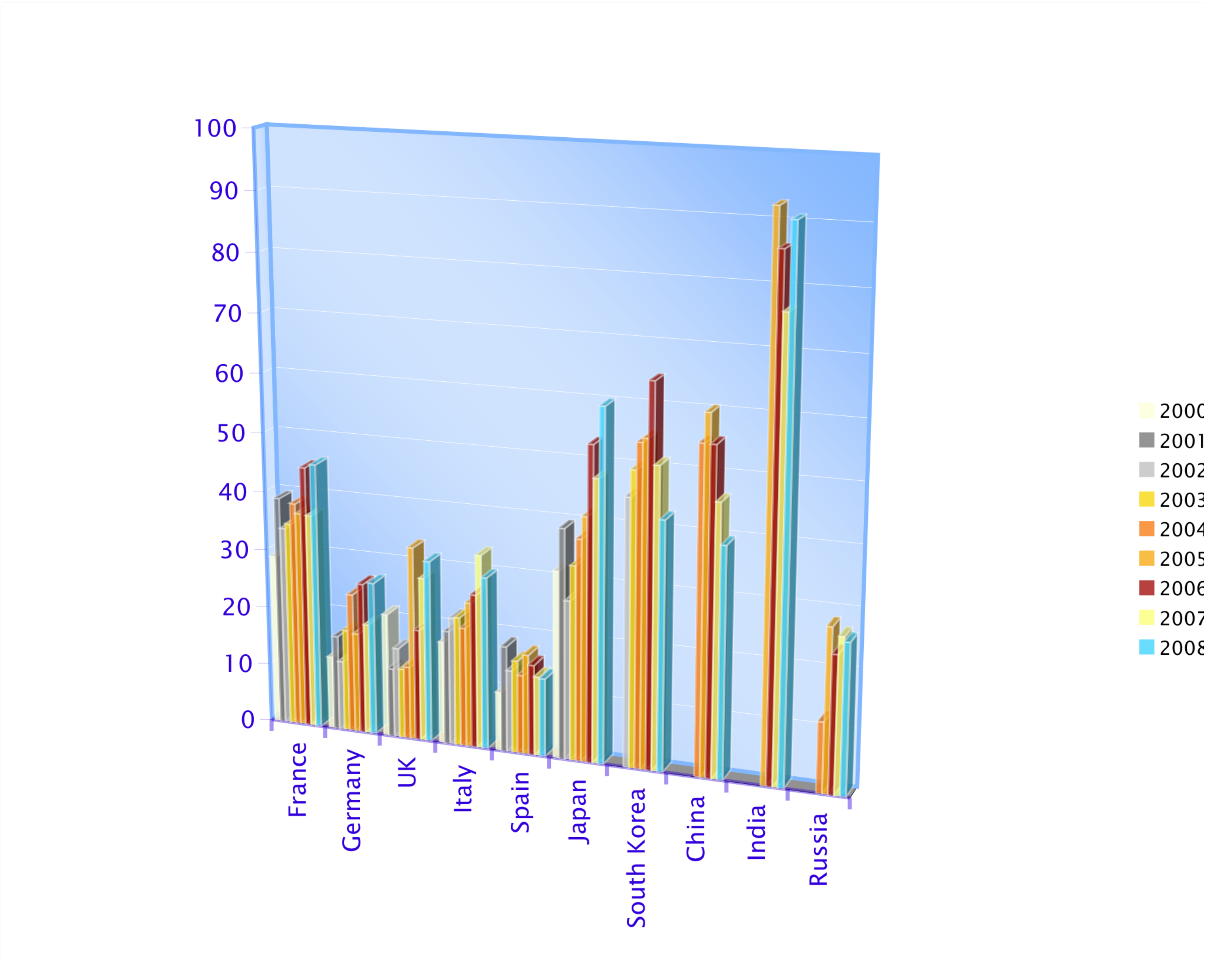
In some countries, particularly in Asia, locally produced films have a very significant share of the total box office. Japan was the second-top performing market by revenues at $803 million. Local films accounted for 48% of the Japanese market. Similarly, local films in South Korea snared 45% of market share in that country. However two countries potentially dominate the region: China and India.

