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**How Entertainment Companies are changing their
organization: an analysis on Media-Franchise management and
how the movies distribution could change in the future.**

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Part of the journey is the end.

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Table of contents

ACKNOWLEDGMENT	1
INTRODUCTION	5
CHAPTER ONE	8
“AN ANALYSIS OF THE ENTERTAINMENT INDUSTRY”	8
1. OVERVIEW OF THE ENTERTAINMENT INDUSTRY	8
2. THE EVOLUTION OF THE INDUSTRY	9
2.1 HISTORY OF FILM INDUSTRY	9
2.1.1 The “Silent Era”	9
2.1.2 Birth of Hollywood	12
2.1.3 The modern age of film industry: New Hollywood	16
2.2 THE ROLE OF TELEVISION IN THE ENTERTAINMENT INDUSTRY	19
2.3 INTRODUCTION AND IMPORTANCE OF THE HOME VIDEO	22
2.4 AGE OF STREAMING	25
3. RELEVANT FACTORS	27
3.1 MAIN PLAYERS	28
3.2 STRATEGIES AND FINANCING	29
4. AN ANALYSIS OF THE INDUSTRY: SWOT	32
4.1 SECTOR’S STRENGTHS	32
4.2 WEAKNESSES OF THE INDUSTRY	33
4.3 OPPORTUNITIES IN THE BUSINESS	35
4.4 POSSIBLE THREATS	36
CHAPTER TWO	38
“THE FRANCHISING IN THE ENTERTAINMENT INDUSTRY”	38
1. FRANCHISE	38
1.1 DEFINITION OF FRANCHISE	38
2. INTRODUCING THE MEDIA-FRANCHISE	40
2.1 DEFINITION OF MEDIA-FRANCHISE	41
2.2 BRAND IDENTITY AND BRAND EQUITY IN MEDIA-FRANCHISES	41
2.3 DIFFERENT OPPORTUNITIES FOR THE ACQUISITION OF A MEDIA-FRANCHISE	44
2.4 DIFFERENCES AND COMMON POINT BETWEEN MEDIA-FRANCHISE AND THE TYPICAL CONCEPT OF FRANCHISE	46
3. ANALYSIS OF DISNEY FRANCHISE SYSTEM	47
3.1 STUDIOS AND FRANCHISE PORTFOLIO	48
3.1.1 Marvel Studios	48
3.1.2 Lucasfilm	51
3.1.3 Pixar	54
3.2 CHANGING AFTER THE M&A WITH 20TH CENTURY FOX	56
3.3 COLLABORATION BETWEEN DISNEY AND SONY PICTURES FOR A MEDIA-FRANCHISE	56
4. DUALITY BETWEEN CINEMA AND STREAMING: AN INTRODUCTION TO ENTERTAINMENT NEW AGE	58

CHAPTER THREE	63
“INDUSTRY'S NEW TRENDS AND TOPICS FOR RELEASES AND DISTRIBUTION. HOW ENTERTAINMENT COMPANIES ARE APPROACHING TO THE FUTURE”	63
1. A QUICK ANALYSIS OF FRANCHISE BIG SUCCESS.....	63
2. INTRODUCTION TO THE INTERVIEWS	66
2.1 THE VALUE CHAIN IN THE FILM INDUSTRY	67
2.1.1 Eliashberg Film Industry Value Chain Model.....	68
2.1.2 Küng Film Industry Value Chain Model.....	69
2.1.3 Model's choice	70
3. INTERVIEWS.....	70
3.1 INTERVIEW 1: MARCO D'ANDREA	70
3.2 INTERVIEW 2: DAVIDE DELLACASA	75
3.3 INTERVIEW 3: VINCENZO MANDOVA.....	79
3.4 INTERVIEW 4: MARIO FIORITO.....	83
3.5 INTERVIEW 5: GUIDO TUNDIS	87
CHAPTER FOUR	92
“NEW TRENDS AND OPPORTUNITIES: HOW MAJORS' BUSINESS MODEL CAN EVOLVE IN THE FUTURE” ..	92
1. INTRODUCTION TO NEW TRENDS ON CONTENTS AND PLATFORMS.....	92
2. AN ANALYSIS OF THE INTERVIEWS.....	93
2.1 FIRST QUESTION ANALYSIS	93
2.2 SECOND QUESTION ANALYSIS	95
2.3 THIRD QUESTION ANALYSIS	97
2.4 FOURTH QUESTION ANALYSIS.....	99
2.5 FIFTH QUESTION ANALYSIS.....	100
2.6 SIXTH QUESTION ANALYSIS	101
2.7 SEVENTH QUESTION ANALYSIS	102
2.8 EIGHTH QUESTION ANALYSIS	103
3. A NEW BUSINESS MODEL. A FORECAST ON HOW THE CHANGES IN THE ENTERTAINMENT INDUSTRY WILL IMPACT ON MAJORS.....	105
CONCLUSION.....	110
BIBLIOGRAPHY	113
EXECUTIVE SUMMARY	119

INTRODUCTION

The film industry is, today, one of the most important and profitable sectors in the economic landscape.

What, in fact, is called "Seventh Art" is not limited to being just this - an art - but it is much more: the Americans, first of all, with the birth of Hollywood, understood how audiovisual content can be treated as a real industrial or manufacturing product.

This, in fact, is planned and designed for years before being placed on the market and even before its diffusion among the public, they think about the production of any sequel to the movie not yet released.

Since the 1960s, therefore, Hollywood has focused on creating content that could be successful among the audience.

In a first moment were the action, the showmanship and the actors - with the well-known "*Star System*", that attracted the audience to the theater - today the situation is different.

The sector has evolved over time leading to the birth of different genres, higher production budgets and considerable expenses in different business lines such as marketing and merchandising but the change that in recent years has had a more important impact on the production level was the massive use of IP (*Intellectual Properties*).

Intellectual properties are creations that find their basis in other sectors: in literature, such as books and comics, or in video games, an increasingly growing trend.

However, the big screen is the platform that best manages to enhance these properties, giving them to the general public. Hence the concept of media-franchise, or simply "movie franchise".

Many of the very successful movies have, in fact, their origin in other sectors. The majors, deciding to invest in these IPs, having hypothesized the commercial success that these media-franchises could have among consumers. In many cases, these bets have been well paid off: just think that, to date, the movie with the highest grossing in the history of the film industry is "*Avengers: Endgame*" which has as main characters the Marvel's heroes, created by Stan Lee in the 1960s.

If from a production point of view the franchises have changed modern cinema, from a distribution point of view the industry has been undergoing experimentation starting some year ago.

The introduction of "*SVOD*" or "*PREMIUM VOD*" platforms have led the majors to wonder if theatres are still a necessary step in the movie distribution chain.

Platforms such as *Netflix*, *Amazon Prime Video* and *Apple TV+* have completely changed the entertainment sector, originally becoming a competitor to Home Entertainment and now a competition to traditional cinema. This competition has led many majors to enter the SVOD industry: Disney created their own platform - Disney+ - and inherited Hulu after the M&A with Fox; Warner Bros has launched HBO Max in the US; Universal has Peacock.

The duality between streaming and cinema raised many questions. The most important are whether these two release windows can coexist together. If the answer is "no": which of the two can prevail? The majors, still today, struggle to have certain answers to the previous questions.

However, the COVID-19 health emergency has made it possible, as well as necessary, to experiment with release windows different from those of theatres, given the closure of all multiplexes and cinema in most of the world.

Precisely for this reason many film majors have decided to release some of their movies on streaming platforms: the most striking case was the recent release of "*Mulan*" on the Disney+ platform.

How long will this business model be sustainable? There are, in fact, many critical issues about it: releasing a film in streaming, although it may be less expensive, today brings less money to the coffers of the majors.

The present paper, therefore, not only wants to understand how the management of media-franchises and large blockbusters has impacted the business lines of the US majors but also has the intention of understanding whether in the coming years there is the possibility of a change in the distribution of blockbusters.

The first two chapters therefore have a descriptive role in this paper: the industry and its evolutions throughout history will be described with an analysis of ancillary markets to the film industry, such as TV, Home Entertainment and SVOD (commonly known as "*streaming*").

The market analysis will highlight which are the main players in the sector and which are the financing strategies for the majors.

The industry overview will conclude with an analysis of what the opportunities and threats for this sector may be.

The focus, then, will be oriented towards understanding the concept of "media-franchise" which differs from the traditional concept of franchise.

The majors tend to invest more and more in these properties, considering each media-franchise as a company in its own right: the brand of each franchise therefore has its own identity which is divided into the concepts of "*Core Identity*" and "*Extended Identity*".

Given the high strategic importance that franchises cover, it will also be necessary to have an overview of how the majors can obtain the license in the management of a specific IP, also exploiting the brand in other sectors beyond the cinematic one.

The major that, today, bases most of its successes on the use of franchises is Disney. It is therefore necessary to analyze which companies Disney has acquired in recent years and how it has been able to manage the franchises of the latter to get to have the role of leader in the sector.

Disney's ability to enhance its franchises has led some majors to want to partner with the Burbank-based company, such as Sony.

Pixar, Marvel, Lucasfilm: all these famous studios are, in fact, owned by the Walt Disney Company.

The latter managed to enhance the assets of Marvel bringing it to unthinkable results at the beginning of this decade; it gave new life to Lucasfilm which, cinematically speaking, had been absent for years; has managed to acquire and leverage a successful company like Pixar, which has revolutionized the industry.

The first half of the paper, therefore, ends with a study on the duality that exists between streaming and cinema: according to a study of "*institutional logic*" in the near future there may be four scenarios. Consumer reaction to upcoming market developments could lead streaming to prevail over cinema or vice versa. Obviously, there are other scenarios that provide for the coexistence of these two release windows.

The third chapter, on the other hand, will mark the actual beginning of the experimentation.

In the first part of the chapter there is a quantitative study which aims to demonstrate the importance of franchises in today's entertainment sector: through a linear regression it will be demonstrated the hypothesis that a sequel to a franchise tends to earn more than an original movie. The parameters taken as a reference will therefore be the movie's success - represented by the domestic box office - and the number of the movies in the franchise.

After this demonstration, the interviews that were carried out with industry experts will be introduced: each of them has over ten years of experience in the entertainment sector.

Before proceeding with the interviews, the concept of "value chain" in the film industry is introduced: considering that the latter is divided into three parts - *production*, *distribution* and *exhibition* - the interviewees will belong to different phases of this chain and will not all work in the same stage.

The purpose of this is to have a global vision of what can happen to the industry.

The respondents will be given the same questionnaire and their answers are absolutely not influenced by the responses of other colleagues participating in the survey: this would, in fact, lead to a contamination of the data.

The questions will focus on the role that franchises play today and if there is the possibility in the near future of a change in the way of distribution of this type of film.

Each answer is considered a qualitative datum: the individual answers will be analyzed, subsequently, in "Chapter Four" which will conclude the study trying to predict what may be the variations regarding the release windows of the most important movies and the business models of the majors in the next years.

CHAPTER ONE

“AN ANALYSIS OF THE ENTERTAINMENT INDUSTRY”

“Cinema is the ultimate pervert art. It doesn't give you what you desire - it tells you how to desire.”

- Slavoj Zizek

1. OVERVIEW OF THE ENTERTAINMENT INDUSTRY

The intrinsic nature of mankind has always led men and women to nurture a particular interest in what are the arts: they can be understood as expressions of joy or pain, forms of entertainment or simple amusements.

The increasingly relevant attention given by the audience to these arts has brought a profit opportunity to various subjects, first of all the artists. Starting from ancient Rome, thanks to Gaius Clinius Maecenas who formed a circle of intellectuals and artists aimed at supporting the artistic production of the Empire, the latter were protected by the emperor Augustus. All this started the concept of "patronage", the first reward for artists. This phenomenon subsequently saw its apogee in the Italian Renaissance, thanks to the Medici family.

The passage of time made possible that, on the basis of all arts, some industries could be created. Today we define them as "creative industries", which are different but without any doubt the audio-visual entertainment industry, also known as "film industry", has a major role nowadays.

This one is undoubtedly the most industrialized art form of the twentieth and twenty-first centuries, and the undisputed dominator of the cultural life of the new generations. A perfect combination of art and industrialization that characterized the world from the second half of the 1800s.

In this regard, the documentary filmmaker Paul Rotha in 1930 defined the cinematographic sector as a "great unresolved equation between art and industry"¹. (Nowell-Smith, 1996)

The association that the British director made between "art" and "industry" can be traced, in fact, back to the various interests that began to revolve around cinematography starting from the beginning of the last century. By then, the artists were not the only subjects to benefit from the business that was created around the big screen. From here on, an escalation would have arisen, which is still probably far from its conclusion.

Today when we think about this industry we don't refer only to the final product or to the technologies behind it, like it was used to happen at the beginning of the last century: the interests behind this industry have multiplied. The big screen is no longer the one and only platform that can entertain the audience: the concept of ATAWAD (Any Time, Any Where, Any Device) has become fundamental, the viewer wants to have his favorite movies available in any place and any time; the merchandise of the film has become a fundamental ally for the promotion of a product that can no longer be endured only by its intrinsic quality or by the "Star System" which allows greater diffusion among actors' fandom.

This new context has contributed to the creation of new challenges for the Hollywood majors.

It would be good, therefore, to understand how this sector has evolved by studying its history and characteristics.

¹ (Nowell-Smith, 1996)

2. THE EVOLUTION OF THE INDUSTRY

The evolution of the industry plies, basically, in what we can define five points. The first concerns the introduction and development of the film industry in the strict sense, obviously followed by the advent of TV and how these two platforms have divided their respective roles. Subsequently, the "home video" tools such as VHS, DVD and Blu-Ray and the important role they have played for the film majors together with "cable TV", with which various majors still make binding agreements, will be discussed. The overview of this sector will end with the advent of the digital era and how streaming has changed the competition between the players of this industry once and for all.

2.1 HISTORY OF FILM INDUSTRY

Proceeding in order, it is possible to affirm that the history of the film industry can be divided into three major strands: the "Silent Era", the "Birth of Hollywood" and the rise of modern cinema, which we are still experiencing today.

2.1.1 The "Silent Era"

It is difficult to define how and when exactly the history of this sector begins: magic box, cinema, television, all phenomena belonging to the same evolutionary process. Various nations throughout history have attempted to attribute the invention of "moving pictures" starting from Italy, thanks to the experiments that led to the creation of the darkroom in the sixteenth century and various optical toys in the nineteenth century. Various entrepreneurs and scientists responded to this Italian claim over the past two centuries, such as the German Max Skladanowsky and the English William Friese-Greene. It is true that the most recognized suitors on a cultural level are undoubtedly the American Thomas Alva Edison and the Lumière brothers, of French origin.

However, none of these men has ever been unilaterally recognized as the main inventor of cinema and the related industry that derived from it.

The doubts inherent in the sure assignment of the invention have never denied scholars to establish with certainty when the first phase of the film industry begins: it is March 22, 1895 when the brothers Auguste and Louis Lumière showed the room they built in a meeting of the Société d'Encouragement à l'Industrie Nationale; the first demonstration to the paying public will take place in December of the same year at the Grand Café in Paris.

Some private performances with similar instruments were also held a few years earlier but this is the date that will mark the beginning of the cinematographic silent era.

This event will mark the French hegemony in the cinema compared to European rivals in terms of production, distribution and exhibition, although from an innovative point of view it was England and the USA that commanded.

In the first decade of the 1900s the clash over cinematographic domination was between the United States and France. In the latter country, the Pathé Company, founded by Charles Pathé, had established itself and in three moves ensured its dominance managing to distribute in 1908 twice the quantity of movies if compared to its American colleagues.

The transalpine company, first of all, acquired the patents of the Lumière brothers in 1902 and incorporated the Méliès Film Company before the First World War. Later he founded subsidiary production companies around Europe, as in Italy with the "Italian Art Film" and in Russia with Pathé-Russe.

Despite this initial dominance, some studios in America had laid the foundation for the industry's overwhelming power in the years to come, such as the "Edison Manufacturing Company", the American Mutoscope, the Vitagraph Company and the Biograph company.

Overseas, the invention of "moving pictures" is linked to the name of Thomas Alva Edison: however, a group of his collaborators, led by William Kennedy Laurie Dickson, created the Kinetoscope, ancestor of the cinema projector.

Near New Jersey, they also created the so-called "Black Maria", known as the first "film studio", that was the size of a police van.

The merit of Edison was to market the machine invented by his company first and to enter into various commercial agreements for the production of some films.

Subsequently, the rights were acquired by the American company for the production of the Vitascope, a machine originally designed by Thomas Armat and Francis Jenkins but produced by Edison: it was presented to the public in New York for the first time in 1896.

In the very first phase of the film industry was the Big Apple to be considered the capital of cinema². (Usai, 1994)

However, Edison was unable to patent his invention in Europe to the point that the British R. W. Paul came to copy his invention by also installing fifteen Kinetoscopes in the exhibition hall of Earl's Court in London. Edison tried to protect his invention by limiting the offer of films. Paul's answer was simple and effective: he also went into production by creating a studio in the north of London in 1900.

In Europe the dominion of France was therefore questioned by the birth of several studios in England: in 1902 two studies were born in Brighton founded by George Albert Smith and James Williamson, major exponents of the "Brighton School".

The whole sector at the time worked in a totally different way than today. In Germany, the United States and England the films were not rented but sold and this allowed the development of permanent exhibition sites. Furthermore, the roles were not as divided and explicit as they will be in cinematographic Hollywood: one of the first and most important directors in history was Edwin S. Porter who in 1900 worked for the Edison Company as a mechanic and production manager, leaving the management of the part artistic and creative staff with past experiences in the theater.

Another example is the Vitagraph's one, which saw Albert Smith and James Stuart Blackton continuously exchange the role of director and actor. The director's role was born around 1903 thanks to the Biograph Company which will entrust the responsibility of filming to a single individual for that year.

At that time, in fact, film editing had the role of increasing visual pleasure rather than being a useful tool for recording purposes. The most obvious example is "A Trip to the Moon" of 1902, directed by the magician Georges Méliès - the first in the world to use "special effects" as the slow motion - which filmed the same scene from two different perspectives: the one of the spaceship that it lands on the face of the moon, which changes its expression because it is hit, and the other of the moon which sees the spaceship landing on itself and the astronauts descending³. (Pearson, 1996)

In those years, also the cinemas were totally different. The purchase of the films by the exhibitors allowed the development of some sites where they were permanently shown. The first structures were born in the USA in 1905 and shortly thereafter spread to the world. Typically, the first screenings in history were made by some traveling showmen who showed films to a paying audience for \$ 2.

Obviously, there was no fixed position: the cheapest places where the projections took place were curtains during fairs or some shops' windows were rented for a short time. The alternatives were theaters and churches. All this happened shortly before the birth of nickelodeons.

Given the fairs' attendance by the working class and the theatres' attendance by the more high-classes, cinema was able to prove itself a democratic art whose audience was heterogeneous, not belonging to a single social class.

The showmen had a very important role for the time: in addition to having to spread the medium, they chose the order of projection of the various films and their theme. That time's movies were, of course, silent but this must

² (Usai, 1994)

³ (Pearson, 1996)

not, erroneously, suggest that there was silence in the room. The exhibitors, in fact, always chose sounds to accompany the images: sometimes there was a narrator describing the scenes, other times there was music with an orchestra or a solo piano or some noises connected to the scene were simulated, such as gun-shooting, to immerse the viewer more in the story.

Between 1907 and 1913, the film industry as it is known today began to emerge: the constant demand from the public and the growing demand from exporters led to greater specialization and, therefore, a division of roles within of the sector itself.

Initially the audience who attended the shows was not as numerous as today, this involved a short program and a continuous change regarding the rates to be applied.

Furthermore, in order for the newborn industry to reach an adequate level of social respectability, the film companies, urged by various state organizations, established internal censorship schemes that should have been respected by every coming movie.

The American dominance in the film industry will begin after the first decade of 1900, immediately after the First World War. At that time, in fact, it was Europe that produced the most successful films: considering 1200 movies reproduced in the USA only 400 had domestic origin, arousing the discontent of critics, especially because of the un-American principles that European films contained.

American film production at the time took place purely in two places: New York, where the most important production companies such as Edison and Biograph were based, or alternatively in Chicago. California was used as a location only at certain times of the year - such as winter for example - in order to take advantage of the most favorable climatic conditions compared to those of the east coast.

In 1906 the permanent exhibition sites began to spread thanks to Nickelodeons - they were called in this way because of the entrance price set at 5 cents per consumer - which, unlike the shows shown by the traveling showmen, had a frequent turnover of films since the tendency to rent films and no longer to buy them will start to spread. The purchase of films was economically inexpensive for cinemas as they had high costs but the revenue curve tended to decrease with the passing of time, as viewers were reluctant to see a movie already seen: in fact, showmen could afford to buy films given the continuous change of audience from fair to fair, unlike what happened in Nickelodeon, where the audience was always the same.

In this period, competition between different exhibitors began to develop: the latter, located at most a few kilometers away from each other, competed for the same audience, often renting the same films. The proliferation of this medium and the birth of competition made it necessary, therefore, a regulation of nickelodeons.

Starting in 1908, the most important American manufacturers joined with the aim of stabilizing the sector and protecting their interests by creating a Trust, also known as the Motion Picture Patents Company, or simply MPPC.

This Trust included companies such as Biograph, Edison and Vitagraph: they exercised power thanks to the sharing of patents that each of them held. The purpose of this organization was to let every nickelodeon purchase a license which would have allowed them to reproduce every movie produced by the MPPC. The impact that this Trust had was significant given that in 1909 less than half of the films reproduced were foreigners, a totally different situation compared to the one in 1900. The French company Pathé, in order to export its films to the States, joined the MPPC.

In 1910 this organization began with the implementation of commercial practices that over time would become customary for Hollywood studios, such as charging a higher rental price for the latest releases while for older films the rental price would have been lower, in order to do a discrimination between cinemas: those with newly released products and those with older products. In addition, the General Film Company was established having the role of a separate distribution arm⁴. (Uricchio & Pearson, 2014)

MPPC ceased to exist in 1915 when, following the measures of the Sherman Anti-Trust Act, it was declared illegal but by 1912 it had stopped exercising a strong influence in the industry. The place of the producers of

⁴ (Uricchio & Pearson, 2014)

MPPC, which would soon disappear, was taken by the nascent Hollywood companies, which decided to oppose on the attempt of oligopoly.

Carl Laemmle formed the IMP (Independent Moving Picture Company) in 1909 - which included all the producers excluded from the MPPC and therefore considered as "independent" - which had the task of producing films for the Nickelodeons without the license.

Thanks to the help of some Italian companies, such as the Ambrosio, the quantity of films produced by IMP was equal to that of MPPC. This small opposition, born as an independent studio, over the years will become Universal, one of the most powerful and important studios in Hollywood.

IMP shaped the cinema of that time and made it very similar to the industry we know today: the creation of the "star system" happened thanks to this organization. In fact, the audience of the time was retained by a particular studio that had produced certain movies. Until 1909, in fact, it was impossible for the audience to recognize the actors who took part in a film due to the distance between the camera and the cinematographic action: with the approach of the former it will be possible to recognize the actors and from there the loyalty of the consumer will pass from the brand of the production studio to the name of the actor.

The economic equilibrium of the film sector has now changed definitively thanks to this move⁵. (Pearson R. E., 2005)

In those years, following the example of IMP, other independent studios began to be born such as Fox, founded by William Fox, or Paramount, founded by Adolph Zukor: both would have dominated the film sector⁶. (Gomery, 1992)

2.1.2 Birth of Hollywood

The outbreak of the First World War on European soil in 1915 sanctioned a halt in the development of the film industry especially in territories such as the French one and the Italian one, the main competitors of the USA in this sector. At the same time, in America, the center of gravity of the entertainment sector began to move from New York to the west coast, more precisely to Los Angeles, California.

This change was mainly due to five factors:

- a more favorable climate that allowed filming even in winter;
- Los Angeles, had both sea and mountains, was a perfect location for filming;
- the cost of the territories was lower than in the east, this allowed lower purchase and construction costs of the production studios;
- the lack of unions;
- the low cost of labor.

The change of the headquarters of the film industry also coincided with a narrative change: the low cost of the west coast allowed the studios to produce feature films.

The Hollywood system represented a completely new direction taken by the film industry, also aimed at acting as a watershed with the "Silent Era". The "star system", born in the first decade of the 1900s, became established considerably starting from 1925 thanks to actors like Charlie Chaplin, protagonists of both silent and sound cinema.

Furthermore, the organization of the sector itself, with the transfer to Hollywood, changed radically until it reached world supremacy in a single decade, starting from 1915: there was a vertical integration by the studios of all aspects concerning the main business - production, advertising, distribution and exhibition - and the work was concentrated in factories-like studios; in addition, just like many other industries of the time, also the cinematographic one made use of some business techniques such as economies of scale. This led to the creation

⁵ (Pearson R. E., 2005)

⁶ (Gomery, 1992)

of the "studio System" and allowed Hollywood to gain a competitive advantage over all the other competitors who were, therefore, forced to copy this system.

In 1912, in fact, the studios that were then known as the "independents" produced enough movies to fill cinemas and each film was widely advertised. In addition, the films were easily exported abroad: silent cinema allowed specialists to quickly translate subtitles and produce foreign language versions at a low cost. Such worldwide popularity created a high demand for films and therefore required non-stop production.

Independents also began to take control of the exhibition: instead of buying the 20,000 cinemas that already existed on US soil, they focused on buying new spaces to build larger movie theaters in major American cities.

In 2020, the latter grossed over three quarters of a movie's revenue.

Thanks to these new, larger, cinemas production companies like Fox and MGM grossed millions of dollars every year. The final gain was very high if you think, on average, the cost of a film was around \$ 250,000 more than the additional costs for advertising and translations.

The "independent" had become the system⁷ (Gomery, *The Hollywood Studio System*, 1986).

The industry model created in Hollywood was admired all over the world, so much so that many exponents of the European film industry visited California to better understand the ways of working that were used in the USA.

For many of them, in fact, the ninety-minute feature film - which was typical in America - was considered totally new. Newsreels or animated short films lasting up to ten minutes could only serve as a complement. The irony was that this concept of the feature films was taken up precisely by Europe which, typically, had films that lasted longer than their American counterparts. Noticing that a longer duration led to a larger audience, they studied this new format for all the upcoming films. The cost of each film was between 100,000 and 500,000 dollars. Many of these emissaries came to study cinema as a means of propaganda: among them, for example, was the Italian Luigi Freddi, head of the Italian fascist film industry and, then, journalist for the newspaper "Il Tempo"⁸. (Balio, *The American Film Industry*, 1985)

In these years the "Hollywood system" was developing, as already written, which implied a totally new method of working. A big news was the enhancement of the actors who went from earning \$ 100 a week to earning \$ 10,000 a week. A great exception to this system was the birth of UA (United Artists), in which the production of films was entirely managed by the big stars of the industry, such as Chaplin himself.

This production studio coexisted for a few years with the other majors, however the latter's offer of films was significantly lower than the demand required by the managers of the cinemas: the former offered a film played by a great star every 48 months, while the latter asked for at least three films a year with these actors.

This helped to further characterize the industry: the stars would collaborate with both the major majors and the UA, however the artists realized how important was their contract power towards the majors, that would help them earn more.

With the increase in demand, in fact, the required specialization was further increasing compared to that of the beginning of the decade and the processing techniques evolved becoming more and more similar to those used in today's cinema. There was now a clear separation between the director, the one who was in charge of staging actors and visual elements, and the operator, the one who was in charge of the recording.

Furthermore, staff were hired to improve the narrative, such as the writers - who in fact had a very delicate role since their work would have to be evaluated by producers before it could be filmed - or specialists who took care of the appearance of the actors and their surroundings: the designers and set artists.

The directors realized that it was more convenient, in working terms, not to shoot the scenes in chronological order - as was done in the theater therefore, respecting the history - but to shoot the scenes separately following the amount of daily work and then assemble them in chronological order during assembly.

⁷ (Gomery, *The Hollywood Studio System*, 1986)

⁸ (Balio, *The American Film Industry*, 1985)

All of this required careful study of work scheduling to reduce the cost as much as possible. Often the movies were planned a year or more before the release in order to plan efficiently the amount of work and to coordinate the release with other upcoming movies.

In addition, efforts were made to protect the health of staff and actors as much as possible by hiring doctors and firefighters who were to ensure their presence on the set and police forces to protect celebrities from too many fans⁹ (Balio, *United Artists: The Company Built by the Stars*, 2009).

To maximize profits from abroad, it was founded by some Hollywood companies the MPPDA (Motion Pictures Producers and Distributors Association of America) to keep the relationships with international markets open and profitable.

Hollywood movies in the mid-1920s were dominating the market not only in English-speaking countries such as Canada, Australia and the UK but also most of continental Europe (with the exception of Germany and the Soviet Union) and central-south America.

Japan, at that time, imported US films but did not export any of its own movies: it was therefore not considered a dangerous competitor from Hollywood, unlike Germany and Great Britain. The latter two, in fact, sought to undermine American dominance by limiting the imports of films.

In the UK, in 1927, the "British Quota System" was introduced, which imposed a predetermined quantity of British movies to be exhibited to the audience: for this reason, some Hollywood companies opened production plants in Great Britain in order to classify the films as produced in England.

Germany, however, adopted the "contingent system" which allowed the importation of only a limited amount of American films. In order to undermine the balance of the German film industry, the US began to cast the most famous German actors for many roles, most of them would have permanently moved to Hollywood later on.

Starting in 1914, the cinema structure was also changing thanks to the opening of the Samuel 'Roxy' Rothapfel in New York, which had a capacity of 3,000 seats. The structure went far beyond that of a simple theater and was intended as a fantastic land with a touch of class, which was given by the ushers.

Only a few years later the Roxy failed but had, nevertheless, left a legacy: from here on the cinemas would never be the same again.

In 1917 the Central Park Theater was inaugurated thanks to Barney Balaban and Sam Katz, supported by a powerful union that included John Hertz - who became famous for his car rental service - and the famous chewing gum tycoon William Wrigley Jr. : the two entrepreneurs studied in detail the position of their cinemas' chain and decided not to place them always in the center of the city. Sometimes the structure was deliberately positioned in the suburbs, close to a public transport stop in order to allow to all kinds of spectators to go to the cinema using the public transport means or to reach it walking for few minutes. The architecture was meant to isolate the viewer from the outside world and above the entrance there were large electrical signs that could have been seen from far away especially in the darkest hours of the day.

The two entrepreneurs also tried to make the interior part of the cinema comfortable for their customers, obviously trying to improve as much as possible the acoustics and visibility of the screen and creating childhood areas or smoking areas to relax the viewer. In addition, they made summer the "cinema's season" by equipping their facilities with air conditioning, which had never been done before and which previously forced cinemas to close during the summer.

This example was also taken up by many other theatre's chains that began to emerge in those years, such as those of Paramount with Adolph Zukor and Marcus Loew's MGM and Warner Bros.

The Hollywood industry will dominate the entertainment industry worldwide and the arrival of sound cinema will only eliminate competition with what could have been possible substitutes, such as live shows.

The power that had arisen around the Hollywood industry was demonstrable by the survival and success it had despite the threats of censorship, anti-monopoly laws, the closure of foreign markets – that was filled thanks to

⁹ (Balio, *United Artists: The Company Built by the Stars*, 2009)

the work of agents of American's majors in Europe or thanks to the installment of distribution facilities - and the loss of public between the 1920s and 1930s¹⁰. (Balio, The American Film Industry, 1985)

With the passage of time, despite the various crises and censorships, cinema was evolving and Warner Bros. for first decided to bet on "sound cinema": the major's aim was to accompany a sound reproduced by a disc synchronized to the scenes. The first film to test technical story was "Don Juan" in August 1926¹¹. (Cardillo, 1987)

The musical accompaniments that highlighted the films of silent cinema evolved, of course, and thus the soundtracks will be born which will begin to be less and less reproduced live and increasingly recorded on a disco and reproduced simultaneously with the video.

So, over the years, the typical practices for watching a movie became three:

1. Live accompaniment (with orchestra or piano);
2. Film, video or laser disc with a synchronized soundtrack projected in the cinema hall;
3. Version of video or laser disc projected on the home TV.

The last two, which at the beginning seemed impossible, were now much more feasible and were a watershed in the history of cinema since they will definitively decree the end of silent cinema, marking the beginning of sound cinema¹². (Nowell-Smith, 1996)

Many artists resisted to the advent of sound, although starting from the "Great Depression" of 1929 each major began to make greater use of it in order to evolve and hence survive.

Therefore, the artists, began to use it in their favor while maintaining movies with no dialogues: this is the case, for example, of Charlie Chaplin's "City Lights" (1931). The beginning of the image-sound combination in cinema is due to a pure economic logic that made radio as a possible rival to cinemas, because radio serials' creation that were intended to entertain and retain the audience. Paradoxically, it was precisely the technology conceived for radio that solved many problems related to sound - such as reproduction and amplification - in films. Furthermore, the radio had created a sort of habit for the consumer to hear a "distant" voice reproduced by a technological device. A few years before 1930 the "*Movietone*" was launched and this event sanctioned the "death" of silent cinema: with this instrument, alongside the frame, the sound was recorded directly on the film in the form of light which would then be converted back to an electrical signal and, finally, in audible signal in the hall.

This innovation was used both as an information and political propaganda tool as well as an entertainment tool for the audience.

The genres that will benefit most from this innovation are comedy and melodrama which can now make use of dialogues. The musical will also make its cinematic debut in those years, as it will benefit from the music and voices of the actors in addition to the choreography that could be seen on the screen.

From now on, animated films will also have big success: "Steamboat Willy", the first large-screen film by Walt Disney will also mark the birth of a modern icon, Mickey Mouse, destined to dominate the sector for the years to come¹³. (Ciarambino, 2005)

In addition, with a 1946 decree, the Paramount Decree, the national dominance of the top five American studies was stopped.

To be more precise: if the world film market was controlled by Hollywood and the USA, it is possible to say that the US domestic market had eight main players, many of which mentioned, such as Warner Bros, Fox, MGM, Paramount and RKO, which were the five more powerful and three others such as Columbia, Universal - which were producers and distributors - and UA (focus on distribution).

Each of the former five owned a chain of cinema and, through a relationship of reciprocity, the studios entrusted each other with first-run films: all this meant less contractual power on the part of the three remaining majors, due

¹⁰ (Balio, The American Film Industry, 1985)

¹¹ (Cardillo, 1987)

¹² (Nowell-Smith, 1996)

¹³ (Ciarambino, 2005)

to the fact that they didn't own any movie theater. In addition, the latter were also disadvantaged by the practice of "block booking" which was implemented by the large studios towards the cinemas that were not owned by them, forcing them to buy or rent films considered as "class B" (therefore with low production costs and doubtful probability of success) to have also the "class A" films, which cost more and which were a guaranteed success at the box office¹⁴. (Balio, *Grand Design: Hollywood as a Modern Business Enterprise*, 1995)

The 1948 decree had the task of prohibiting the following practices from Hollywood majors:

- Set admission prices in film licenses;
- Maintain distance systems for cinemas that are not in substantial competition;
- Implement the practice of block booking;
- Engaging in formula deals and master agreements.

The final verdict forced the cinemas to divest many of their cinemas from their chains to end the monopoly and, if other cinemas had been integrated, such purchases would not have had to substantially alter the market balance¹⁵. (Conant, 1981)

2.1.3 The modern age of film industry: New Hollywood

Despite technological innovations, such as sound, which observed the film industry in the 1940s, the sector has seen a drop in profits due to the beginning of the Second World War, which had heavily damaged nations such as Italy and France, which were not only producing a huge amount of movies per year but also importing many of them from the United States.

From 1945 to 1948, after the end of the war, the amount of the films produced would have returned to be huge.

The techniques, however, will continue to change making improvements to the audio comparison and the video comparison¹⁶. (Ciarambino, 2005)

- The former was subject of a passage from optical to magnetic recording around the 50s: the reception was excellent, so much so that stereophonic and multichannel reproductions were prepared. The great flaw of this new audio system was the high cost and the disturbance caused by the coating of the magnetic tape, which then led to the abandonment of this technique in the 1960s in favor of Dolby (developed in 1971). Dolby Stereo deals with an audio system that offers greater spatiality to sound and special sound effects: the first movie to use this technology was "Star Wars" (1977), directed by George Lucas. The success of this technology in the cinema was given not only by the best quality, but also by its compatibility with most of the systems.
- The most important change that will be developed to the comparison of the video will be the introduction of color. In 1928 there was a first appearance of a film in Technicolor technology - it was "On with The Show", a 1929 movie - and the feedbacks were not immediately enthusiastic. It is also necessary to consider that the tri-color Technicolor requires a higher cost due to the use of a camera with three different films. Despite this, it began to be widely used between the 1930s and 1950s.

After the end of the Second World War, the world entered in a new, complicated, period: The Cold War.

The main parties were two of the winners of the previous conflict: the USSR and the USA. This provided producers with new ideas, such as spy films that will be released in large numbers between 1949 and 1974 but also creates frictions in the industry, given the establishment of the HUAC (House Un-American Committee) which had the role of investigating the possible communist influences that could have occurred within Hollywood: anyone who refused to help the US government would end up on a blacklist that would have prevented him from working again in Hollywood. One of the best-known faces that ended up on this list was the previously mentioned Charlie Chaplin, one of Hollywood's greatest.

¹⁴ (Balio, *Grand Design: Hollywood as a Modern Business Enterprise*, 1995)

¹⁵ (Conant, 1981)

¹⁶ (Ciarambino, 2005)

Between the 50s and 60s, however, the film industry faced a major crisis: the American cinemas peak in 1946 was of 90 million spectators, while in 1960 the weekly spectators in American cinemas were just over 40 million. A drop of 50% which was mainly reflected in the majors' coffers: many work contracts were canceled; the nascent trend was to offer freelance jobs for the various operators.

However, in the non-communist European countries, the import of American films increased; the Hollywood film industry partially made up the losses with exports and the success of drive-ins.

Furthermore, the closure of several cinemas was joined by the rise of television, which was seen as a new entertainment's mean, although in Hollywood they had always considered it as a "*lower instrument*"¹⁷. (Monaco, 2010)

Like so many other industries in the course of their evolution, even the film industry was facing a moment of crisis during the 1960s: the artistic and economic dominance manifested by Hollywood was beginning to falter. The Academy's Best Picture, in those years, were won by English films and a big consideration was given, also, to Italian movies, thanks to directors such as Fellini and Antonioni. The example of the economic dominance's loss, however, is visible with one of the Fox films failure: *Cleopatra*. The major was forced to sell part of its real estate assets between Westwood and Beverly Hills to make up a loss of over \$ 30 million. Moreover, in 1963, about 160 films were produced in the USA, against the 450 per year that were produced between the 1930s and 1940s.

