**Case Assignment**

*Coming Soon: A Theater Near You*

This case describes a vertical relationship between a supplier (studio) and its downstream customer (theater). Your assignment will be to comment on the specific case description, then do some searching in the recent press to see how these issues have evolved. Your report should discuss the following points:

1. At the time the theater case was written (1999), most of the major theater chains were in bankruptcy. What has happened since then? Are they still? Has the industry changed? What does the future look like?

2. Briefly describe the nature of the economic relationship between the studios and the exhibitors. What is the bargaining relationship between them? Can you identify any points in this relationship at which one of the other holds greater bargaining strength.

3. Read the first 3 pages of Holmstrom and Roberts on boundaries of the firm (in the readings related to the theater case), and, specifically, on the problem of ‘holdup.’ Where do we find this phenomenon in the relationship between studios and theater owners? Why? Is there a strategy available to the economic agent(s) for reducing this problem?

4. Given current market conditions, do you think it would be beneficial to the studios to integrate forward and own the theaters? What would be the cost or reason(s) not to do this? (The case is dated 1999. It might be helpful to use the current situation in the industry as you answer this question. (For a brief while in the 1990s, SONY integrated forward with Loews Theaters. But, in this case, the ownership doesn’t look like an affirmative vertical integration strategy. But, there is Cablevision, which owned Rainbow and Clearview Cinemas until 2013.)

5. In April 2009, a group of Bollywood film producers began a boycott of the largest chains of theater owners in an attempt to obtain a larger share of box office revenues. This seems to be a precise reversal of the situation of this case in the U.S. What differences in the markets produces the situation? Compare these two cases. (Note, there are some readings on the course page at the beginning of Session 2, about the case in India.)