

Media, Culture & Society

<http://mcs.sagepub.com>

The promise is great: the blockbuster and the Hollywood economy

Marco Cucco

Media Culture Society 2009; 31; 215

DOI: 10.1177/0163443708100315

The online version of this article can be found at:

<http://mcs.sagepub.com>

Published by:



<http://www.sagepublications.com>

Additional services and information for *Media, Culture & Society* can be found at:

Email Alerts: <http://mcs.sagepub.com/cgi/alerts>

Subscriptions: <http://mcs.sagepub.com/subscriptions>

Reprints: <http://www.sagepub.com/journalsReprints.nav>

Permissions: <http://www.sagepub.co.uk/journalsPermissions.nav>

Citations <http://mcs.sagepub.com/cgi/content/refs/31/2/215>

The promise is great: the blockbuster and the Hollywood economy

Marco Cucco

UNIVERSITY OF LUGANO, SWITZERLAND

The blockbuster is the audiovisual product which best represents today's Hollywood. It is not easy to trace a clear outline of the blockbuster, as it embraces a wide variety of genres and does not have particular features that bind its classification (Stringer, 2003). All we can do is identify some main features that are clearly present in this kind of production, by looking at its origins.

The word 'blockbuster' has a military origin and was used to indicate the large-scale bombs used during the Second World War. Later, during the 1950s, the word came into use in the cinematographic field to refer to a product whose distinguishing characteristic was its size. In this case size has two meanings: on one hand it refers to a major economic investment and on the other it refers to the amount of the takings.¹ This means that the main features of this new kind of film, born after the Second World War, are high production costs and good returns. Everything revolves around the idea that a big production gives a better performance at the box office.

The studios' decision to focus on big productions was based on many factors originating in the period between the end of the 1940s and the beginning of the 1950s, when Hollywood was experiencing its worst crisis. The causes of this crisis were migration towards the suburbs where there were no theatres; the baby boom, which reduced cinematographic consumption; the tendency to invest in durables (houses, cars, electrical appliances); the cinema's bad reputation because of the scandals in which some actors were involved and McCarthyism; and the birth of new competing media (the advent of television) and other activities such as sports, gardening, etc.

To tackle this crisis the cinema industry reduced the number of films produced and focused on big and expensive productions. After all, the famous

Paramount's decision had broken the vertical integration of the majors in 1948 and allayed the studios' worry about having to supply theatres with a good number of films (Neale, 2003). The studios, no longer owning the cinema circuits, were free to focus on a few projects in which they could invest the money saved by reducing the volume of production. Big productions requiring the use of the most advanced technology helped differentiate the product from the supply of competing media such as television and helped revive the theatre as a privileged place for the film experience and, more generally, high-quality entertainment. From then on, a large number of spectacular, mainly epic-historical productions were produced such as *The Ten Commandments*, *The Bridge on the River Kwai*, *Ben-Hur*, *Lawrence of Arabia*, *Cleopatra*. However, the blockbuster, as we see it today, has more recent origins, in the mid-1970s. The investment is just as high as in the past but what is different now is the promotional process, the choice of genre, the narrative component and the place of consumption. The film that represented the turning point in this sense was *Jaws* by Steven Spielberg, released in 1975. Universal boss Lew Wassermann was the man behind this operation. He is considered the father of the blockbuster genre and of a new type of collaboration between television and cinema. To promote *Jaws*, a two-pronged saturation strategy was used: television advertisements and the presence of the film in the theatres. For the first time television was used massively to promote a movie (the film industry occupied most of the advertising space during prime-time) and for the first time a movie was released in a large number of theatres on the opening weekend (464 theatres, a record for that period), setting in motion a strategy that is widely used nowadays. As Douglas Gomery recalls: '*Jaws* was not the first film sold by and through broadcast television, but its million-dollar success proved that that strategy was the one that would redefine Hollywood through saturation advertising' (1998: 51).

Thomas Schatz underlines how the blockbuster syndrome became manifest in the mid-1970s 'despite (and in some ways because of)' the consolidation of some competing media and the advent of new distribution networks such as pay-tv and home video (2003: 75). Nowadays we can safely say that blockbusters, and the new economic politics of Hollywood based on them in general, would not exist without television. Today, television is a fundamental marketing tool, but it is above all thanks to revenues from secondary markets (pay-tv, home video, broadcasting) that the film industry can afford to make expensive movies and be sure of a return on their investment, even in the case of flops.

The advent of television turned the home into the new entertainment centre, changing the forms and places of film consumption (Gomery, 1992). However, it was only with the advent of television that Hollywood films became widespread and theatres began to play a strategic and leading role in the economy of that sector.