It was Jack Warner, of Warner Bros, in 1964 who re-emphasized American cinema thanks to the movie "*My Fair Lady*" with Audrey Hepburn: the movie's premiere at the Egyptian Theater was received by a crowd of fifteen thousand teenagers and earned 46 million. The evident recovery was verifiable also with the release of "*The Sound of Music*", produced by Fox. The latter will become the most profitable movie of those years and it would have held this primacy until the late 70s.

At the end of the 1960s, American cinema began to recover thanks to the introduction of new genres such as the "*Screwball Comedy*": the atmosphere, the music and the protagonists of the movies were changing and were being represented as "outsiders". This also allowed a change in the target audience: the majority of them were, indeed, young adults or teenagers.

The cinematographic sector in the 1970s was changing from what it was only half a century before: with the crisis that hit the industry, many majors were bought by large conglomerate corporations. Warner, for example, was acquired by the Kinney National Service Corporation. Only Columbia Pictures and Twentieth Century Fox were not taken over by any large conglomerate during this period.

The reason for this trend was explained by the fact that many large corporations saw the "*leisure*" sector in growth and they knew that, in the long run, an acquisition would have generated excellent results: the number of films began to grow again and in the mid-70s the movies produced was more than three hundred. Thanks to these acquisitions, the majors enjoyed new financial resources and commercial knowledge¹⁸. (Monaco, 2010)

Moreover, starting from the '70s, movies' sequels will assume more importance: the most notorious examples are the "*The Godfather*" saga, by Francis Ford Coppola, and "*Star Wars*" directed by George Lucas which will become a successful franchise in years to come. The good reception of these movies has characterized the film industry in the last thirty years of the 1900, increasing also the budget for "A class" films.

In these years the agents begin to have more and more importance, allowing their clients a greater contractual and artistic power, moreover multiplexes are opened in shopping centers or in the suburbs: unlike the Nickelodeons, they allowed the reproduction of multiple movies simultaneously in different theaters, therefore greater power of choice in the film to be seen by the consumer. The social role assumed by these structures in these years had a great relevance since the public could watch films either here or on television, in which the number of networks was limited to three (CBS, NBC and ABC) since the sector of home video had not yet been developed.

17 (Monaco, 2010)

18 (Monaco, 2010)

In 1975 "*Jaws*" is released in cinemas, directed by Steven Spielberg, which would completely change the business around the film industry. The innovations brought to the sector by this movie were, essentially, three:

- It introduced the practice of "*saturation booking*" in New Hollywood, which consisted of the simultaneous release of the film in all theaters in the United States and Canada. The release of the film was treated as a national event. In the classic Hollywood era, in fact, movies were released first in some cities (such as New York and Chicago) and then in the rest of the USA. By now this was no longer possible;
- A major marketing operation was carried out to promote the movie, thanks to television commercials and the main US talk shows which hosted the film's protagonists. From now on this practice will spread but until 1975 marketing for movies was mainly done on newspapers and on cinemas using posters;
- The launch of franchises' merchandising with the realization of gadgets and novels inspired by various films. Soundtracks will also cover a considerable importance, although it was possible to find in record stores the movie's soundtracks already in the '60s, *Jaws* transformed this business from a marginal one to a main one for blockbusters.

Fictional stories like "*Star Wars*" were accompanied by stories that took their cue from the recent events: in 1972 the "Watergate case" broke out which led the President of the USA, Richard Nixon, to resign and Hollywood with the film "*All the President's Men*" (1976) took on the role of telling it to the public. The role of cinema had totally changed compared to a few decades earlier: the industry had found new vigor thanks to funding from the past decade and now had an even more important socio-cultural role than in the past¹⁹. (Monaco, 2010)

In the 1980s the entertainment sector began to change thanks to the introduction of new technologies, therefore ancillary activities such as home video, which could have made the American majors collect more money than just distributing movies in theatres.

There was also another change in the organizations of the various production companies: they were sold by the various conglomerate companies, which bought them a decade earlier, that did not belong to the communications and media industry to the giants specialized in the latter. Thanks to these kinds of acquisition the American movies would have battled for country's ideological and cultural wars.

But this, was just the beginning: the '90s were full of innovations for the sector.

There was a change in the technologies used: editing, special effects and sound were taken care of in post-production thanks to computers' special programs. This news immediately caught on in the sector so much that what seemed to be a big change in the early 1990s had become normal practice in the second half of the decade: it was the first digital revolution in the film industry. From here on, a smaller use was made of scale models and the locations' reconstruction on the set, in favor of CGI²⁰ (Computer-Generated Imagery). (Mee & Walker, 2014)

In addition, the organizations of the majors began to change: all the most important studios created an independent branch. Even the meaning that was given to the term "independent" changed over time.

In the first twenty years of 1900, all the film companies that distributed films to the Nickelodeons without a license and who obtained funding for the films in an alternative way compared to the majors of the time were referred as "independent studios". Towards the end of the century, however, "independent studio" will be understood as belonging to a larger production house but which produces films with different typology or contents if compared to the ones of the "parent company".

Each major had independent branches: Twentieth Century Fox, for example, had *Fox Searchlight*.

In 1993 the Walt Disney Company acquired *Miramax* which produced films such as "*Pulp Fiction*" and "*Hollywoodland*": both films, in terms of the tones and themes addressed, were far from any other movie Disney had ever produced.

This trend allows us to understand how the organization within the majors was changing, due that the independent branches were a means of producing different films and, therefore, also trying to involve a different audience target than the one attributable to the "*parent company*"²¹. (Monaco, 2010)

19 (Monaco, 2010)

20 (Mee & Walker, 2014)

21 (Monaco, 2010)

The new millennium will introduce new challenges for the movie industry from an economic and social perspective. In fact, in the early 2000s, three themes of considerable importance were touched: the attack on the World Trade Center in New York, the total globalization and openness to new markets, the greater importance of digitalization.

- The attack that took place in New York on 11 September 2001 will obviously have serious repercussions on the entertainment sector and on all the media, therefore on cinema. The films produced in the first decade of 2000 will have the role of making the American people elaborate the mourning and make the world audience reflect on what happened so that such a tragedy would never happen again. The narrative expedients were mainly two: the first, used in the movies "*11'09'01: September 11*" (2002), was aimed at making it clear how the tragedy had been experienced in different parts of the world; the second, used in Oliver Stone's "*World Trade Center*" (2006), tended to celebrate the moral strength of US citizens during the recovery of this tragedy. Obviously, references to the compactness of the New Yorkers were not lacking in other movies of the time – including the ones with fictional characters and events - as in Sam Raimi's "*Spider-man*" (2002).
- The total globalization process that began a few decades earlier was reaching its peak: the Japanese market which in the last millennium was a regular importer of American films opens up completely to the western market, thus ceasing to be a product that only showed at festivals. Hollywood will benefit of this opening by producing remakes of Japanese movies, hiring more oriental artists in their adaptations or by exploiting the exotic potential of the Oriental lands to make films, such as "*The Last Samurai*" (2003)²². (Carocci & De Vincenti, 2009)
- The role of digitization in cinema industry will begin to be fundamental, especially in the post-production phase for the correction of the shots and the addition of visual effects. With "*Toy Story*" (1995) we will also have the birth of digitally animated films. Obviously, the scenography had not totally disappeared in favor of the green screen, but it accompanied and, in some cases, facilitated the addition of special effects. Cinema no longer appears as a single photographic art but has opened up to new horizons that will characterize the Seventh Art. In this regard Lev Manovich lists what, in his opinion, are the three characteristics of "*digital cinema*": 1) the filming can be replaced with 3-D animations; 2) the live recording is, by now, "*raw material*" that must be worked on the computer; 3) adding special effects and editing are no longer seen as separate activities but as a big and single process²³. (Manovich, 2001)

The shape of the industry will change further towards the end of the first decade of 2000 and the beginning of the second decade due to a change in the use and distribution of movies: streaming platforms are born.

The "*On Demand*" services had already been around for a few years but the birth of these new distribution methods was dictated by the companies' need in the sector to approach a younger audience: young people, in fact, spend a big amount of their spare time online and playing video games, this reason has pushed the film industry to collaborate with companies belonging to the high-tech sector. The USA is still the most advanced market for this type of innovation, considering all the platforms that have been launched from the early 2000s to today such as *Netflix*, *Hulu*, *Disney +* and *HBO Max*.

The rest of the world was hit later by these streaming platforms: Netflix, for example, was launched in Europe starting from 2011.

2.2 THE ROLE OF TELEVISION IN THE ENTERTAINMENT INDUSTRY

In the early 1950s, the entertainment sector added a new tool destined to change the shape of the industry for the years to come: the television.

²² (Carocci & De Vincenti, 2009)

²³ (Manovich, 2001)

Having started to spread earlier, this tool will debut in almost every American house after a few years - around the mid-1950s - and from there it will start to spread all over the world.

At the time, TV was seen as a worthy substitute for cinema, especially by young families who, having a mortgage and two cars, had expenses to bear: watching a movie at the cinema had become too expensive for them and, therefore, they gathered in front of the TV which broadcast programs totally for free. Shortly thereafter, television would become an essential object for American houses because it was considered the base of entertainment for the American middle class during the '60s, thanks also to the election of John Fitzgerald Kennedy as US President in November 1960 which shifted the gaze of the population from the consequences of the *Great Depression* and the *Second World War* to a "*New Frontier*" of American history and the whole world²⁴. (Parsons, 2008)

The rivalry between the film industry and the television industry became more intense between the mid-1950s and the mid-1960s when the former lost 50% of its gains mainly due to a nascent strong reputation of the latter. Many big screen actors were strictly prohibited from participating in television productions. Obviously, there will be a radical change in the relationship between these two platforms after 1964: the big studios started to create some specific products for the small screen.

The television industry was, however, completely different from the film industry, especially from a purely managerial point of view. Film producers, in fact, had greater creative control: the plots and the actors were intended to attract the audience to the cinema to watch movies. For TV it did not work just like that: a compromise between creative power and managerial power will only come about in the early 80s.

Following a study by Vince Kepley Jr., it is possible to understand the reason for the division of these two powers. At the time, the most important television networks in the USA were NBC and CBS: the fame of these broadcasters was due to the past by radio stations that both had. The advent of the television will lead both to expand their business, thus including television broadcasts and trying to move a large part of the radio audience in front of the TV.

NBC was one of the networks that belonged to a larger holding: it was, in fact, owned by a manufacturing company called RCA, founded in 1919. The creative power of the NBC authors was therefore subordinated to the decisions of the RCA managers. The latter had as its prerogative in the sale of TVs and not in a successful TV programming. This led NBC programming to differ strategically from its main competitor, CBS: the first followed the company policies dictated by the parent company, such as how to highlight the technological components of the televisions that RCA would have to sell; the second, on the other hand, followed a strategy similar to the Hollywood one, referring to the Stars of the small screen and to a programming capable of entertaining the public²⁵. (Johnson, Kompare, & Santo, 2014)

NBC's programming policy will change with the entry of Grant Tinker, who will also serve as the CEO of the network during the '80s.

Especially at the time there was a clear separation between the "*managers*" of the network and the "*creative*" producers: these two factions were often at odds with each other during the study of a program schedule and the development of new programs.

The figure of Tinker will be the first in the history of the industry to act as an "*intermediary*" between the two factions, making creative managers understand the managers' commercial concerns and, on the other hand, explaining the creative choices to the managers and why these had to be respected.

From now on, each company will have a person aimed at filling this role. In recent years these people are known as "*showrunners*".

Around the 1970s, the US and the world were preparing to change forever: technology would have made it possible to carry out actions that were unthinkable at the time, such as electronic banking services, instantaneous

24 (Parsons, 2008)

25 (Johnson, Kompare, & Santo, 2014)

passage of news at national level and on-demand television programming. In short, it was not just changing technology but the way it was understood.

In those years, in fact, "pay TV" began to slowly spread. The slowness of this procedure was due to legal disputes that arose, obviously, in every part of the world but which were, in any case, soon resolved.

For example, in the US, the FCC (*Federal Communications Commission*) delayed regulation since, according to their statements, "*it would cause the disappearance of local stations.*"

Therefore many operators began to advertise cable TV and pay TV addressing certain market niches, promising more sophisticated programming for the more intellectual audience, programs that would meet the needs of ethnic minorities, products rejected by public broadcasters and, finally, promising a diversity of services: whole transmissions would have been dedicated, for example, to merchants who could have shown their products better, than they would have ever done in a normal advertisement.

Pay TV was also a salvation for the cable TV system. One of the executives of the time, Ralph Baruch, declared:

"We charted the revenue outlook in the next five years with the cost side of running cable. It was obvious that within the next two to three years the costs were going to outpace revenues, which would have been an insupportable condition. The question was, what do we do? Well, it seemed to us that the only thing on the horizon was pay television."

Due to the support of the public and the Nixon administration in the 70s, the FCC will also consider the activity of pay TV and the services that it was able to offer, albeit with many limitations, to be able to broadcast ten years old movies: in favor of the platform there were also several business and law professors from various universities who supported the publication of a 1973 study done by the Brookings Institute - a non-profit public policy organization - in which it was stated that not only the pay TV was a medium that could change entire communities just like the automobile, but it was also said that without it, cable technology would have been economically unsustainable.

In 1977, the District of Columbia Court of Appeals found the constraints the FCC placed on pay TV cable senseless. The films could now be broadcast three years after their film release. This judgement started a deregulation process that will start from the late 70s until the mid-80s: the (few) remaining restrictions were abolished by the Supreme Court in 1985 which stated that all broadcasters would have to adapt to a new one market reality.

The events described allowed rapid growth of cable pay TV across the US. As TABLE 1 shows, 79% of the American population, in 1989, was subscribed to cable pay TV.

This never detracted from the importance of public television but, without any doubt, expanded the cultural and economic role of this instrument which spread since the 1950s²⁶. (Gurses & Ozcan, 2015)

Increase in Number of Cable and Pay Cable TV Subscribers															
Year	75	76	77	78	79	80	81	82	83	84	85	86	87	88	89
Basic cable (millions)	9.8	11.0	12.2	13.4	15	17.5	21.1	25.3	29.4	32.8	35.4	38.2	41.2	44.2	47.5
% basic cable with pay TV	24	22	13	23	36	47	67	76	84	84	82	78	79	81	79

Table 1, Increase in Number of Cable and Pay Cable Tv Subscribers (SOURCE: Paul Kagan Associates Inc's The Pay TV Newsletter, 1999).

After the deregulation process, competition between the various public and private broadcasters will obviously increase. In the meantime, pay TV began to spread also in Europe with *Canal +* in France for example (1984) and later on in Italy with *Tele +* (1991)²⁷. (Menduni, 2002)

Similarly, to the cinema sector, even the television sector was enriched with content, some exclusive such as the various TV series or movies that were presented a few years earlier in the theatres. The timetable with the greatest

26 (Gurses & Ozcan, 2015)

27 (Menduni, 2002)

appeal was the "*prime time*", that is the time slot that went from 20.30 to 23.00: in these hours there was the greatest competition among the various broadcasters. Several companies were willing to pay large sums of money to get their advertising passed in prime time²⁸. (Meloni, 2017)

Many of these exclusive contents were, often and willingly, produced by the well-known film majors who, over the years, have opened branches aimed at developing content for the small screen. Securing TV series or exclusive films on one channel, rather than another, meant having reached an important agreement with "suppliers". In other cases, the film majors own one or more channels on pay TV, which allows them to broadcast internally produced content.

To date, one of the most important American broadcasters is *HBO* which has broadcasted successful TV series such as "*Sex and the City*" (1998), "*True Detective*" (2014) and "*Games of Thrones*" (2011).

This broadcaster is, for example, owned by Warner Bros., however this has never prevented it from entering into agreements - some even exclusive - with other producers such as Fox and Universal²⁹. (Pellicelli, 2019)

There are also cases of other studios, such as Disney, in which there is the creation of a channel with exclusive products or contents produced by the studios that will be broadcasted without resorting to any type of "supply": this is the case of the TV channel "Disney Channel". The latter was created in 1977 and officially launched in 1983 to undergo various re-branding throughout its own history, such the 1997 one, taking advantage of "*Pocahontas*" premiere on the channel³⁰. (KidScreen.com, 1998)

2.3 INTRODUCTION AND IMPORTANCE OF THE HOME VIDEO

The home video has always been an important aspect for the film industry: the benefit that the consumer receives is being able to watch again - or for the first time, it depends - a movie that was shown in the cinema months before and now it is removed in favor of new films, without having to wait for the movie's broadcast in TV. The benefits that entertainment companies can reap are, however, manifold.

The main home video tools are three: VHS, DVD, Blu-Ray.

For a long time, the term "home video" was associated with VHS (*Video Home System*): this technology allowed consumers to be able to watch videos on their home screen, using a tool called "video recorder". The instrument has enjoyed great popularity as it allowed users to be able to play not only purchased movies in a VHS format, but also amateur videos shot with their video camera. The first video recorder dates back to 1956 and was created by the American company *Ampex*: it was of vital importance for the television industry since it allowed the programs' recording that would be broadcast in a second moment. This unit, however, was too large and complex for average consumption and therefore only professionals will use it.

The first home video recorder with good image quality is produced by JVC and will be available to the Japanese audience starting from September 1976, while in the USA it will arrive a year later, thanks to the RCA company that will contribute to the development of this product in the American market.

The home video market saw a boom with the spread of the first color televisions.

Consumer electronics manufacturers will also benefit, making the production of VCRs a core business. In addition, these devices will tend to improve over time thanks to the development of the electronic components industry.

Thanks to the diffusion of the VHS, the sales of video software by the main film studios to the home video devices producers reached very high figures, often exceeding the gains of certain movies at the box office and consequently being more profitable for the majors³¹. (Shiraishi, 1985)

The VHS market began to decline, until its definitive death, starting in the late 1990s.

28 (Meloni, 2017)

29 (Pellicelli, 2019)

30 (KidScreen.com, 1998)

31 (Shiraishi, 1985)

Starting in the 1990s, a new VHS replacement home video medium would spread: the *DVD*.

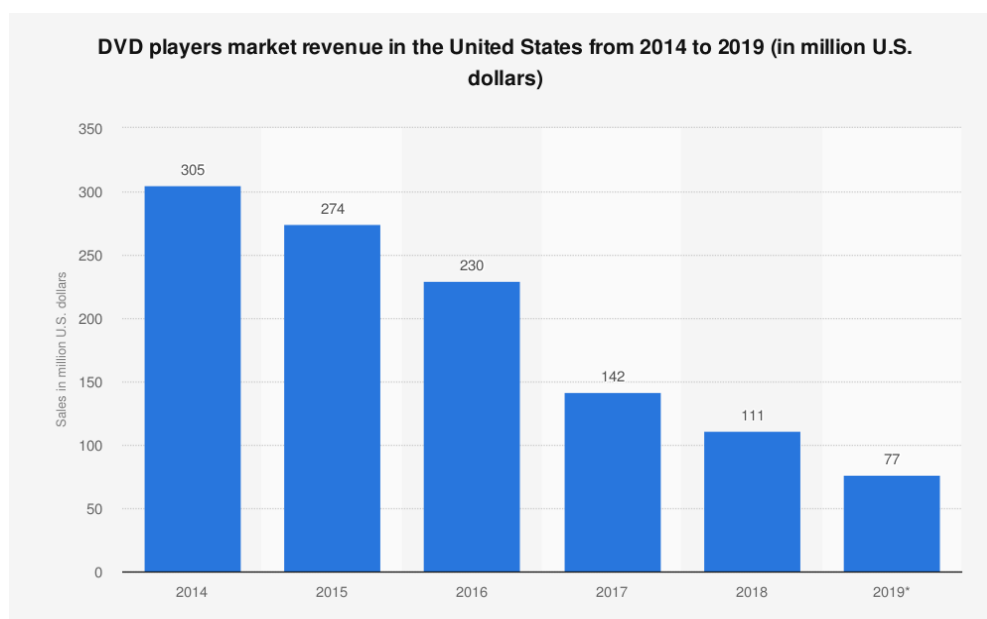
DVD can be considered the natural evolution of the home entertainment industry bringing an improvement in audio and video quality compared to its predecessor, as well as allowing an increase in special and unedited contents thanks to the interaction that the user could have with the DVD player. The latter could essentially be considered a home computer in which a DVD (literally *Digital Versatile Disc*) was inserted and "read" by a mechanism which immediately reproduced the audiovisual content recorded in it after a user command³². (Schaeffler, 2009)

In the first decade of 2000, DVD will become the only home entertainment medium as it allowed consumers to enjoy the film in the same quality as cinema but in the home's comfort. Furthermore, it was considered a huge source of income by the most important American film majors, which will begin to set up a real business on this instrument.

The setting of this new business was based on the fact that the DVD allowed, unlike the VHS, to be able to use audiovisual material and film cuts in a completely innovative way: in short, the viewer could have enjoyed not only the film but also extra scenes and special content, simply by accessing the main menu. Thanks to these exclusive contents, the Hollywood industry tried to persevere the exclusivity and specificity of the viewing experience for the audience. The interviews with the cast of the film, for example, allow the majors to combine the spectacle that can be attributed to a Blockbuster, to the "intimacy" and "imperfection" characteristics of a live television broadcast³³. (Skopal, 2007)

Although the DVD market is still alive, it has lost a lot of value in recent years - as can be seen in GRAPH 1 - in favor of other technologies such as Blu-Rays and streaming.

In fact, only in US there has been a fall in revenues by sales of DVD players equal to the 74,75%.



GRAPH 1, DVD players market revenue in the United States from 2014 to 2019 in million U.S. dollars (SOURCE: statista.com)

The new frontier of home video is represented by *Blu-Rays*. Starting in 2005, some Hollywood majors began marketing the first Blu-Ray discs containing films or TV series. After a long market struggle with HD DVD, Blu-Ray emerged victorious in 2008 following the announcement by *Toshiba* in stopping HD DVD production³⁴. (Toshiba Corporation, 2008)

Unlike its predecessor, the DVD, it allows for better video resolution, a cleaner sound and, finally, the inclusion of more content due to the bigger memory of the disc.

32 (Schaeffler, 2009)

33 (Skopal, 2007)

34 (Toshiba Corporation, 2008)

The rapid diffusion of Blu-Ray players and the installation of them also in new generation consoles, such as PlayStation and Xbox, has allowed a rapid diffusion of this new type of discs causing the market share of DVDs to drop constantly in the home video industry.

This new format for home entertainment is still in development thanks to the diffusion not only of simple Blu-Rays but also of “*Blu-Ray 3D*” and “*Blu-Ray 4K ULTRA HD*”: each format is in line with the new technologies that characterize the televisions in users' homes.

As previously mentioned, the Hollywood majors wanted to create a business around home entertainment starting from DVDs: the techniques used for this format were also used, subsequently, for Blu-Ray.

Regarding DVDs and Blu-Rays, in fact, the American film majors adopt an effective price discrimination strategy:

- 1) several editions are released at the same time, this allows to distinguish "top tier" customers from "low tier" customers based on the edition purchased;
- 2) release of a "basic" edition with a subsequent release of a special edition - usually the latter is indicated with specific terms near the title such as "anniversary" or "collector's" - which are usually purchased by fans of the franchise or cinema;
- 3) a subsequent "economic" edition that serves to attract "new entrants" to the franchise or to promote impulsive purchase by a part of consumers.

This marketing technique therefore allows a dual differentiation (vertical and horizontal).

In most cases these editions include a greater number of "cut scenes" or "special contents" which will be shown later on TV or on the internet: the aim is to give the buyer a privilege, allowing him to access to these materials before the others³⁵. (Skopal, 2007)

Marketing campaigns for home video, however, recorded a strong increase in the budgets and efforts of the majors in the mid-1990s. In the 1980s, the success caused by the release of VHS films never resulted in huge investments in marketing: the increase in spending for home video marketing by film companies is due to a change in consumer habits, who went from renting to buying movies to be able to see at home later.

Once this trend was understood, all the companies began to mobilize: from the promotion of the VHS release only with banners within the various stores, to the creation of trailers - entirely new compared to those used for the theatre release - to promote the Blu-Ray / DVD and the special contents in it.

In addition, DVDs and Blu-Rays also have a support function for the franchise and all the films deriving from it. For clarity: a study was conducted a few years ago analyzing the box office performance of 60 original films and their sequels between 1970 and 1990. The data reported a 20% increase in spending by the majors in the production of sequels compared to the originals and a gain increased only by 70%.

However, in recent years the sequels have managed to earn more than their predecessors. In many of the sequels, it is good to remember, there is no summary that explains the events of the first film again, therefore it is necessary for a viewer, in order to better understand and appreciate the film, to also watch the original film.

For this reason, the DVD / Blu-Ray has a dual function in case it refers to a franchise: it allows the studio to earn by selling the disc and, at the same time, it can allow a greater gain of the sequel by increasing the audience³⁶. (Luehrman & Teichner, 2002)

Film studios have therefore given greater prominence to home video in recent years.

Similarly, to what happens in the music industry, the release of a new movie can lead to a permanent increase in sales of a DVD / Blu-Ray connected in some way to the new release. The difference between these two sectors is that in the case of the music industry, the audience is influenced in the purchase by two factors: the artist (or group) and the producer³⁷. (Hendricks & Sorensen, 2009)

³⁵ (Skopal, 2007)

³⁶ (Luehrman & Teichner, 2002)

³⁷ (Hendricks & Sorensen, 2009)

In the case of the film industry, since the production and creation of a film requires a more complex organization, there may be more influences: a consumer could be guided in purchasing a disc by the producer, director or by a particular actor in the cast. For example, in many cases there is a sort of interdependence between the release of a new film with a certain actor / actress and the increase in sales of a DVD / Blu-Ray with that actor in the main cast. This mechanism is useful to many American majors: the imminent release of a film produced by a studio could help the sales of a disc of a film belonging to another major, if the film in question has the same actor / actress.

This conclusion was possible after a study carried out by Cabral and Navidad in 2016, which focused on this relationship of interdependence due to the presence of a certain actor "X" in several films. A variable called *Bos_{it}* was built which measures the success of the DVD / Blu-Ray library of studio "i" in a given time "t". This variable includes the potential spillovers value that a study "i" could have, over time "t", thanks to its own home video library with a certain actor "X"³⁸. (Cabral & Natividad, 2016)

Furthermore, to increase profits, the majors resort to the "*wholesale bundling*" tactic. The latter consists in associating the sale of a good "j", which is increasingly in demand, a "i" good that typically has a lower demand. The retailer will have no problems selling the good "j" but will have more with regard to the good "i", given the difference between the two demands: this will push him to market the latter more aggressively and increasing the sales, ideally speaking. The studio will be the main beneficiary of this mechanism due to the fact that it will receive the margins from the sales of both products³⁹. (Cabral, Some Economics of the Movie Industry, 2019)

In the recent years the home video industry has seen a drop in the demand for both DVDs and Blu-Rays due to the competition with various platforms, which offer a streaming service.

2.4 AGE OF STREAMING

The introduction of more powerful devices as smartphones, tablets and new PCs, as well as a greater diffusion of infrastructures that allow a fast internet connection, have further changed the movie industry. These changes have allowed the birth of streaming platforms, also known as SVOD (*subscription video-on-demand*), such as *Netflix*, born even in 1997, or Amazon Prime Video. Over time, these two have been joined by other services such as *Hulu*, *Apple TV +* and the newborns *Disney+* and *HBO Max*.

These streaming platforms must be considered a reasonable mix between the movie industry and home video products. These companies, in fact, are comparable to traditional studios - such as Warner Bros and Disney, for example - for the production of their own content; however, they try to move the audience from the movie theater to their house's couch, similarly to what happens with home videos. All this has led the film industry to have an "*identity crisis*": unlike to what happened in the 1950s with TV, it is not only a technology that is theoretically a substitute of the cinema itself but also the introduction of new players and the new contents' creation that questions the Hollywood way of doing business.

For this reason, many traditional studios have entered this new sector: HBO Max belongs to Warner Bros., Disney + to Disney and Hulu has Universal and Fox contents available (the latter was recently acquired by Disney).

Netflix, Apple TV + and Amazon Prime Video, however, do not belong to any film studio but are companies that have diversified their business - as in the case of Apple or Amazon - or that have seen their business evolve - like Netflix which was born as a company who sent DVDs by mail, then evolved into a streaming platform and a producer of original content.

Streaming is conceptually different from traditional cinema in many ways. First of all, unlike cinema, it offers an ATAWAD vision (*Any Time, Any Where, Any Device*) that allows the consumers to be able to take advantage of

38 (Cabral & Natividad, 2016)

39 (Cabral, Some Economics of the Movie Industry, 2019)

the streaming service wherever and they are and whenever they want: in the early years these platforms needed an internet connection to play the contents, now it's possible to download a movie or TV series which can be watched subsequently even without an internet connection⁴⁰. (Hadida, Lampel, Walls, & Joshi, 2019)

Secondly, unlike the cinema, where it is necessary to pay the ticket for a film, the streaming services require a monthly payment that will give an unlimited access to the platform's library: in some cases, however, it is also possible to rent only a title - for a lower cost than a monthly subscription - as it happens for Apple TV +.

Even the marketing of these platforms is different from the movie industry one: in addition to trailers, promotional banners in various cities and eventually the guerrilla marketing, streaming platforms to approach customers use the "*Digital Harvesting Model*".

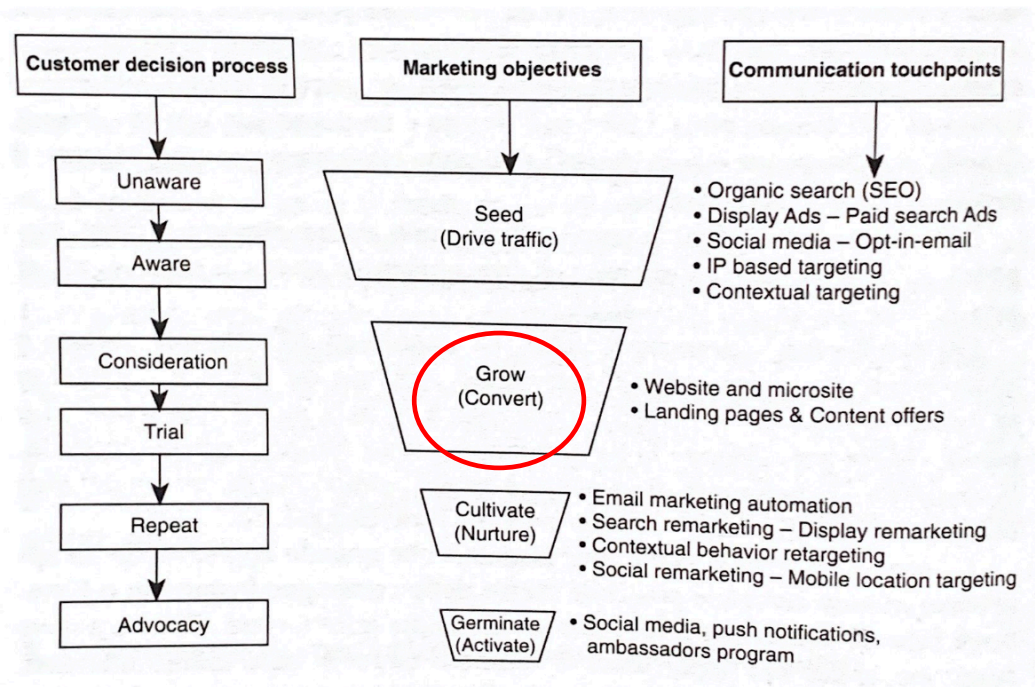


Figure 1, The Digital Harvest Model designed by Garrison Group (SOURCE: "*Human Centric Marketing*" by Matteo Rinaldi)

This model was developed by the *Garrison Group* and provide a framework to insiders that helps them to exploit digital communication channels very effectively in order to increase a company's *brand equity* and *brand awareness* and raise the level of engagement by converting fans into consumers and retaining them. This model is divided into four phases and is used in many sectors.

Phase 2, known as "*Grow*", is the one on which streaming platforms rely most. After creating a brand awareness in the customers, platforms such as Disney + or Netflix try to make their product try thanks to a free trial: in the case of the first it lasts a week ("*first week free trial*") while in the case of the second it lasts a month ("*first month free trial*").

This needs to be done in order to move the potential consumers from the "aware" state, in which they know the company and what it does, to the "*consideration*" and then "*trial*" states that lead them to try the platform and, if they are satisfied, renew the subscription⁴¹. (Rinaldi, 2020)

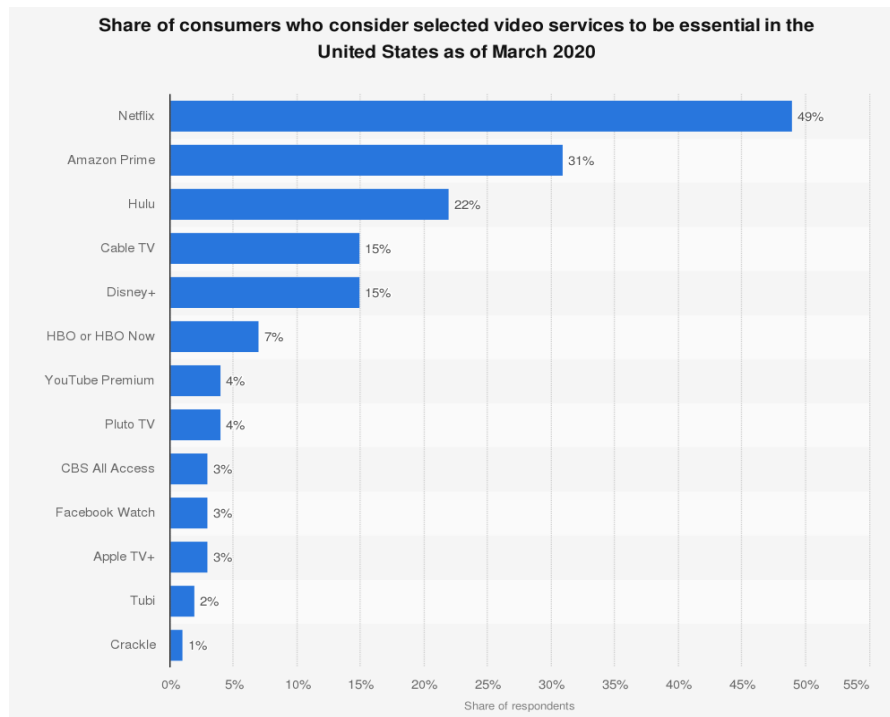
Furthermore, streaming has always been seen as a challenge between various multinational technology companies. The use of algorithms, in these companies, has shaped the concept of production and distribution associated with traditional TV or traditional cinema. Just think that Netflix, already in October 2006 with the "*Netflix Price Challenge*", established a competition between various scholars who had the task of improving the algorithm that the American company used to recommend films to its users: subsequently, this algorithm will be

40 (Hadida, Lampel, Walls, & Joshi, 2019)

41 (Rinaldi, 2020)

further modified to understand what searches are made most frequently on the platform in order to acquire, if necessary, the rights to insert the movies in the library⁴². (Bell & Koren, 2008)

Regarding the library of available titles, SVOD can adopt two different practices: the first example is the one used by Amazon Prime Video, which has made agreements with some of the main film and television production companies, creating a "*symbiotic relationship*" with some of them; the second practice is used mostly by Netflix which considers TV and cinema as competitors, promoting their original content and tending to blur the differences between their original content and those produced by the studios - although, starting from since 2015 Netflix has allowed the logo of the majors to appear in the introductory titles of the product - thus appearing to the public as the main distribution channel for many titles⁴³. (Wayne, 2018)



GRAPH 2, Share of consumers who consider selected video services to be essential in the United States as of March 2020 (SOURCE: Statista.com)

To conclude, it is necessary to underline how streaming has entered the common mentality: according to an American survey carried out during March 2020, 49% of Americans consider essential to have Netflix, followed by other video platforms such as Amazon Prime Video and Hulu. A good result also Disney +, which is a few months after its debut is considered as essential as cable TV.

Obviously western data are organized in a very different way from European data, for example, due to various factors in other markets: it would be wrong to think that the considerations drawn from this survey have a universal value.

However, the consideration that needs to be made is that SVODs have changed the movie industry and home entertainment forever.

3. RELEVANT FACTORS

In this part, today's movie industry will be analyzed more closely, with a main focus on which are the main players, the competition level in the industry and the financing strategies belonging to the sector itself.

42 (Bell & Koren, 2008)

43 (Wayne, 2018)

3.1 MAIN PLAYERS

Referring to the American film industry, the most important one on an economic point of view, it is possible to confirm that not many studios have the adequate infrastructure to produce, promote and distribute blockbusters. The shape of the industry, compared to its birth, has therefore evolved, showing a change in the main players present in it. Vitagraph and Edison have been replaced by new companies that took the role of real corporations, which also operate in other industries, not only in the movie one.

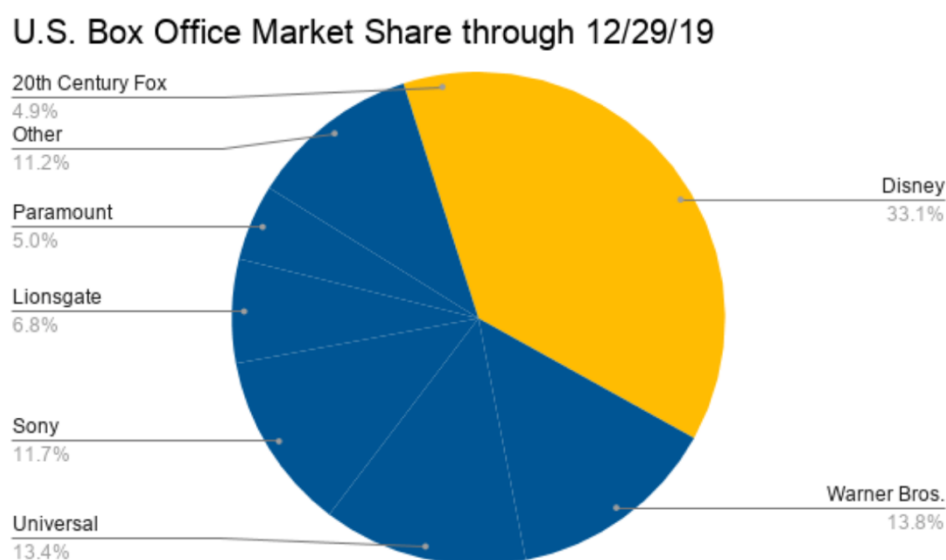
There were six large-scale production studios in Hollywood, also known by the insiders as the "*Big Six*": they are Disney, Columbia (a Sony's division), Fox, Universal (*Comcast* group), Warner Bros. (*AT&T* group) and Paramount (*Viacom* group). To these six should be added the *Lionsgate* and the *Weinstein Company* - defined as "*mini-majors*" - and other independent studios which, however, have only a small market share.

