

<p style="text-align: center;"><b>Film Marketing :</b> <b>Results and Consequences of an Inflationary Trend</b></p>
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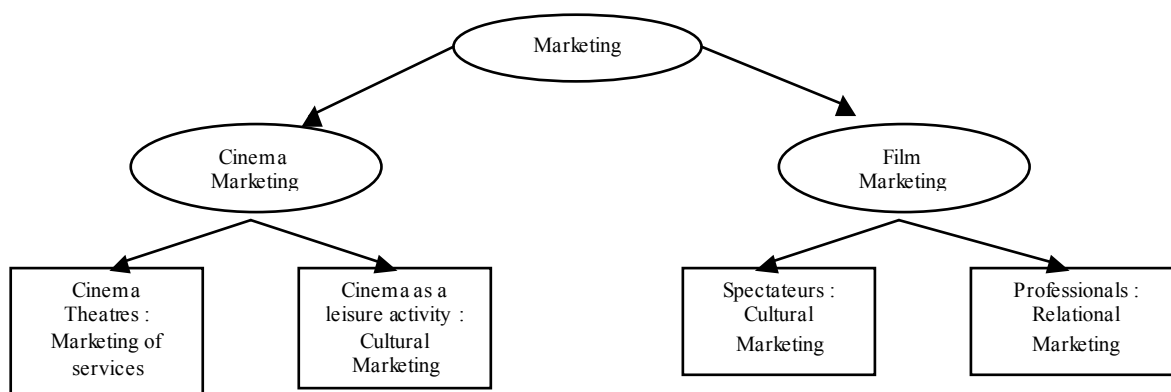
**M**arketing applied to the movie industry has often been diabolised for ideological reasons. Nowadays, we observe an excessive inflation of its utilization. In a period of increase of movie release combined with a reduction of the period of their life time in theatre, there is an inflation of copies, production budgets and release costs. This situation is problematic for the distributors' financial health who are in charge of the marketing. It increases the difference between small and big distributing companies. But this higher bid of marketing doesn't go along with a rigorous application of its techniques. Even if the homemade is moving toward a more professional use of marketing applied to the movies, the uses are more based on intuition than science<sup>1</sup>. Strategic choices (such as segmentation and positioning) are still part of this logic. For instance, the use of screen tests aimed to determine a public is restrictive. Moreover, not knowing the impact of marketing investments is a handicap to a better use of these expenses. This is particularly what we want to analyze in the present document. We want to study the effects of some of these expenses on performance indicators such as box office or gross.

The first part of this study will lead us to a presentation of the movie marketing concepts and presents the issue of the actual evolution. We will particularly study why marketing plays such a part in film industry today. The second part will present a statistical study on nearly 700 French movies: its goals, methods, results and prospects.

## 1. WHAT KIND OF MARKETING FOR THE FILM INDUSTRY ?

There are as many definitions of movie marketing as prospects of application in this domain. However, the studies exploring this area tend to indicate that he is only a film marketing. So, it seems important to situate the context of our study in the following figure.

**Figure 1 : Market Levels in the Cinema Business**



The marketing applied to the cinema can be divided into two main orientations with several sub-dimensions.

The movie theatres and entertainment levels corresponds to the global dimension of the cinema market (cinema marketing).

The public and professionals (distributors, exhibitors, televisions, video distributors) levels is more concerned with the supply dimension for each film (film marketing).

<sup>1</sup> LAURICHESSE H., Marketing cinématographique et Attitudes des spectateurs envers la promotion des films à la télévision, Doctorat en Sciences de l'Information et de la Communication, Université de Toulouse Le Mirail, Samedi 12 Décembre 1998.

This distinction enables us to specify one fundamental difference in the expectations in terms of marketing, notably contrasting « supply marketing<sup>2</sup> » with « demand marketing ». Supply marketing (a concept born from the studies in cultural marketing), fits into the scheme of a mediation between supply and demand in order to enable a film to meet its audience. It is thus a way to support the artist in his will to meet the audience trying to identify his public of an already elaborate film.

Marketing of movie theatres can conversely be directly inspired by marketing of services since it is really the film/theatre duo that makes possible a meeting between the artist's work and the audience. Once you have distinguished the basic supply (the film, the screen, the seats) from the peripheral supply (all the other services), the adaptation of the supply to the demand will have an effect on the peripheral supply. The peripheral supply can be divided into integrated supply (sell with the ticket) and modular supply (optional services). The role of the marketing is then to create the value.

More precisely, **film marketing** as supply marketing is to fit into the scheme of **communication** through the launch campaign. People are encouraged to see the film in theatres. National and international television and editor video are encouraged to buy the film, and all the press to talk about it. As we cannot take into account the following variables: products, prices, distribution, the communication variable becomes central, not to say unique.

Then, there are some nuances with practices such as concept test, casting test or previews destined to link the film industry supply with the audience expectations. But, in fact, these practices, first, are not systematic, and second are supposed to enable the creation of a media plan (on serious bases on the identification of a target audience). In France, the protection of authors' rights requires the director's permission for possible changes of work. When the film maker accepts these conditions, he wants to put into light the problems of comprehension in his film, or inadequate reactions (for example, laughs at the wrong moment).