The blockbuster

The first distinctive feature of the blockbuster is the high economic investment involved. According to MPAA (Motion Picture Association of America) data, the average cost of a movie produced by a major in 2006 was around US \$100.3 million: \$65.8 million were negative costs and \$34.5 million marketing costs. These numbers refer to the costs of a studio's yearly slate, which on average comprises 10 to 20 films. A blockbuster's costs are much higher, and can sometimes be enormous. Moreover, in this case marketing costs and negative costs are often the same, moving the break-even point and the mark-up. Negative costs may even be higher than marketing ones as was the case with *Alien* (1979), the first one in cinema history. There are two reasons for such high costs: technology and human resources. Blockbusters make use of expensive special effects, using advanced technology, with the aim of distinguishing their product from the competition of other films or media. The choice of genre is conditioned by the decision to focus on the use of special effects. Indeed, the bigger the screen on which they are shown, the better they are. Special effects, in fact, yield their performance better if screened on a big screen, underlining the difference between the enjoyment of the movie at the theatre or at home on the television. Consequently, since special effects redeem theatres and cinematographic consumption, projects which involve a greater use of them should be preferred, and these include science fiction films, action and adventure movies. These kinds of films are appreciated most by young people who, since the early 1950s, have been the cinema's main customers and are the most willing to move outside the home to find entertainment (Marich, 2005). Furthermore, science fiction and action movies have the advantage of a lower cultural discount on foreign markets, where it is easier for them to enter. In contrast, it's harder to conquer new markets for those films which focus less on kinematics and more on words, like dramas and comedies, whose irony is often based on local culture (dialects, usages and customs, etc.). So the blockbuster was born as a transnational product (Stringer, 2003), meaning that it is designed for commercial utilization on the global market. This approach leads to a loss of cultural specificity. As a journalist of *The Economist* wrote: 'There is nothing particularly American about boats crashing into icebergs or asteroids that threaten to obliterate human life' (cited in Grant and Wood, 2004: 147).

Since the mid-1970s the production of some genres has gradually been reduced. Musicals, westerns, biblical films, war films, films taken from literature and costume dramas have gone out of fashion, with some exceptions (*Chicago*, *Unforgiven*, *Saving Private Ryan*, *Pride and Prejudice*) while the production of other films (comedies, thrillers, dramatic films) has continued, remaining in a middling place as regards production costs. Science fiction films (*Star Wars*) and adventure films (*Jaws*) initiated, and then dominated, the entire production of blockbusters.

The second reason for such high production costs are human resources' salaries, especially for the creative staff. These costs do not diminish gradually, but on the contrary rise more than the other costs of a cinematographic production, whereas the cost of technological resources, initially high, drops in the short term once the technology has been perfected and a production system based on economies of scale is achieved. Human resources are difficult to find and highly sought-after, especially those able to pull the public to the box office because of their image and reputation. Indeed, authors, directors and screenwriters of blockbusters base their decisions on the ability to pack in the public, rather than on artistic considerations.

In everyday usage the word 'blockbuster' is usually used in a derogatory way, referring to a worthless film that restates something that has already been seen. That is not completely off the mark, even though there is the risk of underestimating the strategic complexity of the production and distribution of these movies. First of all, blockbusters are born from US popular culture and their target is the mass public, with few artistic-expressive expectations. They are films which appeal to feelings and primary emotions, with characters and situations able to enthrall emotionally, whose stories give universal messages. The narrative construction is usually simple, not highly innovative or revolutionary in content and apolitical.

The second important characteristic of the blockbuster, besides its size, is the promise of spectacularity (King, 2003; Stringer, 2003) – the promise of showing something astonishing – that makes them 'must-see' films (as they are often defined). They are films which try to surpass the previous one, to offer a new visual experience with more and more spacecraft, fighting soldiers, cities in ruins (*wow factor*). The use of special effects tries to push forward the visible, displayable and imaginable boundary, and the trailer of the film tries to enter into an agreement with the members of the public, asking them to watch the film to see to what extent the film-makers have dared to push their ability. It's a promise of novelty dictated by conservatism, where novelty means the use of technology because there is no advancement in the themes, content and style. While films once used to win prestigious awards, such as Academy Awards (*The Bridge on the River Kwai*, *Ben-Hur*, *Lawrence of Arabia*), for their high quality in all aspects, the blockbuster's quality now seems to be confined to its technical merits.