It is necessary to emphasize that although Fox and Disney are represented as two separate entities they belong to the same production studio: on December 14, 2017 the Walt Disney Company, through a press release on its own website, in fact, made official the acquisition of Twentieth Century Fox assets - movie and television - for a total cost of 66.1 billion dollars: 52,4 billion dollars for the purchase of the shares added to another 13,7 billion dollars that would have served to cover the entire debt. This operation allowed Disney to grow decisively, also enjoying the investments that Fox had in Hulu and Sky: the latter, for example, provided Disney with its 23 million customers scattered in European countries such as Italy, Germany and Ireland⁴⁴. (D'Ascenzo, 2017)

Former Disney CEO Robert A. Iger commented the successful M&A operation with Fox:

*"The acquisition of this stellar collection of businesses from 21st Century Fox reflects the increasing consumer demand for a rich diversity of entertainment experiences that are more compelling, accessible and convenient than ever before"*⁴⁵. (Iger, 2017)

Emphasizing how the increase in consumer demand has convinced Disney to acquire Fox, also allowing it to expand their offerings and entertainment experiences to give to customers. The acquisition of Fox is nothing more than an affirmation of the Disney hegemony that had already acquired *Marvel* (2009) and *Lucasfilm* (2012).



GRAPH 3, Market share of leading film studios in North America from in 2019 (SOURCE: comScore.com)

44 (D'Ascenzo, 2017)

45 (Iger, 2017)

Thanks to these operations, in fact, Disney conquered market dominance in 2019 with 33.1% of market share (as showed in *GRAPH 3*), with a gross box office of 3,8 billion dollars between the USA and Canada: in the world the billions collected are, instead, over 10.

Considering also the market shares belonging to Fox, the market share of the Burbank giant rises to 38%: in just ten years Disney has increased its market power by almost four times, just think that in 2008 the market share of the company was 10,5%.

The growing trend was also confirmed in 2019: already in 2018, however, the films produced by the Walt Disney Company represented 26,3% of the US sector.

A very positive sign both for the company and for the entire industry which has recorded various records of tickets sold despite the growing popularity of streaming platforms.

This success can only be attributed to the release of films such as "Avengers: Endgame" - which became the biggest-grossing film of all time - and the "Lion King", a remake of the animated film produced by Disney in 1994⁴⁶. (Whitten, 2019)

To measure the concentration of the industry it is possible to use the Herfindahl-Hirschman index (HHI), used to measure the degree of competition in a given market.

The formula used is the following: $HHI = \sum_{i=0}^n (q_i 100)^2$ where " q_i " is the market share of the player " i ".

The characteristic of this index is that it results always positive, its value fluctuates between 0 (infinitely divided market) and 10.000, in the case of a monopoly.

If the result of this operation turns out to be a value smaller than 1.500 then the industry could be considered "highly competitive"; if the result is equal to or greater than 2.500 it would be a highly concentrated industry; on the other hand, a value between 1.500 and 2.500 would indicate a moderately competitive industry. Applying this formula with the values listed in *GRAPH 3* we would have the result of 1.823,19 and this would confirm what was written above: the industry is not very competitive and the market is mainly divided among few players – seven, to be precise – that hold the 88,8% of the market.

3.2 STRATEGIES AND FINANCING

The end result of a film production, which is what the spectators will watch in the theatre, is the result of a careful and expensive labor. The processing of a film, in fact, is divided into four fundamental macro phases: *pre-production*, *production*, *post-production* and *exhibition*. Before each of these fundamental steps there may also be other works, in fact a film that enters pre-production will certainly have had a meticulous antecedent creative process. However, from a business point of view the majors have a lot of interest in the first and in the last phases since they are the ones that generate big costs and (ideally) big revenues. To better understand each phase, it is good to define them as follows:

- *PRE-PRODUCTION*, is the phase in which a production studio ensures funding for the project, the main actors have been hired and there is an agreement to shoot the movie in certain locations;
- *PRODUCTION*, it starts once the camera is turned on and it ends once it turns off;
- *POST-PRODUCTION*, is the moment when the director, together with some teams of experts, dedicates himself to editing, adding special effects, the sound and the soundtrack of the movie;
- *EXHIBITION*, it is the moment when the film is distributed through a theatre release, but it can also take place by other means (streaming or home video, for example) and in this exact phase most of the earnings of a film are generated.

In the pre-production phase it is necessary, as previously written, finding funds in order to start the project. There are many, different, methodologies that allow a study to find funds.

46 (Whitten, 2019)

In most cases a movie is produced independently, in collaboration with a studio. This partnership can take place in different ways: a producer can, for example, propose a project to a studio, then the latter provides the funds for the production and marketing of the film while the producer will grant the studio the exclusive distribution right on the domestic market, like the American one. Obviously, because of the funding of the project, the studio will feel economically responsible for the latter, so in many cases could try to intervene on a creative level if there are small concerns about the movie.

The alternative for a studio is to start a project thanks to an internal initiative but, in this case, the role of the producer will be limited and constrained to a few operations.

To these "classic" forms are added some more elaborate ones.

It is possible that a studio does not accept all the production costs but only a part of them, for this reason the independent producer may request the help of other entities or intermediaries such as banks, insurance companies, investment funds (either public or private).

If this solution is chosen, it is good to specify that the producer's creative control and profit will be very limited.

Once the agreement with the domestic distributor has been reached, these projects continue to be financed by foreign distributors.

Hollywood productions owe part of their revenues - typically between 60% and 70% - from foreign theatrical releases. The agreements that are reached between the producer with foreign distributors, however, are not limited to the theatrical release only, but also include home video distribution rights and television rights⁴⁷. (Lee & Gillen, 2011)

After the agreement is reached for the local and international distribution of the film, a "*completion bond*" is issued: this financial instrument acts as a guarantee for the investors of the project to ensure that the film is completed and distributed correctly, within the agreed deadlines. This makes the guarantor's role even more important due to, if the project will fail, he will have to fill the financial losses.

The figure of the "guarantor" in such a context is known as "*completion guarantor*", given that he will also play the role of "supervisor" of the project itself. The role in question, many times, is entrusted to companies - better known as "*bonding companies*" - which control the "feasibility" of the project from a financial point of view, therefore a careful study of the budget, rather than a creative point of view. These companies may also have a complaint about the cast and other professionals hired for production: if some of them have problematic professional experiences behind them that can create interferences in the realization of a project, there may be a refusal by the guarantor or by the intermediaries to give "green light" to the production of the film. Therefore, these companies in many cases also exercise significant creative influence.

However, some producers could try to convince the intermediary to anticipate the loan in order to gain more bargain power in the negotiation with the foreign distributors⁴⁸. (Brookey & Zhang, 2018)

Another alternative method is *crowdfunding*, typically used for the production of independent movies. This is totally different from the methods mentioned above since it uses online financing platforms such as "*Kickstarter*" or "*Patreon*" and therefore does not offer any type of interest to those who finance the investment (also because the funding sources will be extremely fragmented). This method is used for films that are unlikely to be distributed by a studio. The practice was described as:

*"Crowdfunding films are an alternative model for both development and production financing by going online and soliciting donations. In other words, it does not include investments and only includes the donations, memberships, and preordering of products, giving none of the funders future profits in the film"*⁴⁹. (Lee & Gillen, 2011)

47 (Lee & Gillen, 2011)

48 (Brookey & Zhang, 2018)

49 (Lee & Gillen, 2011)

Finally, there may be cases in which producers tend to increase the funding received thanks to incentives offered by territorial institutions or states in order to record in a specific territory. This source - which has a secondary role compared to the others - can take various forms such as discounts or subsidies on production costs on site and tax credits.

Thanks to some commercial agreements that can be stipulated before the film's release of the film, a film can generate incoming economic flows already in the pre-production phase and after the movie's release.

The agreements made depend on the positioning strategies of the partners: in this case the products of a specific company will appear visually and audibly in the film and in some cases also in the promotional banners or trailers. In this case it is not said that the company that appears in the movie actually pays a pecuniary contribution: the payment could be made by donating useful material for the filming process, such as cars, watches or clothes. This technique is known as "*product placement*".

Another type of agreement can come from the collaboration of two brands: thanks to this methodology, one will enjoy the benefits of the other and vice versa. The typical example is that which occurs with fast food restaurants such as *McDonald's* and *Burger King*, which present promotional images of an upcoming film on their packaging, in order to attract more consumers. The various agreements Disney has made with McDonald's in the past can serve as an example: the former gains visibility; the latter is associated with a brand known for the quality of the content produced⁵⁰. (Brookey & Zhang, 2018)

After post-production, the film is distributed and reproduced in various cinemas: at this stage it is necessary to make aware all possible consumers about the release of the product. For this reason, the marketing strategies devised by the studio are put into practice which can change according to the film in question: in the case of a blockbuster there will be a massive investment in communication to attract as much audience as possible; in the case of an independent film, the amount spent in marketing by the studio will be smaller and will focus on the audience's WOM (*Word Of Mouth*) and positive reviews. In addition, the performance for these two types varies. The blockbuster is typically distributed simultaneously all over the world - or nationwide, depending on the release dates programmed by the various international distributors - while the independent film can be previewed in certain cinemas and, subsequently, nationally or internationally. Furthermore, in the latter case there is no guarantee that the film will be shown in all cinemas: some may decide not to exhibit it due to the low turnout forecast.

Just the turnout in cinemas is a key factor for the exhibition. The distributors and exhibitors, in fact, divide the amount collected thanks to the sale of tickets.

The division is not fair: the collection percentages are typically 90% for the studio and 10% for the exhibitor during the week, and then vary over the weekend with 80% of the collection at the studio and the remaining part to the exhibitor. The more the weeks of exposure pass, the more the percentage of the study will decrease in favor of that for the exhibitor. The low margin on exhibitor tickets can be explained by the significant mark-up that they have on food and drinks sold⁵¹. (Epstein, 2012)

Another way in which you can distribute and exhibit a film is called "*four-wall*". This method consists of renting a cinema for a specific period of time and exhibiting a movie: in this case the entire proceeds, net of rental costs, will end up at the distributor.

To conclude, it is necessary to underline the difficulties that the main production and distribution studios as well as the exhibitors are finding thanks to the rise of streaming services: the fear of many players is not the birth of a "new method" for making cinema, but the "shift" by the audience.

In other words: the majors have recently felt threatened by the presence of platforms such as Netflix or Amazon Prime Video and, to be more certain of the receipts, they have relied on the creation of *sequels* or *remakes* - in some cases also *reboots* - of successful movies.

This has led complaints from many filmmakers who see independent cinema products decline in favor of animated or action movies. This strategy is likely to be a double-edged sword for the big Hollywood studios as the products

50 (Brookey & Zhang, 2018)

51 (Epstein, 2012)

of independent cinema are increasingly arriving on streaming platforms, leaving free the theatres for a growing number of blockbusters. So, although this strategy has so far proved to be "successful", it is legitimate to ask whether it is actually sustainable by companies⁵². (Brookey & Zhang, 2018)

4. AN ANALYSIS OF THE INDUSTRY: SWOT

Through the use of a framework it may be possible to understand in greater detail the aspects that characterize competition within an industry, especially the American film industry which in recent years has been subject to various changes that could make the future vary. today's balance of the sector. For this type of analysis, therefore, it is good to use a framework such as that of *SWOT analysis*.

This framework was born between the 60s and 70s of the last century and its creation is attributable to the economist Albert Humphrey and his group of assistants, during his research period at Stanford University. This strategic planning model would be used to understand what is positive and negative within a sector or company (Strengths and Weaknesses) and what is positive and negative outside the latter (Opportunities and Threats).

Following the framework, the following five factors will be analyzed:

- sector's *Strengths*;
- *Weaknesses* of the industry;
- *Opportunities* in business;
- possible *Threats*.

4.1 SECTOR'S STRENGTHS

The film industry has three strengths that make this sector much more stable than many others.

The first strength lies, of course, in the fact that the entertainment market will always have demand, this generates attendance in cinemas. An even more important factor is that, given the great differentiation that exists between the various products, the offer of the industry has a very broad target that includes almost all age groups.

Following the data of AMC Theaters, the largest and most famous cinema chain in the USA, the data of 2019 (therefore prior to the COVID-19 emergency of early 2020) showed a growing trend in the US: the tickets sold were over 87 million in the third quarter of the year and attendance rose 61.7 million users, compared to 58.7 million of the previous year.

Considering only AMC, revenue increased from \$ 1.22 billion in 2018 to \$ 1.31 billion in 2019 - an increase of 7.8% - exceeding analyst expectations. This allowed the company to bridge a loss of over \$ 100 million in 2018 and reduce it to nearly \$ 54.8 million.

According to many, the growth is due to the bundles and subscriptions promoted by various theatres chains. The upward trend has also been confirmed in the international market: therefore, this phenomenon is not exclusively linked to the United States. According to many analysts, the improvement is due to the presence of films highly anticipated by the public. Already the second quarter has recorded various records thanks to the presence of movies such as "*Avengers: Endgame*", then confirmed the increasing trend in the third quarter with the release of films such as "*Spiderman: Far From Home*", "*The Lion King*" and "*IT. Chapter Two* ", which attracted a lot of audience in theatres⁵³. (Evans, 2019)

⁵² (Brookey & Zhang, 2018)

⁵³ (Evans, 2019)

The second strong point is directly connected to what is written above: viewers have an interest and desire to see movies and the cinema, for a certain period of time, it is the only place where they can enjoy those products. Hence, the temporary exclusivity of the product is a strength for the industry.

Despite the proliferation of many streaming platforms, some of them owned by Hollywood studios, major labels have decided to avoid the distribution of their blockbusters directly to home video in order to attract a larger audience in theaters and reap greater profits, considering the mark-up that every Hollywood studio has on every single ticket sold.

With the marketing campaign carried out for each individual film, the intent of the majors is to increase the audience's hype for the product, which therefore will not wait for the home video or streaming release that is delayed for a few months compared to the cinematographic one.

Another great and important strength of the film industry are the intellectual property rights that many majors own and, therefore, the revenues deriving from the granting of licenses for use to third parties.

Therefore, other companies could exploit a concession from a major to produce and distribute a product with one of their IP - for example video games, action figures, books and t-shirts. To give an idea: according to a survey carried out by *statista.com* in the USA during the month of February in 2019, the 61% of American children under the age of 14 have at least one item of clothing that refers to an IP owned by a major⁵⁴. (Kunst, 2020)

Also in 2019 "License Global magazine" - owned by the *Global Licensing Group*, which deals with studies relating to "brand licensing" and which annually publishes analyzes, trend studies and reports regarding global consumption and the retail market of licensed goods - has drawn up the ranking of the "*Top 150 Global Licensors*" of 2019.

Five companies belonging to the entertainment sector can be found in the top ten and four of these are companies that mainly operate in the film industry: in the first position there is The Walt Disney Company, which has revenues of \$ 54.7 billion from licensing; Warner Media is in fourth position in the ranking (revenues of 11 billion dollars); the 7th and the 9th positions belong to Universal and Viacom with revenues of 7.1 billion dollars and 5.5 billion dollars respectively⁵⁵. (License Global Magazine, 2019)

4.2 WEAKNESSES OF THE INDUSTRY

The weaknesses of the film industry are mainly connected with the large amount of costs that each major has to face and the uncertainty of the success of the final product.

The costs that each major has to face are of two types: production costs and marketing costs. The former are used to create the movie, to hire the creative cast and operators who take care of the scene, costumes, effects and sound. The others, however, deal with the promotion of the film. The latter can take place through the use of multiple means such as dissemination of trailers, promotional banners, launch of websites and social accounts. Eventually these costs may also include promotional tours - should the film have international relevance for the study - or guerrilla marketing operations.

Has been studied that the marketing costs have a positive correlation with a movie results at the box office, so they have a huge importance for every Hollywoodian major. Typically, the budget for promoting a film is divided into three areas: half of the budget is typically targeted at the "*media-to-open*" category – meaning *social medias, online, pay TV, newspapers and advertising banners* in big cities – then 25% is spent for press releases or promotional tours and the remaining 25%, which is more flexible, is known as "*remainder*".

The studio will decide how to spend the latter just after the theatrical release of a movie.

These costs are, in fact, computed after the box office's performance of the movie at its first weekend in the theatres. If the film had a good performance the marketing costs will be increased in order to "boost" its success;

54 (Kunst, 2020)

55 (License Global Magazine, 2019)

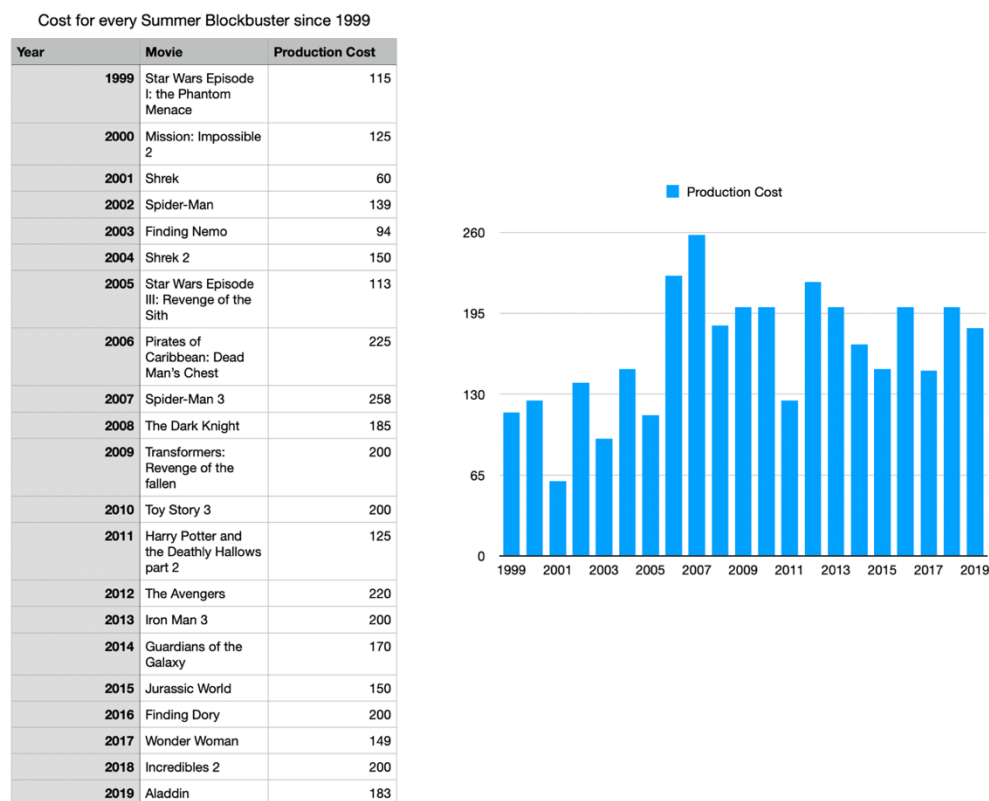
if a movie's performance is disappointing for studio executives, then the advertising costs will decrease⁵⁶. (Gong, Stede, & Young, 2011)

The amount of marketing costs is therefore very high for every Hollywood major. Taking the Walt Disney Company as an example and analyzing the financial statement in the last fiscal year (2019), it is possible to see how advertising costs had a value of 4.3 billion dollars⁵⁷. (The Walt Disney Company, 2020)

The production costs of a film tend to vary according to the type of film that a studio intends to release. Obviously, there are independent films or other films that do not require a great deal of "labor" that will have a very limited budget: this value can fluctuate between a few thousands of dollars and a few million dollars.

The Hollywood majors, however, tend to rely on blockbusters, films that have higher production costs and that could hypothetically collect more money both nationally and internationally.

The costs of these blockbusters are very high. *GRAPH 4* lists some of the summer blockbusters that have achieved the most success among the public with their production costs.



GRAPH 4, Cost for every Summer blockbuster since 1999 (SOURCE: elaboration of "usatoday.com" data)

As the graph shows, there are few cases in which movies cost less than 100 million and the only two cases ("Shrek" and "Finding Nemo") are animated films which did not require the use of city's sets and the addition of special effects but only animation works.

Considering this sample of summer films, it is possible to conclude that the average expenditure for an American Blockbuster is about 165 million dollars. The addition of marketing costs to this expense entails a significant outlay for each company.

The uncertainty of success regarding the project, therefore the uncertainty of the recovery of the expenses incurred, is another weakness of this industry. The success of a film, often and willingly, depends on various factors such as competition in cinemas - for this reason the studios try not to occupy the same film release dates for their blockbusters - or the already mentioned WOM (Word of Mouth) coming from critics and trusted friends

⁵⁶ (Gong, Stede, & Young, 2011)

⁵⁷ (The Walt Disney Company, 2020)

who can entice viewers to run in the theatre, in case of a positive WOM, but they can also push them not to see a film and sanction its failure, in case of a negative WOM.

To conclude, another weakness of the industry lies in the overall cost of the experience. In recent years, the US population has started to attend cinemas less and less and this is due to a rise in the ticket price, as well as a higher price for the purchase of drinks, food and gadgets within the cinema.

In fact, according to a CBS report, in 1964 cinemas were more popular because a couple would have spent \$ 1.86 for an entry ticket while today the entry price could also be \$ 29, excluding food and drinks. For a family, therefore, it has become too expensive to go to the cinema even more than once a month: many, therefore, prefer to entertain themselves in another way, perhaps watching movies on streaming or pay TV platforms.

4.3 OPPORTUNITIES IN THE BUSINESS

The sector has opportunities that mainly concern the creation of the hype in consumers - and therefore encourage them as much as possible to wait for the film and then run to the cinemas to see it - and the distribution of a product.

A first opportunity concerns the organization of events, some created specifically by the majors while others were already existing, for example the *San Diego Comic Con*, which has become the stage for many announcements by Hollywood studios.

Every year, in fact, millions of enthusiasts go to these events or follow them remotely to see what majors will offer.

These events have a significant importance for every major since they are not only opportunities to show trailers and images of a movie and analyze in real time (or almost) the worldwide reaction of the professionals and the audience but they allow also the sale of gadgets - therefore further revenues - and the announcement of projects that have remained, until then, shrouded in the absolutely secrecy.

The attendance of these events, typically, always exceeds 100,000 people: for example, the 2019 San Diego Comic Con, which unveiled Marvel's plans until 2022, had the participation of over 135,000 people, plus a significant online impact with millions of views on YouTube.

There are some cases, however, in which a company can decide to organize an event independently: Disney, for example, has decided to organize its own biennial exhibition event called D23 starting from 2009, in order to promote its own products in a more adequate and flexible way with exclusive stages of every single company owned, such as Lucasfilm and Pixar.

In the years in which the D23 is held, Disney and all the companies belonging to it, typically, do not participate in events organized by third parties (like the San Diego Comic Con).

So, the use of these events would allow companies to exploit the interest around world-class events to announce new products and therefore increase the interest and the hype that the public has for a particular film.

Another opportunity for companies in the sector is the possibility of distributing movies much more easily. Originally, blockbusters had three basic steps to follow: the theatrical release; the home video release and the TV release (typically first Pay TV and then public TV).

If a project had been rejected by the producers even before the film release, the first release would have been directly the home video one.

To date, this is no longer the case: if a film had problems in the film release, it would have the possibility of being released on SVOD platforms and still having great success among the public.

The COVID-19 situation made this experiment necessary for many majors, such as Disney. The latter decided to skip the movie release of "*Artemis Fowl*" rather than postpone it and release it directly on Disney +, leading the studio to think about the creation of other high-budget films for the streaming platform, what Netflix has been doing for some years now⁵⁸. (Mendelson, 2020)

58 (Mendelson, 2020)

Warner Bros., however, has decided to use its streaming platform in another way: to release a different version of an already released movie.

With the launch of the HBO Max platform, Warner and HBO moved to start creating exclusive contents that could entice users to register, also considering the delay in launching compared to its major competitors (the platform was launched the May 27th, 2020 in US).

The platform that will have all the contents belonging to WB, such as those of DC Entertainment, publishing house of fictional characters such as Batman and Superman and direct competitor of Marvel. The major decided to release on the SVOD platform, in 2021, the "*Zack Snyder's Justice League*", a "*director's cut*" of a film released in cinema in 2017 but later credited to another director due the abandonment of Zack Snyder in the post-production period⁵⁹. (Kit, 2020)

This move by the WB could launch a new trend in the near future, the release of two different versions of the same product: the traditional film version and another version, longer and uncensored, on its streaming platforms to let users enjoy and watch the entire creative vision of the directors.

4.4 POSSIBLE THREATS

The film industry sees its balance threatened by two determining factors: piracy and the advent of SVOD platforms.

Piracy is a threat that the industry has been trying to fight for many years now: this is widespread both online and offline.

In the first case, there is the publication of a film on a website not authorized by the major, shortly after its theatrical release (in poor quality) or shortly before the home video release (in this case the quality is higher). In the second case, however, there is the illegal sale of DVDs, Blu-Ray or files containing a movie. As easily understood, watching or buying a film in the mentioned methodologies does not entail any kind of return to the Hollywood majors, who would therefore be partially deprived of their revenues from piracy.

According to a survey carried out in the USA by PayPal, 73% of Americans pirated movies when there is still "hype" for them: precisely, 48% saw the film illegally after it left theaters but before that the home video edition should come out; 24%, however, sees it illegally when it is still in the theatre⁶⁰. (PayPal, 2017)

Another threat, much more tangible, for the industry is undoubtedly the proliferation of SVOD platforms, such as Netflix and Amazon Prime Video.

As was already written how these platforms in some cases can also help the film industry, as happened during the COVID-19 emergency, and the reason why they stole so much audience from the cinema, such as the increase in ticket prices as well as a change in consumer habits, especially in the new generations of consumers (*Millennials* and *Generation X*): the latter, in fact, spend much less time in the cinema than previous generations and have a different approach to watching a film or a TV series, like the so-called "*binge-watching*", which consists in the consecutive and non-stop viewing of a TV series or a film saga. These terms have taken on particular meaning since 2013 with the worldwide spread of Netflix: in 2015, even, this term was elected "*word of the year*" by *Collins Dictionaries* after researching the most used terms in the media⁶¹. (Pierri, 2015)

The most worrying data for the Hollywood film industry comes from a dossier, result of a collaboration between *The Hollywood Reporter* and *Morning Consult*. Although in November 2019 the 53% of the Americans interviewed declared a preference towards cinema over streaming, in March 2019 (thanks to the health emergency

59 (Kit, 2020)

60 (PayPal, 2017)

61 (Pierri, 2015)

and the closure of cinemas in the USA) 50% of respondents said they preferred streaming⁶². (Consult & Reporter, 2020)

Furthermore, about 70% of respondents between 18 and 44 years of age are already registered on SVOD platforms⁶³. (Consult & Reporter, 2020)

Should this trend continue in the near future, the Hollywood majors could find some difficulties to adapt their strategic plans to a new business model.

62 (Consult & Reporter, Preference for watching a movie for the first time at a theater instead of via a streaming service in the United States in November 2018 and March 2020, 2020)

63 (Consult & Reporter, Share of adults who subscribe to a streaming service in the United States as of May 2020, by age group, 2020)

CHAPTER TWO

"THE FRANCHISING IN THE ENTERTAINMENT INDUSTRY"

1. FRANCHISE

The franchise technique is now widespread in many sectors and adopted by many companies. Some of these examples could be *McDonald's* in the food industry, *Adidas* in the clothing and sports equipment industry and also *Vodafone*, as regards the TELCO sector.

The use of the franchise by a company provides for the implementation of certain strategies that would facilitate to spread the popularity of a certain company together with its goods but, in the same time, it makes more difficult for company's top management to control the entire organization, so there will be also a power decentralization. The company, by granting the license for the provision of a service, the use of an intellectual property or the resale of a specific product, potentially expands its revenues: the license is granted, in fact, in exchange for the payment of a (monthly or annual) fee and, often, for a percentage of the revenues.

In the following paragraph the dynamics of a franchise will be better explained and an overview of the strategies that can be implemented. It is necessary, however, to note by now that the use of this technique involves variations according to the sector the company belongs to: therefore, franchising is a flexible strategy that adapts to the industry in which it is adopted.

1.1 DEFINITION OF FRANCHISE

The franchising technique can be considered as an important source of entrepreneurial growth: many companies use this strategy as it allows greater ease in finding financial resources, human and information capital to grow quickly and put economies of scale into practice.

For the reasons just written, another can be listed, similar to the "agency theory". In fact, this strategy is adopted when it becomes excessively expensive for the entrepreneur or the top management of a company to monitor the results of the company's sales points.

The classic scheme of the strategy in question sees a franchisor, owner of a license that, in exchange for a quota paid monthly or annually, grants the latter to a franchisee, who can use to start an economic activity based on the provision of a service. or on the sale of goods related to the license.

The franchisees, in addition to bringing high motivation within the company and a considerable financial capital, allow a rapid development of the entrepreneurial capacity within the organization, attracting new investments, decreasing costs and promoting further growth.

However, these advantages are offset by the risks that the franchisor decides to take, linked to the "agency theory" mentioned above: there will be a decentralization of power that will allow worse coordination and this, possibly, can damage the reputation of the brand.

The term "franchising", however, is very generic and can take different forms or characteristics according to the industry taken as reference.

For this reason, the details of this economic activity may vary according to the agreement entered into between the two counterparties.

Generally, it is possible to say that there are two different types of franchises: the "*turnkey*" and the "*plural franchises*"⁶⁴. (Gillis, Combs, & Yin, 2020)

Obviously, it is necessary to reiterate, that these two can be joined by others, each with its own characteristics.

- The first of the two cases - "*turnkey*" - sees the franchisor granting a franchisee the license for the provision of a service or the sale of a product in exchange for a payment, with a clear and previously defined deadline. In this case, the franchisee shares some costs to be incurred with the franchisor, such as those for advertising the brand, but will retain all the gains deriving from the management of the economic activity. Furthermore, by making use of the "*turnkey*" franchise, the franchisee will become a real independent manager with its own sales points, it will be able to decide independently whether to let its employees attend the refresher courses and the costs to be incurred, being able to choose also lower quality materials and infrastructures, with the risk of having negative repercussions on the final output.
- The second case, known as the "*plural franchise*", sees the franchisor manage a plurality of stores in such a way as to act as a "*benchmark*" for entrepreneurs who intend to enter the franchise or for the franchisees already present within it, thus offering a model of "*best practice*" to follow, establish a standard of performance and mutual learning is promoted. The costs incurred by the franchisee concern the payment of the periodic license fee and any additional costs for updating personnel, infrastructures and machinery.

As is evident, one of the biggest problems related to the franchise is free riding.

The assignment of a license to multiple entrepreneurs inevitably causes a lack of control by top management with a relative lowering of the quality of the final product.

In the "*turnkey*", due to the greater freedom left to the franchisee, there is a greater probability of a reduction in quality: this would have negative repercussions on the whole brand and on the whole organization, in the second case, however, the chances of free riding are modestly reduced as we try to give the customer highly standardized products or services.

The franchisees, in this case, would also be periodically evaluated by a highly qualified trusted staff of the franchisor. It is therefore important for a franchisor not to grant the license to anyone, especially to safeguard its brand: for example, in the restaurant sector, according to some studies, the more restaurants rely on a franchise the more they have a low reputation in terms of quality among customers.

In addition to free riding, there may also be other mistakes by the franchisor and the franchisee that may compromise the performance of an economic activity based on the franchise.

Adequate training of personnel in the various systems of the organization is vital. The preparation of the franchisee prior to the granting of the license, as well as the adequate preparation of the latter's employees, generally allow an improvement in company performance.

The reasons for this are simple: the preparation of the supervisor - or of the franchisee if the constant presence of an external supervisor is not foreseen - allows this figure a wider vision of the company and therefore to outline more clearly the objectives that need to be achieved, without overestimating or underestimating the potential work within that area of the franchise; offering the right training and a future perspective in the company to the employees increase their loyalty and allows them to implement individual and collective performance on the workplace, therefore a high turnover in the company is considered incautious.

In addition to the techniques mentioned above, it is also advisable to have documentations relating to the performance of company employees to demonstrate how important it is for the franchisor that each member of the organization carries out his profession in the best way⁶⁵. (Pires, 2015)

The franchisor, however, also has quantitative and qualitative supervisory tools to avoid opportunistic behavior and achieve the intended results: the former has an accounting nature while the latter allow the passage of "*know-how*" within the organization⁶⁶. (Madueño & García, 2015)

64 (Gillis, Combs, & Yin, 2020)

65 (Pires, 2015)

66 (Madueño & García, 2015)

In franchises, communications that take place within the company therefore take on a role of great importance: they involve the creation of alliances, which facilitate learning within the organization.

Alliance management has been described as a five-dimensional construct: inter-organizational learning, alliance proactiveness, alliance transformation, inter-organizational coordination and alliance portfolio coordination.

The first three dimensions refer to the sharing of information and the acquisition of knowledge of the techniques used within the franchise by the franchisee: precisely, the alliance proactiveness is the company's internal ability to share information that can actually be useful to a subject and help the creation of an alliance, aimed at promoting learning in the company.

The last two, on the other hand, focus on the management and coordination of the franchisor with its partners. Precisely because of these internal mechanisms within the company, it often happens that some partners or some company alliances take on greater strategic importance, being skilled in creating value for the franchisor: alliances can therefore be considered as an asset⁶⁷. (Goerzen & Schilke, 2010)

In conclusion: the franchise is a collaboration formula that can be useful to multiple subjects and is extremely flexible: it depends on the sector in which the company operates and on the relationships that are established within the organization.

The dangers connected with the use of such a strategy can, however, lead to some opportunistic attitudes. In these cases, the franchisor, who grants the license, is responsible for enforcing the rules in order to prevent the decrease of the goods quality standards produced by the company or, in extreme cases, withdrawing the license.

2. INTRODUCING THE MEDIA-FRANCHISE

The previous paragraph had the function of introducing the generic concept of "franchise" although much more can be written about this strategy adopted by numerous companies of worldwide fame and importance.

As previously mentioned, this form of collaboration can take many forms according to the industry in which it is located.

In the entertainment sector, for example, it takes the form of a "*media-franchise*".

This section aims to introduce this concept since, although it is itself a form of franchise, it differs substantially from the traditional one. The media-franchise is based on intellectual property and, as far as the entertainment industry is concerned, it can be shared with a very limited circle of subjects: basically, it is only a company that wins the rights to be able to exploit a specific IP.

In most cases, a film studio buys the rights of a specific intellectual property: from here begins the management of what can become a very important asset for the company, due that many of these IPs represent creations known worldwide.

The examples, as will be written later in the course of this elaborate, are manifold. For the moment let's take just one as an example: the already mentioned, Star Wars.

Despite the high production costs for movies like Star Wars, the distribution and marketing costs are considerably higher to ensure that the film has a large turnout in cinemas.

But it doesn't end here: from this media-franchise in addition to the profitable business linked to cinema, many others are created such as the gaming one, the one linked to books or comics, other works are created that will be distributed on TV or streaming and not in the cinema or the action figures business for a younger audience.

These are just some of the opportunities that media franchises offer.

67 (Goerzen & Schilke, 2010)

2.1 DEFINITION OF MEDIA-FRANCHISE

Even the creation of a media-franchise, as suggested by the name, is based on a franchise: in fact, a brand linked to a product, such as a film, is created in the case of *Star Wars* and it is used to increase revenues with the earnings from other markets and merchandising of all kinds, such as home video products, video games, gadgets and much more.

Media-franchises can also involve the exploitation of a specific brand: it may happen that the product of the film studio intersects with other products with the same brand previously created.

Some well-known franchises such as *Harry Potter* belong to this kind, which was born from a series of novels by the English writer *J.K. Rowling*, or *Spider-Man*, main character of a comic books series created by *Stan Lee* and *Steve Ditko*.

Obviously, the purchase by a major label of a brand such as *Harry Potter* or *Spider-Man* grants total or partial freedom to use these IPs. In the second case, for the sake of clarity, the major will be able to exploit the brand only in a specific sector: Sony partially owns *Spider-Man*'s rights, this means that it can use the IP and the brand only in the cases of making movies (both animated than in live action) and TV series, in the this case, however, only in live action⁶⁸. (Bacon, 2019)

This type of film typically points to a very large slice of the public, therefore to the penetration of the global market by using large distribution systems on a global scale and the timing that allows for close release dates. For these reasons, the product sales process takes on a more important role than the product production process: the costs that the majors face for marketing and distribution costs are even higher than millionaire budgets for the production of the movie itself due the need for planetary marketing campaigns that exploit media convergence to increase the channels for promoting the film and the merchandising attributable to it.

The film studios, therefore, in the case of media-franchises adopt real branding strategies, considering each franchise a real organization in its own right.

For example, *Batman*'s IP belongs to Warner Bros. (which holds *DC*, *Batman*'s creative publishing house) but this brand is managed as a separate organization from the WB given the interests that are around this brand: Charles Roven⁶⁹ from 2003 (*Variety*) deals with the production of the feature films of the franchise, while from 2008 to 2015 Sefton Hill - president of the videogame production company *Rocksteady*⁷⁰ (IMDb) - together with *WB Montreal* was responsible for this property as regards the gaming sector.

To these two names must also be added other managers for each business in which the *Batman* franchise was involved and under them there are huge teams of professionals who are committed to managing the IP and the brand.

Many of these media-franchises are managed as companies and for each branch there is a work staff responsible for the IP itself.

2.2 BRAND IDENTITY AND BRAND EQUITY IN MEDIA-FRANCHISES

It is necessary, now, to understand how brand management works in a media-franchise. Each of these IPs has identities: the identity of a media-franchise is based on its main character or on the world in which the story is set. The fantasy identity of franchises such as "*The Lord of the Rings*" or "*Harry Potter*" is not given by their protagonists but by the world in which the story is set, unlike what happens for the *Marvel* franchise, belonging to Disney, which sets the most of their stories in "our" world - in US cities such as New York - and therefore make the identity of the brand reside in the main character⁷¹. (Marazi, 2014)

⁶⁸ (Bacon, 2019)

⁶⁹ (*Variety*)

⁷⁰ (IMDb)

⁷¹ (Marazi, 2014)

There are, therefore, elements of the franchise such as the setting that describe the identity of the latter and which cannot be drastically changed although many of these IPs have transpositions on many media, from TV to cinema through books and comics.

Changing one of these aspects would therefore mean starting a re-branding process of a franchise, in many cases known and loved, with a large risk of failure of this strategic operation.

Precisely for this reason, when studying a media-franchise and referring to *Brand Identity*, it is divided into two parts: *Core Identity* and *Extended Identity*.

Aaker defines the first in this way:

*"The core identity represents the timeless essence of the brand. The core identity, which is central to both the meaning and success of the brand, contains the associations that are most likely to remain constant as the brand travels to new markets and products"*⁷². (Aaker, 1996)

While the Extended Identity is seen as a set of elements that, together with the Core identity, manage to provide a sense of completeness and the addition of details on what the brand represents.