Without trying to deny or minimize these practices, one can admit that the product/supply variable is not really an active variable as element of the mix.

The other specificity of film marketing refers to its unique nature: film marketing is a **launching marketing**<sup>3</sup>. Each new film being a new, and short, adventure, and can be regarded as a new product. Audience satisfaction will not necessarily lead to a renewed attendance (it rarely happens) and the audience loyalty may be caused by the presence of an actor or director, or film genre. There are many criteria, not easily usable, for a campaign, probably because of the mode of influence is linked to individual personalities and behaviour.

**The marketing of cinema as a leisure activity** is also part of this prospect of supply marketing with a method based on the audience knowledge, the communication and the prices.

The knowledge of the audience has been analysed through annual studies and surveys led by The Centre National de la Cinématographie (CNC).

To stimulate the attendance of movie theatres, the State or a group of professionals (producers, distributors, exhibitors) starts a national advertising campaign for the public, or organizes special days with reduced fares: Printemps du Cinéma (Springtime Cinema Festival), la Fête du Cinéma (Cinema Day), Cinestival ..

<sup>2</sup> HIRSCHMAN E. C., Aesthetics, Ideologies and the Limits of Marketing Concept, *Journal of Marketing*, 47, Summer, pp 45-55, 1983  
HIRSCHMAN E. C. et HOLBROOK Morris B., Hedonic Consumption, Emerging Concepts, Methods and Propositions, *Journal of Marketing*, 42, Summer, pp 92-101, 1982

HOLBROOK M. B., Some Preliminary Research in Consumer Esthetics, *Advances in Consumer Research*, pp 104-108, 1980

HOLBROOK M. B. et Hirschman E. C., The Experiential Aspects of Consumption: Consumer Fantasies, Feelings and Fun, *Journal of Consumer Research*, 9, Septembre, pp 132-140, 1982

KELLY R. F., Culture as commodity: the marketing of cultural objects and cultural experiences, *Advances in consumer research*, Vol. IV, The University of British Columbia, 1987

COLBERT F., *Le marketing des arts et de la culture*, Editions Gaëtan Morin, Québec, Canada, 1993

EVRAUD Y., *Le management des activités artistiques et culturelles*, Economica, 1993

DURAND J-P., *Le marketing des activités et des entreprises culturelles*, Juris Services, 1991

<sup>3</sup> FINN A. et alii, Le développement de nouveaux produits dans les industries culturelles, *Recherche et Applications en Marketing*, 10, 4, pp 47-63, 1995

**Film marketing** destined to professionals is **relational marketing**<sup>4</sup>. It starts right as the beginning of the project through the search for money, led by producers notably, with the competition of other projects on the market at the same moment. How to « sell » the film is the responsibility of the author, then the producer and distributor. In fact, if this marketing method is seldom seen like this, it is part of one of the heavy trends of the evolution of marketing, notably for services and cultural activities<sup>5</sup>.

**The marketing of movie theatres**<sup>6</sup>, conversely relies on a classic method with an analysis of the internal situation (assets and handicap) and environmental (competition), traditional strategy in terms of segmentation and positioning and mixed-marketing composed of four main variables: products/services, prices, staff, communication.

Among these different levels of application, our study deals with the level of film marketing destined to the audience. We will thus envisage its various components through its evolution in order to question the consequences of the current trend.

## 2. THE INCREASING ROLE OF MARKETING IN FILM DISTRIBUTION

The development of marketing in film industry has several, interdependent reasons. The increase of movies distributed in France, with the increasing number of film copy, lead to the theatre saturation that even the development of multiplexes is not enough to balance. This situation is also stressed by a bad distribution of the film releases throughout the year.

Thus, the duration of a film exploitation in theatres are more and more reduced with a system of depreciation during the first days of a film release. This system has one main goal : leading the audience to see the film in the days after the film opening. The advertisement around the film then starts to be intensified with higher marketing investments. Let us analyse the number of film releases of this evolution on each of the components.

### The increase in the number of film releases

The increase in the number of films distributed is essentially due to a strong increase in films made in France.

**Table 1 : The Increase in the Number of Film Releases**

	<i>French Movies</i>	<i>US Movies</i>	<i>Other Movies</i>	<i>Total</i>
1991	140	158	140	438
1992	167	121	113	401
1993	154	135	107	396
1994	145	146	116	407
1995	147	139	111	397
1996	150	140	96	386
1997	151	145	98	394
1998	173	159	116	448
1999	209	179	137	525
2000	208	194	142	544
2001	204	162	140	506

Source CNC bilan 2001

<sup>4</sup> LAURICHESSE H., Quel marketing pour le secteur cinématographique ? Cibles, finalités, et variables d'action, Actes du Colloque « Le Marketing du Cinéma », LARA, Maison de la Recherche, Université Toulouse II le Mirail, 27 et 28 Janvier 2000.

<sup>5</sup> FLAMBARD-RUAUD S. et LLOSA S., Marketing relationnel et marketing des services : une profonde complexité pp.335-349 in PRAS Bernard, *Faire de la recherche en marketing*, Vuibert FNEGE, Mai 1999, Cahors.