This lack of innovation is due to economic considerations which are also the reasons for the creation and continual production of these films. As mentioned above, a blockbuster is not thought of as an artistic product but as a commercial one, meant to produce money and cover the expenses of those films that have not reached the break-even point as well as those projects that have been stopped during their development, pre-production or filming, thus producing no income but only costs.²

This phenomenon is known as the 'best-sellers' market' (Doyle, 2002), and these films are called '*tent poles*' (King, 2002) because, thanks to their takings,

they are able to support the economy of an entire studio. It is reckoned that only two out of ten movies can generate earnings at the end of their life-cycle in the theatres. However, considering also minor and ancillary markets, this number rises to five out of ten (Maltby, 1998). This confirms Vogel's theory: nowadays the cinema industry has to be able to sustain expenses that will only be recovered in the long run and this favours the strongest companies on the market (Vogel, 1998). Additionally, a blockbuster is a product of primary importance for the conglomerate to which the production company is related. It can also generate a merchandising business (books, TV programmes, gadgets, etc.) for the branches of the group. The economic importance of a blockbuster for its company means that the uncertainty of the film on the market has to be minimized.

To avoid risks at the box office, the blockbuster has to appear to the public with a simple, immediate, easily recognizable identity. The idea of 'high concept' presented by Justin Wyatt in his famous book, *High Concept: Movies and Marketing in Hollywood* (1994), is closely connected to this point. The expression 'high concept' appeared in the 1970s in the television sector to talk about stories that had to be summed up in a 30-second advertisement. Later, it was used with a very similar meaning by the film industry. According to Wyatt, a high-concept film is a film that can be summarized in just one sentence or image, making its marketing easier.

'High concept' can be considered a cinematographic style that appeared in Hollywood after the Second World War, showing considerable transformations in the classic pattern of films as a result of economic and institutional changes (the advent and success of television in its different forms; the conglomerates; the changes in marketing and distribution strategies). This style marked a turning point between 1950s blockbusters and modern ones, starting with the release of *Jaws*.

The identity of a high-concept movie is simple and easily communicable since it is designed around the public's taste and market research. Its fundamental features are the simplification of characters and narration, and a close relationship between image and sound. As already explained, blockbusters usually give more importance to special effects than to narration because the former can intensify the spectacularity.

The additional element introduced with the high-concept theory is the importance of the image, not only as a spectacular attraction but also as the summary of the film. For instance, Tom Cruise on the motorbike or wearing the American Air Force uniform in *Top Gun*, or the playbill of *Jaws* which allows filmgoers to anticipate the fear, the contrast between man and nature, the battle between good and bad. The same is true for the poster of *Independence Day*, where a spacecraft hangs over an American city and gives us the idea of an alien threat (or of another, more general one), of freedom (the title is important in high concept as well), of the unknown. If there is music too, then that also becomes an instrument of identification and enhances the film's appeal, making it work

better. There are many examples of this: *Indiana Jones*, *Armageddon* and *Titanic*. All these characteristics of a high-concept film show how the new cinematographic style that appeared in the mid-1970s is mainly focused on the market and on easy penetration of both domestic and overseas markets. Even though the identity of these films is simple and direct, this does not cancel out the promise of spectacularity, and indeed helps to reduce the uncertainty of the opening weekend.

There is one other frequent element that plays a role in this: the tendency to produce sequels, prequels and remakes, and to take the subject from known products, like novels, comics, TV series or plays. In this case we talk about 'pre-sold identity' as the subjects are stories or characters that the public already know and are thus sure to guarantee a certain success for the film. While until a few years ago it was reckoned that the second instalment took between 50 percent and 70 percent the takings of the original, and the third around 40 percent, with only a few films bucking this trend (*The Godfather Part II*, *Terminator II*), the numbers registered at the beginning of 2000 seem to reverse these statistics. The sequels of *Harry Potter*, *The Lord of the Rings*, *Shrek*, *Spider-Man* and *The Pirates of Caribbean* are proving that serialization can generate increasing earnings, and can create loyalty-building processes that reassure producers and distributors about a film's success. These are the best films to advertise, to increase revenues over a few weeks, and in general to reduce the risks for the studio that spent so much money on them. And, though their economic impact is longer-lasting, stars can be considered a high-concept or pre-sold identity as well; in fact, some names are automatically associated with certain genres.

A final economic feature of a blockbuster lies in its ability to supplement the earnings from its audiovisual receipts with receipts from merchandising. These revenues, which can start even before the film is released, are able to enhance the value of a movie that performs badly at the box office, or simply enhance its success.

The studio usually has the right to a commission of between 3 percent and 20 percent (Marich, 2005) of the sales. Obviously, not all movies are suitable for merchandising (like war films) and not all successful films can transmit their appeal to secondary markets. Furthermore, it is hard to calculate revenues both because of the numerous forms of merchandising (toys, videogames, clothes, fancy goods ...) and because of a general unwillingness on the part of the majors to provide data about extra revenues.