Furthermore, it is necessary to specify a further difference between these two identities: the Core is considered a factor of continuity in the brand and in the franchise, something that cannot be changed beyond the means used for its transposition; Extended, on the other hand, includes the modifiable aspects of the brand that are not - and probably never will be - components of Core Identity.

In essence, regardless of the medium used for the representation, the franchise will maintain some key aspects - in the case of an IP starring a super hero will be the origins, in the case of an IP like Harry Potter it will be the fantasy world full of magic - to which, obviously, some factors can be added that allow to improve the consumer experience: in Blockbusters, the show and the special effects are a preferable but not necessary option, therefore they belong to the sphere of the Extended identity.

This, however, must not suggest that the Extended Identity of a media-franchise is unimportant:

*"Extended Identities essentially offer multiple outlets for the abstract Core Identity to be realized"*⁷³. (Marazi, 2014)

Brand Equity is also an important factor for the success of a media franchise.

This term can be defined as the set of assets (or liabilities) linked to the logo or name of a company that add (or subtract, it depends on the cases) value to the services or products provided by the company to customers⁷⁴. (Aaker, 1996)

The main categories of assets are:

- *Brand name awareness;*
- *Brand loyalty;*
- *Perceived quality;*
- *Brand associations.*

The first of these assets is defined as the force that the brand exerts in the mind of consumers: in short, how easily a consumer can recognize and connect the name or logo of a company - media-franchise in this case - to the goods that the latter produces.

Awareness is measured by the ways in which consumers remember a brand. There are therefore four levels: *recognition, recall, "top of mind" and "dominant"*.

Recognition is obtained from past exposure to the brand, without the necessary memory of where it was seen for the first time or to which category of products it belongs.

⁷² (Aaker, 1996)

⁷³ (Marazi, 2014)

⁷⁴ (Aaker, 1996)

According to psychology, the mere memory of a brand will elicit positive reactions from the consumer. Recognition is facilitated if a logo is associated with the brand. Many franchises use this technique: a media-franchise that uses it, for example, is the *Batman* franchise that uses the stylized bat logo; in the food industry *McDonald's* uses it with the *Golden Arches*; in the clothing industry *Nike* uses the historic "Swoosh". For this reason, many film studios promote films with a logo and try to expose consumers to this marketing campaign as much as possible, so as to activate a process of "recognition".

The recall of a brand occurs when the products of a specific brand emerge in the mind of a consumer as representative products of the entire category.

This process is also very widespread with franchises: when movies like "Star Wars" are mentioned in the film industry, films set in space immediately come to mind, although the franchise created by George Lucas is just one of the many to have such location.

The brand loyalty asset can be defined as the loyalty that a consumer has towards a particular brand: when he/she needs to buy a specific product, the consumer will mainly refer to a brand over other because the latter has his/her loyalty.

The case for IPs and media-franchises is slightly different. The loyalty that consumers will have in the case of the media-franchise is linked to the satisfaction they experience in adapting the work.

For the majors, this asset has a particularly delicate management: due that loyalty is often related to the adaptation of the main source - which will not always be completely faithful to the original source - it is impossible to fully satisfy every consumer, therefore retaining all of them.

For this reason, potential customers can be divided according to degrees of loyalty:

- *noncustomers*, those who do not buy the product;
- *price switchers*, those who are price sensitive;
- *passively loyal*, those who buy out of habit rather than need, in the entertainment sector, are those who go to the cinema during the Christmas holidays, for example, more out of habit than out of interest in a particular film;
- *Fence sitters*, those who are indifferent to the purchase of an asset between two or more brands, in the film industry are those passionate about a certain genre and who are not loyal to a single franchise.

Loyalty in adaptation, not only in brand values, is a matter of primary importance for both industry and the audience.

Perceived quality is a topic of great interest in the Hollywood entertainment sector due that the performance on the box office often is correlated to the movie's quality: moreover, product's quality will also have an impact on the ancillary markets.

On the other hand, the consumer is also strongly interested in the quality of the film: if he/she had the doubt that the product is of low quality, he/she will not be willing to spend the money to finalize the purchase (be it a movie ticket or a Blu-ray to look at home).

The last asset, the brand associations, is connected to the brand identity and to what it represents in consumers' mind.

This, of course, depends on the consumer exposure to the brand and the knowledge he has about the franchise and about the product.

For example: brand associations occur when, seeing the stylized logo of a bat, a consumer thinks of the *Batman* franchise, although there are other logos with bats in the world, such as the emblem of the *Valencia Club de Fútbol* or the *Bacardi* logo.

All these elements that make up Brand Equity allow to understand how the latter is vital and necessary for the strength of any brand: it takes on even more value if placed in the context of the entertainment industry where the

studios launch marketing campaigns at a planetary level to they need to penetrate a large audience segment⁷⁵. (Marazi, 2014)

2.3 DIFFERENT OPPORTUNITIES FOR THE ACQUISITION OF A MEDIA-FRANCHISE

There are different ways on how a major can acquire the rights in order to produce and distribute some entertainment contents based on an intellectual property.

One of the easiest and more commons is represented by the way on how Warner Bros. acquired the IP of Harry Potter from the English author J.K. Rowling and made of it one of the most successful media-franchise of the film industry's history.

Just for a funny coincidence the book was read by David Heyman's assistant.

David Heyman is an important English movie producer also known for films such as "*Yes Man*" and "*Gravity*": his enthusiasm about the books lead him, in 1999, to convince the American major to acquire the rights of the franchise, offering a figure equal to two millions of dollars just for the first four books (the first three already out while the fourth one was still under the writing process)⁷⁶. (Australian Financial Review , 2000)

This agreement was, obviously, renewed after the success of the franchise although J.K. Rowling wasn't sure about the very first agreement: signing she was reducing her power on the franchise, enabling WB to do non-author-written sequels.

However, during the negotiation phase the author made possible to insert some clauses in the agreement such as the cast nationality: she asked to maintain the characters nationality according with she wrote on her books⁷⁷. (Bradshaw, 2001)

Even if the decisional power was not anymore on her hands, she would still have a small margin of power in the creative phase, so that she could finish to write the story she had designed from the very beginning.

She still collaborates with the film studio on the screenplay of the films belonging to the Harry Potter franchise.

So, one of the ways to purchase an IP for the creation of a media-franchise is the direct negotiation with the author of the intellectual property itself.

This kind of negotiation is widespread: dealing with the author of an intellectual property is much simpler for a major label, especially if he/she remains involved in the creative or production process, still allowing for returns on a franchise that he/she has helped to create.

There are, however, cases in which the acquisition of an IP for the production of a media-franchise is not as simple as the case previously mentioned.

An example could be the "*007: James Bond*" franchise.

This too owes its birth to a series of novels originally written by Ian Fleming; however, the character will become known in popular culture thanks to the production of feature movies that began in 1962, in which the character was played by Sean Connery.

In this case, the franchise rights belong to a production company, EON Productions, which acquired the rights in the 1960s after the author accepted the offer.

However, EON does not deal with the distribution of the film but only with the production: therefore, the rights for the distribution of the movie are exclusive to a studio but limited to a pre-established amount of time between EON and the other counterpart.

⁷⁵ (Marazi, 2014)

⁷⁶ (Australian Financial Review , 2000)

⁷⁷ (Bradshaw, 2001)

The mechanism that is set up is very similar to an auction: once the exclusive contract with a major has expired, the "franchisor" evaluates the proposals from all possible buyers, ultimately deciding who to guarantee the exclusive distribution rights.

Obviously, in these contexts the various distribution rights must also be separated: it is not certain that the studio that holds the exclusive rights for the film release also has the television, streaming or home video rights.

The *007* franchise is, in fact, an emblematic case. The owners of the franchise are the aforementioned EON Productions and MGM for over fifteen years. Neither production company distributes the film, so the exclusive rights are assigned to the studio that makes the offer with the highest figure, typically.

This also happened recently after Sony, which had held the franchise rights since 2006, saw its exclusive contract expire and failed to exceed Universal's offer, which can now enjoy an asset of considerable importance⁷⁸. (Nyren, 2018)

In fact, *Sony* has secured the franchise rights since 2006 with the distribution of the film "*Casino Royale*". The major, however, did not have full control over all the rights: if the latter belonged to the rights regarding the film distribution, considered the most important, the rights for the distribution of the franchise in home video belonged to the 20th Century Fox (note that Fox itself held film distribution rights before Sony) and MGM had rights to distribute the franchise on TV and on streaming platforms.

So, during the negotiation phase there are so many aspects to consider, not only the theatre release which still is considered the most important one: for a major is not guaranteed the multiplatform distribution of a media-franchise.

Another case, this one previously mentioned too, is the Spider-Man one: even if Sony bought the rights in order to produce movies, both animated and live-action, and release them in cinema and in home video they don't have the rights to produce an animated series with the character. Moreover: Spider-Man is an important asset for both Sony and Marvel, which is owned by Disney: the latter, hence, has the right to use the character on their contents and properties. In fact, they advertised the inauguration of a new area in the Disneyland parks using the characters from their Marvel franchise, including Spider-Man⁷⁹. (Alexander, 2020)

This kind of acquisition is, without any doubt, the most difficult one because the two parties are film studios and each one knows the mediatic importance and influence of the franchise.

In this case or the contractual agreements between the major (franchisee) and the author/owner (franchisor) ends, most of the times because of end of terms, or one major pays for the rights of the media-franchise.

There are a lot of chances that the negotiations between majors end well if the actual owner did not have the opportunity to produce and distribute a content for the IP: that's because the success of the media-franchise is still unknown.

If the main object of the negotiation is a very well-known franchise, as happened for the Spider-Man one – between Sony and Disney – or for the X-Men one – between Fox and Disney before the M&A of the two companies – is really difficult that the negotiation has a positive outcome since the asset has a fundamental importance for the company.

Spider-Man case is very emblematic, and it would also be discussed also later on: the right ownership is shared by Marvel (so Disney) and Sony because of an agreement between the two parties over two decades ago (when Disney didn't own Marvel).

When both parties have a huge interest about a franchise, most of the times a sort of agreement will be reached: there will be a right sharing or a collaboration between the two studios.

78 (Nyren, 2018)

79 (Alexander, 2020)

2.4 DIFFERENCES AND COMMON POINT BETWEEN MEDIA-FRANCHISE AND THE TYPICAL CONCEPT OF FRANCHISE

Each of the aspects mentioned above make the media-franchise different from the traditional concept of franchise. However, after an analysis of both, it is possible to find common points but also differences that make the case of the franchise in the entertainment industry emblematic, transporting it on a totally different plane, almost to differentiate it from the common franchises and making it a separate study subject .

Similarly, to what happens in the original concept of franchise, there will also be figures from the franchisor and the franchisee in the media-franchises, although they may have roles different from those traditionally designated. As written in the circumstance of the "007: James Bond" franchise, EON and MGM are the franchisors of the IP. In the case of Marvel superheroes, however, Disney is the franchisor. In short, many examples can be considered. In each of these cases, the franchisor will receive royalties for the granting of usage and production rights: the payment, in these cases, will not be periodic but will be equal to a percentage, agreed during the stipulation of the agreement, on the franchisee's revenues. Furthermore, in the case of the transfer of these rights from a producer to a major, there will also be an immediate payment at the time of the conclusion of the contract.

However, in the media-franchise the custom of the complete sale of the right is also widespread: the author of the IP, therefore, will not be able to claim the rights on his IP in any way while the major will have full creative, productive and distribution.

The media-franchise may, in this case, change ownership only in the event of a transfer by the major or if some of the terms of the agreement are no longer valid.

An emblematic example belonging to the latter exception is that which occurred between Fox and Marvel for the "*Daredevil*" franchise.

Although Fox had acquired the character's rights before 2000, an agreement was made between the two counterparts: if the major had not used the character on a film level in any way for ten years, the exclusive rights would have returned to its original owner, Marvel.

Fox actually produced a film starring the character. The results were discreet but not so much as to satisfy the film studio, which decided to give precedence to other projects rather than a possible sequel⁸⁰. (Fleming, 2013)

In ten years Fox did not use the character a second time, sanctioning the end of the agreement with Marvel who returned to full possession of the media-franchise and entered into an agreement with Netflix, so that an exclusive series for the platform would be developed thanks to a collaboration between the two studios.

Even this collaboration, now, is over and the rights no longer belong to Netflix as the agreements provided for a failure to use the franchise for only two years, differently from the previous ten⁸¹. (Schedeen, 2020)

Unlike what happens with franchises in the restaurant industry, such as McDonald's and Burger King, or in the clothing sector, such as Nike, in the entertainment sector it is unusual that the license for the same media-franchise is granted simultaneously with several majors. This only happens if there is a division in distribution rights in the various sectors, such as in the case of 007 in which Universal now has film distribution rights while Fox has home video distribution rights.

In conclusion: although the media-franchise belongs to the macro category of franchises it is inappropriate, given today's developments in the matter, to link the former with the latter and it must be treated as a separate topic in the case of the entertainment sector, given its peculiarities and characteristics not exactly the same as the traditional franchise concept.

80 (Fleming, 2013)

81 (Schedeen, 2020)

3. ANALYSIS OF DISNEY FRANCHISE SYSTEM

Many of the franchises mentioned so far have in common the company they belong to the Walt Disney Company.

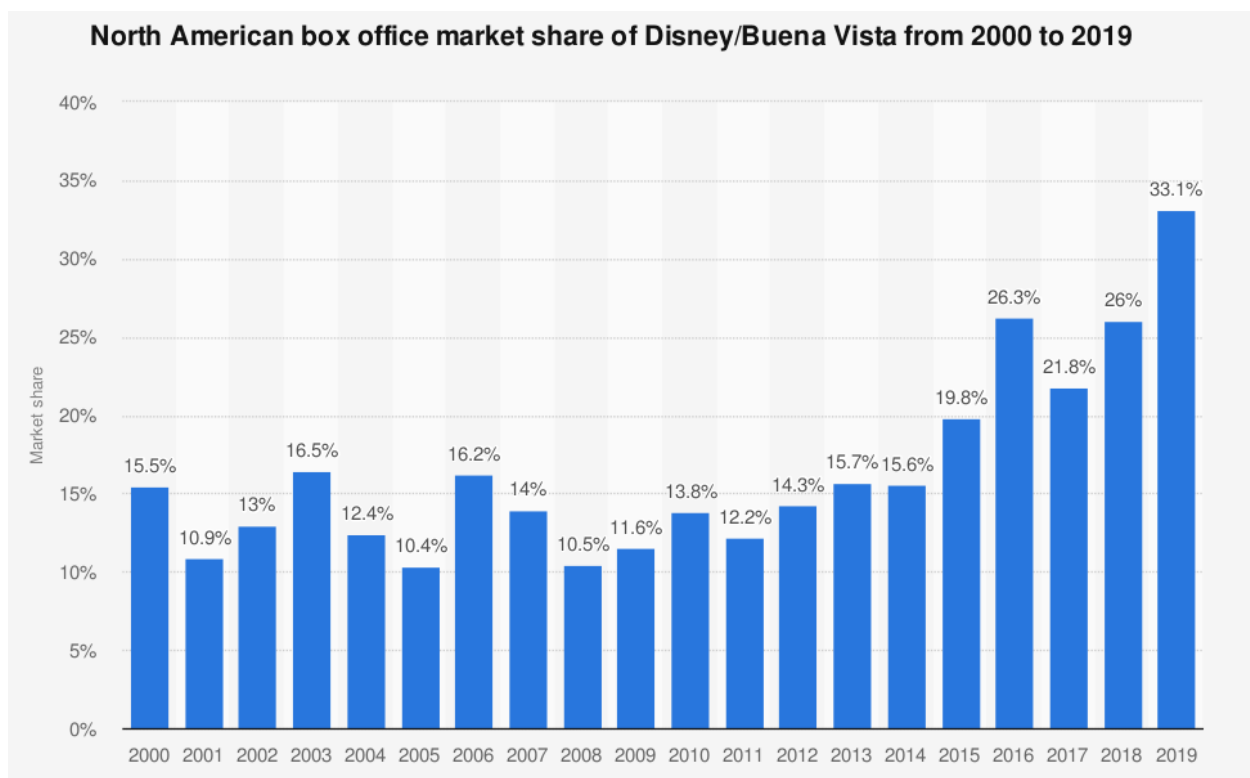
The Burbank company built its empire thanks to the animated films that were shown in cinemas already in the first half of the last century and then expanded with the passage of time: the major has expanded not only in the media by acquiring other production and other media such as TV channels but also thanks to the creation of amusement parks, Disneyland, which allows the consumer to immerse himself in corporate culture and values. The success of this theme amusement park, born in 1955 in Anaheim (suburb of Los Angeles), is mainly due to the fact that it manages to regulate the desire, consumption, movement and time of visitors through architecture and fireworks which allow the consumer to fully experience the "*Disney experience*"⁸². (Judd, 2003)

Today, Disney is the company that has the greatest power in the entertainment sector.

Taking only the box office as a reference and analyzing how the market share of the Walt Disney Corporation has changed, it is possible to notice a marked increase starting from 2015.

The surprising figure, however, is how in just twenty years the company's market share has doubled, going from 15.5% in 2000 to 33.1% in 2019 (also shown in *GRAPH 6*).

Considering also the market share belonging to *20th Century Fox*, estimated at around 5%, Disney's market share reaches 40%⁸³. (CNBC, 2019)



GRAPH 6, North American box office market share of Disney/Buena Vista from 2000 to 2019 (SOURCE: statista.com)

The success of the Mickey Mouse company is due to a strong programming that has characterized the company's last twenty years.

If, as written, the media-franchises were considered real assets, Disney's portfolio is certainly the richest in all of Hollywood. The Burbank company owns, in addition to the 20th Century Fox - whose name has been changed to *20th Century Studios* - also other production studios such as *Marvel Studios*, *Lucasfilm*, *Pixar Animation Studios*, *Searchlight Pictures*, *Disneynature*, *Walt Disney Animation Studios* and *Walt Disney Pictures*.

82 (Judd, 2003)

83 (CNBC, 2019)

The interesting fact is that, with the exception of the last three, all the others have been purchased during the last twenty years: the last in chronological order are, in fact, the studios that belonged to FOX (20th Century Fox and Searchlight).

The market power that Disney has managed to achieve in the last twenty years is surely deriving from an excellent management of the franchise portfolio: the company has been skilled in enhancing each franchise, sometimes risking, also creating a new way of "making cinema".

3.1 STUDIOS AND FRANCHISE PORTFOLIO

Disney in recent years has become the protagonist of the purchase of many production studios, which inside had many media-franchises deemed attractive by the Burbank company that managed to enhance each of the IP available to these studios: this turned out to be one of the reasons why the company has been able to increase its market share in recent years.

Therefore, three of the most important acquisitions will be analyzed below with an overview of franchises held by these studios: Marvel Studios, Lucasfilm and Pixar.

3.1.1 Marvel Studios

Marvel Studios today are a worldwide giant that since their establishment in 2009 (but with an active film already in 2008) to nowadays have earned over 20 billion dollars.

However, the company before the advent of Disney, therefore of a structural reorganization of the company, did not have a success comparable to the one of today.

The first movie licensed by Marvel dates back to the late 90s: "*Blade*", starring Wesley Snipes, which also had a moderate success between critics and audiences.

However, the birth of Marvel Studios dates back to a few years before the release of this film, in 1996.

The main purpose of Avi Arad, a well-known film producer and executive of the time of Marvel Studios was to create a company that would use the Marvel's IP for the pre-production process of the movie - the choice of the director, the cast and the screenplay - to "sell" then this package to a Hollywood major that could produce and distribute it.

Obviously, this was not possible: the majors, seeing their limited power of action in the creative and pre-production phase, did not give priority to this movies leading Arad to declare that he would hardly have collaborated with a large film studio⁸⁴. (Hass, 1996)

This occurred only in part since a collaboration was started with 20th Century Fox from 2000 with the production and distribution of Bryan Singer's "*X-Men*", which grossed nearly \$ 300 million worldwide, revealing a success⁸⁵. (Levine, 2004)

Industry experts began to understand the potential that some franchises belonging to Marvel could have in the cinema and for this reason Artisan Entertainment - a small Hollywood studio, no longer existing - started a joint venture with Marvel itself for the co-production of some movies, giving the studio the opportunity to use fifteen of their IPs including *Thor*, *Captain America* and *Black Panther*, now well-known media-franchises.

The agreement provided for the financing and distribution of the films by the Artisan Ent. while Marvel Studios would develop the merchandising of each film⁸⁶. (Fleming M. , 2000)

84 (Hass, 1996)

85 (Levine, 2004)

86 (Fleming M. , 2000)

In the meantime, Fox continued to produce Marvel licensed content, not only "*X-Men 2*" but also "*Daredevil*" and two films about the "*Fantastic 4*".

Sony, which had obtained the rights to use *Spider-Man*, was also having great success: the film grossed \$825,025,036 worldwide⁸⁷. (Box Office Mojo)

As with every franchise, Marvel did not make much money from the release of the licensed films to the cinema: according to an analysis by Lehman Brothers, Marvel would have earned only 62 million dollars from the theatrical release of the first two movies on Spider-Man. Most of the revenues came, in fact, from the licensing of the Hollywood majors⁸⁸. (Masters, 2016)

This money was used to avoid the bankruptcy of the company which, since 1997, was having significant financial difficulties

The collaboration with Artisan Entertainment ended with nothing done: the company was integrated into Lionsgate in 2003 and, in 2004, Lionsgate and Marvel agreed to produce and distribute eight films in "direct-to-DVD".

This deal happened thanks to David Maisel, elected in 2004 COO of Marvel Studios in 2003 by Avi Arad and Isaac Perlmutter.

The hiring of Maisel as Chief Operating Officer was due to the excellent plan drawn up by the latter for Marvel to start self-financing its own movies: in fact, it began a negotiation with the bank *Merrill Lynch* for a loan equal to \$ 525 million and the production of up to ten movies based on the IP owned by Marvel such as *Captain America* or *Ant-Man*. The negotiation was difficult, Merrill Lynch tried to change the company's requests several times: the bank was willing to pay up to \$ 350 million. However, the latter found an agreement with Ambac - an American holding that provides financial guarantee services such as the issue of bond insurance - which guaranteed for the success of the Marvel movies (therefore for the payment of the debt), otherwise it would have guaranteed the payment of the interest on the debt (using the rights of the characters as collateral)⁸⁹. (Leonard, 2007)

In the meantime, Marvel was regaining the rights of some of its franchises, such as *Iron Man* (regained by New Line Cinema) and *Thor*, and continued to agree with other majors for the distribution of some films: the Hulk franchise, already produced and distributed by Universal, returned to Marvel which regained creative and productive power over the media-franchise leaving, however, the distribution rights in Universal's hands. The other films that would have been produced only by Marvel Studios but distributed by Paramount⁹⁰. (Roger, 2005)

In 2006 the corporate structure changed again: Avi Arad, following internal discussions regarding the strategies to be adopted on movies' releases, abandoned the role of CEO and president, allowing the promotion of David Maisel as CEO and of Kevin Feige as president.

In 2008 "*Iron Man*" was released, the result of David Maisel's plan: the film is produced using \$ 140 million - from the loan granted by Merrill Lynch - and collects, globally, over \$ 585 million, enjoying critical acclaim and audience. It was the first, true, success of Marvel Studios⁹¹. (Masters, 2016)

Taking advantage of the success of the first film, Marvel Studios begin to study a plan to relaunch the other, lesser known, franchises of their portfolio such as *Black Panther*.

On December 31, 2009, Marvel is completely purchased by the Walt Disney Company.

However, this event was only a matter of time: Maisel, at the beginning of his career, had collaborated with Disney and knew of the company's potential; moreover, he understood the potential that Marvel's media-franchises could have if managed by a solid and excellent programmer company like Disney.

This would have led to both sides' success. Regarding his intuition, he later declared:

"In 2016, it's such an obvious thing, but it wasn't back then". (Maisel, 2016)

87 (Box Office Mojo)

88 (Masters, 2016)

89 (Leonard, 2007)

90 (Roger, 2005)

91 (Masters, 2016)

Negotiations began as early as 2008 when Maisel personally convinced Disney CEO Bob Iger to buy a significant stake in Marvel shares, at a price of \$ 51 as opposed to \$ 20 for which Avi Arad sold each share of its share. On February 18, 2009, Iger and Maisel met again to begin negotiations that would expand the relationship between Disney and Marvel. In August, the agreement had been reached: Disney would have ratified the purchase of Marvel at the end of the year for an amount equal to 4 billion dollars. David Maisel had made a true masterpiece: the company had a value of just \$ 400 million in 2003, when he joined the company, and managed to multiply its value tenfold⁹². (Masters, 2016)

After the acquisition by the Walt Disney Company, Paramount continued for a short time to distribute Marvel movies, until 2013 with Disney which bought back the rights to distribute Marvel films from Paramount. In 2015 Marvel officially became a subsidiary of Disney: some divisions of the company - such as Marvel Television and Marvel Family Entertainment - were, in fact, fully incorporated by Marvel Studios which is headed by Kevin Feige, who became CCO - *Chief Creative Officer*, he has the role of personally supervising each studio project - who will report the results of his work directly to Alan Horn, chairman of Walt Disney Studios. This marks the Isaac Perlmutter's exit from the company, while Karim Zreik (senior vice president of Marvel Television) will join Marvel Studios together with his entire team⁹³. (Masters & Belloni, 2015)

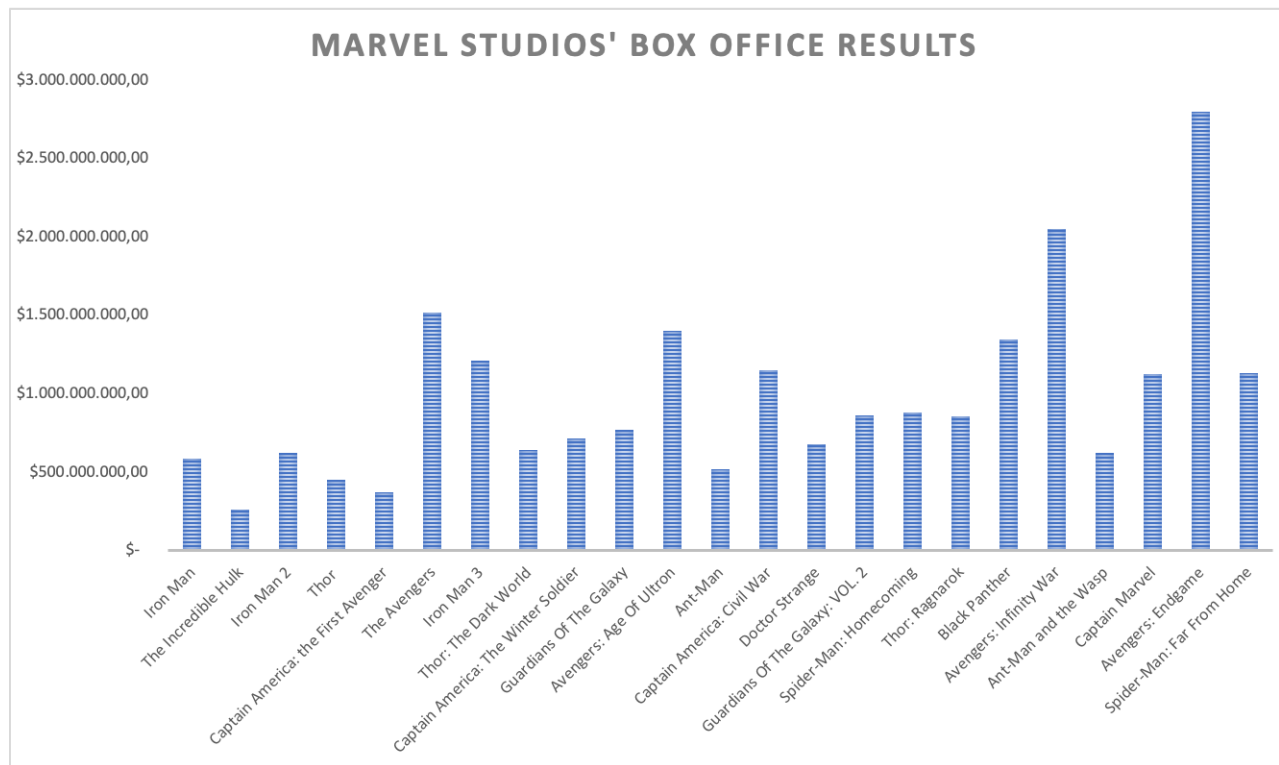
In 2018 the launch of exclusive franchises for the Disney + platform is also announced, this will also lead to the end of the collaboration that Marvel Television had established with Netflix.

Movie	World Wide Box Office
Iron Man	\$ 585.366.247,00
The Incredible Hulk	\$ 264.770.996,00
Iron Man 2	\$ 623.933.331,00
Thor	\$ 449.326.618,00
Captain America: the First Avenger	\$ 370.569.774,00
The Avengers	\$ 1.518.812.988,00
Iron Man 3	\$ 1.214.811.252,00
Thor: The Dark World	\$ 644.783.140,00
Captain America: The Winter Soldier	\$ 714.421.503,00
Guardians Of The Galaxy	\$ 772.778.185,00
Avengers: Age Of Ultron	\$ 1.402.805.868,00
Ant-Man	\$ 519.311.965,00
Captain America: Civil War	\$ 1.153.269.293,00
Doctor Strange	\$ 677.718.395,00
Guardians Of The Galaxy: VOL. 2	\$ 863.756.051,00
Spider-Man: Homecoming	\$ 880.166.924,00
Thor: Ragnarok	\$ 853.977.126,00
Black Panther	\$ 1.347.280.161,00
Avengers: Infinity War	\$ 2.048.359.754,00
Ant-Man and the Wasp	\$ 622.674.139,00
Captain Marvel	\$ 1.128.274.794,00
Avengers: Endgame	\$ 2.797.800.564,00
Spider-Man: Far From Home	\$ 1.131.927.996,00

Table 2, Marvel Studios' Box Office results (SOURCE: elaboration of "boxofficemojo.com" data)

92 (Masters, 2016)

93 (Masters & Belloni, Marvel shake-up: films chief Kevin Feige breaks free of CEO Ike Perlmutter, 2015)



GRAPH 7, Marvel Studios' Box Office results (SOURCE: elaboration of "boxofficemojo.com" data)

The production studio currently holds the pride of having produced the film with the highest grossing in the history of cinema: "*Avengers: Endgame*" (2019), grossing equal to \$ 2,797,800,564⁹⁴. (Box Office Mojo)

Since 2008, the firm has grossed \$22.586.897.064 in total.

Certainly, the collection of this figure is due to a particular effectiveness of the strategies that Marvel and Disney have adopted: first of all the creation of a single, large, franchise that could contain others inside it, known as MCU (*Marvel Cinematic Universe*).

The peculiarity of this huge media-franchise is that all the films are set in the same "*cinematic universe*" and for this reason it is possible to periodically make "*crossover*" movies involving multiple characters, coming from different media-franchises. This technique was also an inspiration for other franchises and other companies, completely renewing the film and entertainment industry, also for this reason it has been ranked in the eleventh position in the "World's Most Innovative Companies List" by *Fast Company*⁹⁵. (Laporte, 2018)

3.1.2 Lucasfilm

Another important studio purchased by Disney is *Lucasfilm Ltd.*

Although it joined the Walt Disney group in 2012, its foundation is much further away: the company was founded by George Lucas - to whom it owes its name - in 1971 to then later incorporated by Lucasfilm Ltd. in September 1977.

The foundation of Lucasfilm Ltd. is due to the enormous interests that began to revolve around the two most important properties produced by Lucas and his company: *Indiana Jones* and *Star Wars*.

Above all, the second franchise was so successful that Lucas created a subsidiary of Lucasfilm, called "*The Star Wars Corporation*", which had the task of supervising all the legal and financial aspects (such as sequels production, copyright and merchandising) that revolved around to this media franchise.

94 (Box Office Mojo)

95 (Laporte, 2018)

The company was first managed by businessman Charles Weber while George Lucas was responsible for the creative direction of the various franchises. Lucas' intent was to produce only independent films, but the success of the Star Wars and Indiana Jones franchises led Lucasfilm to grow progressively: at the beginning there were only five employees, after less than ten years the employees were beyond one hundred.

In 1980, Weber left the company due to a discussion with Lucas about business strategies: the first proposed to sell, once finished, the "*Skywalker Ranch*" - a ranch that served as an operations center for some Lucasfilm offices - for 50 millions of dollars to further expand in movie industry while the latter did not share this vision.

However, the company was beginning to grow, other divisions were inaugurated in addition to the production studio: these are all part of Lucasfilm but operate, possibly, individually⁹⁶. (Market Line, 2019)

Among these are:

- ILM (*Industrial Light and Magic*), which deals with the processing of visual effects (working for projects such as "*Doctor Strange*", "*Warcraft*" and "*The Great Wall*") and also has another department, the artistic one who worked on projects such as "*Indiana Jones and the Kingdom of the Crystal Skull*" or "*Iron Man*";
- Skywalker Sound, this department deals with the study of sound design and added sound in post-production for projects belonging to the gaming or film industry;
- Production, this division deals with the actual production of Lucasfilm's film projects such as creative development (such as writing scripts and developing concepts for upcoming films), physical production and the addition of special effects in post-production;
- Games (or *Lucas Arts*), deals with the production of video games for multiple platforms such as "*Monkey Island*" (released for consoles such as PS3 and Nintendo Wii) or "*Angry Birds: Star Wars*", a well-known video game for smartphones.
- Animation and Products, this division deals with the development of animated series on franchises owned by Lucasfilm, such as "*Star Wars: Rebels*", and the creation of merchandising products related to these series, such as clothing and action figures.

The 80s are very profitable for Lucasfilm: the second film of the Star Wars saga ("*Empire Strikes Back*") is released, the "*Skywalker Ranch*" is completed and an agreement is signed with Disney to introduce some "Star-themed" attractions Wars" in various Disneyland parks.

In addition, George Lucas is one of the first entrepreneurs to understand that the internet is growing rapidly and the medium can have considerable potential, for this reason in 1996 "*starwars.com*" was inaugurated, which allowed to have news about the franchise and made sure that the fan community grew.

In 2003 an agreement was signed between the company and the television channel Cartoon Network, so that the latter had the exclusive rights on the animated projects developed by the company: the first of these is "*Attack of the Clones*", released in 2005⁹⁷.

The new millennium is full of challenges for Lucasfilm which produces a new trilogy on Star Wars and a new film on Indiana Jones.

The first of these two projects is, in fact, the result of a long development: in 1983, after the divorce and the loss of many of his fortunes, Lucas will finally stop the development of the Star Wars sequels. However, in the 1999 was released the first film of this new trilogy - better known as the "*prequel trilogy*" - called "*Star Wars: The Phantom Menace*". The remaining two films, "*Attack of the Clones*" and "*Revenge of the Sith*", were released respectively in 2002 and 2005⁹⁸. (Kaminski, 2008)

The other film in production, "*Indiana Jones and the Kingdom of the Crystal Skull*", directed by Steven Spielberg (close friend of George Lucas), production began in 2007 and it was released in 2008.

Unfortunately, these four projects did not have great success between the audience and the critics, although there were good results at the box office.

⁹⁶ (Market Line, 2019)

⁹⁷ (Market Line, 2019)

⁹⁸ (Kaminski, 2008)

Movie	Box Office Results
Star Wars EP. IV: A New Hope	\$ 775.521.394,00
Star Wars EP. V: Empire Strikes Back	\$ 548.651.925,00
Star Wars EP. VI: Return of the Jedi	\$ 475.347.111,00
Star Wars EP. I: The Phantom Menace	\$ 1.027.082.707,00
Star Wars EP. II: Attack of the Clones	\$ 653.779.970,00
Star Wars EP. III: Revenge of the Sith	\$ 868.390.560,00
Indiana Jones: Raiders of the Lost Ark	\$ 390.133.212,00
Indiana Jones and the Temple of Doom	\$ 333.107.271,00
Indiana Jones and the Last Crusade	\$ 474.310.887,00
Indiana Jones and the Kingdom of the Crystal Skull	\$ 790.653.942,00

Table 3, Box Office results of the Lucasfilm's main franchises, Indiana Jones and Star Wars (SOURCE: elaboration of "boxofficemojo.com" data)

The collaboration between Walt Disney and Lucasfilm became increasingly productive. Lucas had developed many attractions for the various Disney theme parks together with Walt Disney Imagineering: in 2011, during the inauguration of an attraction called "Star Tours - The Adventure Continue" there was a talk between Bob Iger, Disney CEO, and George Lucas.

The latter expressed his willingness to sell the production studio and its franchises. Precisely for this reason, in 2012 a negotiation began between the major Burbank and Lucas⁹⁹. (Hill, 2012)

The deal came on October 30, 2012 for about \$ 4 billion and approved by the Federal Trade Commission the 4th of December 2012: half of the payment in cash and the other half in Disney shares¹⁰⁰. (Kovach, 2012)

Lucas retires following this agreement in 2013 to focus on independent movies production. His place was taken by Kathleen Kennedy, producer of the "Indiana Jones" franchise and close collaborator of Steven Spielberg. She works alongside Lucas until June 2013, the month of his retirement.

In September 2012 Micheline Chau also announced his retirement, COO of the company for two decades, which the experts give credit for having supported the profit of the Star Wars equity brand thanks to ancillary projects compared to film ones, such as animated series¹⁰¹. (Kilday, 2012)

Katheleen Kennedy then becomes president of Lucasfilm and will report her work directly to the president of Walt Disney Studios, Alan Horn. In addition, she will also be the brand manager of "Star Wars", collaborating directly with Disney's other business lines to maximize the value coming from this media-franchise.

Starting from the animated project entitled "Star Wars: Rebels" the projects of the franchise have been branded Disney, which in recent years has given life to the franchise again producing a new trilogy: the first film, "Star Wars EP. VII: The Force Awakes" was released in December 2015.

On December 21, 2012, Lucasfilm officially became a Disney owned subsidiary.

In 2013, Disney decided to close (almost entirely) Lucasfilm's "games" department, Lucas Arts, keeping the office alive with about ten people in order to keep its video game licensor function alive, with Disney Interactive Studios as a producer of casual games while the production of AAA video games branded "Star Wars" would have been an EA's exclusive, due to an agreement with Disney itself¹⁰². (Fritz, 2013)

In September 2018 it has been announced that Kennedy would have stayed Lucasfilm's president at least until 2021: due to the COVID-19 epidemic her contract has been renewed until 2022¹⁰³. (Kit, 2018)

⁹⁹ (Hill, 2012)

¹⁰⁰ (Kovach, 2012)

¹⁰¹ (Kilday, 2012)

¹⁰² (Fritz, 2013)

¹⁰³ (Kit, 2018)

3.1.3 Pixar

Pixar was born as CGL (Computer Graphics Lab) in 1976 when Alexander Schure, owner of a traditional animation studio, hired computer engineers Edwin Catmull, Malcom Blanchard, David DiFrancesco and Alvy Ray Smith with the intention of producing the first movie computer-animated. The successes of the study, in the early years, were zero until Schure had the opportunity to meet Francis Ford Coppola and George Lucas who illustrated their vision of computer animation's future: Schure understood that it was necessary to collaborate with a real production studio.