<sup>6</sup> LAURICHESSE H., Quel marketing pour le secteur cinématographique ? Cibles, finalités, et variables d'action, Actes du Colloque « Le Marketing du Cinéma », LARA, Maison de la Recherche, Université Toulouse II le Mirail, 27 et 28 Janvier 2000.

506 films have been distributed in 2001, the exhibitors get 10 new films each week, with sometimes until 20 films each Wednesday (because the film releases are not well distributed throughout the year). The incentive measures taken by the CNC are not enough to convince the distributors to choose days of releases during summer holidays whereas the period from September to December corresponds to maximal saturation in theatres.

In these conditions, it obviously appears that the film longevity in theatres is more and more reduced : when a movie does not bring enough benefits during the first weekend, it will be inevitably replaced by another movie the following weekend.

### **The increase in edition costs**

The edition costs or marketing costs cover 3 main dimensions:

- The film copies: manufacturing, transport, maintenance, stocking ;
- the advertising costs: posters campaigns, trailers, media plan ;
- the promotional costs : press attaches, press books, press lectures, press pics, making of, events (partnership, merchandising), regional tours, avant-premieres, festivals...

68 % of these costs are usually dedicated to advertisement and promotional costs (32 % being dedicated to film copies). Nevertheless, this percentage is even more important when the films get 20 copies. one can note a true inflation concerning the copy manufacturing and the advertisements. The other costs remain stable..

### **The increase in the number of film copies**

Between 1999 et 2002, the amount of film releases has not really changed : 525 in 99 , 544 in 2000, 506 in 2001. But the amount of film copies increased by 35 % in 4 years. In the same period, the number of screens has only increased by 5 % (+ 257 screens). The development of multiplexes shall not explain everything. This technique leads to many records, but it has one major handicap: the increase in film release costs could weaken independent distributors.

When one knows the very cost of one film copy (between 915 and 2289 €), one realizes the consequences of such an evolution. Many movies are released today with 500, 600 or 700 copies, up to max.1000 copies for Harry Potter. The usual release of an average budget film is now around 300 copies.

Beyond the changes of multiplexes, there are other causes explaining this inflation :

- an increased number of original versions in the student cities (including blockbusters);
- the use of a multi-programmation ;
- a system of catalogues for distributors enabling them to get massive releases in different types (because of the vertical concentration of the distribution sector).

Cause or consequence? In this industry, the lifespan of films is shorter and shorter, the increase in the number of copy (in a logic of field domination), goes with the necessity to to secure a return on the film costs during the first days of release.

### **The increase in publicity and promotional costs**

Between 1992 and 2000, the investments in film advertisements has been multiplied by five. This increase in investments goes with the number of movie releases (326 in 92 for 640 in 2000) and the number of film copies. But the film release costs have been multiplied by two

and the ad investments by five. A study of the CNC shows an increase in ad investments of more than 50 % between 1995 and 1999<sup>7</sup>.

In the U.S. an average ad investment corresponds to half the film budget (representing sometimes more than the film production budget) whereas in France it represents 6 to 10 % of this budget : there is still room for progress.

Currently, the budgets for launching a film in France range from 15 000 € to 3 M€ whereas the budgets for launching a blockbuster in the US range from 20 et 70 M\$. The average film production costs are to be included in 4,4 M€ for France (50M\$ for the USA) and marketing costs usually in 0,27 M€ (25 M\$ for the US).

The media plan is divided into four main fields (in the absence of authorized advertisements for films on television):

- the theatres (trailers)
- the radio
- the posters campaigns
- written press

**Table 2 : Investments distribution between media  
(percentage 1999)**

Posters	44,4
Cinema	4
Press	24,5
Radio	26,9
TV	0,2

Source CNC info n° 279 2001

The poster campaigns in France today remain the most popular medium among the distributors. Besides, this situation is specific to France. 0,27 M€ are dedicated to advertisements and nearly 45 % to poster campaigns. This is due to a very good poster network and the opportunity of reaching geographically speaking a wide audience (it is usually the role of television in the other countries). The following media are the radio and written press, and the theatres.

The authorization of advertising films on television (which may be possible someday in the context of European standardization) will be difficult for some distributors because of a new inflation of ad costs. Until then, the French distributors have a free access to television through programs in which the film releases are tackled with publi-reports<sup>8</sup>.

For several years now, it has been possible to advertise for films on the Internet, notably with the creation of a web site specifically dedicated to the film, but this medium is not yet listed by the CNC and it represents for the moment a marginal part of the marketing costs (1 to 2 % of the marketing budget).

<sup>7</sup> CNC info n°279 Avril 2001

<sup>8</sup> LAURICHESSE H., Marketing cinématographique et Attitudes des spectateurs envers la promotion des films à la télévision», Doctorat en Sciences de l'Information et de la Communication, Université de Toulouse Le Mirail, Samedi 12 Décembre 1998.

LAURICHESSE H., Marketing du film : Promotion des films à la télévision et réponse des spectateurs», Actes des 4<sup>ème</sup> Journée de Recherche en Marketing CREGO IAE Dijon, Université de Bourgogne, 25 Novembre 1999.

LAURICHESSE H., Elaboration de sens du film à partir de la communication marketing» *Entrelacs n°4* « Sens et Désaveux de Sens», Mars 2002.

