Money and the Movies: Artistry vs. Industry
An exploration of the influence of money and creativity on today’s Hollywood landscape

Sophie Weiss
Spring 2013

Professor Michael Wilkerson
SPEA
Money and the Movies: Industry vs. Artistry

Sophie Weiss

Legal Studies

Senior

Abstract submitted for SPEA Undergraduate Honors Thesis Presentations

Professor Michael Wilkerson

Lecturer, Arts Administration

IU School of Public and Environmental Affairs

Faculty Mentor

In a cultural landscape where precious weekends and heard-earned dollars are spent catching the latest flick at the theaters and Oscar winners are more publicly celebrated than Nobel Laureates, it is clear that movies are one of the most beloved forms of entertainment throughout the world. For the business-savvy, this insatiable public demand translates into a golden opportunity. However, films are first and foremost a creative venture, created and sustained by the artists and the dreamers. For a film to not only become successful but get made and ultimately distributed, where on the spectrum between industry and artistry must the movie fall? How much artistic license must one concede in order to attract funding and an audience? And furthermore, what constitutes success and what factors into achieving this success?

Through the research I collect, I will explore the answers to these questions in order to determine the elements that differentiate a script that becomes a finished project from one that never makes it past pre-production or, worse yet, drowns in the pile of other would-be Hollywood hits. I take a deeper look at trends in film, box office figures around the globe, and which films win the big accolades in order to answer the underlying question: Who’s really in control of the movie industry?
# TABLE OF CONTENTS

- History ................................................................................................................................. 4
- Hollywood Economics ........................................................................................................... 9
- Reacting to the Unpredictable Market ................................................................................. 12
- The Role of Critical Acclaim ............................................................................................... 18
- Today’s Movie Landscape .................................................................................................... 23
- Overarching Themes ............................................................................................................. 27
- Conclusion ........................................................................................................................... 29
HISTORY

Though it’s hard to imagine, the thriving movie industry of today grew out of a seed planted just a little over 100 years ago. That seed was the first moving picture, known as the kinetoscope, an invention by Thomas Edison in the early 1890s that enabled the recording of short, silent moving images\(^1\). Alfred O. Tate, Edison’s secretary, began to arrange for commercial exploitation of his invention at the World’s Columbian Exposition in Chicago in late 1892\(^2\). By 1893, the first production studio, known as the “Black Maria”, began to produce and distribute these early moving pictures for the public to view for a small fee\(^3\).

As demand for these moving pictures grew, so did public taste and artistry. Prior to 1906, the style known as the “cinema of attractions” dominated the world of moving images. This approach presented visual delights, surprises, displays of the exotic, beautiful, or grotesque, and other sensational thrills in an attempt to capture the audience’s attention as a reaction to the time constraints of the kinetoscopes’ film\(^4\). Georges Méliès, a magician in the early 1900s, is credited as the father of the “trick film”. This technique popularized the exploitation of editing in order to produce a desired effect, which in this case was often the disappearance or transformation of objects and people\(^5\).


\(^2\) Musser, 72

\(^3\) Musser, 73


As technology improved and the length of films grew, public demand rose. As a consequence, business savvy men and women began to open cheap exhibition facilities, known as Nickelodeons because each ticket cost one nickel, all across the United States. An additional consequence of this innovation was the development of narrative and plot, with an emphasis on the trend of using editing as a way to facilitate story lines. With the emergence of the “chase film” in 1904, the need to convey spatial continuity presented filmmakers and artists with the challenge of conveying integral plot information to the audience without words or text interface. Subsequent to the development of plot and story came the official conception of genre around the year 1910, some of the most popular early categories being melodrama, comedies, and Westerns.

As film became increasingly refined, so did its audience. Upper class viewers who had previously eschewed the low status Nickelodeons voiced their demands for a place in which they could view picture shows in the level of wealth and class they were accustomed to. Thus, the picture palace was born. A quote from the 1961 book *The Best Remaining Seats* helps elucidate the grandeur of these lavish theaters:

“Decreed by some local (or chain-owning) Kubla Khan, these pleasure domes gave expression to the most secret and polychrome dreams of a whole group of architects who might otherwise

---


have gone through life doomed to turning out churches, hotels, banks, and high schools. The architecture of the movie palaces was a triumph of suppressed desire and its practitioners ranged in style from the purely classic to a wildly abandoned eclectic that could only have come from men who, like the Khan himself, ‘on honeydew had fed, and drunk the milk of Paradise’.”