The four engineers, therefore, left their job at CGL to join Lucasfilm as the graphics department had a very important role in the company, so much so that it counted just over 40 employees in the 1980s. Unfortunately, after George Lucas' divorce, Lucasfilm's revenue began to decline and employees realized that the Lucasfilm graphics department would soon be sold.

Given the concern of a "*diaspora effect*", which would have prevented the making of the first computer-animated film, the employees agreed by mutual agreement that the right choice was to transform the group into an independent company¹⁰⁴. (Sito, 2013)

In the first years of activity, therefore, the company produced hardware called *Pixar Image Computer*.

Catmull was the president of the newborn Pixar while Smith was the vice president: their first forty-five requests for funding were rejected and the only financier they found was Steve Jobs, just fired from *Apple*, who had recently founded a new company called *NeXT*. In 1986, therefore, Jobs paid George Lucas \$ 5 million for technology rights and invested another \$ 5 million in the company's capital by becoming chairman of the board. The technology of the time, however, still represented a limit for the company that could not produce any animated film if not a few short films. Therefore in the 80s there was a total focus on the development of the hardware by the company which will also be launched on the market, not obtaining the desired results and risking to make the company go bankrupt: it will be Jobs' investments, equal to 50 million dollars, to save it but also to give him the full control of the company.

The hardware division was, however, sold in 1990¹⁰⁵. (Paik, 2015)

The decade from 1986 to 1995 represents for Pixar a period of fundamental research which concretizes the work of the engineers in the making of short films such as *Tin Toy* from 1988, winner of an Oscar for best animated short film.

Disney, therefore, immediately understands the high potential of the company and signs an agreement for \$ 26 million for the production of three feature films.

Initially, the agreement provided for the production of a *Tin Toy* "Christmas special", later extended to the production of three movies and the first of them was "*Toy Story*".

Despite this agreement, Pixar's financial precarious situation continued, Jobs has repeatedly thought of selling the company: however, after the success of *Toy Story* in 1995, he decided not to sell the company, assuming the role of CEO.

Following the release of *Toy Story* and the success obtained, Pixar is listed on the stock exchange and its IPO was the highest in 1995: the share price varied from \$ 22 to \$ 45 in just thirty minutes, to reach the peak at 49\$ and close the day at \$ 39¹⁰⁶. (Pixar)

They also introduced, in the 90s, the "Pixar Braintrust": meetings were organized between directors, screenwriters and story boarders to exchange ideas on upcoming projects in order to have a product that could satisfy the audience.

¹⁰⁴ (Sito, 2013)

¹⁰⁵ (Paik, 2015)

¹⁰⁶ (Pixar)

Despite the precious collaboration with Disney, there were many misunderstandings between the two executives: the first wanted to distribute "Toy Story 2" directly on home video while Pixar aimed for a theatre release.

There were also controversies regarding the agreements between the two majors: the costs and revenues were divided equally between the two counterparts, but Disney had the exclusive use of the characters and stories, managed the merchandising and collected a distribution commission for a percentage varying between 10% and 15%. Relations between the two majors ended in 2004, when Pixar offered a new deal to Disney that provided for the former to have total creative control over future plans - but Disney had the right to refuse to distribute the sequels - and to maintain the 100% of revenues, also fully financing the project, leaving Disney the percentage on distribution.

In addition, Pixar asked for total control over the plans being made for Disney, "*The Incredibles*" and "*Cars*". The Disney CEO of the time, Michael Eisner, rejected this new Pixar proposal. In this period Disney will try to release computer-animated projects - "*Chicken Little*" and "*The Robinsons*" - which will prove, however, a complete failure.

Negotiations will resume when, in 2006, Bob Iger becomes CEO of the Walt Disney Company. Pixar concludes the production of "*Ratatouille*" by agreeing with Disney for distribution but maintaining complete control over the property pending the conclusion of the negotiation, which will take place at the end of January 2006.

Disney buys Pixar for 7.4 billion dollars, inaugurating its *multibranding* strategy which will continue with the aforementioned cases of Marvel and Lucasfilm.

Unlike the latter, however, Pixar does not become a simple Disney subsidiary but is considered a real "strategic center" for all Disney animated films, in fact John Lasseter takes on the role of creative director of Pixar and Walt Disney Animation Studios, creating hits like "*Frozen*" in 2013 and "*Zootopia*" in 2016, to name two examples.

All recent Disney animated products enjoy Pixar's know-how. It is good to specify, however, that when Disney acquired Pixar, Ed Catmull (Pixar president) had an important condition included in the contract: in order to distinct Pixar's contents from the Disney ones, the former would have maintained their iconic logo (the famous jumping lamp)¹⁰⁷. (Uva, 2017)

According to many experts, Pixar's success is due to the company's brand values, this represents the two faces of the USA: the first is the Midwest America, which is inhabited by the common man, who has a different sensitivity than the New Yorker or the Hollywood citizen; the second is the America of the technological revolution, characterized by libertarian and democratic traits, ideally represented by the bourgeois families of the San Francisco Bay Area and the workers of Silicon Valley.

This perfect combination of tradition and innovation is undoubtedly one of the reasons why Pixar manages to be successful globally.

This union is also represented within the company itself in which the classic idea of the "long Fordist assembly line", represented by the work for the production of a feature film in which everyone has a specific task in this complex production chain, coexists with a corporate structure that can be defined as "anti-hierarchical" or "democratic", in which each employee can stop the production of a project at any time if a criticality has been found.

Catmull has repeatedly stated that his intention was to create a "university" environment, where everyone could carry out their work rigorously, help and confront colleagues exactly as students do with each other and also learn every day: this "training" phase serves above all for new hires to improve their familiarity with software but also to work on creativity¹⁰⁸. (Uva, 2017)

The corporate culture is therefore marked by the "*long duration*", due to the fact that the projects are spread out over many years with the clear intent to consolidate the loyalty of their workforce: the top management want to create a corporate identity that is handed down among the employees and create in them a sense of belonging.

¹⁰⁷ (Uva, 2017)

¹⁰⁸ (Uva, 2017)

3.2 CHANGING AFTER THE M&A WITH 20TH CENTURY FOX

As previously written, the M&A between FOX and Disney has further changed the entertainment sector by reinforcing Disney's role as market leader.

The purchase became official on March 20, 2019, despite careful analysis by the Federal Trade Commission because this operation was going to decrease the number of Hollywood majors: in the USA "*horizontal operations mergers*" are more punished or prohibited than "*vertical merger operations*", since they directly and tangibly influence competition on the market¹⁰⁹. (Federal Trade Commission)

The power that Disney now holds is not just in media: the number of media-franchises now managed by the majors have significantly increased, allowing them to further exploit some of FOX's most important IPs. Furthermore, there has been a general reorganization in the two companies both hierarchically and strategically.

For the latter Disney has decided to modify some of the movie release plans established by the previous Fox management: in April 2019 the cancellation of some films such as "*Mouse Guard*" or "*News of the World*" was made official while other projects would be remained in production, such as "*King's Man*" and "*West Side Story*" directed by Steven Spielberg. Subsequently, release changes are also announced for films from both studios, such as *Artemis Fowl* - produced by Disney - which will be postponed and then released on Disney+ due to the epidemic that closed the theaters, or "*The New Mutants*".

All movies produced by Fox and licensed by Marvel have been canceled while the release date of the "*Avatar*" sequel is changed: Disney's plan is to release an *Avatar* movie during the Christmas period every two years alternating it with the sequels of "Star Wars", until 2027, so they will never compete with each other (and cause a *cannibalization* of the product)¹¹⁰. (D'Alessandro, 2019)

In addition, Disney has decided to withdraw Fox's "classic films" from cinemas to publish them on its streaming platforms such as Hulu or Disney+: "*X-Men: Days of Future Past*" will be, for example, one of the first Fox titles to be released on Disney+ and also has the peculiarity of being the first "uncensored" movie on the platform.

The purchase of Fox allowed Disney to also regain some Marvel properties that were not in its possession such as the "*X-Men*", "*Deadpool*" and "*Fantastic 4*" franchises: these, in fact, even before Disney acquired Marvel had been licensed by the latter in favor of Fox.

This will allow Disney to further expand one of its most successful media franchises, the Marvel Cinematic Universe¹¹¹. (Johnson, 2017)

Richard Greenfield, a BTIG Research analyst, said that thanks to the addition of these properties that will complete the "Marvel package" - only the Spider-man franchise remains beyond the complete control of Disney - and the possibility to use a franchise with huge success potential as "*Avatar*" (of which only one film has been released but four more sequels are already in production), Disney will have unprecedented control in the entertainment industry, also leading it to have a great bargaining power with international cinemas, televisions and streaming platforms.

3.3 COLLABORATION BETWEEN DISNEY AND SONY PICTURES FOR A MEDIA-FRANCHISE

Many industry experts have called the Walt Disney Company an "expert" company in the management of economic models that base their fortunes on the media-franchise: this is because the Burbank company has demonstrated throughout its history that it has been able to understand, better than other majors, the commercial potential intrinsic to certain products and properties¹¹². (Uva, 2017)

¹⁰⁹ (Federal Trade Commission)

¹¹⁰ (D'Alessandro, 2019)

¹¹¹ (Johnson, 2017)

¹¹² (Uva, 2017)

The acquisition of Marvel Studios was a demonstration of Disney's economic power but bringing this newborn production studio to international success was a demonstration of Disney's planning ability. However, the licenses of some Marvel-owned franchises did not belong to Marvel Studios, therefore to Disney. Although the latter has managed to "bring home" almost all the franchises that had been licensed from other companies, today there is no complete control over one last franchise: *Spider-man*.

This is owned by Sony which has produced (individually) five movies about the character, from 2002 to 2014. Just in 2014 the "*Sony Leak*" case broke out, in which a Sony employee decides to disclose some executive emails in which were mentioned some internal problems in franchise management: in the mails, moreover, it's possible to read about a collaboration offer proposed by Kevin Feige, by Marvel Studios and Disney.

Although at first this offer is rejected, the two studios will find an agreement: Disney could have used the character for three crossover films ("*Captain America: Civil War*", "*Avengers: Infinity War*", "*Avengers: Endgame*"), 5% of the film's gross earnings on the first day of movie release and exclusive rights to the sale of the merchandise, while Sony would have held the remainder of the profits; the two counterparts would have collaborated in the creative phase of the films.

The partnership between the two studios has been very profitable: the last two *Spider-man* movies have grossed \$ 2,012,094,920 worldwide. Disney, in 2019, proposed a new agreement that provided for the division of 50% for movies' costs and also for the revenues, leaving the exclusive rights on the sale of the merchandise to Disney. Sony refused to deal on these terms¹¹³. (Salkowitz, 2019).

The repercussions of a failed negotiation between the two sides will lead Sony to drop slightly on the stock exchange while Disney will continue to rise. Respectively: Disney had an increase of 0.04% while Sony a loss of 0.73%¹¹⁴. (Yahoo Finance)

Obviously, the numbers are very small, considering that both majors operate also in different industries in order to diversify this kind of risks. The worst damage Sony suffered was audience's discontent after Variety reported the scoop.

Disney, therefore, decided to remove Kevin Feige as the future producer on the franchise and everything was explained by a press release of Tim Rothman, CEO of Sony Pictures, who in addition to confirming the failed negotiation between the two counterparts for a renewal of the partnership explains also that Feige was busy in the strategic programming of the next Marvel movies - especially after the return of the Fox IPs - defining himself, however, available for a new negotiation with Disney for the co-management of the *Spider-man* franchise.

The majors returned to negotiation, but the outcome was uncertain: Disney had a successful franchise even before the addition of the *Spider-man* franchise and also the merchandising rights - therefore a considerable part of the revenues - were entirely their own. Sony, however, had produced and distributed two films of the franchise with excellent results: "*Venom*", which grossed \$ 856 million dollars worldwide – really appreciated by the audience - and "*Spider-man: Into the Spider-Verse*", a computer-animated movie about the character which won an Oscar. However, it was clear that a synergy between the two majors would have brought benefits to both.

For Disney, it meant regaining a franchise that actually represents the history and identity of the Marvel brand. For Sony, it was about movies success: the franchise could have survived on an individual level but the interaction with the other Marvel franchises led the latest *Spider-man* movie to exceed one billion at the box office.

In fact, the negotiation resumes and ended with a positive outcome in September: Disney undertakes to finance 25% of the film, also obtaining the right to 25% of the film's revenues¹¹⁵. (Lang, 2019)

Even in this situation, the Burbank company proved to be at the forefront, developing a strategy and collaboration with another studio for the management of a franchise so that it can bring benefits for both parties. Although the collaboration is designed to last a precise amount of time and to end in a few years, it is not unthinkable that this collaboration was a strategy implemented by the Walt Disney Company to understand the franchise's potential and try to buy it entirely in the future.

¹¹³ (Salkowitz, 2019)

¹¹⁴ (Yahoo Finance)

¹¹⁵ (Lang, 2019)

4. DUALITY BETWEEN CINEMA AND STREAMING: AN INTRODUCTION TO ENTERTAINMENT NEW AGE

As written in the first chapter, the entertainment sector has undergone numerous changes in recent years. The introduction and diffusion of streaming platforms among the audience have engaged the majors to develop new strategic plans to cope with developments in the industry.

These developments have obviously also affected many of the majors' assets: many film studios have moved in such a way as to create exclusive content for streaming platforms; other majors have changed their infrastructure to launch their streaming platforms and become more competitive in various aspects.

So, two very interesting changes have occurred in the last period: the use of the rights of the various franchises in the various media - many majors have decided to expand their media-franchises with TV series or exclusive films for streaming platforms - and the habits of the audience.

The latter place the Hollywood majors at a crossroads by changing the heuristic of their decision-making process: the resulting outputs can be two, the focus on the film release and the box office entries or an advanced data analysis that can provide more information about audience preferences (introducing new movies in the catalogue) and therefore increasing the number of subscriptions, in the case of streaming.

There is, therefore, a duality between the institutional and operational logics of the majors: the "*logic commitment*" aims at box office success with products for the mass market; the "*convenience logic*", on the other hand, tries to reach a large audience of subscribers thanks to the micro-segmented catalog offers¹¹⁶. (Hadida, Lampel, Walls, & Joshi, 2019)

The "*commitment logic*" was born in the early twentieth century from an alignment that exists between movies, the main product in the sector, and cinema intended as the place where this product is distributed and consumed: this combination has polarized the attention of the studio executives and modeled their organizational practices. The important choices for the Hollywood majors are "*which films should be produced*" and subsequently "*how to distribute these films*". These decisions are even more important today if we take into account that the companies that produce the movies are all listed on the stock exchange.

Once the studios have made their choices, the latter leverage a promotion in the mass media to attract as much attention as possible around the product and create a jump in the box office.

Usually, a film has the attention of the public in the first opening weekend: the promotion and the good quality of a product allow a WOM favorable to the studio and allow the film to generate more presences in the long run.

This logic, therefore, tries to persuade the individual consumer that the experience is worthy of the effort he will make to choose the movie, the nearest cinema and the cheapest ticket, although he is not aware of the satisfaction he will have in the vision of a certain movie rather than another. It can be defined as a "race" before and during the release of the film to capture the attention of the audience.

The various studios try to encourage the cinematic vision of a film by hiring "*stars*" or investing in large production budgets (to create longer films or investing in the best technology) that can attract audiences to theaters¹¹⁷. (Lampel & Shamsie, 2000)

So, a rule of "*exclusivity*" of the theatres arises: the products distributed in the cinemas have a 90-day exclusivity period, that means they cannot be distributed on any other platform for about three months. However, some movies today are distributed directly via streaming or cut down this 90-day rule, being distributed briefly in the cinema and immediately after in streaming. This led some industry professionals to boycott this methodology out of concern that this could harm box office earnings.

¹¹⁶ (Hadida, Lampel, Walls, & Joshi, 2019)

¹¹⁷ (Lampel & Shamsie, 2000)

Some of these films, such as Alfonso Cuarón's "*Rome*" which also won the Oscar, were ousted from the Cannes Film Festival because French law prohibits the streaming of a movie for 3 years after it has been released in the theatres

The introduction of new players in the industry such as Netflix, Apple TV or Amazon Prime Video, as well as the introduction of streaming platforms from film majors such as Disney +, HBO Max and Hulu, has introduced a new logic: the "*convenience institutional logic*"¹¹⁸. (Hadida, Lampel, Walls, & Joshi, 2019)

With this, it becomes superfluous to travel to get to a physical place, the cinema, to see a movie when you have the convenience of having hundreds of titles on the home page of your device. These platforms and their algorithms also allow the consumer to reduce search costs: this is, in fact, included in the subscription cost. Hence the platform that suggests content to the user thanks to micro-targeting operations or allows them to search for them using the search bar.

At first, the movie catalogs of the streaming platforms contained films from Hollywood majors. The rationale was to impose a release window on streaming platforms, just as it did for home entertainment or TV. This imposition was created to not harm the revenues that the majors wanted to obtain from the movie release, which is still considered the most important one.

Some providers, such as Netflix and Amazon, have decided to take on not only the role of distributors but also the one of producers, commissioning the production of some exclusive content for their platforms.

The reason for this choice is connected to the small percentages that the majors left them for the distribution of their films on these platforms: this was due to the large marketing costs that the companies incurred and that were filled by this "revenue sharing" model¹¹⁹. (Gomez-Uribe & Hunt, 2015)

The streaming services have changed the relationship between the audience and the distributors by trying to replace the "convenience" to the "commitment": the first not only allows consumers to watch a movie in their houses but also offers more creative opportunities to directors for the screenplay and the length of the film. For example, Netflix a few months ago launched an interactive episode of the *Black Mirror* series, in which the user decides how to continue the movie, this would not have been possible in the cinema.

This logic also allows the studios to take greater risks: the budgets for these films are lower than those of the blockbusters. This has allowed producers like Netflix to do without the custody of "stars", as opposed to what happens in traditional cinema.

These platforms have had the merit of spreading quickly among consumers, so much so that if the release of a film is not considered an "event", many viewers prefer to stay at home rather than go to the cinema to see a movie. Unlike the "commitment logic", which sees the hiring of stars, great directors and high budgets to attract the attention of the audience (drastically decreasing revenues at the box office), the "convenience logic" focuses on production volumes, decreasing the budget for each individual film and having negligible distribution costs (thanks to the use of streaming platforms). The exception for production companies that adopt the latter logic, such as Netflix, are made if the film produced could aspire to prizes: in this case the budget could be higher, with the possible engagement of some "stars" and will be distributed for a limited period of time in theatres.

Amazon and Netflix, therefore, produce between 30 and 60 films annually with a budget ranging from 20 to 30 million dollars¹²⁰. (Barnes, 2018)

The type of movie produced, typically, is decided based on user requests thanks to an analysis of the data of their research. Obviously, the "*modus operandi*" of these new producers is different: Netflix tries to give the audience premium content to increase the amount of subscriptions and reject competitors; Amazon Prime uses cross-selling, making the "video" service available along with other Prime services (such as faster deliveries). In this regard, Jeff Bezos, Amazon CEO, declares:

*"The victory of a Golden Globe, paradoxically, helps us sell even more shoes."*¹²¹ (Bezos & Mossberg, 2016)

¹¹⁸ (Hadida, Lampel, Walls, & Joshi, 2019)

¹¹⁹ (Gomez-Uribe & Hunt, 2015)

¹²⁰ (Barnes, 2018)

¹²¹ (Bezos & Mossberg, 2016)

Convenience logic therefore evaluates performance with the total number of subscribers to the streaming service rather than on a film-by-film basis.

The efforts that are aimed at data analysis serve to convince subscribers to stay subscribed longer on a platform: on average, a user has an attention threshold of ninety seconds for the decision of a movie to watch, if he/she doesn't find any interesting movies, the chances of not renewing platform's subscription increase.

These platforms are having great success among the public: in October 2019 alone, Netflix had over 158 million subscribers worldwide, of which 62 only in the USA with an average subscription of \$ 9, even if the platform offers several services of subscription at different prices and the user will choose the one he deems most suitable¹²². (Netflix, 2020)

The change that has occurred in the entertainment sector with the introduction of streaming platforms has shown that institutional logic exerts a significant influence in decision-making processes within the company. Some companies may show difficulties in adapting to changes in a sector, completely rejecting them. This could lead to bankruptcy. On the other hand, some companies can incorporate these changes into their own institutional logics, evolving them, merging them with other logics or dividing them into several logics, which can provide more solutions in terms of strategies to be adopted.

The previous analysis of the two logics - commitment and convenience - leads to the development of four possible scenarios (*FIGURE 2* below) that can take place in the industry, therefore how the majors will have to adapt in the near future¹²³. (Hadida, Lampel, Walls, & Joshi, 2019)

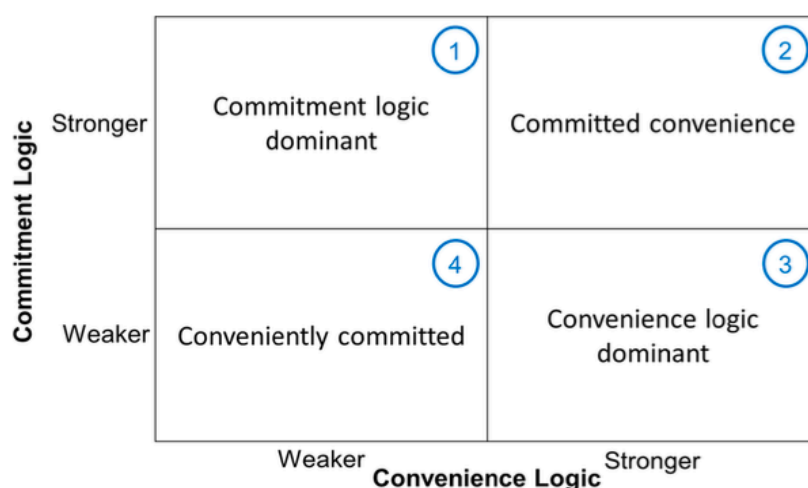


Figure 2, Institutional logic scenario matrix (SOURCE: Journal of Cultural Economics)

1. **COMMITMENT LOGIC DOMINANT.** In this first scenario there is a dominance of the commitment logic although the two logics continue to coexist¹²⁴. (Thornton & Ocasio, 1999)

In this scenario, production studios and cinemas aim to improve the customer experience: the former trying to produce quality content and advertising it worldwide in order to increase audience hype; the latter trying to improve the comfort in the room (armchairs, air conditioning, screen size, acoustics), increasing the choice of food and drinks available to the customer.

In addition, traditional studies will try to combine different technologies to implement the experience: AR (*augmented reality*) could be a tool to promote the outgoing movies, making the customer lives the experiences of the movie's main character.

¹²² (Netflix, 2020)

¹²³ (Hadida, Lampel, Walls, & Joshi, 2019)

¹²⁴ (Thornton & Ocasio, 1999)

This scenario has the highest level of uncertainty as it is based on a few Blockbusters per year produced by a small number of majors with uncertain success and a high production cost.

In this circumstance streaming services continue to use data analysis to micro-segment offerings and produce niche content: these producers focus on creating episodic content, which places these platforms in direct competition more with TV than with the cinema. This formula used by providers has a low level of risk and a low level of costs¹²⁵. (Walls, 2013)

Hollywood majors will continue to use streaming platforms as a distribution channel for their movies (with a significant delay between film release and online release).

In this scenario, the predominance of the "commitment logic" over the "convenience logic" leads to a reduction in original works with a low budget and an increase in high-budget franchises.

2. **COMMITTED CONVENIENCE.** In this case, the "commitment logic" absorbs the key elements of the "convenience logic" leading to a merger of the two: the Hollywood majors, in this scenario, deal with data analysis to have a portfolio with highly diversified content, a part of these will have a theatrical release while the remaining part will have a streaming release¹²⁶. (Glynn & Lounsbury, 2005)

In the meantime, the streaming platforms continue the production of TV series or low budget films to be released online, however, exponentially increasing the "high budget" content that will have a theatrical release. In this scenario, the sector is dominated by traditional majors that can integrate more easily in streaming¹²⁷. (Hadida, Lampel, Walls, & Joshi, 2019)

Many studios will therefore "reinvent" themselves and take advantage of some of their established advantages of scale to get more returns than what they would get if they only worked in a "traditional" way. This last case is, partially, already happened: Disney, for example, produces high-budget blockbusters - such as "Avengers: Endgame" - but also creates low-cost content for families in its Disney+ streaming platform and, probably, will use Fox and Hulu (streaming platform acquired after the M&A with 20th Century Fox) for the creation of both high and low cost content for a different audience than the Disney one.

3. **CONVENIENCE LOGIC DOMINANT.** This scenario is the inverse version of the first one: an institutional logic prevails over the other enough to expand at its expense. In this case the "convenience logic" prevails over the "commitment logic".

In this scenario, the majors gradually lose importance and theatrical distribution will tend to decrease more and more in favor of streaming. The latter will be able to provide sustainable and low variance returns on their platforms thanks to an analysis of the huge amount of data, that they have in this scenario (due to increase in subscribers)¹²⁸. (Gomez-Urbe & Hunt, 2015)

An extreme of this scenario would lead to the progressive disappearance of cinema.

However, modern production studios like Netflix and Amazon would engage in the production of movies with a theatrical release: this would be done because a theatrical release is considered as a prerequisite for creating prestige around the studio.

It is necessary to take into account that it has already happened that Netflix and Amazon released some of their products to the cinema only to create greater awareness by the audience about their movies or at the behest of the directors, who continue to prefer the big screen to the small one on the TV. These studios will be able to use the competitive advantage they have in data analysis to make the film release a simple procedure of their release on the market¹²⁹. (Durand & Hadida, 2016)

A development of this scenario would lead many streaming service providers such as Netflix to integrate vertically downstream with the purchase of some cinemas to decrease distribution costs: this has partially already happened thanks to Netflix's purchase of the cinema "*Paris*" in New York, where the studio's most prestigious films will be screened.

¹²⁵ (Walls, 2013)

¹²⁶ (Glynn & Lounsbury, 2005)

¹²⁷ (Hadida, Lampel, Walls, & Joshi, 2019)

¹²⁸ (Gomez-Urbe & Hunt, 2015)

¹²⁹ (Durand & Hadida, 2016)

Companies that offer streaming services could expand further by buying studios like Paramount Pictures: the focus would be on the sale of production facilities (the rest would be used to make few movies per year) and the acquisition of a very important catalog of movie.

4. **CONVENIENTLY COMMITTED.** This scenario leads to the creation of a completely new institutional logic: traditional film studios have not managed to anticipate the advent of streaming platforms and, therefore, to have a prompt reaction to the demands of the new generation of consumers. Just as happened for traditional studios, this could also happen for streaming platforms: this would lead to a total war between streaming platforms, greater than the one we have nowadays, due to the lower costs of switching between the various platforms would prevent each of them from retaining a large number of users for a considerable amount of time.

In this scenario the ATAWAD (*Any Time, Any Where, Any Device*) would become even more fundamental for the consumer, who would begin to use only platforms that allow him to use this service making the policy of the "big blockbusters" unsustainable for traditional majors.

This scenario therefore intends to highlight how the birth of a new institutional logic different from the two considered till now may represent a danger for both traditional cinema and streaming: the sector will therefore have to face the changing nature of content consumption¹³⁰. (Hadida, Lampel, Walls, & Joshi, 2019)

The new industry trend sees the interaction between users via social networks, without the physical presence in the same room: the experience provided can be shared in different places.

Technological developments, such as AI, can accelerate these events. In this scenario, new online business models and platforms may emerge that provide experiences and functionality of existing services but as part of their expanded offerings. Even Netflix co-founder, Reed Hastings, was not concerned about the struggle between traditional cinema and streaming platforms but about possible developments in the entertainment sector and how new technologies such as AI can change it¹³¹. (HEC Paris, 2019)

Obviously, none of these scenarios are close to implementation but it is also wrong to say that all of them are far from effective implementation.

Concerns in terms of "*digital privacy*" as well as the evolution of some regulations may place limits on the part of providers in the use of users' personal data and therefore in the use of data to generate "recommended content" or, even, the production of brand-new contents.

These conditions could favor the development of scenario 1.

The increase in the price of cinema tickets has led to a decrease in theaters' attendance in the USA and Europe, while cinemas continue to be very popular in China and India. This situation, if continued over time, could lead the cinema to be considered a niche, due to the loss of profitability of many multiplexes.

In such a case, scenario 3 could actually take place.

Alternatively, it is possible that this difference between streaming and traditional cinema will become increasingly subtle given the continuous movement of human capital among companies in the sector.

In conclusion: not only is necessary to understand what the technological developments will be in the immediate future but it would be useful to understand what content the consumer prefers to see and how these can reach him, trying to find a sustainable business model also for the production of blockbusters and high budgets franchises that are successful among the audience.

¹³⁰ (Hadida, Lampel, Walls, & Joshi, 2019)

¹³¹ (HEC Paris, 2019)

CHAPTER THREE

“INDUSTRY'S NEW TRENDS AND TOPICS FOR RELEASES AND DISTRIBUTION. HOW ENTERTAINMENT COMPANIES ARE APPROACHING TO THE FUTURE”

1. A QUICK ANALYSIS OF FRANCHISE BIG SUCCESS

In today's entertainment industry, therefore, media-franchises could play a role of primary importance: obviously there can be majors that invest more in a strategy that has as its main object the management of a franchise and other majors that, instead, prefer to invest in auteur cinema or single films for market niches.

However, there is a factual fact: every major has (at least) one great franchise in which invest. Usually the release of a movie belonging to a franchise is in a period of time between two and five years but there may be cases in which the major decides to release a new chapter of the franchise after one year - if the two films were shot at the same time or immediately after each other, for example - or after several years - this typically happens when a remake, revival or reboot of a cult franchise is produced, it is possible to take as reference *Ghostbusters*, which sees the first chapter of the saga released in 1984, the sequel in 1989 and then a reboot was made in 2016 (and a new sequel scheduled for 2021)¹³². (Stedman & McNary, 2020)

The reason why many majors decide to invest in media-franchises is because, due to the fact that they are better known among the audience, they can be more successful than traditional auteur movies or other brand-new contents.

To make the previous concept more understandable, therefore, a linear regression can be developed that shows how movies that have a bigger number of chapters tend to have, typically, more success than "original" contents.

This method has been chosen because, with the due simplifications, can help the study of the reality and of the future of a sector understanding the relations between two variables or phenomena.

For the sake of clarity is necessary to highlight that the model needs two variables: a dependent one (known as Y) and an independent one (known as X).

Obviously, for a correct understanding of the operation it is necessary to underline some key aspects and make adequate assumptions.

To start: twenty films, chosen randomly, released over the last 7 years, precisely between 2012 and 2019, were taken as reference. The movies released in 2020 were not taken into consideration due to the emergency that broke out at the beginning of the year and therefore to prevent data contamination due to non-optimal performance because of the closure of some theatres.

The movies considered belong to franchises but there are also original films.

Typically, movies that have more chapters behind them also tend to be more successful than original productions or earlier chapters of the same franchise.

The reference number of the chapter was linked to each movie. Therefore: if it is an "original" movie the number indicated will be "1", while if the movie is a part of the franchise the number indicated will be the one of that

¹³² (Stedman & McNary, 2020)

specific film in the saga. For example, "*The Dark Knight Rises*" is the third chapter of a trilogy, will therefore be indicated with the number "3".

It is also necessary to emphasize that the first chapters of each franchise weren't taken as a reference. This is due to the fact that the sequels, as demonstrated, tends to be more successful than their prequel because the audience already knows the franchise and there will be more interest around that product than an entire original movie, which represents a total novelty.

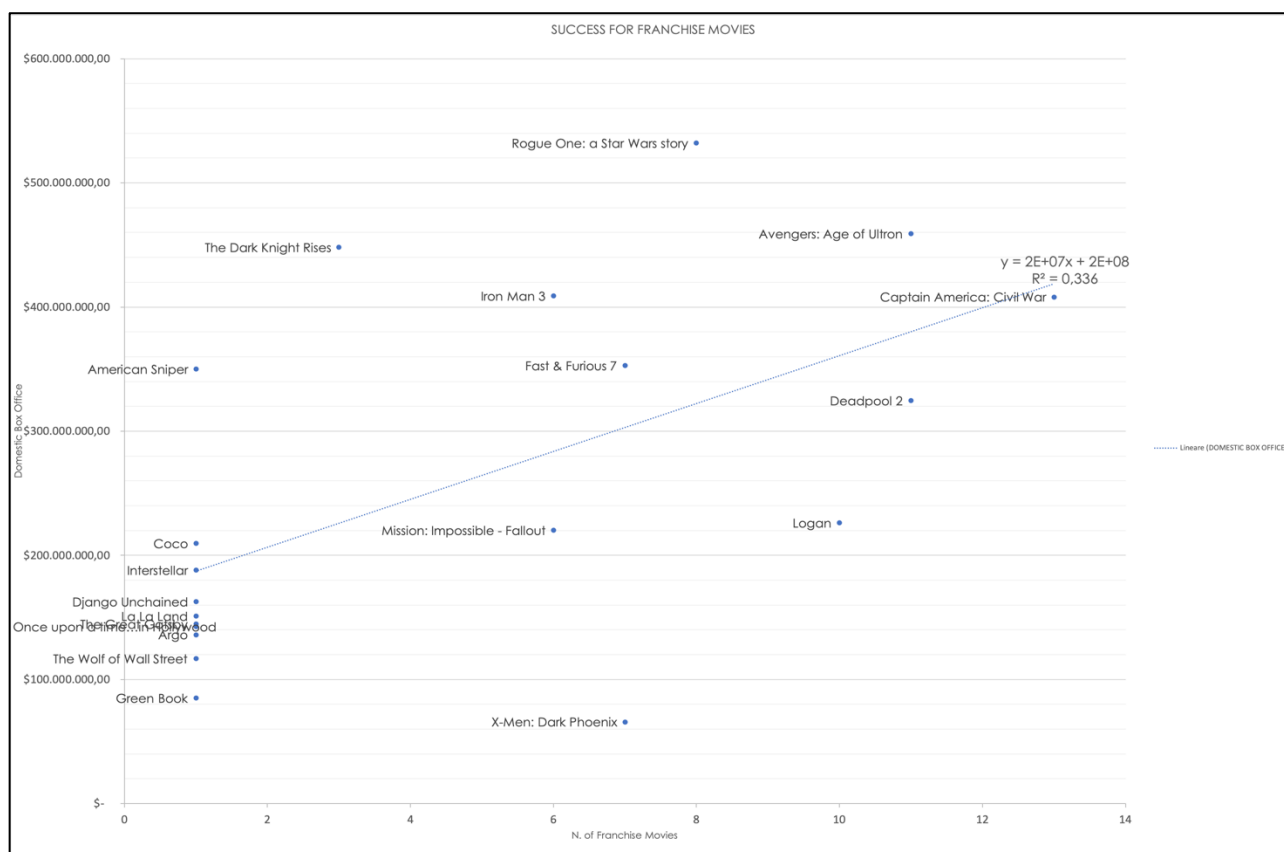
The success, in this computation, is measured by the revenues at the domestic box office, the US one in this case.

So, the "*domestic box office*" – or success – will be the dependent variable Y for this quick study while the "*reference number*" will be the independent variable X.

Below you can see the table with the films taken as reference and the linear regression graph.

YEAR	MOVIE TITLE	N. of FRANCHISE MOVIES	DOMESTIC BOX OFFICE
2012	Argo	1	\$ 136.025.503,00
2012	The Dark Knight Rises	3	\$ 448.139.099,00
2013	Iron Man 3	6	\$ 409.013.994,00
2013	The Great Gatsby	1	\$ 144.840.419,00
2013	Django Unchained	1	\$ 162.805.434,00
2014	Interstellar	1	\$ 188.020.017,00
2014	The Wolf of Wall Street	1	\$ 116.900.694,00
2015	American Sniper	1	\$ 350.126.372,00
2015	Fast & Furious 7	7	\$ 353.007.020,00
2015	Avengers: Age of Ultron	11	\$ 459.005.868,00
2016	La La Land	1	\$ 151.101.803,00
2016	Rogue One: a Star Wars story	8	\$ 532.177.324,00
2016	Captain America: Civil War	13	\$ 408.084.349,00
2017	Logan	10	\$ 226.277.068,00
2017	Coco	1	\$ 209.726.015,00
2018	Deadpool 2	11	\$ 324.591.735,00
2018	Green Book	1	\$ 85.080.171,00
2018	Mission: Impossible - Fallout	6	\$ 220.159.656,00
2019	X-Men: Dark Phoenix	7	\$ 65.845.974,00
2019	Once upon a time...in Hollywood	1	\$ 142.502.728,00

Table 4, Sample of random movies analyzed for the linear regression with their release year and their domestic box office (SOURCE: elaboration of "boxofficemojo.com" data)



GRAPH 8, elaboration of the linear regression using the data of the table 4

On the basis of the data collected, a growth function was calculated for the "short term": a linear growth in receipts can be noted as movies belonging to a franchise are produced.

Obviously, there will be a limit beyond which, for obvious reasons (such as a change in market trends, a saturation of the market or, simply, a saga's conclusion) the proceeds will no longer be able to increase.

It's useful to remember that in the linear regression the "*coefficient of correlation*" can vary between the range of numbers from "-1" (*negative correlation*) and "+1" (*positive correlation*): the former means that there's an inverse correlation between the variables, the latter indicates that the two variables are correlated and the number "0" indicates the total absence of correlation.

There are no fixed values or rules regarding the interpretation of the "*coefficient of correlation*" because there are a lot of considerations to do: generally speaking, there's a correlation when the value R is greater than 0.5, while there's a strong correlation between two variables starting from 0.7.

As already mentioned, these values can change. In this case, I will take the previous values as reference.

The graph indicates that there is a positive correlation between the two variable and the computation of the "*coefficient of correlation*", also known as "R", showed that the value is $R=0,57968$.

So, it indicates that there is a correlation, albeit an excessively strong one, about the fact that movies belonging to a franchise can be more successful, therefore cash more at the box office.

This short study had the sole role of demonstrating how the franchises end up being more successful, therefore grossing more, than original films.

The reasons can be multiple: some media-franchises may already be known to the public thanks to representations on other media, other times may simply happen that part of the audience watch a movie to complete a saga that began years earlier.

The difficult part, then, for a major is to create a solid base where to build on a franchise. It's not unusual read that some majors cancelled their plans for a franchise's sequel due to the poor reception from the audience.