LAURICHESSE H., Marketing du film : La promotion des films à la télévision : Conception et Réception, *Centre National de la Cinématographie*, Service des études et statistiques, Novembre 99.

LAURICHESSE H., La stratégie de communication marketing à la télévision pour le lancement des films cinématographiques : conception et réception, *Stratégies et Communications n°37*, 1<sup>er</sup> trimestre 2000.

## What trend for expense inflation and film profitability ?

The escalation of marketing puts forward the question of investment profits.

As the box office gross seems to increase as well as the escalation of marketing costs, what is exactly the profitability of films ?

The annual survey made by Le Film Français Magazine shows that the most successful films are often outsiders, like in 2002 the documentary directed by Nicolas Philibert called « Être et Avoir » (“To be and to have”)<sup>9</sup>. As it is indicated on the board below, this film broke the records with 446,23% amortization (documentaries being far less expensive than fiction films).

**Table 3 : Record of amortization in theatres**

<i>Films</i>	<i>Budget ( M€)</i>	<i>Box office</i>	<i>Amorizationt %</i>
<b>2002</b>			
1 Etre et avoir	1,04	1 627 534	446,23
2 L’auberge Espagnole	5,33	2 951 212	156,35
3 8 femmes	8,46	3 710 104	129,81
4 Wesh Wesh ...	0,23	67 522	86,9
5 Astérix et Obélix mission Cléopâtre	49,8	14 559 509	86,54
<b>2001</b>			
1 Le fabuleux destin d’Amélie Poulain	11,7	8 339 829	216,00
2 La vérité si je mens 2	12,6	7 867 157	189,90
3 Une hirondelle ...	3,8	2 316 845	182,90
4 Sous le sable	1,7	682 777	120,20
5 Le placard	14,5	5 316 614	111,20
<b>2000</b>			
1 Taxi 2	10,7	10 345 901	292,60
2 Harry, un ami...	2,9	1 851 301	192,90
3 Le goût des autres	8,9	3 761 628	126,20
4 Jet Set	5,6	1 897 594	101,50
5 Promenons nous ...	2,9	749 699	78,10
<b>1999</b>			
Le ciel, les oiseaux et ...	9,8	1 224 246	247,30
2 Himalaya, l’enfance ...	29	1 849 871	126,30
3 Vénus Beauté	18,7	1 001 569	106
4 Les enfants du marais	60,6	2 116 920	69,10
5 Ma petite entreprise	24,7	842 921	67,60

Source Le Film Français 7 Mars 2003

Movies with 25% amortization (only 25 French films in 2002 for a total of 200 films) get an acceptable profitability (meaning enough profit to secure a return on the costs). Movies with 100% depreciation (only 3 films in 2002) get a real profitability.

Now, the balance between the money made in theatres and the film costs does not indicate all the profits (made with DVDs, videos, TV broadcasts and international gross), but it remains a strong indicator of the financial stability of one film.

One can note that there is an alternative to the inflation strategy : "To be and to have" has made almost as much money as « Astérix et Obélix mission Cléopâtre” despite being 50 times less expensive. Too often, the communication on production budgets and exceptional marketing costs tend to make us think of a secured success. Yet, the exact profits due to marketing operations remain too difficult to be measured, and the titanic budgets do not guarantee success in terms of profitability.

<sup>9</sup> Except 2001 with Amélie and Would I lie ? 2 .

As far as film marketing is concerned, the distributors do not make surveys to measure the impact of marketing: each film is a unique case and it seems difficult to spend money just for this sort of study. When the film is a success, all the beneficiaries are satisfied and nobody would ask any question. When the film is not a success, the beneficiaries are put into a difficult financial situation and cannot make any more expense that they would see as unuseful (since the next film is to be a new and different adventure).

The inflation strategy accentuates an imbalance between independent groups and multinational groups. Today, these questions are more significant than ever.

On a more global level, the studies made at university are rare and usually tackle a few components of marketing<sup>10</sup>, the influence of promotional television on the audience, the importance of film opening grosses on the final results, or the origins of the audience choices<sup>11</sup>.

That is why we have tried to measure and explore the links between these questions.

### 3. THE STATISTICAL DATA ANALYSIS TO MEASURE THE IMPACT OF PROMOTIONAL MOVIES BUDGETS

The analysed data concern French pictures listed by the service of studies and statistics of the French National Centre of Cinematography (CNC). The studied period extends from 1998 till 2001 with a total of 690 films to be studied.

#### 690 studied French films

**Table 4: French distribution of pictures from 1998 till 2001**

Year	Number of movies	%
1998	142	20,57
1999	170	24,63
2000	173	25,10
2001	204	29,56
Missing	1	0,14
	<b>690</b>	<b>100</b>

The collected data over this period allow a longitudinal approach on promotional budgets. This approach will consist in measuring the effects of certain variables of production, distribution and mix-communication on some indicators of movies "performance". The analysed data are so qualitative as quantitative. For each picture, we have:

<sup>10</sup> KRUPICKA A., Importance du moment d'entrée des films, 6<sup>ème</sup> Journée de Recherche en Marketing CREGO IAE Dijon, Université de Bourgogne, 2001

LAURICHESSE H., Marketing cinématographique et Attitudes des spectateurs envers la promotion des films à la télévision, Doctorat en Sciences de l'Information et de la Communication, Université de Toulouse Le Mirail, Samedi 12 Décembre 1998.