In the light of the above, it is clear that a blockbuster is a commercial product, targeted at an international market. Media products are characterized by two properties (artistic-cultural and economic), normally in a dialectical and ambiguous relationship, but in the case of a blockbuster the latter is more important. However, the prioritizing of the economic aspect does not diminish the importance and complexity of the blockbuster. As the high-concept theory demonstrates, behind a simple idea communicated by a blockbuster, there is a complex marketing strategy aimed at simplifying the message and

its communication. The second part of this article looks into the blockbuster's distribution strategy over recent decades: the simultaneous release of a film in a large number of theatres on the opening weekend. This strategy is one of the instruments created to reduce the level of uncertainty for the opening. In addition, we can mention the choice of the release date, the cinematographic transposition of successful novels/TV series/plays, participation in (or absence from) festivals, etc. The choice of focusing on the theatre saturation release strategy is because all the elements that are able to influence the economic performance of a film converge in it, and because use of this strategy, and its transformation into common practice, represented a revolution in the three stages of the film industry's value chain.

The saturation booking strategy

From the origins of the film industry, the classical distribution strategy followed a hierarchical structure: first, the film came out in the most important theatres in the main towns, then in the secondary ones (where the tickets were cheaper), moving progressively from the biggest towns to country and suburban areas. This process could last up to a whole year. All this has been changed by the introduction of new distribution channels and blockbusters: the first showing increased in importance and running time, whereas the following cycles have been absorbed or eliminated by it.

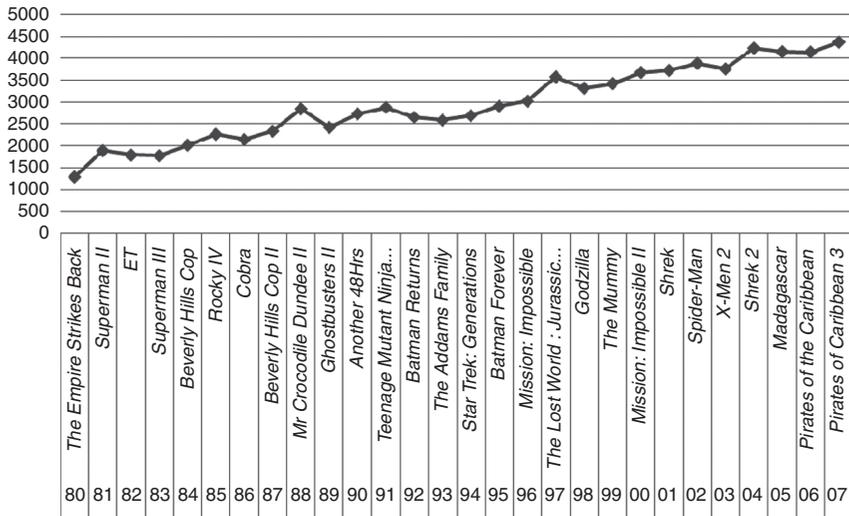
The typical strategy used with a blockbuster is the saturation booking strategy: to screen a film in the largest number of cinemas during the opening weekend. The reasons are many and are rooted in recent cinema history, especially in 1975 when *Jaws* taught the film industry three lessons: (a) the central role of advertising in order to guarantee the success of the film; (b) television's capacity to advertise a film to viewers and make them want to see it; (c) the importance of the opening weekend, considered to be the most critical moment in the life-cycle of a product. As the producer Robert Evans put it, a film 'is like a parachute jump; if it doesn't open, you are dead' (in De Vany, 2004: 48).

The strategic role of the opening weekend

The maximization of revenues and of the number of opening weekend theatres is a trend that is changing the economy of the cinema. Figures on this are striking. The 65 best box office films on the opening weekend³ shows a predominance of films produced since 2000: 59 compared to 6 from the 1990s (*The Lost World: Jurassic Park*, is the first of these, holding 24th position).

The list of films with the widest release on the opening weekend confirms what has already been said.⁴ In this case, the conclusions are even more extreme. The first 137 movies on the list were produced after 2000. The first

FIGURE 1
Widest release on the opening weekend per year (1980–2007)



Source: Author's processing of Box Office Mojo data

movie from the previous decade is *Wild Wild West* (138th). Moreover, four out of the first ten films were distributed in 2007 (*Pirates of the Caribbean: At World's End*, *Harry Potter and the Order of the Phoenix*, *Spider-Man 3*, *Shrek the Third*), in first, second, third and eighth place.