2. INTRODUCTION TO THE INTERVIEWS

The goal of this chapter is to obtain tools that can then lead to a conclusion inherent the possible evolutions of the entertainment industry.

More specifically, it is interesting to understand how the organizations and the various business lines in the majors have changed to allow a better management of media-franchises and, moreover, it is also important to understand what the evolutions in the industry may be regarding the release.

The COVID-19 emergency has accelerated a process of evolution in the movies distribution, bringing changes that could radically change the industry in the years to come. In fact, due to the closure of theatres in most of the world, some majors have decided to adopt different release strategies from those initially planned.

Many Blockbusters have been postponed to the end of the year or, in some cases, even to 2021 as well as the production of many other movies.

In other cases, however, the majors have opted to launch some films directly on streaming platforms or on cable TV channels.

The movie "*Artemis Fowl*" produced by Disney, for example, had scheduled a film release for May 2020: due to the closure of cinemas, the American major has decided to distribute the film exclusively on the Disney+ platform, with a release scheduled for on 12 June 2020, simultaneously all over the world. To watch the movie, therefore, it was necessary to subscribe to the Disney streaming platform¹³³. (Cohen, 2020)

Warner Bros., on the other hand, has decided to start partnerships for the distribution of some movies that, due to the closure of cinemas, could not be distributed. The movie "*The Way Back*" by Ben Affleck, for example, could be watched in Italy by paying a premium to the subscription on some platforms (such as *Infinity* by Mediaset), could be purchased individually (using *Apple iTunes* or *Tim Vision*) or it could be seen on Sky cable TV's pay service, *Sky Primafila Premiere*¹³⁴. (Vallorani, 2020)

The market, however, underwent a major change when Disney in August announced the release of *Mulan* on Disney+ instead of theaters: to watch the movie it will be necessary to pay a premium (\$ 29.99) in addition to the subscription for the platform¹³⁵. (Misciagna, 2020)

This move by Disney could further accelerate the content redistribution process that many majors are carrying out.

This trend has now been launched a few years ago by Netflix, which distributes many films directly in streaming - or, in any case, for a very limited period at the cinema before making them land on the platform - such as "*The Irishman*" by Martin Scorsese and "*Marriage Story*" by Noah Baumbach, who have had excellent feedbacks from critics and audiences, also triumphing at the Oscars.

Although it is clear that each studio has its own policy regarding the distribution of movies, it will always be the market to judge which are the smartest moves to implement.

The methodology of this study includes the drafting of an interview with the same questions for different managers or professionals of the industry. Through their answers, I will try to grasp the commonalities to understand what the future trends of the sector are and how companies will try to adapt to this new release system.

¹³³ (Cohen, 2020)

¹³⁴ (Vallorani, 2020)

¹³⁵ (Misciagna, 2020)

2.1 THE VALUE CHAIN IN THE FILM INDUSTRY

The management of franchises and any changes in their distribution could have an impact on the film industry as a whole.

For this reason, the qualitative analysis that will be developed starting from a series of interviews with industry professionals provides that the latter play different roles in the value and supply chain of this sector.

Before proceeding, however, it is necessary to identify the concept of "*value chain*" for this sector to best identify the position that each of the interviewees holds in it.

First of all, the concept of "*value chain*" is attributable to Micheal Porter who created this model in 1985 and had the purpose of analyzing companies operating in a given sector.

The model is divided into "*primary activities*" and "*secondary activities*" for the value creation of a company: the competitive advantage of a company depends on these activities and can be pursued through the application of different strategies.

This framework is not used for the analysis of the revenues flows from the sale of the final product, but it studies the addition of value to the final product during each stage of production and distribution.



Figure 3, Micheal Porter Value Creation Model, created in 1985 (SOURCE: "Contemporary Strategy Analysis, Seventh edition" by Robert M. Grant)

However, it must be kept in mind that the gradual dematerialization of some products and services has made the use of this framework obsolete for some industries¹³⁶. (Grant, 2010)

Obviously, the model can undergo variations since not all sectors carry out operations in the same way: in the case of the film industry it is impossible to think that the majors carry out all the production, distribution and exhibition activities of a movie or that they interface with customers directly.

There is, therefore, a collaboration between several companies that work in "different parts" of the same industry and collaborate to achieve the same goal.

So, each one will play a fundamental role in the supply chain and will have a different contribution in creating value.

The concept of "supply chain", therefore, aims to connect the value chain of the various suppliers in order to achieve an effective creation of value for the final consumer: there will be a need for coordination between all the companies that take care of the production process in order to have a good final product.

136 (Grant, 2010)

The film industry's "supply chain", however, deviates from the generic concept of the latter. This obviously also has repercussions on how the value chain of this industry can be represented.

The studies that have been done on this sector generally agree that the production chain of this sector is divided into three macro areas: *production*, *distribution* and *exhibition*.

Over the years, two models have emerged aimed at explaining the “supply chain” for the film industry: the first developed by Jehoshua Eliashberg and the second developed by Lucy Küng.

2.1.1 Eliashberg Film Industry Value Chain Model

The first model representing the value chain of this sector is divided by Eliashberg into three fundamental stages, mentioned previously: *production*, *distribution* and *exhibition*.

The concept of production, in this case, must be understood as the process that begins with the writing of the movie, evolves with the finding of funds to start shooting, then the development and advertising of the film¹³⁷. (Eliashberg, Elberse, & Leenders, 2006)

Then, there is the second step which involves the distribution of the movie which takes place through agreements between the film majors and distribution companies operating in a national and international soil.

The third phase, the last before the consumption of the product by the customer, is the exhibition: this phase typically takes place thanks to the use of cinemas and multiplexes.

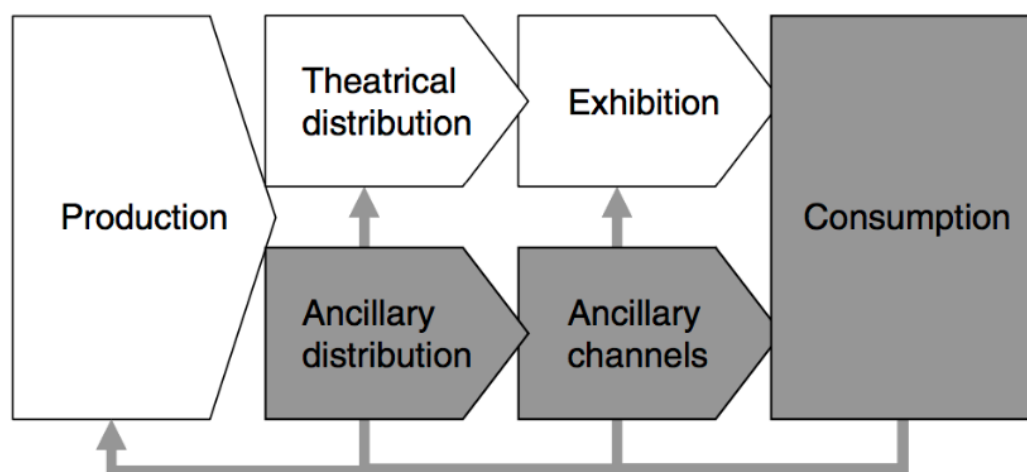


Figure 4, Eliashberg model for the Value Creation in the Film Industry (SOURCE: "The Motion Picture Industry: Critical Issues in Practice, Current Research, and New Research Directions" by J.Eliashberg, A. Elberse, M. Leenders)

Obviously, the model also consider an alternative development for this value chain given by an ancillary distribution and ancillary channels: this refers to the fact that, sometimes, the studios decide not to release a movie in theatres and focus their efforts only on ancillary markets to the traditional one (cinema), such as pay TV or streaming platforms.

Alternatively, the ancillary distribution and the ancillary channels are a support for the diffusion of the content produced by the major, which will bring a greater income to their coffers thanks to the release of a film on TV, on streaming platforms and on home video.

137 (Eliashberg, Elberse, & Leenders, 2006)

However, this model offers limits attributable to the first and last stage:

- the production phase, in fact, can be considered excessively superficial if less important productions are considered, such as those of low budget movies or independent films;
- the model does not clarify the link that exists between ancillary markets and cinemas as it is very weak as regards blockbusters and it is non-existent for small productions.

For this reason, this model is easily applicable to US majors and their large franchises while it has obvious limitations for low budget productions.

2.1.2 Küng Film Industry Value Chain Model

Lucy Küng, taking up the studies started by Jehoshua Eliashberg, has created a more complete model since, unlike the former, it explains some activities that a major must perform during the value creation process - such as marketing activities - and there is also a difference between the "*licensing*" process and the "*distribution*" process.

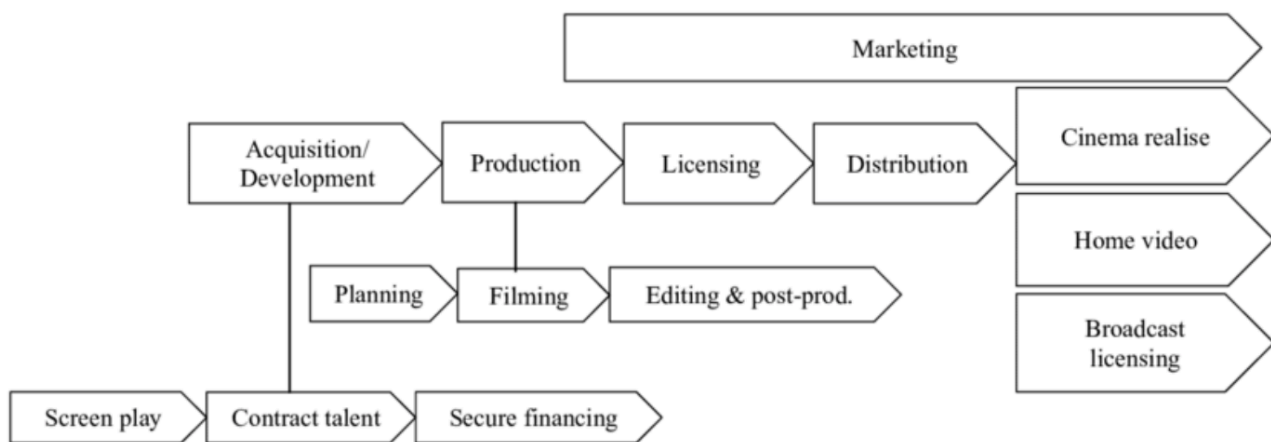


Figure 5, Küng model for the Value Creation in the Film Industry (SOURCE: "Strategic Management in the Media: Theory to Practice" by Lucy Küng)

Unlike the first model, therefore, this gives marketing a role of primary importance given that the advertising initiatives of the majors help improve the "*awareness*" that customers have towards the movie, potentially increasing box office earnings.

The marketing activities in this process are positioned between production and distribution: a film, therefore, is advertised while it is still in its final stage of production; customers are exposed to advertisements massively before the distribution.

This process lasts until the movie is removed from the theaters' programming, and then starts again later, before the home video release (or a streaming release).

The first phase, unlike the first model, is divided into two steps: "*development*" and "*production*", each of these steps then has different phases within it ("*screenplay*", "*contract talent*" and "*secure financing*" the former and "*planning*", "*filming*" and "*editing & post-production*" the latter)¹³⁸. (Küng, 2013)

Obviously, even this model is not without limits: like its predecessor, this model does not describe in the best way the financing process, as well as the various sources of financing, for the production of the movie.

In addition, this model does not recognize the contribution that some actors - and the "*star system*" more generally - can bring to the value creation of a movie. As previously mentioned in *CHAPTER ONE*, the actors during the production and exhibition phase play an important role not only as members of the cast (therefore of the

138 (Küng, 2013)

production team) but also as a "boost" to attract more people to the cinema: the more the actor is known, the more chances are that the catchment area of the movie becomes larger.

Finally, as written for the Eliashberg model, this model is easily applicable to the American majors and their blockbusters while there would be enormous difficulties in applying this model to a smaller studio that produces low budget movies.

2.1.3 Model's choice

For the purposes of this study, to better identify the position of respondents in the film industry value chain, the model proposed by Eliashberg will be taken into consideration.

There are two reasons for this choice:

- the subject of the analysis are the majors and their franchises, it would make, therefore, little sense to refer to a model that is adequately suited to independent cinema if the latter is not the subject of analysis;
- mere simplicity due to the fact that with the Eliashberg model it is easier to understand where the interviewees are in the value chain.

3 INTERVIEWS

The interviews will be submitted to the following professionals:

- *Marco D'Andrea*, sales director for the Italian branch of Universal;
- *Davide Dellacasa*, consultant for some US majors in the Italian market;
- *Vincenzo Mandova*, entrepreneur of the sector;
- *Mario Fiorito*, producer, distributor for many US major in the Italian market, entrepreneur of the sector and CEO of EmmeCinematografica;
- *Guido Tundis*, executive sales director of the Italian and Swiss branches of Warner Bros.

3.1 INTERVIEW 1: MARCO D'ANDREA

Marco D'Andrea is the commercial director of Universal Pictures International Italy since 1994.

Marco has been part of the industry for over forty years: he began his career in 1977 in that time cinema was totally different from today and he has grown professionally along with the changes that the industry has faced in recent years.

He began his career in the *Cinema International Corporation*, a company that distributed the movies of numerous majors such as *MGM* and *Disney* in Italy.

In 1982 he continued his career in UIP (*United International Pictures*) which dealt with the distribution of Universal and Paramount films.

Between the end of the 80s and the beginning of the 90s he moved to the agency's sales department with the role of "*traveler*": in essence, he took care about the sale of some movie for cinemas of a specific area of Italy (in his case *Lazio* and *Abruzzo*). Its focus was on cinemas in the provinces of that area.

He was later appointed assistant to Universal's sales director and then assumed the role he still holds today.

Marco can be considered one of the greatest connoisseurs of the sector at national level as he has managed to grow and evolve professionally at the same time as the evolution of the sector which has changed considerably compared to the one he knew when he started his career.

Q) The importance of the media-franchise has a very huge role in today's entertainment industry and their management can be considered a challenge for the majors. What are, in your company, the business lines more interested in these properties' management?

A) Media-franchises today are very important: having lived in this industry for years, I noticed that there has been a change by the majors in seeking a safer product suitable for a more receptive audience.

The majors realized that IPs were a sure source of income: the generational change that cinema has been subjected to in recent years has shifted attention to this type of product.

Just think about a movie like "The Wolf of Wall Street" - which I loved – which has had a very high cost and grossed between 350 and 400 million dollars.

A movie like "Fast & Furious", which is part of a cinema with less contents than "The Wolf of Wall Street", typically grosses over one billion. This gives the idea of how the public has changed in recent years and of how franchises are important: the majors, therefore, have adopted an increasingly "risk-adverse" attitude.

Surely the franchises have a strong impact on merchandising in the majors: these movies can be considered real socio-cultural events in some cases.

Regarding marketing I have strong doubts: certainly for every film belonging to a franchise there is an enormous effort in the marketing campaign but I do not think that for other authorial films - see "The Wolf of Wall Street" or the films of Christopher Nolan - the effort in marketing it is not accomplished.

In fact, I believe that there is an equal commitment in marketing both to promote auteur films and franchise films.

Q) The Digital Transformation has changed our way to live and to work. According to your opinions, this transformation could in the short run modify the distribution chain of famous blockbusters, having an impact on the distributional channel and on audiences' contents?

A) Digital Transformation has already had a strong impact on the distribution channels of the majors and now, all of us, are thinking about how to exploit these platforms in the best way: it is necessary, in fact, to think that we (majors) have seen a source of very important earnings disappear in recent years, such as that of home entertainment: the latter was called "the goose that lays the golden eggs" since, even in the case of a flop, it allowed to re-enter costs and in some cases even earn (despite the movie produced didn't perform well on theatres).

Over time, this source of income has begun to diminish and has forced the majors to rethink their sources of income, investing in streaming.

The impact it had on audience content was visible with the COVID emergency, I guess.

We at Universal decided to make a strong, disruptive, move for the market by launching "Trolls 2" directly in streaming, at the beginning of the emergency, bringing to these platforms a product that could have been successful even in theaters.

Beyond this kind of products, which I would define as "strong", Universal has also taken a position towards that type of product that typically comes out at the cinema and has few chances: equally producing this type of content and launching it on platforms would lead to a sustainable business model.

The traditional model, in fact, no longer allows the release of products that are not strong enough.

Q) The streaming platforms have a huge role in the actual entertainment industry: in your opinion, using which means you can compete with these brands so rooted in the streaming sector of the industry?

A) Competition with these new industry forces like Netflix or Amazon Prime Video will be based on content production.

As stated earlier: there are some products that do not have much chance of cinematic success and producing this content for a theatrical release would make the business model unsustainable for anyone, as the movies released today are supposed to have high probability of success.

Precisely for this reason, I believe that it is appropriate to produce these contents and launch them directly on the platform.

In fact, there are many movies that last a weekend: they earn around € 300,000.00 and then the revenues stop. We (majors) struggle to get this type of product reproduced in theatres.

It is, therefore, necessary to ask to ourselves if it is not better to launch this kind of product directly in streaming and compete with these strong brands in that arena.

In addition, a strategy Universal has undertaken to compete with streaming brands and, at the same time, be stronger at the cinema level involves exclusive deals with theatres' chain.

Universal and AMC - the largest cinema chain in the USA with about 40% market share - have reached an agreement according to which the former will allow the latter to exclusively show the movies of the major. Universal will, however, have the freedom to release these movies on other platforms after only 17 days, significantly shortening the window but still taking advantage of the theatrical release. I think it's an incredible novelty.

Q) Following the boom of the streaming platforms, according to your opinion, could ever be a “rethinking” on the majors’ release policy? If so, a “rethinking” could bring to a revaluation of some contents?

A) Answering this question is not easy. The rethinking of the release policy will certainly happen. It can happen in two ways.

The first involves the demolition of what I call a "prehistoric" release window, given that 105 days in today's world represents an enormous amount of time. It would be appropriate to reduce this duration and an interesting scenario could materialize if other cinema chains, as done by AMC, sat down at the "negotiating table" accepting a shorter window but, at the same time, asking for something in return: higher percentages on revenue from movies, for example.

The second way, on the other hand, could lead to the theatrical release of only "strong" movies with a high probability of success - those much desired and requested by theaters' owners - directing niche products towards streaming.

In this case, a great re-evaluation of some contents would take place: the fact that now the industry is asking for franchises with guaranteed success, leaves less room for quality authorial movies, which cost a lot but have a "moderate" return, I would dare to say.

This situation may be in favor of streaming: the excessive risk aversion on the part of the majors can favor the release of great authorial films on the SVOD platforms, as happened with Scorsese's latest film, "The Irishman".

Q) As an observer, the impression is that the entertainment industry in the last 20 years has become very competitive. Which are the criteria that your company has used in order to understand on which contents and platforms invest? What are the priorities that the company has in the short-medium term?

A) Market trends, already in recent years, have also led Universal to invest in streaming: COVID has simply accelerated this process for us and for all the other majors on the market, making us also use other tools such as Premium VOD.

In fact, with the outbreak of COVID, Universal was the first to make a decision that could seem unpopular: to immediately stream four movies, such as "Trolls 2", postponing only the "event movies" such as the next "007" and "Fast & Furious 9".

There are majors who have followed our same strategy and others who have made slightly different choices but I believe that the difficult months we have lived have been an incentive for the start of an experimentation, concerning alternative release methods, which will go on for, at least, the next two years.

Beyond that, cinema is (obviously) an essential element for our industry and plays a central role in the business of the majors.

Precisely for this reason, Universal will again focus on cinema in the coming years, trying to break down the barrier of window release as much as possible: the release of the movies in theaters and in streaming could also take place (almost) simultaneously, to reach a potentially very large number of audiences who are at home and in the meantime reproducing the movies in theatres with large effective promotional launches also for subsequent exploitation.

The window that is too long today is no longer needed by anyone: neither to entrepreneurs in the sector nor to the majors, who aim to make the film available to the public at home immediately after its removal from the cinemas.

Q) In the last 10/15 the market for this industry has changed a lot: years ago, was really hard to think about the application of some strategies (big franchises, crossovers, big use of revivals and so on...) or think about some tool for a movie release (like ATAWAD platforms). What could be, in your opinion, the next and most important trends and how a company can really adapt to these changes and to consumers' preferences?

A) As for the platforms, I believe that the majors will continue on this path, continuing to invest in SVOD platforms.

As for the content: Universal is a major that will continue to work on all genres of films.

The company has major IPs, such as "007" and "Fast & Furious", and major studios such as Focus Features and Working Title that produce quality products (the first authorial cinema and the second comedies).

I believe that the company does not want to follow a real trend (in terms of content) and it wants to work on several fronts simultaneously.

However, if I were to unbalance myself, I believe that Universal wants to make films to please every type of audience, sometimes with content that helps raise awareness of important issues, creating content that has a high social impact.

Q) According to your opinion, the partnership between a classic major and streaming platform can bring benefits to both parts in terms of distribution and revenues? Could, sometimes, be specific contents (or request for them) for a platform?

A) At this very moment, due to the way the market is structured, I think this is more difficult. It is easier for streaming giants like Netflix to enter into exclusive agreements with other smaller or independent companies, such as Lionsgate, or alternatively with large producers for the exclusive production of films on the platform. Making partnerships of this kind with majors that are present with their own platforms in the streaming sector - such as Universal with Peacock and Sky - is more difficult since it is like making an agreement with a direct competitor.

For this reason, I think that Universal will try to invest on its own properties in US and, meanwhile, there could be some partnerships with other companies – like Netflix – in other parts of the world.

Moreover, in order to better compete, for sure there will be the implementation of exclusive contents on our streaming platforms which, eventually, could be part of strong agreements with other SVOD services outside of the US.

Q) The release of some blockbusters on streaming platforms can be considered a disruptive move for the industry. According to your opinions, can this action have some repercussions on majors' business model?

A) It will certainly have repercussions on the business models of the majors.

I believe that the future business model of the majors foresees the cinematic release of great movies: blockbusters foresee large investments; these expenses can be justified by large returns that only cinema can guarantee (to date).

The content of "doubtful success" will be launched on SVOD as each major will increase the use of these platforms over time.

I find it difficult for blockbusters to be launched directly on a platform.

Another business model that can be pursued, in the face of the latest market trends, is precisely the one that provides for agreements with cinema chains - as Universal did with AMC - since it allows for a safe "circuit" (in the case of Universal the circuit is 40%, given the market share of AMC) and after a few days the content that was in the cinema will be online on the major's platform.

3.2 INTERVIEW 2: DAVIDE DELLACASA

Davide Dellacasa is one of the most famous and known experts of the entertainment industry in Italy: his career has started in 1994, when he transformed his passion in his own job.

During the years he acquired a lot of expertise and, now, he is one of the main publishers for “*screenweek.it*”, one of the most important sources for the news about the Italian and international movie industry.

During his career Davide has founded the Brad&K Productions and he is the CEO of the latter: this is an agency which help to create marketing campaigns for the most famous majors, such as Disney, Warner Bros., Sony Pictures and Paramount in the Italian territory¹³⁹. (Brad&K, s.d.)

Since 2004 his company helps these studios in the creation of digital contents for the promotions of their movies even before their announcement. They create a very specific strategy for each film in order to better involve the audience and improve the experience with a franchise or a brand-new movie.

Davide also conducts lessons in first degree masters or workshops in IULM university about digital marketing and the importance it holds in promoting an upcoming film.

Q) The importance of the media-franchise has a very huge role in today’s entertainment industry and their management can be considered a challenge for the majors. What are, in your company, the business lines more interested in these properties’ management?

A) The media-franchises play an undoubtedly very important role today and they have gained a lot of notoriety: think of an IP like “Stranger Things” which in a short time has become a very well-known franchise. Obviously, to date, the strongest franchises are those that find their basis in literature (books or comics) and that have existed for several years, I think to Harry Potter, Marvel and DC.

The latter two, in particular, found in the cinema a representation that could make their contents known to a wider audience. This has also led to exploits in other sectors - such as television - creating the need in the majors to coordinate different departments, for example.

Therefore, the majors use these properties in the best possible way in the audiovisual sector (cinema and TV) but the business lines that most exploit the franchises are those relating to "merchandising and consumer product".

A striking example in the last 10/20 years is “Cars”: the film did well in the cinema but earned a lot from the sale of merchandising such as the action figures of the cars in the movie.

Disney is arguably the strongest company in doing so.

The latter undoubtedly earns in producing a film belonging to a franchise such as "Avengers" but earns as much - if not more - in the exploitation of this property also in other sectors such as theme parks (which were very profitable in the pre-COVID period) or the video game sector, which has recently taken on great importance while the literary product is less profitable and more in difficulty, the majors invest less on that.

For my company, however, since it specializes in the creation of digital content, marketing is very important as the success of a film also depends on its advertising.

Q) The Digital Transformation has changed our way to live and to work. According to your opinions, this transformation could in the short run modify the distribution chain of famous blockbusters, having an impact on the distributional channel and on audiences’ contents?

A) It has already had an impact, in my opinion: a few days ago, "Mulan" was released on Disney+ while shortly after the outbreak of the COVID-19 epidemic other films - such as "Trolls" for example - were released in "Premium VOD".

¹³⁹ (Brad&K, s.d.)

I believe that COVID has accelerated a process that many majors had already implemented: in recent years, the movies that debuted directly on streaming platforms have gradually increased to reach the (momentary) peak with this sanitary emergency.

Until now, movies that producers did not consider "strong" enough to go to the theatres - which could not be successful, then - were released directly in streaming. Now this condition has changed slightly: movie that would have been successful in the cinema such as "Mulan" can also be streamed.

The impact that streaming will have on distribution channels will also depend on COVID, in my opinion, given that if the emergency were to continue it will be difficult to see many films released at the cinema, if the world returns to some kind of normality, then, the change - which foresees heavy use of streaming as a release channel - will certainly continue but slowing down significantly.

Q) The streaming platforms have a huge role in the actual entertainment industry: in your opinion, using which means you can compete with these brands so rooted in the streaming sector of the industry?

A) To compete better with streaming platform brands such as Netflix and Amazon, they must continue to do what they are already doing: enter this new "competitive arena" by creating their own streaming platform.

However, this is not easy since these Hollywood majors do not have adequate expertise in this sector: it is not easy for a major to learn how to "do" streaming well and learn how to promote it.

Reverse difficulties have a company like Netflix that knows how to "do" streaming well, knows how to promote its platform well but still are not skilled in the "production" of films but they are learning - see the production of films like "The Irishman" or "Marriage Story" - how the majors are learning to compete in this new industry.

Precisely for this reason Hastings recently declared: "we are not safe".

They are not really - especially financially - even if you consider the great work that Disney has done with Disney+ and Hulu, of all the majors it is undoubtedly the one that has done the best.

A process is being created in which traditional majors studies from new companies such as Netflix and the latter study from traditional majors.

I also believe that in the near future the other majors will begin a process of disintermediation that will lead to the creation of "packages" of contents: either within the same platform or between two different platforms (ex. Sky which has a subscription that allows watching Netflix).

Q) Following the boom of the streaming platforms, according to your opinion, could ever be a "rethinking" on the majors' release policy? If so, a "rethinking" could bring to a revaluation of some contents?

A) The rethinking of the release policy by the majors may actually be there: I believe that the distance between film release and streaming release (or home entertainment) will decrease more and more until it is a parallel release.

Producers, however, today have more options regarding the release of a film: streaming in recent months has been a necessary choice, in the coming months it may not be the case and be a very valuable option for many producers, even deciding to release the movies on streaming platforms in some countries and having a theatrical release in other countries.

Regarding the re-evaluation of the contents, I believe that it is already underway. Netflix and Amazon have been attending the various film festivals for some time now, enhancing authorial cinema.

The contents that will be more subject to this re-evaluation I believe will be the serial contents.

Q) As an observer, the impression is that the entertainment industry in the last 20 years has become very competitive. Which are the criteria that your company has used in order to understand on which contents and platforms invest? What are the priorities that the company has in the short-medium term?

A) I believe that the priorities in the short to medium term will always be the same: focus on very strong franchises and, in the meantime, produce auteur films.

The perfect example is the release of "After 2", which took place a few days ago: that is one of the franchises that we will focus on in the coming years. It is not a product that has a high quality compared to others but manages to attract a young audience, which suits the majors.

Of course, majors will continue to invest in franchises that are already strong, such as the various Marvel and DC films.

The auteur film could have a slight change, with the risk of less investment: the majors will use their main production studio for the production of movies that can attract large audiences to the cinema while they will use other studios for the production of auteur movies. For example: Universal will use the "Universal Pictures" production studio for franchises such as "007" while it will use "Focus" for the production of auteur films.

Warner mostly uses its own production studio for both major franchises and auteur films: however, Warner recently reached an agreement with an AI company to predict the performance of upcoming films, so they would like to decrease the risk. even on arthouse films.

Q) In the last 10/15 the market for this industry has changed a lot: years ago, was really hard to think about the application of some strategies (big franchises, crossovers, big use of revivals and so on...) or think about some tool for a movie release (like ATAWAD platforms). What could be, in your opinion, the next and most important trends and how a company can really adapt to these changes and to consumers' preferences?

A) I believe that the next trend in which the Hollywood majors could invest is the so-called "short content": the majors, to date, still cannot be addressed adequately.

By "short content" I mean videos with a duration shorter than an hour, such as content that can be found on Youtube, for example.

Jeffrey Katzenberg tried it with Quibi, around which there were great expectations and, from my point of view, it was the most interesting project of 2020. Unfortunately, it did not have the hoped-for success.

I also affirm this in light of some recent statements by the aforementioned Netflix CEO, Reed Hastings, who stated that Netflix's competitor is now TikTok.

I have doubts about the correct choice of competitor by Hastings, given that he often changes the name of his company's main competitor, but this gives the idea of how short contents could play an increasingly important role in this industry.

The majors can, therefore, learn to deal with "short contents" by investing in them: to date, this has not yet happened even in light of Quibi's poor success but in the future the situation could change but it will not be easy to start productions of this kind.

Q) According to your opinion, the partnership between a classic major and streaming platform can bring benefits to both parts in terms of distribution and revenues? Could, sometimes, be specific contents (or request for them) for a platform?

A) I believe that this type of partnership is outdated: only the partnership between Sony and Apple TV+ comes to my mind for the production of some exclusive content for the platform.

In the future, perhaps, there could be again partnerships of this kind, but I believe that now the benefits that these agreements could give, in terms of distribution and revenues, have decreased compared to a few years ago (except in some cases).

The majors are now organizing to have their own platforms: Warner has HBO Max, Universal has Peacock, CBS has All Acces, Disney has Disney+ and Hulu.

The benefit has been there in the past, in some (few) cases it still exists but today it is not a business model followed by the majors.

Q) The release of some blockbusters on streaming platforms can be considered a disruptive move for the industry. According to your opinions, can this action have some repercussions on majors' business model?

A) It is a difficult question; many are trying to answer this question.

The majors in this period are in an experimentation phase to understand to what extent it is sustainable to skip the film release.

In my opinion, to date, it is not possible to skip the theatre release: the market is not mature enough for such a leap and I don't know if it ever will be, honestly.

Cinema today brings a lot of income to the majors.

The majors should think carefully about this move: on the consumer side there has been a great controversy regarding the price of Mulan on Disney+ (about \$ 29). A consumer who has a large living room in his/her house can easily buy the film and see it at home with a dozen friends, sharing the expense with them. The price for the single spectator will be lower than the ticket price: already in this case, in my opinion, the major loses.

I can argue that the distribution on your streaming platform costs much less: even if this were the case, it is still necessary that the streaming release can "burn" all subsequent release windows, such as home entertainment or, paradoxically, the following streaming release (considering the exploitation of it following the theatre release).

The model in question, for now, still does not hold up and the current experimentation was also due to the COVID emergency.

In the next few years, I believe, there will be a "compromise" in which a movie will remain in the cinema for about two weeks and then there will be a release streaming: in essence, a decrease of the time between theatrical release and streaming release.

3.3 INTERVIEW 3: VINCENZO MANDOVA

Vincenzo Mandova is an entrepreneur in the entertainment industry and has been present in this sector for over twenty-five years.

Together with his brother Otello, who passed away a few years ago, and his sister Stella, Vincenzo manages a chain of cinemas in the central-southern area of Italy.

The multiplexes of the Mandova family, in fact, are distributed in lower Lazio (*Colleferro, Frosinone and Formia*), in the central part of the region (*Velletri*) and they have also managed a multiplex in *L'Aquila* (Abruzzo).

Vincenzo and Otello opened the first multiplex in Colleferro, inaugurated on December 23, 1988, creating an avant-garde structure for that age, making it the second largest cinema in Italy - second only to the multiplex in Milan - and one of the largest of Europe.

The two decided to invest in this sector in an era of profound uncertainty for the Italian film industry: numerous reports were made by specialist magazines and television news about of their investment, which proved to be a successful bet and was one of the recovery signs for the Italian entertainment industry.

Starting from "day one" of his first multiplex, Vincenzo strongly believed in the sector and in the role that theatres could play in the sector's value chain.

Time paid for this initiative adequately, ensuring Vincenzo and his family an important role in the industry as cinema owners, as well as a solid base for distributors and majors in the central part of the country.

Q) The importance of the media-franchise has a very huge role in today's entertainment industry and their management can be considered a challenge for the majors. What are, in your company, the business lines more interested in these properties' management?

A) Honestly, I think it is appropriate to make some distinctions regarding the film industry and its contents. The role that media-franchises play in Europe is marginal: in Europe, in fact, there is a greater focus on authorial and introspective movies; in the USA, on the other hand, franchises play a role of considerable importance.

The reason for this is simple: many majors see the film industry as a real manufacturing industry and, as such, the final product must be well thought out and successful.

This reason creates a difference in the importance that the figure of the "franchise" has in the world of cinema. Obviously, it must be borne in mind that Americans conceive cinema as an industry, in the strict sense of the word: they place an obsessive attention to the product, they design it years before its release.

It has to sell well to the consumer and we, as cinemas, have to be good retailers.

The majors have also understood that their products must be accompanied by "commercial supports", such as books, clothes, videogames. The Walt Disney Company was the first to understand this by becoming the leader in the sector, also thanks to this technique.

The impact it has had on the cinemas I manage is mostly at the marketing level - I tend to advertise films from franchises that can be more successful - and at the merchandising level: I remember that, in 1993, for the movie "Jurassic Park" Universal gave us a lot of gadgets to sell to promote the release of the film, it attracted a lot of audiences (especially children and teenagers) and still works today for the big blockbusters.

Q) The Digital Transformation has changed our way to live and to work. According to your opinions, this transformation could in the short run modify the distribution chain of famous blockbusters, having an impact on the distributional channel and on audiences' contents?

A) Digital Transformation has already had an impact on distribution channels in my opinion, while there will not be a real change for content: the majors always try to please the public by bringing the best possible product.

The change that Digital Transformation has brought to this industry is at the level of competition: now there is a desire on the part of the majors to broadcast a film on multiple platforms in the shortest possible time. Before the process was very slow: there were the first view, the second view and the third view so the movie needed a long time before being released only in cinemas, for TV it needed even more time. Then the vision of the movies began to be contemporary and the product, after being released in home video, arrived on TV with three years of difference compared to the film release. Before the COVID emergency, the product arrived on streaming platforms or pay TV in six months. I am convinced that this "time gap" that exists between film release and "streaming / TV release" will narrow more and more: however, I don't think the two releases will overlap.

Q) The streaming platforms have a huge role in the actual entertainment industry: in your opinion, using which means you can compete with these brands so rooted in the streaming sector of the industry?

A) There are two subjects who are interested in this question: cinema, hence traditional exhibitors, and majors.

I believe the latter category still believes in cinemas and their traditional concept because otherwise the sector would be distorted. So, the majors can compete with the big streaming brands by creating quality products and believing in cinemas.

Cinemas, in turn, must enhance the product of the majors by creating a "customer experience" that focuses on comfort and exclusivity, trying to offer customers something they could not enjoy at home: not in the same way.

The cinema will have to become a "meeting place" with a wide range in the choice of "food and beverage". There must be secondary activities such as book presentations or entertainment for children, who are a very important part of the audience for this industry.

The cinema must become a place that attracts people where seeing the film becomes an "excuse".

Q) Following the boom of the streaming platforms, according to your opinion, could ever be a "rethinking" on the majors' release policy? If so, a "rethinking" could bring to a revaluation of some contents?

A) In my experience, I can say that it is unlikely that there will be a rethinking of the release policy by the major majors. The reason behind my statement is very simple: the majors, from my point of view, rethinking the release process could skip a very important phase in creating value and creating wealth around their product.

A great movie costs hundreds of millions: that expense must be justified by a large profit, which would not be possible if cinema were eliminated from the "supply chain" of the industry.

First there will always be a theatrical release, so the majors are also able to exactly quantify the value created by a movie, then there will be all the other releases.

This consideration of mine is also made in the light of two important factors: the former is that the first viewing streaming (eg. Mulan on Disney+) still does not guarantee a source of income such as theatres; second, watching a movie in first run on a streaming platform involves a price increase, from six to three times of a normal ticket, I'm not sure everyone is willing to make this expense.

I don't think there will be a strong re-evaluation of the contents: it will all depend on the quality of the latter. Cinema is like a "fortress" that only lets in products that have good quality and that can please the general public or that can make the audience reflect.

Q) As an observer, the impression is that the entertainment industry in the last 20 years has become very competitive. Which are the criteria that your company has used in order to understand on which contents and platforms invest? What are the priorities that the company has in the short-medium term?

A) The priorities in the short-medium run, in light of the period in which we have met, will certainly be two: saving budgets and taking care of movies' planning.

This applies to everyone: cinemas, distributors and majors.

The accounts must be saved because it is unthinkable for the whole industry to operate in an industry that leads to more costs than revenues. Precisely for this reason I believe that the majors will invest a lot in franchises: they have a higher return for them and help us, the exhibitors, to earn.

The care of programming applies to both cinemas and majors.

Cinemas must be able to understand which products to invest more in and which movies can improve the consumer audiovisual experience: for example, a few years ago there was the boom of 3D and it was necessary for us to invest in that technology because it improved the consumer experience, although that technology only lasted a few years.

The majors, similar to the exhibitors, will have to understand what their contents are that can be more successful in this period of profound uncertainty and must push people to go to the theatre: this is because it will also help them understand which are the products that people love and which wants to see in this uncertain period, in order to have feedback and continue to invest in a certain type of content.

Q) In the last 10/15 the market for this industry has changed a lot: years ago, was really hard to think about the application of some strategies (big franchises, crossovers, big use of revivals and so on...) or think about some tool for a movie release (like ATAWAD platforms). What could be, in your opinion, the next and most important trends and how a company can really adapt to these changes and to consumers' preferences?

A) The next trends will depend a lot on the audience and their preferences.

I believe that the audience can be divided into two categories: cinephiles and occasional viewers.