Landmark theaters such as the New York Hippodrome and the Roxy housed audiences in a manor of grandeur complete with full concert orchestras and, starting in 1921, the introduction of air conditioning. Films had become high art, or at least suitable entertainment for the well off, having been adopted by the upper echelon of society and modern day tastemakers.

By 1925 the motion picture industry grossed more revenue than its three top competitors: radio, music, and vaudeville. Due in part to how expansive the industry had grown, three basic sectors began to emerge: production, distribution, and exhibition. The two major producers of the time, Famous-Players and MGM, zeroed in on Hollywood, California as the unofficial headquarters of movie production. They, along with other enterprising companies, initiated the trend of “vertical integration”, in which one company controls not only production but distribution and exhibition as well.

---


Thus, when the movie industry officially shifted into sound film in 1929 thanks to inventions such as Western Electric’s Vitaphone, a sound-on-disk system that became the first commercially viable system for synchronized sound, the cost of changeover was so significant that many studios buckled under the economic pressure. This solidified the studio structure, leaving eight dominant studios in control of the majority of the industry. The largest companies, known as the “Big Five” are, for the most part, still major players today. They are MGM, Paramount, Warner Brothers, Twentieth Century-Fox, and RKO, each vertically integrated to control every aspect of the movie business.

And control they did, virtually monopolizing the industry through business practices such as “block booking,” or coercing exhibitors into buying a studio’s entire movie catalogue by insisting on selling either all or none, and “blind bidding,” in which exhibitors were not allowed to view a studio’s film prior to its purchase. Additionally, studios exploited the long-term contract, practically owning stars, directors, producers, writers—essentially, anyone integral to the movie making process—via exclusive, binding deals. Movie stars were perhaps the most heavily managed, with essentially every detail of their life including but not limited to the which roles they played, how many films a year they starred in, and construction and maintenance of each stars’ carefully crafted public image.

Thanks to government intervention, such as the Compromise of 1940 in which major studios agreed to limit their monopolistic practices, along with a shift toward freelancing and

---

13 Jewell, 78
14 Jewell, 225-6
original material, studios have lessened their grip over the movie industry\(^\text{15}\). Today, Hollywood more closely resembles an oligopoly. However, economic incentive is just as strong today as when the film industry began.

“Profit is the primary driving force and guiding principle for the industry” according to Janet Wasko, author of the book “How Hollywood Works”\(^\text{16}\). She continues, “While it is common to call film an art form, at least Hollywood film cannot be understood without the context in which it is actually produced and distributed, that is, within an industrial, capitalist structure”\(^\text{17}\). What this is essentially saying is that while film exists in a creative and artistic sphere, the film industry is just that—a profit-seeking business, first and foremost. Yet, movies are highly complex, risky, and expensive ventures. How can Hollywood executives be sure they’ll receive a return on their investment? Essentially, what are the factors that guarantee box-office success?

**HOLLYWOOD ECONOMICS**

If only the answer to this question were as simple as an equation, the elusive magic Hollywood formula, we could all be rich. However, the answer is much more complicated. Certainly there are indicators of a film’s potential payoff that minimize risk, and they are not to be discounted. These elements include but are not limited to how widely a film is distributed,

\(^{15}\) Jewell, 79


\(^{17}\) Wasko, 2
how well the film was promoted, the stars attached to the film, and the film’s production budget. And herein lies an insight into the silent but ever-present fear behind the eyes of anyone who has anything riding on a film’s financial success: a film can contain every single one of these elements and still fail at the box-office. Take, for example, Bruce Willis, an actor who has been fortunate to have a lengthy Hollywood career. Statistically speaking, if one were to look at the revenue of the actor’s films between 1984 and 1996, Mr. Willis would appear to be a financial red flag. However, if that analysis were extended just three years to include his films up until 1999, Bruce Willis, becomes a plus\(^{18}\).