<sup>11</sup> KRUGER A, Traitement de l'information et décision de choix d'un film : Influence des caractéristiques individuelles et de la consommation inter-personnelle, Thèse de doctorat, Sciences de Gestion, Dijon, 1997

EUZEBY F., La bande annonce dans le choix des films, 6<sup>ème</sup> Journée de Recherche en Marketing CREGO IAE Dijon, Université de Bourgogne, 2001

MARTIN E., Recherche Marketing et cinéma, Université Clermont 1, Thèse d'état, Faculté des Sciences Economique et de gestion, 1989.

AUSTIN B.A., Film Attendance : Why college students Chose to see their most recent film, *Journal of Popular Film and Television*, Vol 9, PP 43-49, 1981

ELISABERG J et SHUNGAN S.M., « Film Critics, Influencers or Predictors ? » , *Journal of Marketing*, 61,2, 68-78, 1987



At the production level:

- The production budget

At the distribution level:

- The number of copies (national and on Paris / Suburb)
- The distribution company

At the mix-communication level

- The detailed promotional budgets: national and regional poster campaigns, radio, national press and regional press, cinema, satellite / cable TV and regional TV
- The total communication budget

The financial movies results:

- Number of entrances
- Receipts

Data were completed thanks to professional magazines such as *Le Film Français* and *Écran Total...* They allow us to describe and to explain the relationship between these various variables in order to estimate the effects of the involved marketing investments and draw the consequences at the strategic and operational plan.

The methodological choices: the use of multivariate methods of data analysis

The methodological options rely on the use of multivariate methods of data analysis.

✚ Descriptive level: the multidimensional methods allow us to investigate and to sum up the set of statistical data. Factor analysis will summarize the data and will describe the studied phenomena.

✚ Explanatory level: multiple regressions should allow us to explain the effects of the cinema marketing on the “success” of movies and more precisely on entrances and receipts.

These data analyses will be done with SPSS (Statistical Package for Social Sciences) software.

Numerous disparities between movies

Univariate analyses show strong disparities on all the movies as show the following tables.

**Table 5: Averages and standard deviation**

	National Copies	Paris / Suburb Copies	Entrances	Film Receipts	Production Budget (M€)	National Press	Régional Press
<b>Valid movies</b>	137	207	570	662	588	690	690
<b>Missing data</b>	553	483	120	28	102	0	0
<b>Average</b>	229	15	439490	13492652	4673079	327	74
<b>Standard deviation</b>	180	14	1179900	39881203	5675891	590	255
<b>Minimum</b>	15	1	5162	1524	114002	0	0
<b>Maximum</b>	827	56	10239017	369069696	75209160	7720	2826

**Table 5(bis): average and standard deviation**

	Radio	Cinema	National Poster	Regional Poster	Cable/Satellite TV or Regional TV	Total Promotional Budget
<b>Movies</b>	690	690	690	690	690	690
<b>Average</b>	273	132	383	157	6	1352
<b>Standard deviation</b>	589	367	1169	471	78	2428
<b>Minimum</b>	0	0	0	0	0	1
<b>Maximum</b>	7502	2956	10016	4498	1669	21190

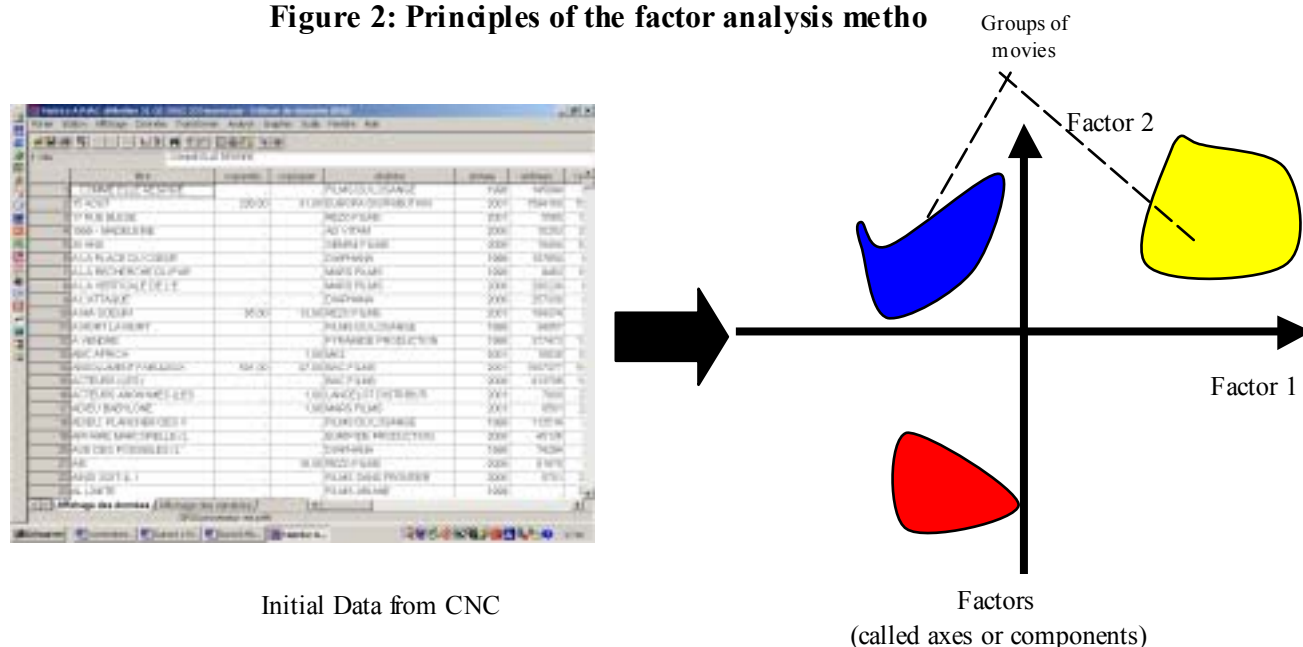
Globally, the gap between movies is very important on all the collected elements in this study. The number of copies, the number of entrances, the production and communication budgets show strong contrasts. The averaged promotional budgets are the following one: (a) Posters: 540; (b) Press: 401; (c) Radio: 273; (d) Cinema: 132; (e) TV: 6.

