Stern School of Business

Film Marketing, Distribution, and Exhibition

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Description

This course is designed to apply business school marketing methodology to the film industry and provide a rigorous and analytical analysis of why movies succeed or fail regardless of their inherent quality. Very often, flawed movies make tons of money (“Star Wars II: Attack of the Clones”) while wonderful films are viewed as financial disappointments (“Election” or “You Can Count On Me.”) Students will be presented with actual situations and a trove of documents culled from the professor’s experience working as a management trainee assigned to Chairman Jim Gianopulos at 20th Century Fox Film (“Star Wars,” “The Full Monty,” “ID-4 Independence Day,” “William Shakespeare’s Romeo and Juliet,” “Titanic”) and as Director of Marketing at producer Cary Woods’ Independent Pictures (“KIDS,” “Swingers,” “Gummo”). Each class will include a case or academic analysis based on the industry and pointers on how to succeed by avoiding pitfalls that can derail marketing campaigns and delay professional advancement. Students will also come to understand what levers “inspire” people to choose a film at the box office or at the telephone keypad (when using Moviefone or Fandango.)

The professor is formerly the Senior Marketing Manager in the entertainment practice at Booz | Allen | Hamilton, who has designed a half-semester course that applies business school concepts to the entertainment sector. Students will be able to apply what they have learned in other classes to the goals of major Hollywood studios in Los Angeles (such as Paramount, Warner Bros., and Disney) or to leading independent film companies in New York (such as Miramax, Fine Line Features, and Focus Features). The class covers strategies used by studio executives to track competitors’ strengths and weaknesses in the ever-shifting marketplace and how product tie-ins are increasingly used to raise awareness and sell tickets. Students will also learn how film executives think when designing movie posters, planning release schedules, casting top actors, setting up co-branded marketing efforts, greenlighting scripts, capping production budgets, and attending film festivals.

The course is divided into six chapters focusing on marketing, distributing, and exhibiting art house and mainstream “Hollywood” movies. Classes will also cover emerging technologies such as video on demand, satellite distribution, and digital projection, as well as the popularity and marketing of video games that are derived from movie titles such as “Lord of the Rings.” There is no emphasis on pitching screenplays or producing in this class, as the emphasis is on strategy and positioning rather than script development. To keep things fluid, however, each lecture will cover several converging topics rather than a single isolated element, while providing regular advice that M.B.A.’s can also use during job interviews or on the job after graduation.

The midterm/final will be in one take-home exam that will be handed out during the third class and due one week after the sixth class on November 6 by 5 p.m. Collaboration is not allowed on the exam.
Course Material

Each class will include film clips, marketing problems, and life lessons that are critical to working in the movie industry and analyzing trends in attracting certain demographics to filmed entertainment. Each article in the course packet covers a topic worth knowing and all films assigned to be viewed during the half-semester provide important examples that will be covered repeatedly in class. Additionally, the “coming attractions” article from The New Yorker magazine that will be handed out on the first day of class will be used as a touchstone or prism to look at all class discussions through during the half-semester. Below are also two books required for the class which are available at Barnes & Noble or from Amazon.com.


The total cost of these two books is under $30 and they can be used as reference guides for several years to come. (These should also be considered required reading before any job interview with top film studio executives.) Additionally, students should try to read the weekly articles posted in the “Company Town” section of the L.A. Times’ Web site at www.latimes.com/business/custom/cotown/

General Approach

Given that the class meets only once a week, attendance is important. The class will begin at 6 p.m. and end at 9:15 p.m. on Thursdays. Each lecture will include a 15-minute break. The breakdown of the course will be 70% lecture, 20% class discussion of readings and current events, and 10% guest speakers. In terms of grading, quizzes are crucial to the class and will comprise 10% of the students’ final grade. A marketing plan writing assignment will represent 30% of the students’ final grade. Finally, there will be a midterm representing 30% of the final grade and a final exam weighted at 30%. As mentioned, quizzes and the writing assignment will comprise 30% of each student’s final grade.