According to Arthur De Vany, professor of economics at the University of California at Irvine, who has published a slew of analytical papers on the economics of the movie business, calls the world of film “a business of the extraordinary”\(^{19}\). De Vany postulates that when it comes to the economic success of movies, there is no normal bell curve. As a consequence, this means no predictable average or symmetrical chances of hits and losses\(^{20}\). Though to associate the world “rule” or “law” with the economic behavior of the movie industry would be misleading, De Vany cites the Pareto principle as a way to illustrate how the idea of an “average” movie is virtual myth\(^{21}\). Pareto’s principle, also known as the 80-20 rule, states that


\(^{19}\) Postrel

\(^{20}\) Postrel

\(^{21}\) Postrel
roughly 80% of the effects come from 20% of the causes\textsuperscript{22}. Virginia Postrel of the New York Times explains, “The average revenue or profit of the business is determined almost entirely by those very few runaway hits. The rest of the movies are box-office duds whose negative returns are statistically swamped by the rare successes”\textsuperscript{23}. For the major studios, this means diversifying their investments to include a vast array of movie subcategories, from big-budget action franchises to small-budget dramas and everything in-between. The only way to win is to accept that you will also lose.

Media analyst Harold Vogel summarizes this point. He laments, “The lack of access to real numbers in this industry is astounding and getting worse all the time. We have no way to judge Hollywood’s actual return on equity, nor can we accurately access the year-to-year health of the film business”\textsuperscript{24}. It could be said that Hollywood is a town run by professional gamblers. Imagine attempting to shoot birds in pitch-black darkness and complete silence. Everyone in the hunting group would be forced to shoot at random until someone got lucky and hit something. Then, conventional logic would be for everyone to begin shooting at that same spot with the hope that there would be other birds nearby. This analogy is essentially how Hollywood works: since they cannot predict what will be successful, studio executives look back to former hits in an attempt to determine what will work in the future.

\begin{footnotesize}

23 Postrel

24 Wasko, 5
\end{footnotesize}
REACTING TO THE UNPREDICTABLE MARKET

Hollywood has long been reliant on existing material and proven hits when producing films. Even in the early studio years, movie development generally began in the story department, where a staff or readers would summarize, critique, and evaluate novels, plays, nonfiction books, short stories, magazine articles, and the occasional original script. Based on
their recommendations, the head of production would then assign a writer on studio contract to develop a screenplay\textsuperscript{25}.

Today, the practice of using old material to create new films is the rule of the land, as familiar material continues to draw the largest audiences. This Hollywood method of “tried and true” over “risky and original” is strikingly apparent at the box office. Take a look, for instance, at the major domestic releases of Summer 2012. Between the months of May and August, 25 of the 36 major studio releases were remakes, adaptations, or sequels\textsuperscript{26}. Tinsel town is sticking to what they know, and it’s not a bad business decision. In total, those 36 films grossed over $3.3 billion domestically. Of that figure, original films only contributed $815 million while those 25 remakes, adaptations or sequels (R/A/S) contributed to over $2.5 billion of that final total\textsuperscript{27}.

This figure may appear to be misleading, as clearly there were more R/A/S films produced that summer than there were original movies. However, when compared side-by-side, the figures speak for themselves. The top three grossing original films that summer made a combined $555 million. The top three grossing R/A/S films made almost $1.3 billion\textsuperscript{28}.

It’s no wonder few in Hollywood are willing to gamble on original ideas. In analyzing the 12 years from 2000 to 2012, only one original film took the year’s coveted spot as top earner. In fact, in that time span, there were only nine original films that fell within the top five earners\textsuperscript{29}. Furthermore, the original film that broke the streak was 2009’s \textit{Avatar}, a high-buzz film whose

\textsuperscript{25} Jewell, 66
\textsuperscript{27} Clyde
\textsuperscript{28} Clyde
\textsuperscript{29} Clyde
budget has been estimated to have been anywhere from $230 million, as approximated by The New Yorker, to The New York Times’s determination of $500 million, making it the most expensive film Fox Filmed Entertainment has every made. This James Cameron brainchild joins his other mega-hit, 1997’s The Titanic, as outliers to the correlation of familiarity and box office success, the only other anomaly being Pixar films.

The bastardization of the original film is little more than a basic review in supply and demand. Audiences want what they know, and Hollywood is happy to give them what they want. In fact, the quality of a film is, in some cases, almost negligible. In 2012, perhaps no original film garnered more excitement amongst Hollywood than Quentin Tarantino’s Django Unchained, which not only won the year’s Oscar for “Best Original Screenplay” but raked in a total gross of $162,040,915. Conversely, mega-series Twilight managed to bring in $292,324,737 with its final installment, Breaking Dawn Part 2, a film who swept the Razzie Awards, an award that calls out the year’s worst in entertainment, earning both “Worst Actress” for series lead Kristen Stewart and “Worst Picture of 2012”. According to the online Mecca of movie reviews, Rotten Tomatoes, 94% of audiences reported liking Django Unchained.