When we analyse the whole data set, we can look for the tendencies which structure these tables of data for the 690 studied movies.

### The Factor Analysis results:

#### *Link between movies receipts and communication investments*

Factor Analysis is a multivariate method of data analysis. It means that you can simultaneously treat more than two variables. Factor Analysis is going to reduce the data appearing in the data file. It is going to aggregate these data in some synthetic axes called factors. Each factor can be regarded as a combination of similar variables. They restore the "tendencies" of the 690 movies data by synthesizing and by keeping only the significant data.

**Figure 2: Principles of the factor analysis metho**

The Factor Analysis is going to include all the data excepted those concerning the number of copies because of too many missing data: it would not permit to reveal the structure which concern the 690 movies. Besides, the budgets were grouped according to the five traditional media without taking into account differences between national and regional budgets. What are the links which unite the initial variables ?

**Table 6: correlations matrix**

	Entrances	Receipts	Production Budget (M€)	Cinema	Total Promotional Budget	Radio	Posters	Press
Entrances	1							
Receipts	0,999	1						
Production Budget (M€)	0,55	0,56	1					
Cinema	0,2	0,21	0,2	1				
Total Promotional Budget	0,54	0,54	0,52	0,49	1			
Radio	0,41	0,42	0,42	0,29	0,82	1		
Posters	0,48	0,48	0,48	0,33	0,9	0,63	1	
Press	0,45	0,46	0,4	0,29	0,75	0,6	0,47	1

The picture receipts, for example, are correlated<sup>12</sup> at 0.56 to the production budget and at 0.54 to the global promotional budget. **This first statistical element reveals the link between the promotional budgets and the number of entrances (and consequently receipts).**

Finally, two main components can be extracted. Axes can be regarded as linear combinations of initial correlated variables.

### *Financial pictures performance and communication investments*

The following table indicates the correlations between variables and found factors. Using a Varimax rotation<sup>13</sup>, the results display two factors. How to interpret these axes thanks to the variables which are the most strongly correlated to them?

**Table 7: the factors**

	Axe 1	Axe 2
Total promotional budget	,911	,383
Radio	,788	,286
Posters	,756	,376
Press	,675	,360
Cinema	,628	-1,728E-02
Entrances	,192	,951
Receipts	,201	,949
Production Budget (M€)	,328	,658
Variance	<b>38,22 %</b>	<b>34,24 %</b>

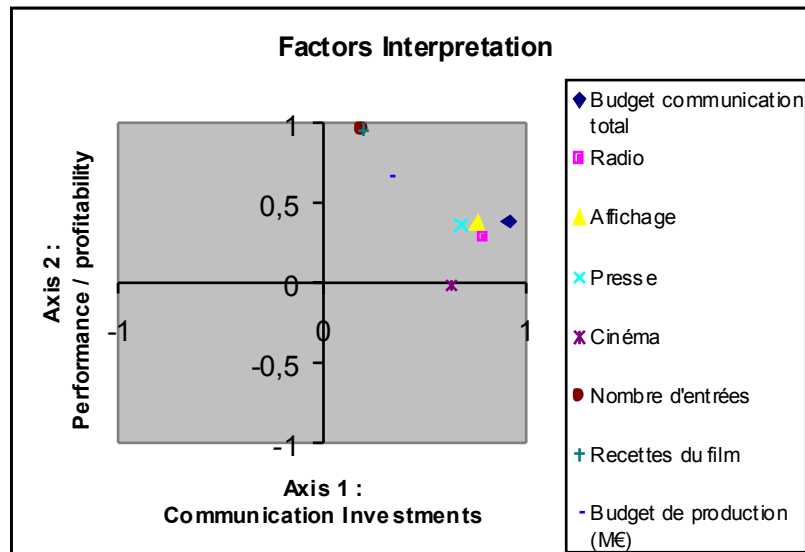
(Component Matrix after Varimax rotation and without TV variable)

The total information restored by these 2 axes is 72,46 %. It means that the information contained in the initial table of data (matrix in 690 lines-movies and in 11 columns-variables) has just been summarized by only 2 axes. The first axis restores 38,22 % and the second one 34,24 %.