I notice the first category is increasing more and more. Movies have become the subject of great discussion on social media and therefore more and more young people are passionate about this art.

The increase in this category will lead, in my opinion, to always investing in authorial films.

The franchises could suffer a "slight slowdown" in production due to the economic difficulties that some majors are facing due to COVID, but this does not mean that they will disappear: if the majors have a way to bet on their large properties, they will.

Regarding the platforms, I don't have many doubts: cinema will continue to exist and in the coming years the majors will continue to invest in this exhibition methodology.

Q) According to your opinion, the partnership between a classic major and streaming platform can bring benefits to both parts in terms of distribution and revenues? Could, sometimes, be specific contents (or request for them) for a platform?

A) The partnerships between majors and streaming platforms can bring benefits to both parties in terms of revenues but I don't think they are as big as imaginable: I don't think the monthly fee that users pay to a streaming platform largely ends up with a major. The revenues from partnerships for these majors are, therefore, marginal in my opinion.

Obviously, the question is different if a major should open its own streaming platform, as Disney did with Disney+, in this case, however, there will also be higher costs to bear.

Furthermore, if cinema were eliminated from a film's distribution chain, there would be a great destruction of value and wealth for the majors because it is like a phase, which creates wealth and value, was skipped.

So, these two modes of exhibition - cinema and streaming - I think they must coexist: the creation of ad hoc content for platforms is a very realistic scenario but I believe that this kind of product has a dubious cinematic success, so it would be released directly in streaming.

Q) The release of some blockbusters on streaming platforms can be considered a disruptive move for the industry. According to your opinions, can this action have some repercussions on majors' business model?

A) I don't think it will have repercussions: these choices were dictated by a strong need of the period, but I don't think this will become "normality".

I say this for two reasons: first, many directors disagree with a release directly in streaming and therefore would find it very difficult to collaborate with a major that requires this choice; the second, the passage in cinemas is fundamental otherwise there is a risk of ruining, distorting and finally making a product die.

3.4 INTERVIEW 4: MARIO FIORITO

Mario Fiorito is one of the well-known faces in the Italian entertainment industry: over the years he has held various roles in the sector, which has allowed him to gain a big baggage of experience and a leading role in the sector.

During his career Mario has covered three roles: producer, distributor and entrepreneur. This allowed him to have a great knowledge of the value chain of this industry.

His career as a producer is quite recent, since it has started in 2009. His first movie is set in Rome and is titled "*Poeti*".

However, he owes his fame to the other two roles he has held over the years.

Fiorito is, in fact, one of the largest distributors on Italian soil and collaborates with the largest Italian and international film studios for the release of their most important movies in the country. He covers the role of CEO in *EMME Cinematografica*, an important distribution house which operates in every part of Italy.

Moreover, he is part of the *Circuito Cinema S.R.L.*, an organization founded back in 1996: the main goal of this association is to give to the audience a more qualitative experience in theatres, with movies in original language, a wider choice for the "*food & beverage*" within the cinema and no interruptions during the movie.

He joined also to the network "*Europa Cinemas*", in order to better represents the European productions.

In 2007 he also founded *Bolero Film*, where he held the role of director.

As he often stated, Bolero Film had the role of promoting the distribution of independent movie with a high commercial potential: in fact, distribution took place in about 100 Italian theatres.

In addition, Mario Fiorito has a chain of multiplexes that have allowed him to be one of the most important entrepreneurs in the sector: among the cinemas he managed there are some very important names, such as the renowned "*Barberini*" cinema in Rome which includes an audience of international customers due to the important premieres that the cinema hosts, as well as the distribution of original language movies for foreign customers.

Q) The importance of the media-franchise has a very huge role in today's entertainment industry and their management can be considered a challenge for the majors. What are, in your company, the business lines more interested in these properties' management?

A) Franchises, today, form the backbone of production and distribution for the global film industry. It is clear that the majors are always looking for strong IPs on which to build a solid franchise.

The "powerful" franchises worldwide - such as Harry Potter, Avengers, Star Wars and many others - are exploited by the majors for the production of movies, in order to adequately monetize the success of the product and are also exploited to make other kinds of product for the consumer.

Quite simply: franchises have a very strong impact on the merchandising of these major majors.

The impact they have on my company, of course, is limited since in the role of distributor I deal with intermediation between cinemas and the majors: if a major wants a product to be marketed more, it is my duty to do so.

Q) The Digital Transformation has changed our way to live and to work. According to your opinions, this transformation could in the short run modify the distribution chain of famous blockbusters, having an impact on the distributional channel and on audiences' contents?

A) Before COVID the impact that Digital Transformation was having on distribution channels was minimal, the supply chain was always the same: the film had a theatrical release, then it was released on home video or on other media (such as streaming or pay TV) to then conclude his journey on Free TV. Now, after the COVID emergency, a big question mark has arisen as many majors have tried to "skip" the theatrical release - especially with cartoons - but the results are still not well defined.

I believe that today the majors still prefer the "traditional system" of releases: the situation, however, is not defined since the results of streaming releases must be evaluated worldwide.

For the moment there is still no certain data: certainly, in Italy, the streaming release did not give the desired results. I don't think the market is ripe for such a revolution.

Precisely for this reason, I do not believe that there can be an impact on the contents for the audience, at least not significant: the two means of distribution will continue to differentiate from each other in terms of contents as has happened up to now, at least in the short term.

Q) The streaming platforms have a huge role in the actual entertainment industry: in your opinion, using which means you can compete with these brands so rooted in the streaming sector of the industry?

A) The majors can compete with companies rooted in the streaming industry by making original and exclusive content for the theatres or for their own streaming platforms.

We - exhibitors and distributors - until now have exploited the exclusivity of the product to attract the public to cinemas.

Now, due to COVID, the industry is experiencing a very delicate moment and it is difficult to understand how theatres will be able to compete with streaming platforms.

It all depends on the audience: one of the most important targets for cinema are families and it is necessary to see how they will react to the reopening of cinemas after the health emergency.

At the moment we have not yet been able to understand if there will be a good reaction or a less good one: the most recent releases are "TENET" and "After 2" which are films that are aimed at an audience of young adults.

Q) Following the boom of the streaming platforms, according to your opinion, could ever be a "rethinking" on the majors' release policy? If so, a "rethinking" could bring to a revaluation of some contents?

A) This question is very complicated and still today there is no certain information.

My opinion is that today there is still no real rethinking on the part of the majors in their release policies: the situation experienced in recent months has forced some studios to experiment. If we go back to a pseudo-normality, I believe that the rethinking in the release policies will not be there or will be minimal (shortening the release window).

There may be re-evaluation of the contents, but it also depends on the resumption of the theatres: there are still many projects that do not have a release date or that have been postponed and others that are in production (temporarily blocked).

Therefore, before we can say with certainty whether there will be a re-evaluation of the contents, it will be necessary to see the results of the projects that should come out within a year.

Q) As an observer, the impression is that the entertainment industry in the last 20 years has become very competitive. Which are the criteria that your company has used in order to understand on which contents and platforms invest? What are the priorities that the company has in the short-medium term?

A) The sector has become very competitive in recent times: new realities such as streaming or Premium VOD have taken on a very important role, creating new challenges for all players in the sector.

As a distributor, I act as an intermediary so there is no specific content on which I decide to invest: many times, it is the studios that ask me to distribute one type of product as much as possible rather than another one.

The selection of the majors, to date, is increasingly directed towards products that have a "sure" success such as franchises.

I believe that in the short term the priority that cinemas have - and this is what we hope together with the majors - is to return to a situation of "normality" in which the creation of a product can take place within the pre-established times and the use of the product in the theatre is done in the most comfortable way possible.

In addition, there is a need, in the short term, to create other commercial products - with a lot of appeal - to highlight this industry, which has suffered a considerable damage with COVID.

Q) In the last 10/15 the market for this industry has changed a lot: years ago, was really hard to think about the application of some strategies (big franchises, crossovers, big use of revivals and so on...) or think about some tool for a movie release (like ATAWAD platforms). What could be, in your opinion, the next and most important trends and how a company can really adapt to these changes and to consumers' preferences?

A) The franchises will play a very important role since it is a growing trend: the prime example are movies from the "Avengers" or "Fast & Furious" saga that are earning more and more from sequel to sequel. I believe that many majors will continue with this trend.

The platforms on which the majors will invest, I believe, will always be cinemas - an indispensable release tool - and the proprietary streaming platforms, in the future could bring benefits if exploited properly.

To date, however, it is difficult to establish with certainty what future trends will be: it could also happen that the majors will bring a product accessible only to an adult audience to the theatres while movies for families will be distributed only in streaming.

We will have to wait for the release of a movie like "Dumbo" and "Aladdin" to be able to give a more precise opinion.

The mere release of Mulan in streaming does not guarantee that the familiar movies, from now on, will be distributed only in streaming: it is an interesting experiment by Disney, it could continue with other products, but it is not yet possible to catalog it as a "future trend".

Q) According to your opinion, the partnership between a classic major and streaming platform can bring benefits to both parts in terms of distribution and revenues? Could, sometimes, be specific contents (or request for them) for a platform?

A) I find it difficult that there can be partnerships between traditional majors and streaming platforms: by now the majors have decided to change their strategy and enter the sector directly with their platforms. It is unlikely that they will cooperate with their direct competitors.

Obviously, there will be specific and exclusive content for each platform - the competition will be based on that.

I honestly don't know what impact this kind of partnership or the launch of a major-owned platform could have on majors' merchandising.

Disney, for example, has a lot of revenue from this line of business. I don't think a streaming release of a blockbuster will have a significant impact on merchandising as much as a theatrical release has, given the huge appeal difference between the two platforms.

Q) The release of some blockbusters on streaming platforms can be considered a disruptive move for the industry. According to your opinions, can this action have some repercussions on majors' business model?

A) Yes, the business model could change.

However, it is too early to give answers: Disney first started by launching a movie that would have been very successful in the cinema, like “Mulan”, and now it is waiting for the results.

There may also be new cases. If the result of this new business model, which requires some blockbusters to skip the theatrical release, is important, I think other majors will follow this example.

It must be considered, however, that not all movies are suitable for the implementation of this strategy: family movies lend themselves more to this type of model.

Hence, the business model could also vary based on the movie which has to be released.

3.5 INTERVIEW 5: GUIDO TUNDIS

Guido Tundis covers the position of executive sales director for the Italian and the Swiss branches of the *Warner Bros. entertainment*.

After a degree in management and another in law, both achieved in LUISS Guido Carli University in Rome, with also an experience abroad at the University of Barcelona, Dr. Tundis started his career in the entertainment industry, initially with the role of researcher at the Institute of "*Economia dei Media*" and then continued his career in *Mediaset*.

In *Mediaset* he has held the role of Content Acquisition Executive; he then continued his career at *The Walt Disney Company* as Digital and Channel Distribution Manager.

In 2015 he moved to the Italian branch of the *Vodafone* company, where he held the role of Senior Content Acquisition Manager.

He held this position until March 2017 when he joined *Turner*, a company of the Time Warner group, becoming the new Director of Content Syndication for the Southern Europe and Africa regions.

As previously mentioned, he now brilliantly holds the position of Warner Bros executive sales director for the Italy and Switzerland regions.

Q) The importance of the media-franchise has a very huge role in today's entertainment industry and their management can be considered a challenge for the majors. What are, in your company, the business lines more interested in these properties' management?

A) The concept of franchise has assumed a central role in this industry, so much so that the main studios - Warner and Disney above all - have within their organization professional figures who are exclusively assigned to the management of the franchises: CFO (Chief Franchise Officer) or CMFM (Chief Marketing Franchise Manager). These figures deal with the enhancement of franchises starting from the creative and production process, ending with the distribution of the product in the market: therefore, they must coordinate all the operations connected to the franchises.

Typically, these figures are helped in coordination by the marketing department which must enhance the brand even at the expense of immediate invoicing.

Properties tend to be aggregated according to the reference brand: in WB there is a manager for DC properties (such as Batman and Superman) and one for Wizarding World (Harry Potter and Fantastic Beasts), for example.

Certainly, the first business line most interested in the management of these properties is cinema, more specifically "theatrical distribution" since a quality product must be placed on the market.

Another important business line for the management of franchises is that inherent to "content sales", that is the sale of the right of reproduction and distribution of the content: this has a fundamental role since it must enhance every possible "window of exploitation" in order to create wealth and value for the major.

However, the business lines that most deal with the management of franchises are those of "Licensing and Merchandising" and "Consumer Product": these two business lines have a strategic importance since they are in direct contact with the consumer.

However, for a major such as WB, the "consumer product" can be considered a secondary business: Warner has built its wealth thanks to B2B (Business-to-Business) with the sale of rights to TVs or platforms.

WB is still a major B2B, so our customers are Mediaset, Sky, CBS, ABC and other large international networks: much of Warner's turnover does not come from the sale of gadgets but from the sale of content to networks and streaming platforms.

For other majors, such as Disney, the "consumer product" is essential since they have a large margin from the sale of the physical product in their stores: the Disney Stores are among the most profitable stores in the world, inferior only to the Apple Stores.

Q) The Digital Transformation has changed our way to live and to work. According to your opinions, this transformation could in the short run modify the distribution chain of famous blockbusters, having an impact on the distributional channel and on audiences' contents?

A) Definitely yes, unfortunately the impact was dramatic and disruptive.

It is necessary, however, to make a distinction: the Pre-COVID era and what happened after this emergency.

COVID was a problem for us because it caused the closure of theatres and for a company like ours it means blocking the main business and, therefore, exploitation in other media, since everything starts with the cinema.

The sale of our contents to the various networks is mainly based on the "admissions" to the cinema: if we do not have an objective data regarding the movie's performance, it is even more difficult to sell it.

In the Pre-COVID era, Digital Transformation had a radical impact: the biggest revolution of the last 50 years in the entertainment sector.

The introduction of these new technologies has led to a change in the mentality of the consumer who now approaches the product in a different way: first he approached the product in a passive way, now in an active way.

This radically changed the strategies of companies; we all try to "go straight to the consumer".

The consumer, therefore, will independently search for the contents suitable for him: this allows companies to collect data, study them and try to propose new products based on consumer preferences. So, WB is also facing an epochal change: it will not be just a B2B company but, by offering the content to the consumer as well, it will also lead it to be a B2C (Business-to-Consumer) company.

Digital Transformation has brought about a radical revolution. There is no certainty about how this transformation will affect our business in the short term, certainly in the long term there will be growth: in the short term there is the risk of losing many of the guaranteed revenues in the face of growth for the future.

Q) The streaming platforms have a huge role in the actual entertainment industry: in your opinion, using which means you can compete with these brands so rooted in the streaming sector of the industry?

A) This is one of the most important questions of the moment.

These players have almost unlimited financial resources: WB, until two years ago, invested about 7 billion dollars in content (for all its channels and customers); Netflix alone instead of 15 billion dollars in content, all facilitated by the enormous trust that investors have in the company.

There are two strategies that can allow major majors to compete with streaming brands.

The first is to become a "global" player. There are no more nations, continents or macro-areas: the strategy that all the majors are applying, from my point of view, is "to go global" and this also explains the various mergers and acquisitions that have taken place in the sector over the last years.

The second strategy involves creating original content. The production of original content is what differentiates a major from its competitors: you cannot think of "winning the game" by focusing only on technology and a platform that works well because, by now, all the majors can afford this.

Creating good content globally is important for the majors: the cost of a series or an exclusive movie for the platform has the same cost if created for a target of ten spectators or a target of one hundred million

spectators, the difference is the decrease of the per capita investment. There is, therefore, a radical change in the amortization of costs.

These changes will lead to a reduction in the number of movies played in theaters, which will only feature high quality content, and I also anticipate a decrease in the release window compared to the current 105 days.

So: movies with little cinematic potential, in the near future, could go out directly in streaming while blockbusters and films belonging to big franchises will continue to come out first in theaters.

Q) Following the boom of the streaming platforms, according to your opinion, could ever be a “rethinking” on the majors’ release policy? If so, a “rethinking” could bring to a revaluation of some contents?

A) Cinema will always be the basis for the cinematic releases of important major movies - as “The Batman” can be for Warner - and I can't imagine this industry without cinema.

The cinema launches the product of the majors: if the film receives good feedback it generates interest and it will increase the “Word of Mouth”. So, the cinema is also used by the majors for marketing.

However, release policies are already changing and there will also be a re-evaluation of content.

COVID has accelerated some trends that were already underway: some majors have released the films directly in streaming, thanks to Premium VOD. We did it with “SCOOB!”, Disney with “Mulan” and Universal with “Trolls 2”.

This has led to a necessary rethinking of the release window which, in my opinion, will not be longer than 105 days in the future.

The re-evaluation of the contents in the streaming platforms will serve to better reevaluate the content library of a major: some of these contents, after the theatrical release, found little space on TV because they were aimed at a niche of viewers and not towards the general public.

Today, streaming allows great visibility to all these products.

Q) As an observer, the impression is that the entertainment industry in the last 20 years has become very competitive. Which are the criteria that your company has used in order to understand on which contents and platforms invest? What are the priorities that the company has in the short-medium term?

A) The big competition in the industry started in the last ten years, in my opinion, with the arrival of Netflix and the beginning of the competition in the “streaming arena”.

The criteria regarding investments on the platforms are obvious, I think: the WB in fact wants to invest in HBO Max in order to launch the platform worldwide, within five years. So, in addition to investments in traditional cinema, efforts will be directed towards our streaming platform, HBO Max.

The methodology that allowed us to understand which contents to invest in today has changed compared to a few years ago. Previously, there were many intermediate stages that allowed us to analyze the potential for success of the content.

Today this is no longer the case because there is a tendency to release, on the same day, all the episodes of the season of a series. This methodology is called “straightforward”.

Today, it is complex for us to understand what content to invest in because we do not have consumer data, like Netflix, but it is something that we will learn to do in the future by going “direct-to-consumer” thanks to our streaming platform.

Q) In the last 10/15 the market for this industry has changed a lot: years ago, was really hard to think about the application of some strategies (big franchises, crossovers, big use of revivals and so on...) or

think about some tool for a movie release (like ATAWAD platforms). What could be, in your opinion, the next and most important trends and how a company can really adapt to these changes and to consumers' preferences?

A) The next big trend in terms of release tools is the current one: we will continue with an implementation of the SVOD platforms.

In terms of content, I believe that the trend that will develop more and more is the one concerning the creation of franchises belonging to the same "universe".

The best-known example is that of Marvel: it is impossible to go to the cinema to watch the new Thor movie without having seen the latest Avengers movie, for example.

The work Disney has done with Marvel Studios, therefore, is sensational as they have managed to turn every movie into a great installment of one great series.

The crossovers between the various properties and the creation of content that "force" consumers not to miss even one episode of the saga could be a trend that can be pursued in terms of content.

Another trend could be that of a greater use of "revivals" or "remakes" that can exert a "nostalgia effect" on certain consumer segments: with these types of products, the majors risk less than launching an original product.

As for streaming platforms, I believe that a lot will be invested in exclusive series rather than movies since the former, unlike the latter, create customer loyalty towards the platform.

Q) According to your opinion, the partnership between a classic major and streaming platform can bring benefits to both parts in terms of distribution and revenues? Could, sometimes, be specific contents (or request for them) for a platform?

A) These partnerships were feasible two years ago: currently not.

The majors, today, do not want to have relations of any kind with streaming brands - such as Netflix - because they see them as competitors. In fact, gradually, all the majors are starting to take their content off the platforms in conjunction with the launch of their platforms.

The hypothesis of an alliance between majors and streaming brands is not feasible. Those who will sell content to platforms such as Netflix and Amazon Prime Video are the "mini majors", those who do not have their own streaming service such as MGM, Paramount and Lionsgate.

Platform-specific content must exist.

Basically, I believe that over time the contents will become more and more specific to the platforms to not create overlaps: it will not be possible to find the same TV series or the same movie on two different platforms. However, the customers will subscribe to more platforms in order to have a wider genre of contents and be freer in the decision process on what content to watch.

Q) The release of some blockbusters on streaming platforms can be considered a disruptive move for the industry. According to your opinions, can this action have some repercussions on majors' business model?

A) Surely. For a long time, there had been discussions about trying Premium VOD but there was never an opportunity.

The opportunity came with COVID: the first attempts to launch a Premium VOD film went well, bringing interesting results, even if not comparable to cinematic results.

I believe that the next business models for this industry will include very short "window releases" (from two to four weeks), then the movie will be released in Premium VOD and it will be possible to watch it paying a high price (around € 20).

The price will drop with the passage of time until it reaches a point, after a few months, where the movie will be available on the SVOD platform.

However, this business model must be implemented: considering that movies are sold to Free TVs, still considering the "admissions", the application of this model would result in fewer spectators at the theatre and therefore a lower selling price of the movie.

There is, therefore, the need to update the operations, within the companies, of the current business model to this new model.

CHAPTER FOUR

“NEW TRENDS AND OPPORTUNITIES: HOW MAJORS’ BUSINESS MODEL CAN EVOLVE IN THE FUTURE”

1. INTRODUCTION TO NEW TRENDS ON CONTENTS AND PLATFORMS

The entertainment sector, as illustrated in previous chapters, has been subject to major changes in recent years.

As previously written, in chapters 2 and 3, the changes in this sector can be divided into two categories: those of platform and those of content.

The platform changes were briefly analyzed in Chapter 1 when the ancillary markets to the film market were introduced and when the concept of SVOD, or (more simply) streaming, was introduced.

The analysis continued in chapter 2 with the introduction of the *"institutional logic"* model.

This framework has hypothesized four future scenarios for the entertainment sector, each of which could have strong repercussions, negative or positive, on the work of the majors.

Although it is early to understand which of the scenarios elaborated by the study by Hadida et al. can actually be realized it is necessary to notify how the major American studios, starting from 2019, have begun to start real experiments in order to change the traditional business model and be able to compete more adequately in the new *"competitive arena"* of streaming with the forces that dominate it: companies like Netflix and Amazon Prime Video.

The COVID-19 emergency that broke out at the beginning of 2020 on a global scale has, quite simply, accelerated the experimentation processes that had already begun: Disney has found a way to launch Disney+ internationally with great success; Warner officially launched HBO Max earlier this year, following the launch of the Beta version; Universal launched the Peacock TV platform and, in the meantime, sought to add value to traditional cinemas by entering into an exclusive deal with AMC.

The feeling, as found by the answers of the experts and as will be analyzed later in the chapter, is that the business model of companies in the industry will necessarily change within three years (approximately).

At the same time, the contents offered to the audience have also changed over the last decade.

The analysis carried out in chapter 2, taking the Disney model as a reference, highlighted how in recent years the majors have focused on the use of "strong" IPs, in order to create media-franchises with high potential for success: this, in some cases, it was necessary with the acquisition of other companies.

This new trend in content is also due to the change in the role of consumers: the viewer, in fact, has become more active in recent years thanks to the use of social media and the study of preference data on platforms.

Previously, in fact, the consumer had a passive role since he was "exposed" to the contents that the majors decided to produce. This is no longer the case.

For this reason, the majors have oriented their investments towards what can be defined as *"safe products"*:

- franchises are safe products because in most cases they are based on properties already known - although in other sectors - to the public;
- franchises are safe products because they have a very large catchment area, therefore very high potential profits;

- franchises are safe products because they have commercial supports that ensure success, so IP can also be exploited in other sectors and not only in the cinema sector.

In this regard, it has been shown in a quantitative way that the media-franchises are safe products, thanks to a short statistical and graphic study that has demonstrated the tendency of the sequels to collect more.

The "safe product" in which the majors could invest in the near future, however, could not only be a franchise already on the market - with sequels, prequels or spin-offs - but it could also be a "revival" or "remake" of an already existing product and, therefore, the creation of a new franchise using, also in this case, an already known brand: take as reference the success of the TV series "*Cobra Kai*", which acts as a revival of the "*Karate Kid*" franchise.

In the interviews transcribed in the last chapter it was interesting to understand if there could be margins so that the important media-franchises can be released directly on SVOD platforms, which today are concrete realities.

Whether or not there is this possibility, it is important to understand what the majors' prerogatives will be in the coming years and which business model they will use to meet the demands of a constantly evolving and increasingly varied clientele.

2. AN ANALYSIS OF THE INTERVIEWS

The interview questions that were submitted to industry's professionals had the role of gathering objective opinions and data on the sector and on its future trends.

The collective analysis of the interviews would, however, be confusing.

For this reason, the answers of the five interviewees will be analyzed individually to extract the best qualitative data from the meetings and compare each professional response to highlight on which topics there is a greater alignment and on which there are discrepancies.

2.1 FIRST QUESTION ANALYSIS

The first question is the following:

"The importance of the media franchise plays a huge role in today's entertainment industry and their management can be seen as a challenge for the majors. Which lines of business are most interested in managing these properties in your company?"

The answers of the five interviewees were, all in all, consistent with each other.

The topics covered by the answers have been four:

- Fundamental importance of franchises in industry and majors;
- Strong impact of IPs and franchises in the creation of film content and content for other media (TV and SVOD platforms);
- Strong impact on marketing;
- Strong impact on merchandising and consumer product.

The importance of franchises in the industry was underlined by all the interviewees for different reasons.

In fact, those who are "downstream" of the value chain consider media-franchising to be a high-yield commercial product, which allows them to attract audiences both in cinemas and on other platforms.

From a distribution point of view, however, the franchise plays an important role as content to "sell" and "promote", pushed by the majors.

Obviously, it does not have a direct impact on the distributor, if not (also in this case) from a commercial point of view: in fact, the distributor will have higher margins on this type of content given the high demand from cinema exhibitors.

The importance of franchising, on the other hand, in the stage of "production" - upstream of the value chain - is very high: the management of these assets has, in fact, changed the company structures by providing professionals to manage certain franchises.

The latter, therefore, play an important role at the company level: the majors have changed their organizational structure, introducing CFOs (*Chief Franchise Officers*) or CMFMs (*Chief Marketing Franchise Managers*).

These company figures have the task of enhancing the franchise brand and coordinating the various company departments for the release of these products.

Furthermore, for the majors, these productions represent a good with high marketability and, therefore, greater probability of success.

For this reason, many majors focus on creating this content.

Cinema, sometimes even TV, are tools that allow to maximize the potential of these IPs by presenting them to a wider audience: the clearest examples are the IPs from books or comics - such as *Harry Potter* or the *Avengers* - that have found in cinema, the perfect catalyst to exponentially increase the success of IPs, presenting them to the general public.

A similar effect can be exerted by other media such as TV in all its forms, thus including content launched exclusively on SVOD.

Some properties, such as *"Stranger Things"*, have managed to achieve great success thanks to the direct launch of an entire season directly on Netflix; alternatively, *"Daredevil"* - a TV series co-produced by Marvel (Disney) and Netflix in 2015 - is an example of a franchise that was not successful on a cinematic level (*"Daredevil: the movie"* was released in 2003) but which it was enhanced years later, by a reboot, as a TV serial.

According to all interviewees, the business lines most involved in the management of franchises are marketing and merchandising.

Marketing involvement occurs both upstream and downstream of the value chain.

Cinemas have the task of promoting the contents that have the greatest potential for success to attract even more audiences in the sale: although many products do not need a real marketing campaign within theatres, many exhibitors try to advertise the movie (even with the creation of events) to attract the largest audience.

In the majors the discourse is more complex.

According to Universal's Sales Director, although marketing spending may be different from a franchise film and a major arthouse film, the coordination at the corporate level is the same.

In fact, the expenditure for the promotion of the two products will differ slightly: the real difference, according to this interviewee, is the socio-cultural role that the blockbusters play compared to the great auteur movies.

Warner Bros. Executive Sales Director's opinion is different. The management of this franchise is entirely entrusted to marketing which, even at the expense of immediate billing, seeks to maximize the franchise's brand identity. The process takes time and is entirely controlled by the Chief Franchise Officer who will have the task of coordinating all the company departments and communicates continuously with the marketing department and the CMO (Chief Marketing Officer) for the elaboration and for the development of promotional strategies.

In recent years, the digital promotion of the movie has taken on greater importance thanks to the use of digital content that does not only concern the release of trailers, promo arts and images but also the structuring of real marketing campaigns with the creation of exclusive content and online events.

The "*merchandising and consumer product*" is, according to the unanimous opinion, the business line where the franchises have the most important role.

The commercial supports surrounding these movies are, in fact, remarkable.

In theatres, gadgets for these films are often sold but merchandising is not limited to the cinema sector alone: the value that media-franchises create for the majors is above all outside this industry.

Simultaneously with the release of the films, in fact, the major will agree with other companies that will create various products such as, for example, clothing, books and action figures.

The monetization from licensing use of a franchise is a source of great wealth for the majors, sometimes more than the movie's box office revenue.

For example: the success that Disney achieved with "*Cars*" came more from merchandising, precisely from the sale of action figures, than from the box office.

In conclusion, the first question highlighted the fact that franchises are a "*safe product*" because they generate wealth for the majors, not only with box office revenues, but with revenues deriving from other markets that exploit studios' brands.

This has involved, in recent years, not only a majors' corporate reorganization but an "industrial" reorganization: the studios have figures who collaborate closely with marketing and other company departments for the maximum enhancement of the IPs that are reflected vertically on other markets, ancillary to the cinema one, which will produce further wealth for the majors to the box office one.

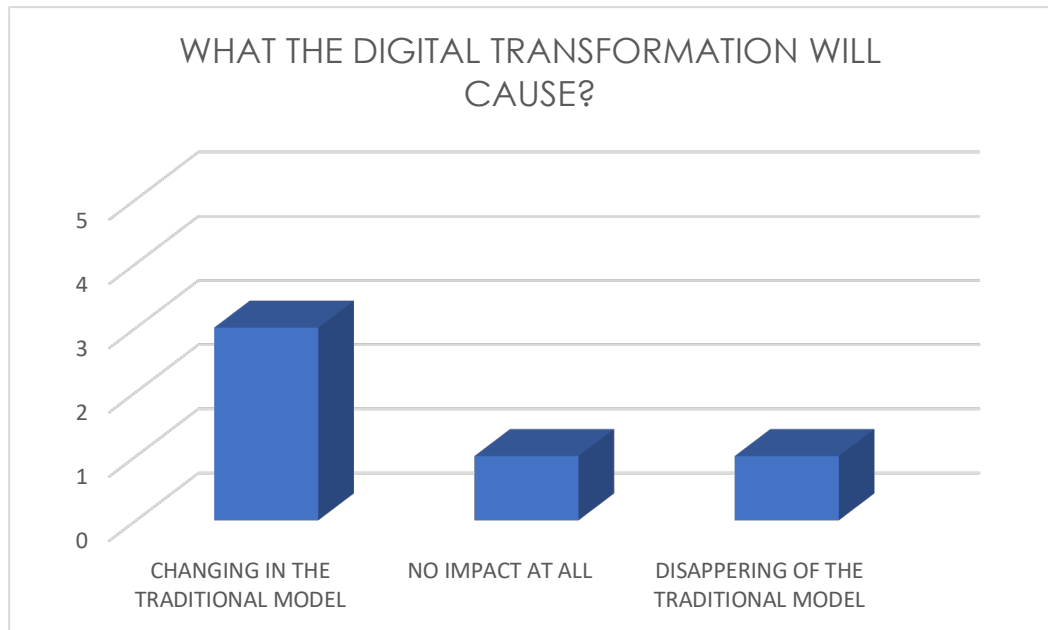
2.2 SECOND QUESTION ANALYSIS

The Digital Transformation has changed our way to live and to work. According to your opinions, this transformation could in the short run modify the distribution chain of famous blockbusters, having an impact on the distributional channel and on audiences' contents?

The second question has the role to understand what impacts the Digital Transformation may have had on the industry at the distributional channels level and at the content level.

Unlike the first question, where the opinions were all in agreement, in this case there have been differences between the views of the interviewees.

Although everyone agrees on the fundamental role that digital transformation has played on the industry, there are discrepancies on what could be the future changes in the distribution of films and in the processing of content produced by the majors.



GRAPH 9, graphic elaboration of the scenarios indicated by the professionals

As shown in the graph above, the experts illustrated different scenarios on the impact that digital transformation may have on the sector.

Analyzing the interviews:

- Three of them argue that there will be a radical change in the traditional model which, however, will survive;
- One of them argues that the digital transformation will not bring changes in the immediate future that would change the traditional business model;
- Another expert said that, within a few years, digital transformation could make the traditional business model disappear in favor of a completely new one.

The analysis of these three scenarios is very interesting.

The first scenario foresees a radical change in the business model of the majors due to the digital transformation. With increased competition in the film industry and the outbreak of COVID-19, which has forced cinemas to close, studios have been forced to experiment with alternative release forms such as directly on an SVOD or Premium VOD platform.

The introduction of these platforms has, in fact, progressively reduced the importance of home entertainment, as sales of Blu-Rays and DVD have declined over time.

The reason for the decrease in the importance of home entertainment in the sector is trivial: SVOD platforms allow access to a very large content library with a monthly payment of a few dollars and the viewing of all types of content thanks to the internet. These advantages were not allowed by the home video, which required DVD or Blu-Ray players in order to reproduce the movie and required a higher expense (compared to the monthly payment of a streaming platform) for the purchase of a product.

Given the disappearance of one of the most important sources of income for the majors, many of them – almost every big studio - have decided to enter this new competitive arena.

The need, in fact, is to exploit a growing sector in such a way as to replace home video revenues with those of streaming.

The experimental phase mentioned above, caused by COVID-19, concerns the release of some films with a “dubious cinematic success” directly on platforms in SVOD mode - therefore traditional streaming - or in Premium VOD mode.

This method of distribution, in the near future, will become increasingly used as it allows the distribution in theatres of strong products, such as franchises, requested by exhibitors who, on the other hand, struggle to exhibit contents of dubious success due to a very short movie's "life cycle", even lasting only one week.

It is, therefore, unthinkable that the majors will reduce the production of content to focus only on the making of "strong", high-budget and low-risk movie, rather they will direct medium-low importance movies to other platforms that will be able to adequately enhance these products.

The "movies as events", therefore, will be distributed exclusively in theatres.

However, according to this scenario proposed by some professionals, these too will be influenced by digital transformation.

Within three years there will be a noticeable shrink in release window days – today is a 105-days gap between the dismissal of a movie in theatres and its release on other media - and this will lead to the streaming release of blockbusters on platforms owned by the majors, a few days after their release in theaters.

The other two trends, however, see the continuation of the traditional business model of the industry or its complete destruction.

According to one of the experts, in fact, there will not be a revolution in the business model in the short term because streaming is a technology that today, at least in Italy, does not offer certainties and there is a lack of certain data on what are the real performances of movies released directly in streaming.

On many occasions, in fact, the data are communicated months after the film's official release and for the study of the performance is necessary an almost immediate availability of the data, which the traditional model allows. According to this scenario, streaming will have a marginal impact on the sector given the immaturity of the market for such a technology for the release of "important" movies.

The last hypothesized scenario sees the disappearance of cinemas as a consequence of COVID-19. However, it is necessary to emphasize that cinemas would not disappear only due to the health and economic crisis that has recently hit the world: the process for replacing a theatrical release with a streaming release has been studied for some time by the majors, which would reduce distribution costs.

COVID-19 and the necessary experiments that have been carried out in this period have simply accelerated a process that had already begun, which intends a switch between theatrical distribution and the streaming one even for more important movies.

In conclusion: taking as a reference the sector analyzes carried out in a preliminary way at the beginning of the present paper together with the commercial potential that a media-franchise can have and the opinions of the industry professions, I believe that it will be the first scenario to become reality in the near future with a release window shorter than the current one (105 days) which will allow a faster release of "important" movies on other media and the release of movies with little chance of cinematic success released directly in streaming for allow the exhibition of "safer" and highly marketable products in the theatres.

2.3 THIRD QUESTION ANALYSIS

The third question aims to understand how traditional majors can compete now and in the near future with the big streaming brands.

The question submitted to professionals in the sector was the following:

The streaming platforms have a huge role in the actual entertainment industry: in your opinion, using which means you can compete with these brands so rooted in the streaming sector of the industry?

The trends that emerge from the answers are basically two: continue to invest in this new "competitive arena", implementing streaming platforms owned by the majors with the support of exclusive contents' production, and enhancing the core element of the industry, the cinema.

The majors can compete with the most powerful brands that provide SVOD services - such as Netflix and Amazon Prime Video - by creating exclusive content on their own platforms.

The latter are fundamental because the majors need to compete globally, working mainly in the three most important continents for the industry: America, Europe and Asia.

Traditional majors like Warner, Universal and Disney are going to have a very hard time competing in this new sector, considering the established market strength of companies like Netflix, because the integration of a digital service is a factor that stands in contrast to their own. traditional business model, subtracting visibility from the products distributed in the theatres and adopting different marketing strategies from those used for the film industry: the latter, in fact, allows a large WOM differently from the streaming one which, on the other hand, would require greater investments in order to promote the product.

Obviously, the difficulties are mutual since even Netflix, not born as a production studio, has encountered difficulties in creating quality original movies.

The competition will be based, therefore, on the creation of original content since they will be the main element of differentiation between the platforms.

The first original contents produced by the majors for their platforms will be real bets. Subsequently, thanks to an analysis of the performance of these contents and the analysis of customers data, which these platforms allow, the majors will be able to understand which products will be most appreciated by the audience.

Furthermore, creating an exclusive content to be launched on a global scale would have enormous cost advantages for the majors. The production of content for a target of one hundred thousand viewers and the production of content for a target of ten million viewers have the same cost, however the per capita expenditure per viewer would drop drastically.

The possible evolution of this sector that could involve the majors is the creation of "packages" for the different types of content or, alternatively, the joint sale of multiple streaming services with an increased payment: in Italy this happens, for example, after an agreement reached between Sky and Netflix that allows you to view the contents of both platforms with a surcharge between 9€ and 16€ per month.

The second trend that emerged from the interviews, however, is the enhancement of traditional cinema.

This can be done following different methodologies:

- Exclusive agreements with film chains, such as the one between AMC and Universal that ensures the distribution of Universal's exclusive content to the cinema chain for 17 days, before it is distributed to other media. The reason for these agreements is mainly associated with the shrink of the release window. To avoid the direct distribution of some content directly in streaming, some cinema chains - such as AMC did - could negotiate an agreement with the majors that allows them to show the movie exclusively for a period of time between two and four weeks, before the streaming release.
- Release of highly marketable or high-quality content on a temporary basis exclusively for the cinema, a direct consequence of the analysis of the second question, thus revolutionizing the traditional model and directing to the theatrical release only a type of product suitable for the general public and pushing it to the cinema rather than making them stay at home to consume a streaming product. Fundamentally, this second methodology is strongly connected to an experience that only the theatre can give due to the exclusivity of the movie played.