---


31 Clyde


33 "Yearly Box Office: 2012 Domestic Grosses"

while only 76% enjoyed the final Twilight35. Yet, Twilight ultimately attracted the larger audience.

Certainly, Hollywood is motivated by the big payoff and this subsequently shapes the landscape of films available to audiences. However, Hollywood is also the land of the artists and the dreamers, with some of the world’s greatest talents clamoring to share their original ideas with the world. These are the men and women who create the films of impact and enduring influence, challenge our perspectives and expand our minds in ways never previously attempted. So, what happens when one of these rare, incredible original films comes along?

Before 2010’s summer smash Inception went to theaters, many industry insiders were skeptical of the film’s mass appeal, citing its complicated plot and unfamiliar characters. Some predicted the Chris Nolan picture would be lucky to break $100 million. In the end, Inception made a box office killing, earning $270 million domestically and $650 worldwide. This was no fluke—this was the magic of Warner Brother’s marketing wizard Sue Kroll and her team36. “This is why,” explains The Atlantic’s Lynda Obst, “creative filmmakers and producers... are increasingly dependent on marketing wizards for the survival of the “one-offs”: the non-franchise, original material that is the endangered species of the movie business.”37

The key to getting audiences to come to movies is, according to Obst, getting them to think they will like it. As previously mentioned, audiences are drawn to familiarity. So when it

37 Obst
comes to an original screenplay, especially an extremely complex and innovative film like *Inception*, marketers must work overtime to simultaneously promote what audiences *do* know while also working to make them comfortable with being uncomfortable. One way Kroll was able to get audiences to buy into *Inception* was by making Chris Nolan a star in his own right. The thinking was Nolan already had a slew of successful films under his directing belt and, if you liked those movies, you’ll also like this new movie, regardless of whether you completely understand what it is you’re going to see. Whether audiences do, in fact, like the film is the job of the filmmaker, as this will determine the “legs” of the picture.\(^{38}\)

Despite the success of these R/A/S films and the power of the franchise, at some point, audiences must inevitably lose interest. This can be seen in the domestic box-office numbers for the hugely popular *Pirates of the Caribbean* series. *The Curse of the Black Pearl*, the film’s first installment, brought in over $300 million.\(^{39}\) The film’s second installment, 2006’s *Dead Man’s Chest*, out-performed the first, making $423 million.\(^{40}\) 2007’s *At World’s End*, however, saw $309 million in profits—only $9 million over the film’s original budget.\(^{41}\) The most recent film, *On Stranger Tides*, was the first to produce a domestic loss, bringing in $241 million against a $250 million budget.\(^{42}\)

---

\(^{38}\) Obst


\(^{40}\) Moreshead

\(^{41}\) Moreshead

\(^{42}\) Moreshead
Yet, the franchise’s fifth installment is currently in development and executives are seriously discussing shooting the sixth back-to-back. Why? The key is the foreign market. In fact, when global performance is factored in, all three sequels outperformed the original, each earning more than $1 billion\(^{43}\). Furthermore, filmmakers are willing to suffer poor critical reviews in exchange for this international payoff. The franchise anchor, *The Curse of the Black Pearl*, received a 79% favorability rating on Rotten Tomatoes\(^{44}\). This percentage has dropped with each subsequent installment, resulting in a 34% rating for the series’ fourth film, *On Stranger Tides*\(^{45}\).

Despite the domestic market’s saturation with high-action films and remakes, adaptations, and sequels, Hollywood continues to invest in these movies because, quite simply, they perform. Requiring very little cultural or linguistic translation and filling a need in countries whose movie studios cannot fund a big-budget film like American studios can, production of fifth, sixth, or even seventh installments has become the rule, not the exception\(^{46}\).

Eventually, however, even the most robust series hits a point in which it fails to bring in the audiences it once did. Thus, while franchise movies may be the rule of the land, studios are always looking for the next new project with sequel potential. Yes, the demand for more of the

\(^{43}\) Moreshead  
\(^{44}\) Moreshead  
\(^{45}\) Moreshead  
\(^{46}\) Moreshead
same exists, but smart Hollywood executives always have their eyes open for new material as well.