Considering the widest released movies every year between 1980 and 2007, it is clear that the number of screens on the opening weekend has more than tripled, increasing from 1268 (*The Empire Strikes Back*) to 4362 (*Pirates of Caribbean: At World's End*) (see Figure 1).

The majors focus their efforts and economy on the opening weekend for many interconnected reasons. A detailed analysis of each reason is given below.

To concentrate advertising costs and optimize effects

The use of television to promote films has caused a rise in marketing costs, making it impossible for a film to take a year to reach every cinema (first, second and third run) throughout the country as it used to. In the case of a blockbuster, 80 percent of the advertising investment is spent in the week before the release of the film in the theatres (Vogel, 1998). Moreover, films are screened in the largest number of theatres during the first weeks. In this way the demand and curiosity created by the advertising campaign are satisfied in the shortest possible time and when they are at their height.

Young people above all are influenced by advertising and are also the blockbuster's preferred target. In fact, if they are interested in a film they are likely to go and see it immediately while adults usually wait for some weeks and go to the cinema only after reading or hearing good reviews. In any case, demand is at its height during the opening weekend so the distributor has to guarantee a vast coverage of the domestic market in order to let the film reach every filmgoer before interest in the film wanes.

Analysis of the revenue of films that took in most during the opening weekend clearly shows that after the first week the revenue curve starts to dip, usually dropping by 40 percent compared to the first week.

Analysis of the costs of the majors affiliated with the MPAA between 1985 and 2005 shows that marketing costs have increased more than production costs (+104.5 percent compared to +64.8 percent; see Table 2). This demonstrates that the new distribution strategies increased the concentration of advertising in that period but did not reduce it in terms of quantity.

To avoid a qualitative debate

The movie is considered an experiential commodity: it is impossible to know its quality and benefit before its consumption. This characteristic makes viewers careful: they wait for their friends' opinions or for a qualitative index (reviews, awards, receipts) before deciding whether to go to the theatre or not. The expectation of quality can be a risk as far as revenues are concerned, especially when speaking about blockbusters. This is why these films have been widely released on the opening weekend for almost 30 years now. By showing the film in many theatres at the same time, the number of people who watch a movie without reading reviews or hearing opinions beforehand increases. As De Vany put it, these movies depend on the so-called 'uninformative information cascade'. Moreover, they are usually defined *hit and run* as they earn a lot of money when they come out in theatres but disappear from programming in a few weeks. According to De Vany (2004), this distribution strategy makes spectators go to watch a movie because they are influenced by advertisements or because they want to emulate other people's behaviour. There is no exchange of information on the product's quality because neither the critics nor the spectators have seen the movie beforehand. The effect does not last long. The cascade becomes informative when people start to talk about the movie; that is when word-of-mouth begins. And the takings may also fall (De Vany, 2004).

Blockbusters rely on this strategy for two reasons: their budget is so high that they cannot risk word-of-mouth advertising. Second, they are the movies that are least loved by the critics, and those most likely to be attacked on the grounds of their quality. So it is a distributor's business to anticipate negative opinions as to the quality of the movie and to encourage emulative behaviour where box-office data turn into an important index of movies that are worth

TABLE 1
Biggest all-time box office on the opening weekend (US\$ millions)

Title	Nation	Negative costs	Box office in the opening weekend	% total box office in the opening weekend	Weeks in movie theatres
<i>Spider-Man 3</i>	USA	\$258	151,116,516	44.9%	16
<i>Pirates of Caribbean 2</i>	USA	\$225	135,634,554	32.0%	22
<i>Shrek the Third</i>	USA	\$160	121,629,270	37.7%	12
<i>Spider-Man</i>	USA	\$139	114,844,116	28.4%	15
<i>Pirates of Caribbean 3</i>	USA	\$300	114,732,820	37.1%	19
<i>Star Wars: Episode III</i>	USA	\$113	108,435,841	28.5%	22
<i>Shrek 2</i>	USA	\$70	108,037,878	24.5%	21
<i>X-Men: The Last Stand</i>	USA	\$210	102,750,665	43.8%	18
<i>Harry Potter and the Goblet of Fire</i>	UK/USA	\$150	102,685,961	35.4%	20
<i>Harry Potter and the Prisoner of Azkaban</i>	UK/USA	\$130	93,687,367	37.5%	25
<i>The Matrix Reloaded</i>	USA	\$150	91,774,413	32.6%	26
<i>Harry Potter and the Sorcerer's Stone</i>	UK/USA	\$125	90,294,621	28.4%	/
<i>Harry Potter and the Chamber of Secrets</i>	UK/USA/D	\$100	88,357,488	33.7%	24
<i>Spider-Man 2</i>	USA	\$200	88,156,227	23.6%	22
<i>X2: X-Men United</i>	USA	\$110	85,558,731	39.8%	21
<i>The Passion of the Christ</i>	USA	\$30	83,848,082	22.6%	22
<i>Star Wars: Episode II</i>	USA	\$115	80,027,814	26.5%	24
<i>I Am Legend</i>	USA	***	77,211,321	***	***
<i>Harry Potter and the Order of the Phoenix</i>	UK/USA	\$150	77,108,414	26.4%	22
<i>The Da Vinci Code</i>	USA	\$125	77,073,388	35.4%	13