<sup>12</sup> The coefficient of correlation measures the link between two metric variables. It ranges from -1 (negative correlation: variables vary in opposite sense) to +1 (positive correlation: variables vary in the same sense). A weak correlation is close to 0. A strong correlation is close to 1 in absolute value.

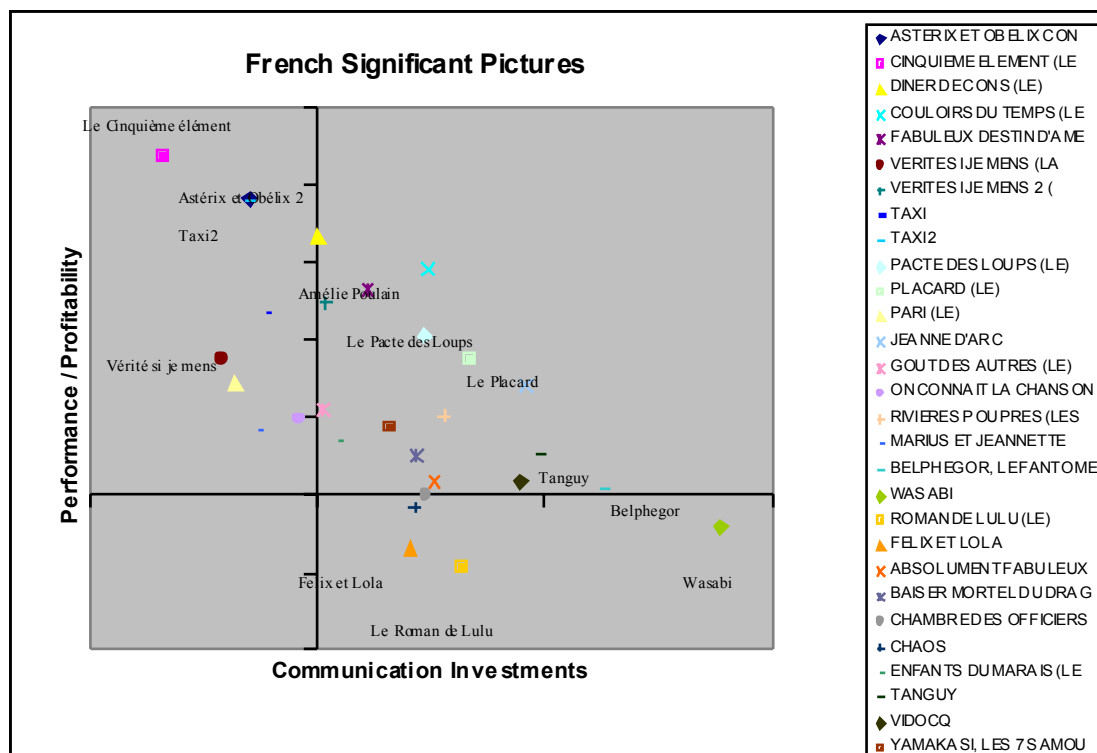
<sup>13</sup> The TV variable was removed because of the weak assigned budgets. Its contribution is relatively unimportant due to the French constraint concerning cinema advertisement.

Figure 3 - The factors



The first axis seems to be an axis of "**picture performance**" (entrances, receipts and production budget) or an axis of the movie **profitability**? The second factor consists of detailed communication budgets (radio, posters, press, cinema, cable/regional TV) including the total promotional budget. It is apparently an axis representing the "**communication investments**". The interest of this type of analysis also is to show the pictures on the chart so as to track down the position of the 690 French movies with regard to these axes.

Figure 4 - Position of the significant movies



On this graph, we only represent pictures having significant characteristics in terms of performance-profitability and/or in communication investments. There are around thirty movies that is to say 4,3 % of the 690 studied movies. On the mapping, the other movies are

not represented because of their central position on the graph. This position does not allow to distinguish them on both found axes: their characteristics are too averaged. Among the selected pictures, the best "performance" returns to the movie "*Le Cinquième Élément*" which obtains a record of profitability for the weakest communication investment among the 29 selected movies. In comparison, *Wasabi* has an inferior performance towards the assigned budgets of communication: it is the worst ratio performance / communication on the 690 studied movies.