**CRITICAL ACCLAIM**

Hollywood’s aversion to risk and subsequent love affair with remakes, adaptations and sequels brings up an interesting question: why bother making movies of quality? For one, while the pursuit of profit may drive the movie industry, what is gold without glory? As far as Hollywood is concerned, success also reveals itself in the form of critical acclaim. Winning Hollywood’s ultimate accolade, that shiny golden man known as “Oscar”, is an achievement wrapped in status and tradition, two of the movie industry’s greatest motivators.

First and foremost, Hollywood is a town based on reputation and power, perceived or otherwise. Additionally, proven success, as previously discussed, is the biggest predictor in future success not only for films but for Hollywood power players, actors, directors and writers
as well. If, for example, a director were to win an Oscar, that director becomes an easier sell for agents trying to package projects for their clients; the director’s proven and verifiable success makes him or her seem less of a risky investment to movie producers and financiers.

Finally, and perhaps unsurprisingly, critical acclaim can act as a key to unlocking additional revenue. Randy Nelson, a professor of economics and finance at Colby College, did a study of the Oscar’s economic boost on the box office performance of nominees and winners. Nelson found that a nomination for Best Actor of Best Actress potentially increases a film’s revenue by an approximate $683,660\textsuperscript{47}. A nomination for best picture jolts that figure to about $6.9 million\textsuperscript{48}. Actually winning an Oscar can lead to even greater profitability: according to Nelson, winning the award for Best Picture boosts ticket sales by an average of $18.1 million while a win for Best Actor or Actress brings in an additional $5.8 million\textsuperscript{49}. Even Supporting Actors or Actresses winners contribute to the financial boost of the Oscar afterglow, increasing sales by $2.3 million\textsuperscript{50}.

So how does one win an Oscar, anyway? First and foremost, studios invest in what they believe to be Oscar-caliber films every year. An easy way to determine which films are meant to be contenders is to take a look at the end of the year box-office. Due to the aforementioned bump in ticket sales thanks to an Oscar mention, studios tend to release films with award


\textsuperscript{48} Wong

\textsuperscript{49} Wong

\textsuperscript{50} Wong
potential in the last few months of the year in an attempt to profit from the announcement of
omees the following January⁵¹.

Then there is the behind-the-scenes campaigning. The Weinstein Co., specifically head
honcho Harvey Weinstein, has long been touted as the father of the Oscar campaign. Many
credit Weinstein with conceiving an Oscar “release pattern”, in which the film is shown in a
handful of theaters the previous year so as to qualify it for a nomination. Then, right after the
nominations are published, the film is widely released so as to build upon and capitalize on the
film’s publicity buzz⁵².

Furthermore, though the Academy of Motion Picture Arts and Sciences, the group who
ominates and selects Oscar winners every year, strictly forbids it, studios are known to bribe
voting members. One recent example is the campaign put forth by the 2012 Steven Spielberg
film *Lincoln*. A Huffington post article revealed, “members of the broadcast critics group say
they received no less than four coffee table books, an intricately framed DVD for review
purposes and even a hand-signed letter from Spielberg himself, thanking them for recognizing
the film with so many nominations. Some awards voters also received ‘Lincoln’ turkey roasting
pans.”⁵³ Certainly, the resulting money and clout an Oscar can bring to a Hollywood career are
significant.

⁵¹ Wong
⁵³ Nakashima
While it takes a rare movie to garner an Oscar nomination, every film is subject to critical evaluation. It would paint an incomplete picture of Hollywood to forgo the role of the movie critic, especially in the wake of the recent passing of Roger Ebert, one of the industry’s most respected (and opinionated) critical voices. And thanks to the Internet, movie reviews are easier to publish and locate than ever before. But what role, exactly, do critics play in the grand scheme of the movie industry?

A study at Ohio University found that, for the first eight weeks of a movie’s box office run, there is a strong correlation between positive and negative reviews and the revenue that picture attracts. Additionally, the study found that negative reviews hurt a film more than positive reviews helped. However, these negative effects could be moderated by the addition of a huge star or big budget. Thus, critics’ impact on a movie’s success is fairly negligible if they review the film positively but can do a fair amount of harm if they publish an unsavory opinion. Therefore, it is important for producers to have both a positive relationship with important movie critics and to insure against a possible loss from negative criticism with big stars or a big budget.