LOCAL FILM MARKET SHARES 2000-2008 (Box Office / Ticket Sales)

	2000 %	**2001** %	**2002** %	**2003** %	**2004** %	**2005** %	**2006** %	**2007** %	**2008** %
France	28.9	39	34	34.8	38.4	36.8	44.7	36.6	45.4
Germany	12.5	16.2	11.9	17.5	23.8	17.1	25.8	18.9	26.2
UK	21.04	11.73	15.4	11.9	12.4	33	19	28	31
Italy	17.5	19.4	21.8	22	20.3	24.7	26.2	33	29.3
Spain	10.03	18	14	15.8	13.4	17	15.4	13.5	13.3
Japan	31.8	39	27	33	37.5	41.3	53.2	47.7	59.5
South Korea			45.2	49.7	54.2	55	64.2	50.8	42.1
China					55	60	55	45.9	39
India						92.5	86	76.5	90.5
Russia					12	27.7	23.3	26.3	25.5

Source: EAO World Market Trends Focus Reports 2001-2009

LOCAL FILMS – NATIONAL MARKET SHARES 2000-2008



Sources: European AudioVisual Observatory Focus Reports – World Market Trends 2000-2009

China
China is a potentially massive market, which is currently not dominated by Hollywood. In 2007, 55% of the Chinese market was attributable to local films. The communist government restricts film imports. Even after the global financial crisis, China maintains a rapidly growing economy and middle class and the government has committed to digital cinema. The box office in China is dominated by a very few U.S. and Chinese productions, leaving little room for the growing number of smaller local productions. No Hollywood films were approved for the first two months of 2008, although the State Administration of Radio, Film and Television (SARFT) says that there is no ban in place. The top 10 foreign films and the top 5 Chinese films account for 68.7% of the box office. Around 100 local films found a release at the theatrical level out of a production level of above 400 films in 2007. Of the recorded total, the top 10 foreign films entering the country on a revenue share quota basis (mainly Hollywood Blockbusters) earned 45.1% of the gross box office, and the top five foreign films 36.1%, whilst the top 5 Chinese films earned 23.6%.

India
India has the world's largest domestic market with 3 billion admissions annually (double North American admissions) and yet it is NOT dominated by Hollywood. Like China, it has a rapidly emerging economy and middle class. In 2007 94% of the Indian box office was generated by home grown films. However, Hollywood is reported to be encroaching on this by as much as one percentage point of the box office each year. India has the largest indigenous film market, worth $1,632 million in 2007.

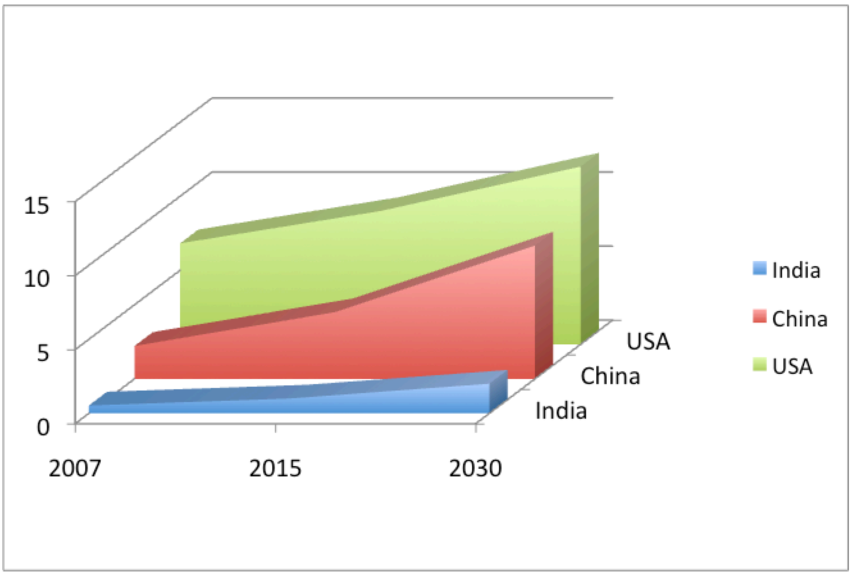
2007

	POPULATION	**TOTAL NO. SCREENS**	**NO. SCREENS IN MULTIPLEXES**	**Av admissions per capita 2008**	**SCREEN DENSITY (ratio 1 screen/per 1,000,000 people)**
INDIA	1.13 billion	10,189	850 multiplex screens	2.81	9.2 screens/million
CHINA	1.32 billion	36,112	3,527 "modern screens"	0.15	27.3 screens/million
USA	0.306 billion	38,974	29,170 multiplex screens	4.47	129 screens/million