Source: Author's processing of Box Office Mojo data

seeing. In this way quality becomes irrelevant (Lewis, 2003) and is no longer an economic threat.

While reviews are not a particularly serious threat, because some studies have demonstrated that their effects on revenues are fairly limited (Eliashberg and Shugan, 1997) and that they are directed at adults who are not the blockbuster's main target, word-of-mouth is a different matter. The danger of this lies in its unpredictability and ungovernability. These are elements which contrast with Hollywood politics, devoted to minimizing factors of uncertainty that may jeopardize the performance of a movie. In the last ten years the relationship between majors and word-of-mouth has become increasingly complicated because of the diffusion of forums, blogs and chat-rooms. This trend has increased the free exchange of opinions that inevitably touches the cinematographic sector. Just a short time (even only a few hours) after a film is screened, comments and reviews are available on the internet. This lets the distributor know the viewers' first reactions, and he can consequently modify the communication campaign, if necessary. However, he can also decide to join the argument, to turn it around and pull potential movie-goers to the cinema. For instance, *The Da Vinci Code* devised a clever policy to accentuate (and limit) the debate surrounding the film. Sony's marketing office called in theology experts for an online debate on the book and film. It was allegedly a website for the free exchange of thoughts about the film but in actual fact it was run by Sony's marketing office.

To maximize the cost of transfer rights

Movie theatres have always played a central role in the cinema's economy and their importance has grown with the advent of television and related secondary markets. Their irreplaceable function continues despite some difficulties: the fact that home video receipts surpassed box-office revenues starting in the mid-1980s (Wasser, 2008); and the growing phenomenon of online piracy, able to anticipate films, which has made some experts sceptical that traditional distribution of films will continue to exist in the future. Moreover, the selling price to the secondary distribution channels depends on box-office receipts in the first weeks. The bigger the success of the first night, the higher the price in secondary markets. Movies that manage to maximize their presence at the beginning of the life-cycle, like the ones released with the saturation booking strategy, will command the highest prices.

The same price mechanism is sometimes used in the transfer of cinematographic rights to foreign markets.

To maximize the star and pre-sold identity effect

Often the most expensive budget item in a production is a famous star in the cast. Some recent data (*Hollywood Reporter*, November 2006) revealed the

highest fees paid to actors: the male record is held by Jim Carrey with \$25 million while Nicole Kidman holds the female record with \$17 million. The figures are very high, especially if compared to the average production costs of a major film (\$65.8 million in 2006). Creative resources have always been the most expensive. In fact, they can add something extra that gives artistic value to the movie. However, from an economic point of view, the star has two fundamental functions: to guarantee the movie access to the market and guarantee that the public will be attracted to the cinema. This is possible because stars have turned into brand products (Bakker, 2005), able to take advantage of their fame with the public. Still, the star component has a big limit: its power to attract ends after the opening weekend.

After the first screening, when the qualitative characteristics of the movie are uncovered, the economic performance of the film in theatres and secondary markets becomes more precarious, laying the future life-cycle of the film on the line. In order to avoid such a risk, distributors have chosen to concentrate consumption on the opening weekend, maximizing the star-effect at the box office.

The pre-sold identity effect can attract viewers to the theatres as well. The pre-sold identity concept is extremely wide-ranging so we will only consider the phenomena of sequel, prequel and remake. Of the 65 movies that earned most on the opening weekend, there are 29 sequels, 3 prequels and 3 remakes, for a total of 35 titles. Also considering the movies that have had the widest release each year since 1980 (Figure 1) sequels, prequels or remakes are numerous (19 out of 26 movies) and represent the key moments in the growth of the wide-release approach. There are many advantages to producing pre-sold identity movies. First of all, they are not completely new products as there has been a precedent that has made some characters familiar to the public. When the decision to produce such a film is taken, it means that the first instalment was a success and it is likely to be seen by a part of the same public. From a point of view of production costs, the screenplay costs of sequels can be reduced by 25 percent (Perretti and Negro, 2003) because settings, costumes and equipment can be salvaged from the previous instalments. One budget item that could increase is actors' fees, because they can ask for a rise or a percentage of the takings due to the success of the earlier films or their own irreplaceability on the set.