However, the role of the critic is changing. As previously stated, the Internet provides an open forum for anyone with an opinion and a computer, a shift that comes with both positive and negative implications. Nigel Floyd, film critic for BBC Radio whose career has spanned the past thirty odd years, describes, “In terms of the job, the thing that has changed everything, as

---
far as film criticism is concerned, is online social media. It’s completely changed the entire way that the industry works... people can offer opinions that aren’t informed. It’s quite amorphous... How do you choose between what’s good and what’s not? There is much less quality control on the interweb.”\(^5^5\) However, he does not believe this shift marks an end to the role of the critic, explaining, “Without a film critic that’s all there is: there’s only publicity. There’s only what you’re being spoon-fed”\(^5^6\). Thus, film critics continue to provide an important function in the Hollywood landscape, that of informing consumers, although whether a film’s success will be as directly correlated with its reviews in the future remains to be seen.


\(^{56}\) Rogers
TODAY’S MOVIE LANDSCAPE

There are thousands of movies made each year, but, as far as the general public is concerned, only a percentage of those films are easily accessible. Studio films, generally speaking, have the money and talent to publicize and market their projects and subsequently build public demand that lands them on the rosters of the major movie theaters. Furthermore, as the economy fluctuates and funding becomes scarce, studios are forced to produce fewer films per year. Subsequently, today’s movie landscape is a reflection of public demand, the nation’s financial state, and the high entry costs of producing and distributing a major film.

First and foremost, the remakes, adaptations and sequels bias discussed earlier continues to pervade the market. Night of the Living Dead: Resurrection, Taking Gotham, and
Tarzan 3D are just three examples of upcoming R/A/S films in production or released in 2013\textsuperscript{57}. As long as these kinds of films continue to attract an audience, they will remain staples of the annual movie line-up.

The United States’ economy can also provide insight into what to expect from Hollywood. Just like any other business, the movie business is directly impacted by the health of the nation’s overall economy. As times have become more financially strained in recent years, there has been less money with which to invest in new films. This means fewer deals between the studio and producer in which the studio agrees to fund the majority of a project. Thus, modern producers are looking toward outside financiers to fill the funding void, especially when original material or risky subject matter are involved.

“Studios are tentative about movies that don’t have a clear precedent,” said Roman Coppola, a man whose writing credits include 2012’s critically acclaimed Moonrise Kingdom and whose pedigree is that of Hollywood royalty. “So sometimes you have to go outside the system to make the most interesting movies”\textsuperscript{58}. In this manner, studios assume only partial financial liability. This also means that, should the film become profitable, they also reap a smaller share of the rewards\textsuperscript{59}. However, the practice of using outside money to finance a project has been


\textsuperscript{59} Zeitchik and Fritz
going on since the days of silent film. In recent years, this trend has grown thanks to a rise in Wall Street hedge fund investors in the early 2000s.

Today, an independent financier can be the difference between development hell, in which a script is optioned by a studio but never made, and a finished product. 2012’s Zero Dark Thirty, a film about the killing of Osama Bin Laden, is distributed by Sony but is not, in fact, a Sony picture. Director Kathryn Bigelow and screenwriter Mark Boal made the executive decision to rely almost exclusively on independent financiers in an attempt to avoid financial ties with anyone who had attachments to the military. In the end, 27 year old Megan Ellison, daughter of billionaire and Oracle software co-founder Larry Ellison, made headlines when she agreed to write a check for the entire $45 million budget.

Though Ellison’s bold financial move is not necessarily the norm, it is indicative of this growing Hollywood trend. The Thompson brothers, three oil heirs, helped fund the 2010 Darren Aronofsky art house thriller Black Swan. Richard Branson, billionaire founder of the Virgin Group, has also made his mark on the independent financier scene, launching his own production company Virgin Produced. Rachel Horovitz, a former studio executive and a producer of Moneyball, says, “What’s interesting right now is not only how widespread our dependence has become but also that these outsiders are generally making very good movies.”

---

61 Grigoriadis
62 Grigoriadis
63 Grigoriadis
Another characteristic of today’s movie landscape is the limited selection found in major theater chains. One can, for example, live in a town with three movie theaters, all several miles apart. Yet, these theaters are likely to be playing almost the exact same roster of films. Furthermore, those few slots on the schedule are often filled with major releases, as an estimated 80 to 90% of films distributed at any time are studio projects\textsuperscript{64}.

In addition, this limited selection is not necessarily good for the health of the movie industry. John Fithian, president and CEO for the National Association of Theater Owners, recently spoke out against this trend at the 2013 CinemaCon. He laments, “Just as broad movie choices can drive box office, limited choices can turn the market negative”\textsuperscript{65}. He openly cited 2013’s first quarter decline of 12% in box office revenue as a direct consequence of this lack of variety\textsuperscript{66}.