Suggested Viewing

Certain films hold an iconicographic status in the film industry. Many senior executives use these movies as a shorthand to describe whatever idea they are trying to convey. Everyone has a friend who begins each sentence with: “It’s just like that movie where…” Similarly, a marketing SVP at an independent studio might say something like: “I want the one-sheet to have that ‘Welcome To The Dollhouse’ kind of vibe,” or “We’ll use the scandal marketing approach they used for ‘KIDS.’” At a major studio, senior executives will often describe the movies they have just green-lit or seen in terms of earlier films that established the viability of the genre. Below is a list of movies that the professor believes the students should view or review.

On the next page please find a list of movies that the professor suggests students rent and view during the class. However, all students are absolutely required to rent and view the following films as soon as possible. They are: “The Tao of Steve,” “You Can Count On Me,” “Memento,” “28 Days Later,” and “The Harder They Come” (on video).
### INDEPENDENT

- Drugstore Cowboy
- Schizopolis
- KIDS
- Happiness
- She’s Gotta Have It
- Pi
- Requiem For A Dream
- Blood Simple
- 28 Days Later
- El Mariachi
- Mean Streets
- Stranger Than Paradise
- Crumb
- Reservoir Dogs
- Clean, Shaven
- Go Fish
- Blair Witch I
- Repo Man
- Brother From Another Planet
- Das Boot
- Priscilla, Queen of the Desert
- Betty Blue
- Suburbia (Penelope Spheeris dir.)
- Welcome To The Dollhouse
- The Big Picture
- Matewan
- Sex, Lies, and Videotape
- The Hollywood Shuffle
- Red Rock West
- In The Company of Men
- Laws of Gravity
- Memento
- Bottle Rocket
- Down By Law
- Mystery Train
- Minnie and Moskowitz
- Romper Stomper
- Evil Dead 2
- Straight Out of Brooklyn
- Monster’s Ball

### STUDIO PRODUCED

- Sullivan’s Travels (1941)
- Jerry Maguire
- Forbidden Planet (1956)
- Alien
- When Harry Met Sally
- Amadeus
- Dirty Harry (1971)
- Officer and a Gentleman
- The Hours
- Casablanca
- The Godfather I & II
- The Conversation
- Rebecca
- Touch of Evil
- Dirty Dancing
- Don Juan (w/ Errol Flynn)
- Bonnie and Clyde
- On The Waterfront
- Witness
- Blade Runner
- American Graffiti
- Apocalypse Now
- Lolita (1961)
- Dr. Strangelove
- Body Heat
- American Werewolf In London
- Goodfellas
- Enter The Dragon
- Rosewood
- Key Largo
- Platoon
- Harold & Maude
- Chinatown
- African Queen
- Network
- Lawrence of Arabia
- American History X
- Independence Day (ID-4)
- Shrek
- Training Day

(Note: The titles on the left do not correspond to the titles on the right.)
Class 1

SEGMENTATION AND POSITIONING

The Value Proposition

- Why is film marketing important? Shouldn’t a great movie be able to sell itself? A great movie deserves a terrific marketing campaign... and a bad movie deserves an even better marketing campaign.

- Because this first weekend of theatrical release has become so important, studio marketing departments are tasked with breaking out from all the “noise” in the marketplace and attracting the biggest audience, even audiences who might not have wanted to see the film as their first or second choice. However, as marketing budgets are somewhat limited, going after the “right” secondary or even tertiary audiences is critical.


- If a studio foregoes licensing, product placements and tie-ins, and co-branded marketing strategies, are they leaving money on the table? “Shrek” actually had no toys, no products, no nothing attached to it because the material was deemed too sarcastic and too dark before it was filmed. And product manufacturers were afraid of “betraying” Disney. How many millions of dollars in products and tie-ins are now unrecoverable? A lot.

- Why the marketing teams of the major studios always see themselves as “rescuing” the movies the development executives decided to waste money by making. Why they’re right!

Market Segmentation

Segmentation Variables - Four categories of variables are typically suggested as possibilities among which distinguishing characteristics might be found:

- Geographic
- Demographic
- Behavioral
- Social/psychological

Matrix Methods for Segmenting Consumer and Business Markets Include:

- Measurable
- Differentiated
- Identifiable
- Appropriate Size

Questions To Be Addressed:

- How do you segment the potential audience? What are the segmentation variables? Race issues and diversity. Most marketing executives only market to themselves: white males. Given the growth of
Latino and African-American audiences, this is leaving money on the table. How to use demography and “film comparables” to identify the film’s secondary and tertiary audiences? Why are women one of the most underserved audience sectors and simultaneously the most important demographic when it comes to film marketing?

