

# Chapter 9

## Films



**Abstract** The success of a film is impossible to predict. A few of them are financially successful, while most of them are not. Actors are crucial to a film's success. As in other parts of the performing arts, a few superstars are greatly admired and highly compensated in a winner-take-all market while most of the other actors earn little. Consumers have many direct substitutes on which to spend their time and money: television, home video, DVD, internet, computer games, musical performances, and popular sport events such as football. Those with lower income and fewer time constraints tend to view mass films, while high-quality movies are mostly viewed by well-educated young city-dwellers.

**Keywords** Superstars · Winner-take-all market · Predictability · Financial success · Flops · Substitutes · Most successful films · American best films · Revenue · European critics · Actors · Film festivals · Movie awards

### 9.1 Characteristics

A salient feature of films is that their success is largely unpredictable. Even producers with extensive experience undertake movie projects that turn out to be financial flops. Even sophisticated techniques for predicting future demand rarely work. A partial exception is that of sequels of highly successful films, for instance *The Terminator*, directed by James Cameron with Arnold Schwarzenegger in the leading role. It was produced as a B-movie but became one of the most successful science fiction pictures. Four sequels followed in 1991, 2003, 2009, and 2015, and more are planned. But this is a rare exception of the general rule.

The most successful films, the “blockbusters”, are shown in Table 9.1. In most cases their success was a surprise.

The figures for gross revenue are only crude approximations, because it is never certain whether all gross incomes from all countries are included, nor whether part of the revenue includes indirect incomes.

The distribution of financial success of films is highly skewed. A few movies make very high net profits, while most films are not profitable compared to other

**Table 9.1** The ten financially most successful films

Title	Year	Worldwide gross revenue (in \$ billion, constant \$)
Gone with the Wind	1939	\$ 3.6
Avatar	2009	\$ 3.2
Titanic	1997	\$ 3.0
Star Wars	1965	\$ 3.0
The Sound of Music	2015	\$ 2.5
E.T., the Extra-Terrestrial	1982	\$ 2.4
The Ten Commandments	1956	\$ 2.3
Doctor Zhivago	1965	\$ 2.2
Jaws	1975	\$ 2.1
Star Wars: The Force Awakens	2015	\$ 2.1

(Source Guinness World Records; inflation adjustment by the consumer price index of IMF)

**Table 9.2** American best films

Citizen Kane	1941
Casablanca	1943
The Treasure of Sierra Madre	1948
12 Angry Men	1957
Psycho	1960
The Godfather	1972

investments or even make a loss. Extreme events dominate; revenues decline strongly when a film proves to be unpopular with the potential audience.

Blockbusters can hardly be considered of high artistic value. Lists of the “best films of all time” feature quite different movies. The criteria used to decide what is the “highest quality” differ widely. Therefore, many different rankings exist. There is some agreement among critics that the following films count among the best (Table 9.2).

This list only considers American pictures. European critics are likely to also name the following films (see Table 9.3).

Of course, many high-quality films are produced in yet other countries. It suffices to name a few striking examples (see Table 9.4).

Or the highly praised pictures by Ingmar Bergman, for example (see Table 9.5).

Another feature of movies is the critical influence of actors. As in other parts of the performing arts, a few are superstars in a winner-take-all market who are greatly admired and receive huge compensation while most of the other actors earn little. Such movie superstar actors are, for example (see Table 9.6).

Whether these superstars are also the best actors is open to debate.

**Table 9.3** Best films judged by European critics

Germany	The Cabinet of Dr. Caligari	1920
	Metropolis	1927
	Der blaue Engel	1930
	M – Eine Stadt sucht einen Mörder	1931
	Aguirre, der Zorn Gottes	1972
France	La Grande Illusion	1937
	Hiroshima Mon Amour	1959
	Hors du Souffle	1960
	Belle du Jour	1967
	Le Charme discret de la Bourgeoisie	1972
Italy	Roma, Città aperta	1945
	Ladri di Biciclette	1948
	Notte di Cabiria	1956
	La Dolce Vita	1960

**Table 9.4** Other high-quality films

Soviet Union	Battleship Potemkin	1925
Japan	Rashamon	1950

**Table 9.5** Films by Ingmar Bergman

Sweden	Sommarlek (Summer Interlude)	1951
	Det sjunde inseglet (The Seventh Seal)	1957
	Tystnaden (Silence)	1963
	Scener ur et äktenskap (Scenes from a Marriage)	1973

### 9.1.1 Supply Side

The production of films is sequential and is composed of development, actual recording, and distribution. At each stage, teams are formed from a large pool of directors, artists, technicians, and administrators, a task requiring considerable coordination. Once a film has been recorded, the costs are sunk and cannot be recovered. Often, projected costs are hugely overrun. The movie *Titanic* was budgeted at \$ 100 million, but ended up costing \$ 200 million.