To reduce the danger of competition

In such a precarious system, where only a few movies support the economy of an entire studio, it is unthinkable that the most important movies of the season's production should come out on the same day as a competitor's major movie. Sharing the audience would damage both studios. This is why distribution majors have always reached an agreement on the release of their most important movies. It is a matter of agreement between sister companies that

TABLE 2
Negative and marketing costs 1985–2005 (US\$ millions)

	1985	1995	Variation	2005	Variation	Variation 1985–2005
Negative costs	\$16.8	\$36.4	116.6%	\$60	64.8%	275.1%
Marketing costs	\$6.5	\$17.7	172.3%	\$36.2	104.5%	456.9%

Source: Author's processing of MPAA data

has the advantage of consolidating the oligopoly within the sector and of raising barriers for possible competitors who cannot afford the advertising costs and the costs for copies needed to launch the movie on a wide scale. These costs are only within the reach of a major. So, during its opening weekend, the major movie is the subject of public and media attention and it does not have to share this attention with others. However, this attention will fall off the next weekend, moving to other productions. In fact, it is important to know that the favourite period for the release of blockbusters starts on Memorial Day weekend (28 May) and ends on Labor Day (the first Monday of September). In other words, blockbusters tend to come out in summer when the networks' competition is weaker, people are more willing to go out and youngsters have more spare time. However, this period has to be shared with competitors so it is reckoned that a blockbuster usually only has two weekends to maximize its income; also because in August people are more likely to go on holiday somewhere. Opening at the beginning of summer is also functional in relation to film sales on the DVD market: as a matter of fact, if a movie comes out around June–July, it will be available in shops for Christmas when DVD sales are at their peak.

To exploit the potential of multiplex cinemas

The life-cycle of a movie has been shortened by the wide opening weekend release pattern and by the concentration of advertising in the weeks immediately before the first screening. In fact, now a movie takes six to eight weeks to spread all over the country, while before it used to take almost a year. Considering again the list of movies that earned most during their opening weekend, their average run in movie theatres is 20 weeks (see Table 1).

These data confirm the logic of the *windowing system*: in the United States a movie is available on the home video market six months after it opens in the theatres. The explanation for this phenomenon is the development of multiplex cinemas that allow perfect management of the movie during its life-cycle. When a film begins to lose viewers, it can be progressively moved to smaller theatres, keeping the movie in the portfolio and rationalizing the use of the spaces in relation to demand. It is difficult to establish whether this strategy is a cause or a consequence of the choice of concentrating takings on the first

weekend; however, multiplex cinemas appeared before the development of this distribution strategy. Consequently, it is possible that distributors have found in these new cinemas a tool suited to their purpose.

To maximize distributors' receipts

Distributors and exhibitors share the takings according to percentages that change over the weeks. During the first two weeks of screening, the percentage due to the distributor is usually 90 percent but falls to 70 percent and to lower percentages over the following weeks. So the concentration of revenue on the first weekend brings a higher remuneration for the distributor.

Conclusions

For the last 30 years, the blockbuster has been denoted by measures that simplify its communication and marketing. Moreover, the blockbuster manages to propose a kind of film where the promise of novelty and greatness lies in the use of advanced technology able to offer exciting special effects; in this way the risks linked to original and against-the-mainstream choices, and to pioneering decisions, have been avoided. It is a simple and clear promise which is always kept. Proof of this is the high receipts of each new blockbuster on secondary markets. However, release processes are extremely complex and are aimed at minimizing the uncertainty of the first night of screening. During this study we discovered that maximization of the theatres on the opening weekend is the best tool to reach this goal, as it allows: (a) concentration of advertising costs and maximization of effects; (b) avoidance of a debate over quality; (c) maximization of transfer rights costs; (d) maximization of the star-effect and pre-sold identity; (e) reduction of the danger of competition; (f) use of the potential of multiplex cinemas; (g) maximization of distributors' revenues.

This strategy, which has now become common practice, has introduced radical changes into the three stages of the film industry's chain of value. In production, movies based on known stories and characters (with a *pre-sold identity*) have increased. In distribution, the opening weekend has become the central moment of the life-cycle: the movie theatre is crucial to test people's reactions and establish the commercial value of the film in terms of economic performance and transfer of rights. Finally, the practice is characterized by publicity that invades the cinemas at the beginning and then disappears in a few weeks, leaving space for new big productions of competitors. The shortening of the life-cycle of blockbusters in the theatres and the diffusion of multiplexes guarantee exhibitors a wide slate. Still, this tendency to maximize the audience on the opening weekend hinders exhibitors as regards contracts, but

favours the distributor, who is the leading player in the film industry, both strategically and economically.