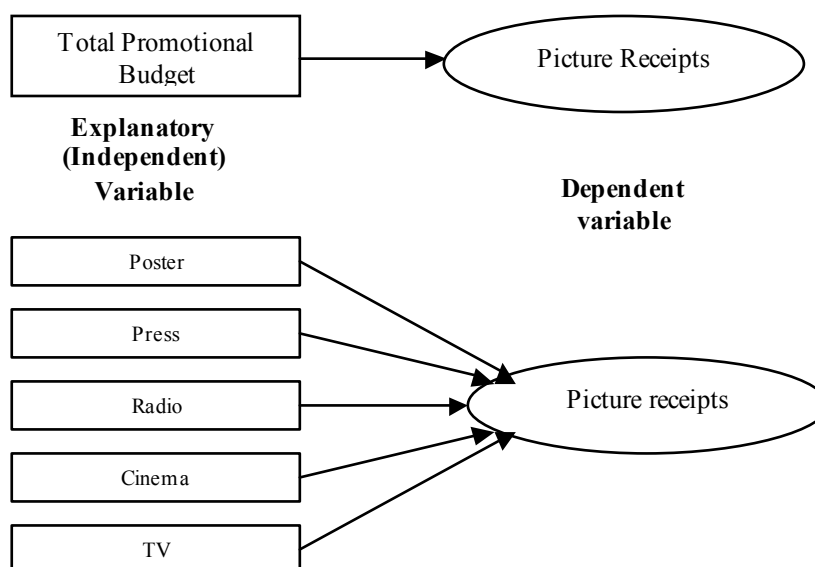
The second stage of this quantitative study consists in estimating the effects of the communication investments on the movies performance-profitability. A multiple regression is done for this purpose.

### The results of the multiple regression:

#### *The budget of communication strongly influences receipts*

The objective is to measure the influence of the communication budgets on the receipts of the studied movies. The general idea is to estimate the contribution of communication as an explanatory variable of receipts. This contribution will be calculated for each budget: posters, radio, press... so as to know in details the respective influences of each of these budgetary item.

**Figure 5: The tested models by multiple regressions**



Here are the tested models:

➤ Global level:

$$\text{Receipts} = a_1 \text{ Total Promotional Budget}$$

➤ Detailed level:

$$\text{Receipts} = a_1 \text{ Posters} + a_2 \text{ Press} + a_3 \text{ Cinema} + a_4 \text{ TV} + a_5 \text{ Radio}$$

If we keep the "Total Promotional Budget" variable, the model restores around 29 % of the information ( $R^2 = 0.289$ ). This result is to be discussed: it shows that it is necessary to put in perspective the influence of communication on the movies receipts. Approximately 70 % come from other factors. Fortunately, other appropriate movie elements (scenario, actors

acting...) should be taken into account but they are difficult to quantify. The obtained equation is the following one:

$$\text{Receipts} = 0.538 \times \text{Total Promotional Budget}$$

***The budgets of Posters and Press are the most important***

If we work on the detailed budgets, we obtain:

$$\text{Receipts} = 0,051 \times \text{Radio} + 0,324 \times \text{Posters} + 0,264 \times \text{Press} + 0,009 \times \text{Cinema}$$

The model always restores around 30 % of the information ( $R^2 = 0.296$ ). This result shows how efficient are the budgets of Posters and Press on receipts. We should add that these two items (Posters and Press) present the strongest budgets in the table of initial data what explains their strong contribution to receipts. The TV expenses were non-significant and were eliminated.

**Receipts, communication and budget of production**

When we integrate into the calculation the production budget as an explanatory element of receipts, we obtain an equation of a more complete multiple regression. The amount of receipts is explained to 41,5 % ( $R^2 = 0.415$ ) by these new factors. Thus we improve the explanation of the phenomenon by adding the production budget as an extra variable. The results are the following ones (knowing that Radio, Cinema and TV variables are non-significant for the model and were removed from the equation):

$$\text{Receipts} = 0,366 \times \text{Production Budget} + 0,217 \times \text{Posters} + 0,215 \times \text{Press}$$

This result explains the inflationary tendency observed in the marketing of the cinema. Inflation of the production budgets, inflation of the communication budget and inflation of the movies copies are justified by their contribution to the movie financial performance. All the statistical calculations are leading towards this main conclusion.

In the statistical plan, this study shows in what extend the increase of the expenses (in production, copies and communication) produces the expected effects that is to say a massive audience and a rate of acceptable profitability (25 % is the estimated threshold from which it is considered that the operation turns out correct).

Today, the exploitation in cinema does not cover any more the production budgets. The decline of the pictures profitability for these last years (if we except the exceptional results of year 2001) remains quite worrisome. The distributors seem to be caught up in the system under the pretext that their movies would be unnoticed. That's why we notice this inflationary tendency in the marketing of cinema.

But beyond this, we also try to put in evidence the logic which underlies this evolution. Televisions and video also contribute to this inflationary tendency. Can the distributor assume only more and more heavy costs relative to the new movies?

We hope that our study may support the current questioning such as the contribution of channels, video publishers and DVD to the expenses of launching a movie.

We also keep in mind the phenomenon of greater concentration which characterizes the sector of the film distribution today: the first 10 companies add up 88,6 % of receipts while there are approximately 160 active and officially authorized companies of distribution and 435 holders of professional license... The increasing power of Vivendi Universal through its three distribution networks (Bac Distribution, Mars Distribution, and Bac Majestic), with a coverage of about half of the weekly offer, certain weeks, exceed the marketing field.

Faced to the increasing costs which squeeze the distributors, our role is to remind that marketing as a strategic and operational tool, goes beyond a strictly quantitative approach. The reproduction of copies and space buying is not inevitably the best or the only marketing strategy.

In this study, **more than 40 % of the receipts are explained by the production budget and the communication budget** but obviously, the "*beau role*" (approximately 60 %) always returns to less quantifiable factors, probably more artistic. As in any field of management of the cultural activities, the cinematographic art does not escape the delicate alchemy between art and financial considerations.

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