Three types of prices are set: the admission price in the cinema, the rental price for the film, and the distribution fee for marketing, advertising, and release on TV, video, and the internet. Many of these activities are characterized by increasing returns to scale. Average costs fall the more a film appeals to the public. As a consequence, the profits between films are highly skewed. Producers try to adjust these prices to the success of the movie. Cinemas have to pay a higher rental price for a very popular film.

**Table 9.6** Movie superstars

Hollywood: actors	Tom Cruise
	Tom Hanks
	Harrison Ford
	Jonny Depp
	Jack Nicholson
	Leonardo DiCaprio
Hollywood: actresses	Cameron Diaz
	Emma Stone
	Sandra Bullock
	Jennifer Aniston
	Julia Roberts
France: actors	Alain Delon
	G�rard Depardieu
	Michel Piccoli
France: actresses	Jeanne Moreau
	Catherine Deneuve
	Brigitte Bardot
Germany: actors	Heinz R�hmann
	Curd J�rgens
	Mario Adorf
Germany: actresses	Hildegard Knef
	Lilli Palmer
	Romy Schneider
Switzerland: actors	Bruno Ganz
	Maximilian Schell
Switzerland: actresses	Liselotte Pulver
	Maria Schell

Movies are produced in many countries of the world. The Indian film industry, Bollywood, is the biggest producer, followed by Hollywood. Nigeria has a Nollywood. France, Germany, Spain, the United Kingdom, and Brazil also produce a considerable number of films. The national film industries are not monopolies but are concentrated in a few dominant studios. As the cost disease also applies to film production to some extent, in most countries the industry is subsidized by the government as a defence against dominance by Hollywood as well as to promote national culture. This government intervention can lead to a tension between financial success and artistic quality. Often, subsidies go to films that have high artistic goals but attract a small audience. All too often, neither high quality nor high box-office returns are reached.

**Table 9.7** Famous art film festivals

Location	Foundation	Main Award
Venice	1932	Leone d’Oro
Cannes	1946	Palme d’Or
Berlin	1951	Goldener Bär
Locarno	1946	Pardo d’Oro
Karlovy Vary	1946	Crystal Globe
Toronto	1976	People’s Choice Award
Tokyo	1985	Tokyo Grand Prix
Shanghai	1993	Golden Goblet Award

Film festivals are prominent in propagating this kind of art. Table 9.7 lists some prominent film festivals, their date of foundation and the major awards bequeathed.

The “Big Three” film festivals are Venice, Cannes, and Berlin. Many such festivals bequeath much-coveted awards, for instance in the case of the Berlin International Film Festival “Golden Bears”, in Locarno “Leopards”, in Cannes the “Palme d’Or” and in Toronto the “People’s Choice Award”. Receiving such prizes strongly boosts the recognition of the films, the directors, actors, and actresses.

**9.1.2 Demand Side**

Consumers have a choice of many direct substitutes to the cinema: television, home video, DVD, internet, computer games, musical performances, and popular sport events such as football. Viewing a film in a cinema requires considerable time, at least 90 min, and is close to the time required to attend theatrical, operatic, and orchestral performances. In addition, there are time costs for reaching the cinema, which are higher for individuals who have other attractive opportunities, be these earning money or spending their leisure time otherwise. Overwhelmingly, those with lower income and fewer time constraints attend mass films. This is different for high-quality movies that generally make greater cognitive demands of their audiences and are shown in specialized art cinemas. These films are mostly viewed by young, well-educated, liberal city-dwellers.

Film lovers today have many opportunities to watch movies outside the cinema through online rentals or other offers on the internet. While movies are protected by copyright laws, a great deal of unauthorized copying occurs. Such activities are a major handicap for film producers, as they forgo part of the possible revenue. In the future, new forms of contracts must be devised to allow film producers to reap a larger part of the benefits accruing to consumers.

## 9.2 Conclusion

The movie industry is faced with huge uncertainty. It is virtually impossible to predict which films will draw large audiences. The production of films is subject to strongly increasing returns to scale. Accordingly, most suppliers seek to produce popular films without much artistic quality. The government steps into support film projects that promise high quality. All too often, these productions only find a small audience and disappear quickly from the scene, leaving no lasting artistic or commercial impact.

### Related Literature

#### **Many important aspects of the movie industry are well analysed in**

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#### **A broad picture of the broadcasting and media industry is provided in**

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