Sources: Screen Digest and EAO Focus 2008

The above table demonstrates that both India and China are under-screened, particularly in terms of multiplex / modern screens. We can expect the explosion in modern screens now occurring in both countries to expand the box office more than is projected below (where we project future box office based conservatively on recent trends in ticket prices alone). However while we believe this expansion in multiplex / modern screens will increase box office since ticket prices are much higher for the new screens, it may not help Hollywood as much as one might think. For instance the local production has kept pace in new multiplexes in India very well.

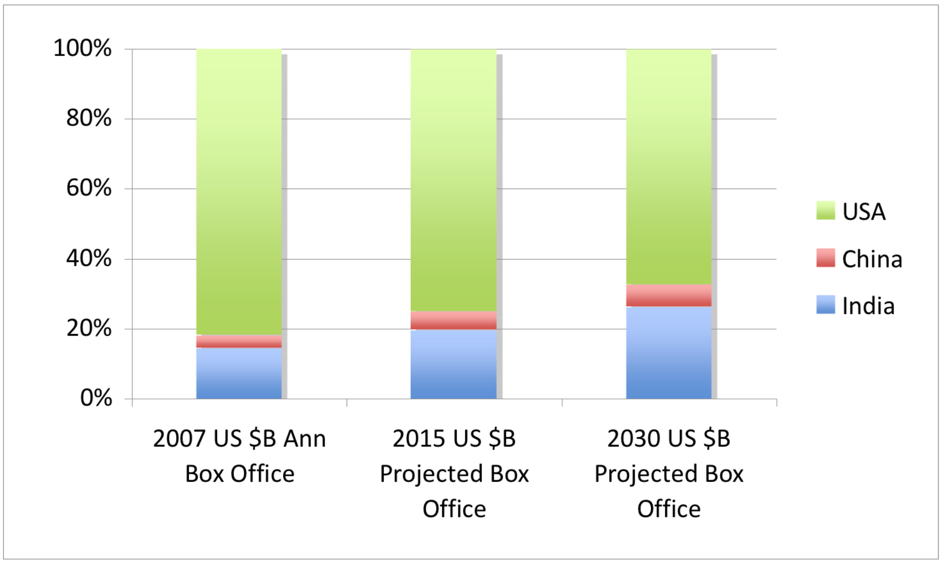
	2007 Av Ticket price	Annual admissions	US $ Annual Box Office	2015 Av Ticket price	Annual admissions	US $ Projected Box office	2030 Av Ticket price	Annual admissions	US $ Proje Box o
dia	0.53	3290 million	1.7 billion	$1.00	3290 million	**3.290 billion**	$2.00	3290 million	**6.5 b**
ıina	2.22	196 million	0.434 billion	$4.50	196 million	**0.882 billion**	$9.00	196 million	**1.584**
;A	6.82	1400 million	9.6 billion	$9.00	1400 million	**12.6 bn**	$12.00	1400 million	**16.8**



Projected ticket prices to 2030

Ticket Prices – straight line extrapolation

	2007	2015	2030	
India	$0.53	$1.00	$2.00	
China	$2.22	$4.50	$9.00	
USA	$6.82		$9.00	$12.00



Projected box office, admissions constant

	2007 US $B Ann Box Office	2015 US $B Projected Box Office	2030 US $B Projected Box Office
India	1.7	**3.3**	**6.5**
China	0.43	**0.88**	**1.6**
USA	9.6	**12.6**	**16.8**

The above diagram suggests what the box office in three countries may be in 2015 and 2030 based on a simple extrapolation of ticket price trends 2001 -2007. While both India and China start from a small base in 2007, with a combined box office only 22% of the U.S., by 2030 their combined box office would be 48% of the U.S.. We can only speculate on what market share Hollywood might have of these two rapidly emerging markets but recent trends suggest it would not be a lay down misere (or absolute certainty) for Hollywood to capture dominance and growth in these two markets is likely to further erode its global market share, exacerbating the trend noted above in some other countries for a vibrant local production sector.

In summary, Hollywood is likely to continue to be a dominant force in the global film market, but that dominance is likely to be far less pronounced than in the past.

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