- A discussion of the concepts of frequency and reach as advertising agency executives think of them.

- Relevant Market – The portion of the market that is interested in your product. How Hollywood studios try to achieve “crossover,” usually to women (for action) and white males (for urban-themed films). It’s often music that acts as the bridge. What steps did MGM take to make James Bond relevant to young people who had grown up on “Austin Powers” and consider James Bond “their father’s Oldsmobile?” Why is the teen audience so important to theatrical revenue?

- The Buying Process – Who makes the point-of-purchase decision at the box office? How do people decide what movie they are going to see on a given night? What influences the purchase decision? Date movies vs. “guy” movies vs. “chick flicks.” What materials should be used to attract them? Why is it important to market alien and “creature” films to women? How Hollywood tries to spin certain action films like “Daredevil,” “Terminator 3,” and “The Hulk” to female audiences. Why is this audience potentially the most important audience?

READINGS FOR CLASS 2

TBA

Class 2

PRISONER’S DILEMMA ISSUES

Competitive Dating Analysis


- Should studios spend $20 million extra dollars to rush their films to completion to beat the competing film into theaters and come out first? Is it worth spending an extra $20 million, $40 million, or $60 million dollars?

- How does seasonality play a factor when it comes to release timing? What yardsticks and data analyses do Hollywood studios use?

- Signaling—Indirectly communicating with competitors: How Hollywood studios seize upon certain holiday weekends to let competitors know they mean business in terms of their release dates. Staying out of the way of “Star Wars” and “Pearl Harbor.”

- THESIS PROBLEM: Hollywood studios can actually tell how well a film will perform based on its opening weekend gross. And given that four or five major releases come out every Friday, the pressure is on to claim the box office crown 52 times a year. Again, the question is: “When Should You Release Your Film?” This class will talk about competitive dating analysis.
Globalization and Overseas Marketing

- Several examples of the actual documents used by several major Hollywood studios to determine overseas release timing. Competitive dating analysis takes on an exponential order of complexity when applied to 26 overseas territories simultaneously.

- The importance of talent tours to Hollywood studios. Why many stars refuse to participate and exactly what they cost to hold. How to organize a talent tour for a major Hollywood movie star.

- Several colorful, real-life examples of how international marketing materials differ from domestic campaigns. How international box office (and any particular Hollywood star’s international box office appeal) actually decides what films get produced these days.

- The Nature and Importance of International Film Festivals. The weight movie stars have abroad and the importance of talent tours.

- How Film Producers Leverage Foreign Pre-Sales and Actors’ Popularity in Other Countries as a Magnet for Production Money.

- How Independent Film Companies Occasionally Use Overseas Box Office Revenue as a Loss Leader to Finance the Domestic Release.

INTERNET DISTRIBUTION AND VIDEO-ON-DEMAND

Future World Marketing

- THESIS QUESTION: Why hasn’t there been a repeat success of “The Blair Witch Project?” Why have other films not been as successful using the Internet to market their films? How can you position your film using the Web? What are the obstacles? Who has done it right lately?

- Internet Marketing Case Study: Artisan Entertainment’s “The Blair Witch Project.”

- The Economics Preventing Another “Blair Witch Project” from Breaking Out of the Pack.

- The Importance of Alternative Sources of Movie Publicity and Marketing: “Ain’t It Cool News.”

- Tech Marketing Case Study: Independent Pictures’ Iomega Promotion for “The Prime Gig.”

- Multiple Formats: The Economics of Recordable DVD, TiVo, Interactive Television (iTV), VOD.

- (15 Minute Break)

- Important Movie-Related Web Sites All Film Marketing Executives Must Know About.

READINGS FOR CLASS 3

TBA

Class 3

BRAND EXTENSIONS

Movies Derived From Video Games

- The economics of the video game industry vs. the economics of the film industry. Video games made more money than the domestic theatrical box office in 2001 and again in 2002. What Hollywood is doing to capture some of that revenue.


- Marketing video games derived from movies. How they keep movie franchises alive until the next installment comes out.

- Marketing movies that have been derived from video games: “Tomb Raider I and II,” “Mortal Combat,” “Super Mario Bros.,” “Resident Evil,” “Final Fantasy.”