Notes

1. The word 'blockbuster' is often used also in the presence of just one of these two characteristics: very expensive but unsuccessful movies, or cheaper but successful ones. Given that in the latter case a movie can be defined as a blockbuster only after having seen the takings, in this study the word 'blockbuster' will be used only in the presence of the two features together (high costs and revenues), or only the former one (total investments) because, without considering market performance, the producer's intention to make a blockbuster holds steady.

2. It is estimated that each year a major production company receives about 10,000 proposals of subjects, novels and screenplays to be made into films. But only between 70 and 100 of them enter the development phase and only 12 or 15 will turn into movies. The revenues from these films will also contribute to recovering the development costs of projects that have been interrupted (Dale, 1997).

3. List taken from www.boxofficemojo.com (consulted April 2008).

4. List taken from www.boxofficemojo.com (consulted April 2008).

References

- Bakker, G. (2005) 'Stars and Stories: How Films became Branded Products', pp. 48–85 in J. Sedgwick and M. Pokorny (eds) *An Economic History of Film*. London: Routledge.
- Dale, M. (1997) *The Movie Game: The Film Business in Britain, Europe and America*. London: British Library.
- De Vany, A. (2004) *Hollywood Economics: How Extreme Uncertainty Shapes the Film Industry*. London: Routledge.
- Doyle, G. (2002) *Understanding Media Economics*. London: SAGE.
- Eliashberg, J. and S.M. Shugan (1997) 'Film Critics: Influencers or Predictors?', *Journal of Marketing* 61(2): 68–78.
- Gomery, D. (1992) *Shared Pleasures: A History of Movie Presentation in the United States*. Madison, WI: University of Wisconsin Press.
- Gomery, D. (1998) 'Hollywood Corporate Business Practice and Periodizing Contemporary Film History', pp. 47–57 in S. Neale and M. Smith (eds) *Contemporary Hollywood Cinema*. London: Routledge.
- Grant, P.S. and C. Wood (2004) *Blockbusters and Trade Wars: Popular Culture in a Globalized World*. Vancouver: Douglas and McIntyre.
- King, G. (2002) *New Hollywood Cinema: An Introduction*. London: I.B. Tauris.
- King, J. (2003) 'Spectacle, Narrative, and Spectacular Hollywood Blockbuster', pp. 114–27 in J. Stringer (ed.) *Movie Blockbuster*. London: Routledge.
- Lewis, J. (2003) 'Following the Money in America's Sunniest Company Town: Some Notes on the Political Economy of the Hollywood Blockbuster', pp. 61–71 in J. Stringer (eds) *Movie Blockbuster*. London: Routledge.
- Maltby, R. (1998) 'Nobody Knows Everything: Post-classical Historiographies and Consolidated Entertainment', pp. 21–44 in S. Neale and M. Smith (eds) *Contemporary Hollywood Cinema*. London: Routledge.
- Marich, R. (2005) *Marketing to Moviegoers: A Handbook of Strategies Used by Major Studios and Independents*. Burlington: Focal Press.

- Neale, S. (2003) 'Hollywood Blockbusters: Historical Dimension', pp. 47–60 in J. Stringer (eds) *Movie Blockbuster*. London: Routledge.
- Perretti, F. and G. Negro (2003) *Economia del cinema*. Milan: Etas.
- Schatz, T. (2003) 'The New Hollywood', pp. 15–44 in J. Stringer (ed.) *Movie Blockbuster*. London: Routledge.
- Stringer, J. (2003) 'Introduction', pp. 1–14 in J. Stringer (ed.) *Movie Blockbuster*. London: Routledge.
- Vogel, H.L. (1998) *Entertainment Industry Economics: A Guide for Financial Analysis*, 4th edn. Cambridge: Cambridge University Press.
- Wasser, F. (2008) 'Ancillary Markets – Video and DVD: Hollywood Retools', pp. 120–31 in P. McDonald and J. Wasko (eds) *The Contemporary Hollywood Film Industry*. Oxford: Blackwell.
- Wyatt, J. (1994) *High Concept: Movies and Marketing in Hollywood*. Austin, TX: University of Texas Press.

Marco Cucco is completing a PhD thesis on the political economy of cinema at the Faculty of Communication Sciences of the University of Lugano, where he works as a teaching assistant. He also coordinates a Masters in Media Management. *Address*: Faculty of Communication Sciences, University of Lugano, Via Giuseppe Buffi 13, 6904 Lugano, Switzerland. [email: marco.cucco@lu.unisi.ch]