Yet, a lack of choice at the box office remains the norm. Typically, exhibitors acquire the rights to show films by bidding on the year’s available films and then negotiating a contract with the distributor. There are two important factors that directly impact this exchange between theaters and movie distributors. First, major studios usually have a bigger budget and reputation than smaller or independent studios, enabling them to create more buzz about their movie line-up. Second, exhibitors have a limited space and therefore want to invest in movies they know will attract the public, especially if they know their competitor theaters will be

\textsuperscript{64} Wasko


\textsuperscript{66} McNary
showing a particular high-publicity film. Thus, due in part to the monetary barrier to entry as well as the need for exhibitors to match public demand, the breadth of available movies in traditional movie theaters is somewhat narrow\textsuperscript{67}.

**OVERARCHING THEMES**

After analyzing the movie industry’s history, current trends and looking objectively at the overall picture of modern day Hollywood, a few conclusions become apparent. The first centers on the importance of innovation. Throughout the history of the movie industry, it becomes clear that innovation is integral when it comes to clearing the path for profit-seekers and artists. First comes some sort of technological innovation, such as Edison’s kinetoscope or sound film. Next, business savvy players figure out a way to capitalize on that innovation, such as the creation of Nickelodeons or the practice of vertical integration. Artistry then often develops as a method to capitalize on the new technology, as with the development of creative editing to entice early movie audiences’ appetites for narrative film. Furthermore, as artists find themselves limited by existing technology, they demand more innovation and the cycle continues.

*Figure 1.*

\textsuperscript{67} Wasko
The second is the importance of public demand. Hollywood is a business and as with any business, it is controlled by money. The public has the power of the purse; they are the
consumers who buy movie tickets, DVDs, memorabilia and more. Thus, it is ultimately the public who determines the Hollywood landscape. If consumers didn’t financially support R/A/S films there would be no monetary incentive for studios to produce these types of films. Furthermore, if there is no public demand for an upcoming release, exhibitors are more hesitant to place a bid. In this way, public demand is also partially responsible for the lack of diversity in most movie theaters.

Third is the impact of proven success on future success. As discussed throughout this paper, predicting the likelihood of a Hollywood hit is nearly impossible, forcing enterprising executives to look to past accomplishments in order to determine what will work in the future. This industry logic is not only applicable to movies but to the people who work on the films themselves, from actors to writers to directors and beyond. Thus, a career with longevity in Hollywood is dependent on demonstrable success, which could constitute anything from a writing credit on a profitable picture or a Golden Globe award. What’s important is that the success is verifiable and respected enough for those with hiring power to feel comfortable investing.

CONCLUSION
Hollywood is first and foremost a profit-driven business, like any other major industry. Certainly artistic value, creative vision, and critical acclaim are not to be discounted as motivators in Hollywood and can be integral factors in getting a project off the ground. Yet, a business requires money to operate, and therefore, oftentimes, what is more likely to be profitable is pursued over what is more likely to be critically well reviewed if those two ideas are in opposition.

When it comes to the question of who is in control of the movie industry, the simple answer is: consumers. How do movie executives earn profits? They get people to buy tickets to their movies. As previously established, Hollywood executives look to past successes to determine where to place future investments. Thus, if the public buys tickets to a movie, they can be sure similar movies will be produced in the future in the hopes of capitalizing on that same mysterious box-office success. However, consumer influence may be paramount but it is not the exclusive controlling force. Thanks to marketing, deal making and exposure, major studios are responsible for narrowing the movie landscape and, ultimately, have the final say in what does and does not get made. However, when it comes to box-office receipts, success boils down to public habits and tastes.

However, in the movie business, returns on investments are never guaranteed. If one hopes simply to make a profit, there are other industries that offer large payoffs without such great uncertainty. What attracts businesspeople to Hollywood rather than, say, Wall Street, is more than a desire for financial success; they come because they love movies. Failure, to some degree, is almost eminent in Hollywood. What makes a successful Hollywood executive is the
ability to work past the failures because, first and foremost, they love and believe in movies.

Hollywood will always be a money game, but it never was and never will be exclusively about earning money. In the end, it is the symbiotic relationship between artistry and industry that guarantees the health and future of Hollywood.