Broadway Plays Derived From Movies

- There are several parallels between marketing Broadway plays and marketing movies. What are the important elements to focus on? What makes a Broadway show into a success? What are the levers? What are the monetary costs of failure? How much should be spent on marketing?

- How do audiences decide to see a Broadway play where the stakes are much higher ($100) versus how they decide to see a Hollywood movie ($10).


- Which levers of Broadway show success can be applied to movies: “Moulin Rouge,” “Chicago,” the upcoming film version of “Rent.” (As you know, “Cabaret” was made into a film as was “Noises Off.”)

Licensing

- Selling a lifestyle as opposed to a film title: Universal theme parks and Disney cruise lines.

- Case study: How George Lucas was able to retain all licensing and merchandising rights for “Star Wars” and has made $9 billion on products alone since 1977.

- Creating marketing department style books for all marketing and licensing materials.
• Legal documents and issues related to actors’ likeness, the importance of the billing block, and contests. Limiting the studio’s liability when it comes to licensing.

• THESIS QUESTION: After graduation, you get a job at MGM. The company’s crown jewel is the James Bond franchise. How do you, as the new marketing executive, protect James Bond and introduce the suave secret agent to new generations of potential moviegoers? How can you keep the series young and innovative?

• Case Study: Marketing James Bond. BMW tie-ins, Omega Watches, etc. PowerPoint presentation with music. How BMW got involved with Bond and then decided to go it alone. Several of the new BMW Spots.


Toys and Merchandising

• The negotiations and hurdles that go into creating a toy line with a major manufacturer like Hasbro or Mattel.

• The problems with toys (kids at McDonald’s choking on or engaging potentially hazardous toys).

• McFarlane Toys: How this company has made millions of dollars on toys that have to do with movie titles like “The Texas Chainsaw Massacre,” “Friday the 13th,” “Spawn,” and other non-traditional toy tie-in titles. As it turns out there is a huge market for collectibles.

• The importance of movie soundtracks and scores in marketing the films and vice versa.

READINGS FOR CLASS 4

TBA

Class 4

THE VALUE CHAIN

Film Exhibition

• Mechanics and Variables Affecting the 90/10 Studio/Theater (Exhibitor) Ticket Sale Split. Why 11 Major Theater Chains Declared Bankruptcy in 2000. Also, in-flight movie exhibition economics.

• A discussion of pricing theory and the comparable cost of other entertainment options. Is price discrimination at movie theaters possible? Can you charge more for bigger-budgeted films (as Edgar Bronfman, Jr. once suggested).

• Technological Advances That Will Reshape The Industry By 2004: DVD, HD-TV, Video On Demand, Digital Content Uplinks and “Super-Brite” Digital Projection. Will “Film” Die? The Rise of Ticket Services Like AOL/Moviefone, Fandango, MovieTickets.com, etc.

• THESIS QUESTION: You get your first big job at a major studio after graduation working for the president of distribution. At ShoWest that year the exhibitors come to the table with an offer. They want to change the traditional split that exists between studios and theater chains. What kind of leverage do you have to make a deal? Should you turn them down and play hardball or given in to their demands?

• “Cinema Paradiso?” The Extinction of Union-Represented Movie Theater Projectionists.

• The issues impacting the exhibition sector. Case Study: The Rise of Ticket Services Like AOL/Moviefone, Fandango, MovieTickets.com, etc.

• The Value Chain—The process of producing and delivering goods and services from the agencies to the studios to the theaters. What the value chain looks like in the exhibition sector. How to identify areas where value can be realized in exhibition.

• The importance of ShoWest and other Exhibition Conferences.

• Integration—Ways to expand a business: backward, forward, vertically, horizontally. How to achieve margin and grow a business that is not growing at all: Theater Concessions.

• The Prisoner’s Dilemma—The captive nature of competitive relationships within an industry. How this paradigm drives bad decisions at theaters and movie studios when it comes to exhibition.

**Internet Marketing and Broadband Issues**

• How creating a web site is different from creating a cohesive Internet marketing strategy. The Importance of alternative sources of movie publicity and marketing: “Ain’t It Cool News” and “Rotten Tomatoes.com,” et. al.

• Internet marketing case study: Artisan Entertainment’s “The Blair Witch Project.” The issues preventing another “Blair Witch Project” from breaking out of the pack.


• How to market movies and entertainment options in the age of TiVo, broadband downloads, Interactive Television (iTV), and Video-On-Demand.

**READINGS FOR CLASS 5**

TBA

**Class 5**

**ADVERTISING VERSUS PUBLICITY**
Designing Movie Posters and Trailers

- What is the marketing message you are trying to get across? The nine different kinds of movie posters.

- The arguments for and against showing the best moments of the film in the trailer.

- Where should a studio advertise with visual materials like posters and outdoor? What types of marketing messages would you employ?

- How much does everything cost? The importance (and expense related to) advertising, TV spots, radio spots, trailers, et. al. When should you spend the money to create a three-sheet as opposed to a one-sheet?

Publicity Efforts vs. Marketing Spend

- How to use a scandal (or say newspaper editorials about teenage sex and drugs) to generate lots of publicity: Case study of the movie “KIDS.”

- Writing a press release and a press kit. How comments in the press kit and photos included in a packet always show up in the actual newspaper article. It’s magic!

- How to write a full-on internal marketing plan for a low-budget independent film or a big studio release.

- How to use TV shows like Access Hollywood, late-night talk shows, fashion advertising, fashion spreads in magazines like Vanity Fair and Glamour, and other ad-hoc methods to generate publicity and awareness.

- Missing Moments In Movies: Do You Show The Wave from “A Perfect Storm” in the trailer? Why or why not? A discussion of movie posters (one-sheets, two-sheets, and three-sheets.) What are the reasons you would change the poster? How are they designed, tested, and changed sometimes midstream. How marketers decide what the posters are trying to convey.

- Analysis and PowerPoint Presentation: How Bad Marketing Blew “Girlfight’s” Chances To Succeed. (If you have a good movie, the marketing dept. can actually blow it. It’s a lot of responsibility!)

- The Dog-And-The Truck Theory Explained

Guest Speaker: TBA

READINGS FOR CLASS 6

TBA

Class 6

MARKETING SPEND ALLOCATION (THE MONEY CLASS)

Where The Money Goes And How Much Is Needed
• How do major studios decide how much money to spend on marketing? How much is allocated for small low-budget films and how much is needed to reach a critical mass on a big budget would-be blockbuster? How much do marketing executives need to spend to reach a critical mass in terms of radio, TV, print, and other marketing ad buys?

• Theater and Advertising Budgeting: Calculating A $500,00 Independent Film Release.

• Theater and Advertising Budgeting: Calculating A $3 Million Independent Film Release.

• The Myth of the $7,000 Independent Film: “The Brothers McMullen,” “Clerks,” and of course “El Mariachi.” Why there is no such thing.

• Discussion of Gap Financing, Completion Bonding, and Errors & Omissions Insurance.

• What does “post-production” entail and why film producers never allocate enough cash for “post.” Where to get important marketing materials when supposedly none exist? From the post-production supervisor. All marketing elements need to be turned in to the post-production supervisor during the “delivery” phase of the picture.

• Case Study: Why did New York independent film studio The Shooting Gallery end up going out of business after so much success?

**Getting Jobs In New York and Los Angeles**

• The path from M.B.A. to executive assistant to marketing executive and the pitfalls along the way. Sensitivities and rivalries at the major studios between development, distribution, print services, production, consumer products, publicity, and international.

• What to include in a cover letter and correspondence for a Hollywood studio job. Interview tips for getting jobs at major studios on either coast. Fifteen ways you can blow the meeting in a heartbeat.

• A discussion of career paths and what salaries can be expected at each juncture. Why you should never pursue a development job as an M.B.A. graduate.

• Alternatives to Hollywood studio or independent studio jobs: media consulting, equity research, entertainment finance (Union Bank of California, Banque Paribas, et. al.), and special effects houses.

• Women In Show Business – Are They On Par With Men? A discussion of chauvinism and glass ceilings.

• How independent film studio executive hierarchies mirror tiny rebel groups (using charts showing the rank of various characters from “The Matrix” and “Star Wars”). How major studio hierarchies sometimes mirror character relationships on “The Sopranos.” Who do you work for? Tony Soprano, “Paulie Walnuts,” Christopher, Ricky, et. al.