From the analyzes, therefore, it is clear that in the near future the majors will make massive investments to implement their SVOD platforms and for the creation of new contents: considering that Netflix's expenditure for the creation of new content is approximately 15 billions of dollars and that majors' expenditure, like the WB one is 7 billion (approximately the half), an increase in production expenses is expected in the next two years, coinciding with the launch of the platform internationally given that this is the goal of the majors in the near future.

At the same time, the entertainment sector without cinema is unthinkable. The majors will continue to invest in traditional cinema and, although the model proposed by Universal which includes exclusive agreements with theatres chains would represent a huge novelty for the industry, it is highly probable that the majors will continue to create exclusive content for their platforms by concentrating film releases only for highly marketable products, such franchises.

2.4 FOURTH QUESTION ANALYSIS

Following the boom of the streaming platforms, according to your opinion, could ever be a “rethinking” on the majors’ release policy? If so, a “rethinking” could bring to a revaluation of some contents?

The fourth question completes the issues started with the second and third questions and has the ultimate intent to understand if there can actually be a rethinking of the release process by the majors and what impact it could have on the contents, so if a certain type of film will undergo changes in the release platform.

Two trends have emerged: a rethinking of the release is already underway, due to the changes that will have a very important impact on the industry in the coming years; there will be a re-evaluation of the contents, not of the franchises or other movies that can have a high commercial yield since they will always be directed to a theatrical release.

The re-evaluation will take place for those contents that are not considered capable of having a high commercial performance by the majors.

The development of a new release policy is based on a significantly shorter "release window": in the USA, due to the circumstances dictated by COVID-19, a shrinking is already being experienced which should become within a couple of years reality also at an international level.

There will be a substantial downsizing with respect to the actual 105 days in Italy, bringing the release window to be between 14 and 35 days.

Obviously, this will not lead to the disappearance of cinema but a transformation of the latter, it will act as a release tool for the most important movies and can allow consumers to live a more inclusive and different experience than what they would live at home, while will play a supporting role for the majors that will have their contents more advertised thanks to the WOM that cinema manages to generate thanks to the audience and critics as well as marketing campaigns.

Furthermore, today cinema potentially guarantees earnings that streaming is not yet able to guarantee.

The international entertainment market is still immature for the release of a major blockbuster (such as those belonging to the franchises) directly via streaming: the recent movies' streaming releases have been the result; they still don't convince the audience at all even if there is a huge potential.

The majors are, in fact, “forced” to justify the enormous production and marketing costs of media-franchises and blockbusters with big box-office and merchandising returns.

This rethinking of the release policy will result in a re-evaluation of the contents.

As widely anticipated before, the contents deemed “not strong” for the theatrical release could have a release in SVOD or Premium VOD: in order to be possible, by the majors, an evaluation will be carried out on the product in question. If the product belongs to a niche or has a low commercial rating, it will be released in SVOD, if it is a product that can have a wider user base with a fair commercial rating then it will be released in Premium VOD.

These two types of releases are now considered alternatives to home entertainment, a declining sector.

Precisely for these new streaming policies there could be a targeting process: following the health crisis, the majors could decide to invest in streaming platforms for the launch of content aimed at a family audience, because this part of the clientele now is reluctant to go to cinemas. This type of release has already been tested by the majors for films such as "*Mulan*" (Disney+) and "*Scoob!*" (Warner Bros.).

The results from the implementation of these strategies are still uncertain. For this reason, new releases of "movies for families" on streaming platforms in Premium VOD format are desirable.

Instead, films aimed at a more adult audience would be directed to the cinema, more inclined to go to the cinema even after the recent events that led to the closure of the structures.

The probable segmentation, therefore, would lead to a streaming release for films aimed at children and families while the other types of films would be released to the cinema with a significantly shorter release window than the current one.

The likely consequence of this could be the creation of other sections in the platforms that offer SVOD services:

- In the first section, "free" content would be released, as recently done by Netflix, which could attract a greater number of customers for the complete view of the content library within the platform;
- The second section is the traditional one, the one accessible thanks to a monthly payment that guarantees an unlimited fruition of the contents on the platform;
- The third section would focus on Premium VOD, with films recently discontinued from the cinema that would have a price that could fluctuate between 15€ and 30€, destined to decrease with the passing of the weeks until the publication of these contents in the second section.

2.5 FIFTH QUESTION ANALYSIS

As an observer, the impression is that the entertainment industry in the last 20 years has become very competitive. Which are the criteria that your company has used in order to understand on which contents and platforms invest? What are the priorities that the company has in the short-medium term?

Competitiveness in the entertainment industry has increased exponentially in the last ten years according to respondents, compared to the twenty years mentioned in the question: the exponential increase in competition in this industry was caused, especially, by the introduction of new platforms that allowed the fruition of contents in a totally different and innovative way for consumers.

SVOD service providers such as Netflix and Amazon Prime Video have questioned the hierarchies of the film and entertainment industry.

This has led to the need to reorganize the majors in the sector in order to be prepared to compete on several fronts: the SVOD services and traditional cinema, which today have a priority role for the industries of this sector which in the short-medium period will make substantial investments on these two fronts.

The goal of the majors, such as Warner Bros. with HBO Max, is to launch their streaming platforms globally within a maximum of four years.

Majors such as Disney, which have the privilege of having more than one streaming platform (Disney+ and Hulu) will try to launch both internationally - with Disney+ this process has already begun - to offer the audience two platforms owned by the same major but with different contents.

Furthermore, they will try to implement different sections by investing heavily in Premium VOD as an alternative method of distributing exclusive movies and to release discarded content from the theatres.

Another priority is the enhancement of cinema in the new business model that is emerging for the majors belonging to this industry.

Cinemas are still the core element of the sector and its enhancement, following the opinions of the interviewees, passes through the creation of highly marketable products with high potential for success that can “bring” people into the theater.

However, Universal, in addition to the use of these products, has also decided to invest heavily in products that would allow to raise public awareness thanks to plots based on important themes: many projects, in fact, will be discussed with the exponents of the known movements born in the USA , like the “*MeToo*” one.

Many investments will also be made for the creation of exclusive content for SVOD platforms: the launch of these contents will have a strategic role since they will be launched in “*straightforward*” mode, knowing only marginally the real potential of the product and studying the performance once it came out.

The streaming release in “*straightforward*”, although a very popular release format today, is not without risk: commissioning an entire season would involve incurring costs which will be no longer recoverable.

For this reason, the seasons of the TV series and films will have a short duration, limit spending in case of a negative response from the audience and, therefore, failure.

Furthermore, these will have the role of “convincing” the audience to subscribe to the majors’ streaming service. More subscriptions would allow companies to have a greater amount of data to study: this will let them to understand consumer preferences and produce more contents appreciated by the latter.

2.6 SIXTH QUESTION ANALYSIS

The sixth question was conceived to understand, following of short-term priorities and changes to the traditional business model, what the future trends of the sector may be and how these companies exploit them in their favor.

The question submitted to the professionals was:

In the last 10/15 the market for this industry has changed a lot: years ago, was really hard to think about the application of some strategies (big franchises, crossovers, big use of revivals and so on...) or think about some tool for a movie release (like ATAWAD platforms). What could be, in your opinion, the next and most important trends and how a company can really adapt to these changes and to consumers’ preferences?

The opinions of professionals regarding the trends were quite heterogeneous.

The answers can be traced back to three macro-trends that can easily coexist with each other.

The first trend, consistent with the previous answers, will concern streaming platforms and SVOD services. The creation of owned platforms and the launch of the latter globally is a priority for the majors but the implementation of these services in the coming years thanks to the production of exclusive content and the creation of different sections (free, SVOD and Premium VOD) it will become soon a important trend in the industry, especially with the shrinking of the release window.

Each studio will also seek to enhance its own library through a content differentiation strategy aimed at making one platform unique over another.

Furthermore, precisely for this reason, consumers will have multiple subscriptions to SVOD services in order to have a wider choice in the content to watch.

The second trend has a focus on traditional cinema, aimed at further enhancing this release methodology.

According to the analyzes, in fact, the contents on which the industry will rely in the coming months are highly marketable products such as blockbusters and franchise movies.

However, these will not be the only two types of movies that will be launched on the market: the fundamental task they have will have is to relaunch the film industry after the recent crisis period.

After this temporary moment in which the major will drop on the market all the blockbuster that have been postponed in these last months, the investments will be differentiated and directed towards various types of movies, for example on "remakes" or "revivals" that will use the well-known "nostalgia effect" to acquire a large audience: they too can be considered products with an high commercial yield.

Moreover, with the reprise of a "normal" situation, the majors will focus on the production of "original movies" produced by studios they own: the reason for this trend is not only due to the few finances held by the majors after this period of crisis but is also due by the companies' desire to reach all audiences' niches, including those who do not belong to the catchment area of the franchise and blockbuster.

The third trend is, without a doubt, the most interesting but also the one furthest away from concrete implementation. The majors could, in fact, invest in other types of platforms different from the traditional ones attributable to the concept of "SVOD service".

These platforms would be a sort of "hybrid" between social media and the classic streaming platforms, previously mentioned.

The reason why the majors will invest in these hybrid platforms in a few years is because of a change in the new generation of consumers' tastes.

Millennials, in fact, are increasingly attracted to the "*short content*", that is a video with a maximum duration of ten minutes, which is comparable to content uploaded on YouTube, Instagram's IGTVs or TikToks.

Netflix, in fact, considers social networks' companies such as Instagram and TikTok dangerous competitors that undermine their sectoral power.

The platform "Quibi", in fact, was born with these premises and the interest of the majors for this kind of content and platforms is evident from the fact that the investors of this service are mostly majors such as Warner Bros., Disney and Universal.

These services could also be presented as accessible only for smartphones excluding the use on other devices such as TV, a difference to the traditional SVOD platforms.

However, such an initiative by the majors would be very interesting because it would provide content that is highly appreciated by the new generation of customers.

Moreover, entering in this sector as one of the first companies would entail an important competitive advantage given, hypothetically, by the great expertise in the production of this kind of contents.

The creation of this new "competitive arena" could also be interesting, which would potentially include among the players traditional major such as Warner Bros., Universal and Disney, the current powers of SVOD services such as Netflix and Amazon Prime Video but also social networks such as YouTube, Instagram and TikTok.

2.7 SEVENTH QUESTION ANALYSIS

According to your opinion, the partnership between a classic major and streaming platform can bring benefits to both parts in terms of distribution and revenues? Could, sometimes, be specific contents (or request for them) for a platform?

The seventh question highlighted how the possibilities for partnerships between Hollywood majors and companies offering SVOD services are minimal, if not nil, given that the benefits attributable to this type of agreement are limited: the profit margins from any agreements, today, seem to be lower than those coming from the launch of a streaming service offered by the major or the classic theatrical debut of a movie.

In fact, all of this was possible until a few months ago: some agreements between majors and SVOD platforms still exist, an example is the case of *Sony Pictures* and *Apple TV +* for the production of exclusive contents.

The first deals between the majors and these platforms were made when there was still a lack of plans for the development of platforms owned by the studios.

The impossibility of partnerships between companies in this sector is due to the fact that all the majors in recent years have begun to create and implement their own SVOD platforms, starting to plan the total release of their streaming services on a global scale within four years.

It is therefore unlikely that the majors will produce exclusive products for those who currently represent their main competitors, by entering into long-term agreements with them.

However, due to the delay of some majors in the launch of these platforms worldwide, the only possibilities for collaboration are those in countries not yet covered by the studio's streaming service.

The competition that has developed, especially in the last year, in this competitive arena has resulted in the deletion of many contents from the catalogs of platforms such as Netflix and Amazon Prime Video.

However, it is sure that the deletion of other content in the libraries of these platforms will continue in the coming months, bringing competition to a completely new and content-oriented level, the only source of differentiation between the platforms.

Any agreements would be possible only in the face of incredible offers that would convince the traditional majors to give up their exclusive content: this kind of negotiation, although realistic, appears very far from being realized. On the other hand, SVOD's brands can still reach agreements with large individual producers and "mini-majors" (such as *Lionsgate*, for example), for the creation of content to be produced together and subsequently launched exclusively on the platforms.

This methodology has already been used by Netflix for the movie "*The Irishman*": the latter, in fact, was rejected by all the traditional majors as they considered the product excessively expensive, risky and not suitable for cinema due to its excessive length.

These digital platforms, unlike the majors, can afford these risks: the excessive length of the film can in fact be divided as desired by the viewer at home and the onerous production cost can be easily borne by platforms such as Netflix, which enjoys a great deal of trust from investors, and Amazon, which can get the money to invest in content from its other businesses.

Hence, streaming allowed producers to have more options for releasing movies - one of them is, of course, multi-year content collaboration for an SVOD platform.

2.8 EIGHTH QUESTION ANALYSIS

The eighth and final question aims to understand whether the release of some blockbusters on streaming platforms could have repercussions on the business models of the majors or if, due to the circumstances in which these strategies were carried out, it was a necessity for companies. distribute movies directly in streaming.

The release of some blockbusters on streaming platforms can be considered a disruptive move for the industry. According to your opinions, can this action have some repercussions on majors' business model?

The responses were homogeneous. The move made by Universal first with "*Trolls 2*" and subsequently followed by Disney with the big launch of "*Mulan*" on the Disney+ platform was disruptive and will have repercussions on the majors' business model.

The latter, in fact, is evolving and the experiments currently underway in the US and other countries will soon be extended internationally.

The new business model will see the coexistence of cinema and streaming services. In fact, due to the decrease in the release window, the SVOD platforms will have an even more important strategic role than the one covered until now since they will be the tool for the release of products that cannot be presented in theatres. This new model would see, in addition to the SVOD, the Premium VOD which has the task of creating greater wealth for the majors: for the use of these sections it will be necessary to pay a premium over the ordinary subscription.

It should be noted that not all products will be subject to this change. The contents that more than others lend themselves to a Premium VOD release are those aimed to “families” as target.

The big franchises and blockbusters, considered highly marketable movies and which play a very important role in corporate merchandising, will still have a traditional theatrical release.

The latter allows this type of product to be more advertised: since theatres are still the core element of the entire entertainment sector, it generates a greater WOM that will expand a consumer's exposure to the content. In fact, according to Warner's executive sales director, although cinema involves a lot of marketing expenses, it also avoids others due to the WOM that the audience and critics generate.

Furthermore, the cinema still allows revenue margins for the majors higher than streaming ones.

Another fundamental factor is that the business model used by American studios, with the exception of Disney, is a B2B model that bases its success on the sale of TV series and movies rights.

The majors, today, sell movies on the basis of the "admissions" on theatres: thinking about a model where the theatrical release is completely eliminated would mean completely destroying the traditional business model and sacrificing guaranteed sources of income, due to the fact that the majors would not have revenues from cinema distribution but they would also have to abandon this system of selling rights to TVs or to certain platforms, due to the difficulty in giving as much “objective” value as possible for the sale of the film.

Therefore, although the majors are starting to interface directly with the consumer by becoming B2C companies with the introduction of their own streaming services, a business model without cinema is unthinkable today.

Some majors may decide to enter into exclusive agreements for the screenings of the movies with some cinema chains: Universal has decided to undertake this strategy thanks to an alliance with AMC.

The large cinema chains with a large market share would guarantee, in fact, the viewing of the majors' contents just before their release on streaming platforms.

This could lead not only to an enhancement of cinema but would allow the latter to maintain the characteristic of "exclusivity" that has been lacking in the last period and which is being questioned by streaming.

The release window of the franchise movies and blockbusters will, however, undergo a change.

These types of movies, aimed at a wide audience, will continue to be released in cinemas, as happens in the traditional model. However, they too, albeit in a different way, will suffer the consequences of a smaller release window.

These movies will be released, in fact, in the Premium VOD sections of the streaming platforms a few days after their theatrical disposal. The price for watching these movies at home will be very high if compared to products released directly in Premium VOD.

There will be, therefore, the introduction of what can be defined as a second "release window", that is the period that will elapse between the loading of these contents in Premium VOD at a high price and their release in other media, such as TV or SVOD section.

During the period of storage in the Premium section, as the weeks go by, the movie's purchase price will gradually decrease until it will be released in the ordinary section of the SVOD platform.

3. A NEW BUSINESS MODEL. A FORECAST ON HOW THE CHANGES IN THE ENTERTAINMENT INDUSTRY WILL IMPACT ON MAJORS

The interviews with the professionals involved in the study highlighted what the next changes in the entertainment sector will be and that will force the majors to make changes within the organization.

Analyzing gradually the data provided by the experts it is possible to state that:

- there will be a change in the majors' business model, which in addition to a B2B model will adopt a B2C model, this will involve close contact with consumers, the exploitation of the audiences' data will offer companies the opportunity to make safer investments;
- the B2B model, which provides for the maximum use of theatres, will continue to be used especially for products such as blockbusters and media-franchises, for which the theatrical release still allows a large margin of revenue to the majors and "admissions" are essentials for the rights sale of these movies to TVs (both Free and Pay) and other platforms;
- the B2C model will have a focus on "high-risk" or "potentially low-performance" movies and serial contents;
- there will be a commitment by the majors to launch SVOD activities within five years with a subsequent implementation of the platforms to ensure diversity in the offered services to the client;
- the competition will be based on the differentiation of the contents available in the catalog and on the extent of the latter, this differentiation strategy will be realized thanks to the development of exclusive contents;
- the reduction of the release window will allow a faster launch of movies in the ancillary markets to the cinematic one.

The value chains developed by Eliashberg and Küng, due to these industry developments, can be considered obsolete for the creation of wealth in entertainment companies.

In the near future, in fact, SVOD platforms will play a fundamental role in the value and wealth creation process: the customs clearance of the B2B model with a consequent launch of products on the market with a B2C model could, in the short term, result in a destruction of guaranteed revenues for the majors.

However, the potential that this market offers are multiple and constantly evolving: one of the greatest examples is the foundation of Quibi, established thanks to a mutual fund in which the main investors are the American majors.

The new business model, as well as the value chain that will have to represent it, is going to have a strategic component of primary importance in digital platforms due to the contents that are starting to be developed.

The production of "short content" (contents with ten minutes of maximum length) by the majors, which could take place in a period between three and seven years, could expand the field of competition in the industry also to social networks such as Instagram. For this reason, it is now necessary for all the majors to invest in the implementation of platforms, useful for better understanding consumer preferences.

Despite the strategic importance that streaming services will play, replacing a precious ancillary market for the entertainment sector such as home video, it would be counterproductive for the majors to skip the "theatrical release" phase for each of the products in processing.

This decision would not only harm the majors, nullifying one of the biggest sources of revenue, but would have repercussions both on marketing campaigns - promoting a product directly launched in SVOD is more expensive than a marketing campaign for a movie released to the cinema that also enjoys of a larger WOM - and would force the main Hollywood studios to change the model for the sale of "broadcasting" rights - possibly even "streaming" in countries where the platform is not present - given that the revenue model based on "admissions" as an objective parameter of evaluation for the sale of the movie rights would be disrupted.

For this reason, the representation of the value chain, as well as the business model, of companies belonging to the entertainment industry will change, distinguishing itself in two areas: a B2B area and a B2C one.

The first, hypothetical, phase will concern IP licensing / acquisition. According to the study, media franchises are the strongest commercial properties now and are an essential source of income for the majors, not only at the exhibition and broadcast level but also at the merchandising one.

Therefore, it is necessary to consider that the majors can begin their process of creating wealth and value with the purchase of an IP. This phase, although it may be important, is not strictly necessary: many studios, by now, already have many licenses to exploit.

The very first phase of the new model will be based, similar to the Eliashberg model, on production.

This will have various processes within it, as happens in Küng's model:

- the creative phase;
- financing;
- the negotiation of the artists who will work on the movie and the stipulation of contract with the companies that will collaborate in the creation of the product;
- pre-production;
- the actual production of the film;
- post-production and the editing process.

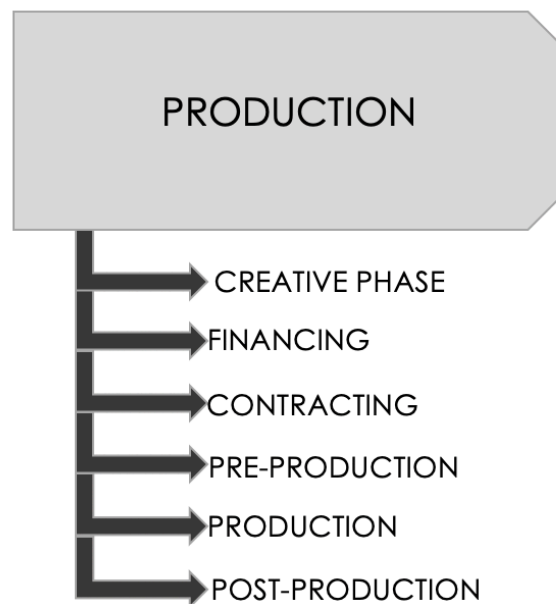


Figure 6, Production phase and all its stages in the new business model

Unlike Küng's model, the financing process has been integrated into the production process since, being the model based on the majors, they have a high spending power to produce their movies. Furthermore, it must be considered that majors like Warner Bros. or Universal will probably choose to operate in the states that grant them financing or tax relief for the movie's shooting.

The separation between the two business models will take place in the "evaluation" phase. Evaluation is a phase that, ideally, is positioned upstream in the strategy development process. However, especially after the latest events, the evaluation process of a movie can also be positioned after production. The majors, therefore, will have to understand what the expectations of success for the product are and what were the expenses made and, finally, what type of expenses will have to be faced: for example, how much they are willing to invest for the movie's promotion.

If the expectations for the film's commercial success are low, the model adopted will be a B2C model.

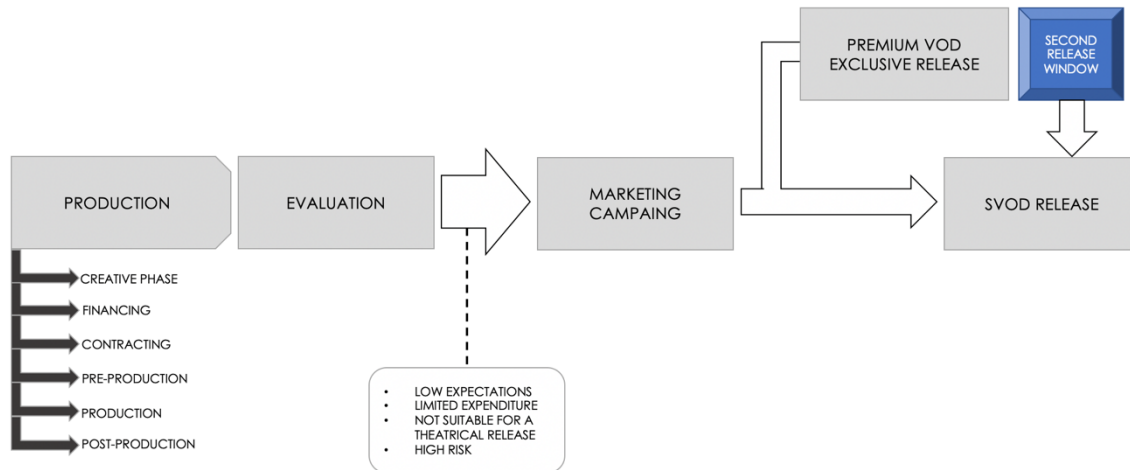


Figure 7, the B2C business model for the majors, elaborated following the experts' interviews.

This has a simple and straightforward path since most of the subsequent processes, including the “distribution” will be carried out by the major itself.

The marketing campaign, however, could be more or less expensive compared to the theatrical one.

The effort in the promotion depends on the type of film: if since the first moment this has been designed to be released directly on the platform, its promotion will be limited; if the product is strong, so the streaming release is simply an alternative release to the theatrical one, then the company will invest in a marketing campaign aimed at promoting both the platform and the movie.

The investments that will have to be made are necessary to create a greater consumer awareness of the product.

In this section there will be a further division: the first branch leads to the direct movie release on the SVOD platform, through the ordinary subscription; the second branch includes a first release in Premium VOD, which will require the consumer to pay a higher price than the normal subscription, before the ordinary release streaming.

In the second case I discuss about a "second" release window: a period of time in which the movie is available only with the Premium version and then becomes accessible, after a few weeks, in the normal version of the SVOD platform.

Considering the reduction of the ordinary release window but also of the majors' need to create wealth from the exploitation of their own product, the desirable duration of this second release window should not exceed four weeks.

The four weeks duration is likely because it would allow the majors to exploit and enhance a product that will be in the Premium section of their platforms - and which, therefore, would bring revenues directly into the company's coffers - and is very similar to period of exploitation for movies with the theatrical release in the traditional model.

If the studios made a different evaluation - before or after the production process - considering the product of high commercial potential, as happens with the franchises' movies typically, this will be directed towards the theatrical release. The model will therefore be B2B.

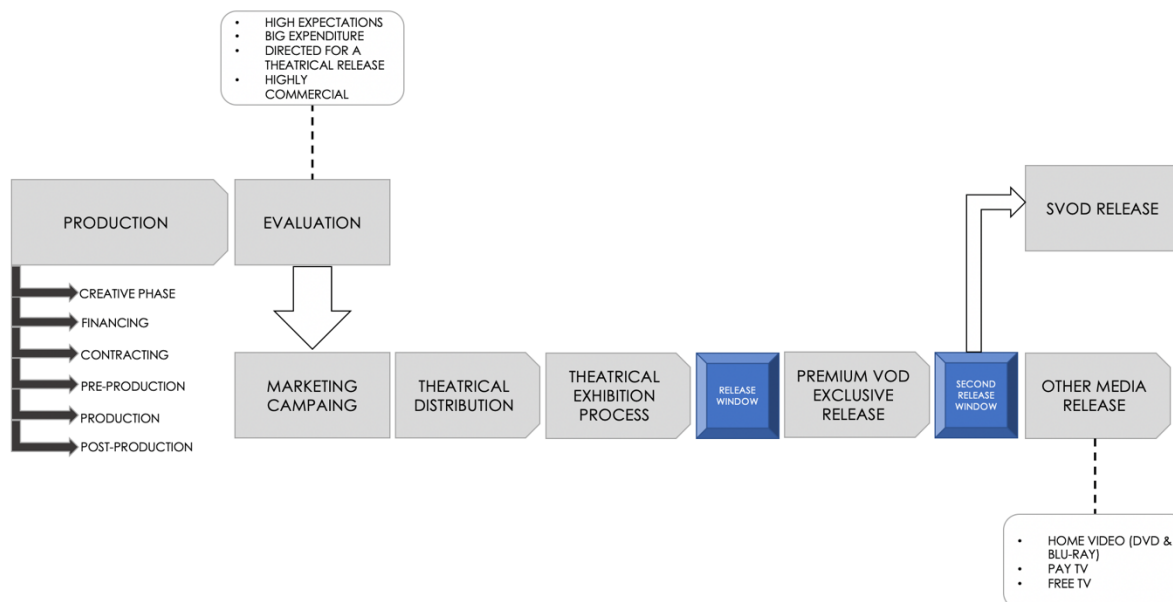


Figure 8, the B2B business model for the majors, elaborated following the expert's interviews.

Again, marketing plays a key role in promoting the film as trailers will be released along with other films, TV commercials will be created and promotional materials will also be provided to exhibitors.

The marketing of movies that are released directly to the cinema is, in fact, a very important component for the success of the product: if highly commercial, the exhibitors trying to advertise the film as much as possible in order to attract the audience and earn more; the WOM generated by the cinema, thanks to various factors such as the multiple reviews of the critics, the opinion of friends and family or the television reports, amplifies the promotional campaign of the major by exposing more the consumer to the product.

After the marketing, the distribution process will take place - the "theatrical distribution" - which can be carried out by the majors or by intermediaries.

This, typically, depends on the agreements the studios previously stipulated for the distribution of the movies. Internationally, distribution is often carried out by an intermediary but, in some cases, the major could handle this process through a national branch.

The exhibition phase is the period in which the film is played in the cinema. Once discontinued, we enter what will be defined as the "new" release window: the 105-day barrier will be demolished in favor of a release window that could be even seven times lower, considering that the difference period between the cinematic discontinuation and the release on other media could become about two weeks.

The duration of this "new" release window could last between two and five weeks: the agreement between AMC and Universal in the US for a 17-day release window could be an example that can be pursued internationally by many majors.

Although the previous example is not totally exhaustive, due to the exclusive agreement between the two companies, it should be noted that all the experts interviewed stated that they expect a significant shortening of the release window in the coming years.

Subsequently, this type of movies would be released exclusively in Premium VOD, in the appropriate section of the major's streaming service.

Following the statements of some interviewees, this type of film, would continue to have high commercial potential even in streaming, despite the recent exit from the cinema. Consumers willing to pay a premium to watch the film recently discontinued from the cinema can generally be divided into two macro-categories: those who

haven't had the opportunity to watch the movie in theatres; those who want to have a "second vision" of the product.

The majors, therefore, will exploit these two types of consumers to maximize the wealth coming from the content.

Also for this case, therefore, there is a "second" release window in which the content is watchable only in the Premium service and not in the ordinary one of the SVOD platform: however, the price for watching the movie - which initially will be high - it is going to have a decrease as the days pass until it will be published, after four weeks, in the ordinary section of the streaming platform.

In this precise step, the B2B and B2C models come together again.

However, the movies released directly to the cinema are not intended as an exclusive content for the majors' platforms - unlike what can happen with many of the contents released directly in streaming – and, therefore, at the same time as the movie release in SVOD it is also intuitable the release of the product in other media.

With the terms "other media" should be intended ancillary markets to the theatrical one as the home video, Pay TV and Free TV ones.

Although home video is a sector in sharp decline, in favor of streaming, the same cannot be said for the other two markets.

As previously written, the sale for “broadcasting rights” is based on an objective evaluation in “admissions”: the more the movie has earned in theaters, the more it will cost to purchase the broadcasting right.

Thanks to this type of negotiations that take place with other companies in the entertainment sector, the majors build a large part of their turnover.

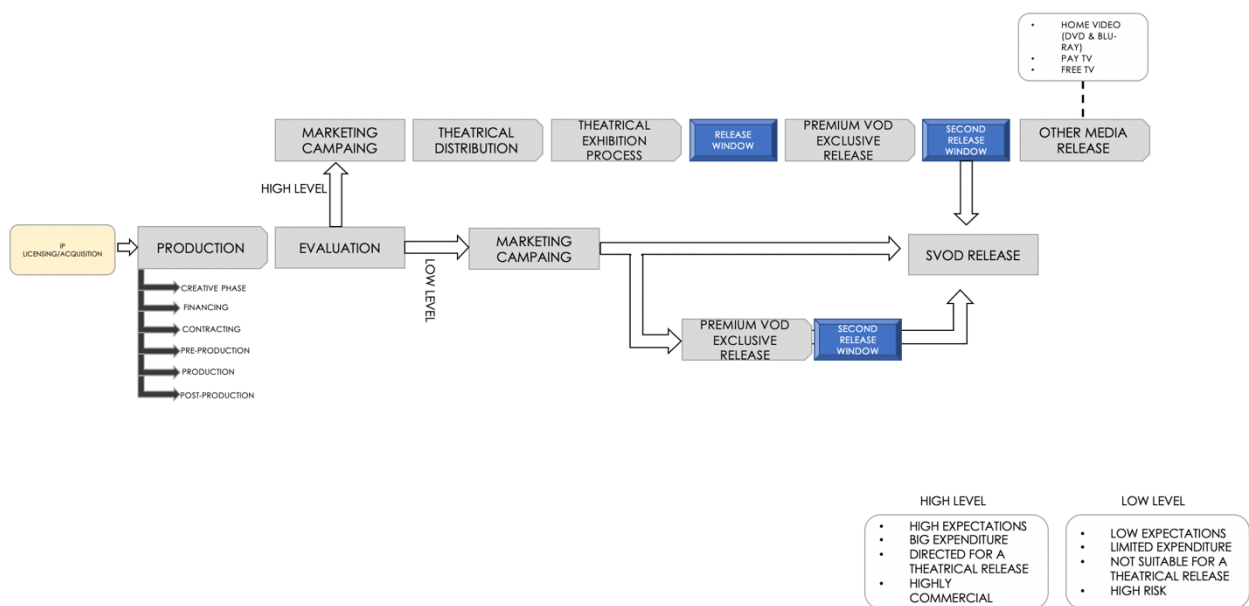


Figure 9, the complete business model in the near future for the majors, elaborated following experts' interviews

In conclusion, the new business model that will lead to the creation of value and wealth of the majors will be based on the ability of companies to work in two different businesses: one focused on the provision of a service provided directly to the customer and one focused on the supply of content to other companies.

CONCLUSION

After the analyzes carried out in this paper, it is possible to draw conclusions.

Basically, it can be stated that the media entertainment industry has evolved over time adapting to technological advances and audience preferences.

The analyzes have shown that this industry has undergone changes from a technological point of view, which concern the introduction of SVOD platforms and the services that the latter can offer; from a content point of view, undoubtedly there has been a change in the productions of the majors which now focus more on movies belonging to franchises - some properties have their origins in other sectors - in order to involve as many spectators as possible in watching the film.

These two changes have enormous business significance as they have forced companies to adapt to new market demands.

The latter not only requires a "safer" product, which can also be considered "commercial" in other sectors other than cinema - especially in the "consumer product" - but there is a need to have a more direct relationship with the consumer.

This trend is due to the birth and the international launch of platforms such as Netflix and Amazon Prime Video, which offer a streaming service. Through the production of original contents and the purchase of "broadcasting" rights for other contents they interface directly with the consumer.

The development of this B2C model has allowed them to have a great advantage: the collection of their customers' data.

In fact, in the modern era, customer data are fundamental: over time there are those who have defined data as the "new gold".

Through their collection, these companies can afford to study the consumers' preferences in a more detailed and precise way and then offer them a product that best suits them.

Companies in the entertainment industry, of course, have had the opportunity to study the data of their products, but in a roughly way considering that the exhibition of contents always passed through an intermediary, such as cinema or television.

To adapt to this change, collaboration strategies were implemented with these platforms in the first place.

However, lately these strategies have not been pursued by the majors: they have decided to launch their streaming platforms internationally within the next five years, entering into direct competition with companies such as Netflix.

The adoption of this strategy has, therefore, interrupted the working relationships between many studios and SVOD platforms: Disney, for example, has removed its contents from Netflix and this example will certainly be followed by the other majors in the coming months.

The development of a B2C model by Hollywood studios will not be easy for several reasons:

- the competition will be based mainly on the production of original contents, therefore each company will adopt a differentiation strategy that can allow to have exclusive and appealing contents in its catalog but the production of these without a real analysis of the audience data, such as do companies like Netflix, will put them at a disadvantage in the first months of activity;

- the adoption of a B2C model does not mean sacrificing the traditional B2B model which, in any case, will have to be adapted to the new companies' needs to compete in a dual arena (cinema and streaming);
- considering the evolution of the entertainment sector, the new model will have to be able to quickly adapt to what could be new trends and consumer preferences.

The first of the points mentioned anticipates what the focus will be for companies in the sector in the coming years, although there are already majors who have launched original contents on the market and are producing new ones.

The technology and the quality for the streaming platforms will be the same for all the companies: the competition will not be based on which company offers a more efficient service and on the subscription price but will be based on the production of exclusive contents, on the size and variety of the catalog, trying to enhance it.

For this reason, the partnerships still in place with the platforms that offer streaming services will be interrupted: the only agreements that will be maintained with these companies are the international ones, which will be interrupted as soon as the debut of the platform owned by the major will be dropped on the international market.

The initial disadvantage that these studios will have in launching their SVOD services will be related to the lack of "familiarity" that the audience will have with the platform, especially at an international level.

The exclusive contents, for this reason, assume an even more strategic role since it will also serve as a tool to promote the platform, so that users subscribe to the service.

Furthermore, it is unthinkable that the audience will become loyal to a single service: the experts interviewed stated with great certainty that the average user will subscribe to more streaming services to have more choice in the content to watch and a larger library. The task of the majors will be to convince the consumers to choose their platform rather than the others and, afterwards, convince them to renew the subscription.

However, the adoption of a B2C model is not without risks and cannot be used for every type of product, as pointed out several times by professionals.

The risks are attributable to the sacrifice of certain sources of secure income: by interrupting some partnerships, in fact, there will be less revenue attributable to the sale of "broadcasting" rights which will have to be replaced with the revenues that the major will gain thanks to its streaming service.

Precisely for this reason, the executives of the studios are aware of the initial difficulties and expect losses in the short term to have, subsequently, higher returns after a few years.

The B2C model will be usable with four main types of products:

- Serial products (TV series);
- Products created specifically for the platform, therefore exclusive, and which will not be subject to an evaluation by management precisely because they were created for a specific release;
- Products that have low quality or low probability of success;
- Products with a probability of success but aimed at a target that goes to the cinema less and less due to the COVID-19 epidemic (such as families).

Other products such as those studied in this paper - the media-franchises - will continue to be distributed in theatres but there will undoubtedly be a change in strategies.

This change will be due to a drastic reduction of the release windows.

The majors have already started working in the US to reduce the time gap between the movie's disposal at the theatre and the release of the product, mainly on streaming platforms.

The experts were confident that the reduction of release windows will very soon be extended worldwide and will have repercussions on their businesses.

There is, in fact, the shared belief that the blockbusters that will be released in cinemas a few days after their disposal will be released exclusively on the majors' platforms. To watch these contents, however, you will need to pay a premium price.

After this "second" release window, however, they will debut in the ordinary service of SVOD and other media.

Films such as blockbusters and media-franchises will continue to be released in theatres also because this guarantees a higher revenue margin to the majors (today): considering that some blockbusters cost over one hundred million dollars, a release that guarantees high returns is required, also to justify the expense made.

Hence, it will be necessary for the majors to launch their own streaming service by dividing it into multiple sections to separate Premium contents from ordinary ones.

The B2B model, therefore, will continue to exist although the timing will change and products with high commercial potential will be targeted to theatres. Cinema will continue to play the role of the industry's core element as the exclusive launch of the products will have a theatrical release and the "admissions" model is based on the cinema itself.

Therefore, there will not be a total revolution for the release of films belonging to the media-franchises but changes that, according to the executives of the majors, will be able to exploit their potential to the fullest.

Cinema will continue to have great value and to compete with SVOD platforms, the majors, in addition to creating their own platforms could make exclusive deals as done by AMC and Universal.

Such deals could be able to enhance both theatres and some of the majors' exclusive content before it is released only on their own platform.

The two models, B2B and B2C will necessarily have to coexist so that the majors can continue to be successful and their contents will be equally distributed between the streaming release and the film release.

The trends in the sector and how companies will change to manage them are now well known.

However, trends that will be brought into vogue in the coming years are already conceivable, considering that the next type of audience that the majors will have to satisfy are the Millennials: young people, always on the move who use many devices - especially smartphones - and are attracted by the "short contents" which are flooded from a young age thanks to social networks.

According to experts, the competitive arena could also expand to other companies such as Instagram, Youtube and TikTok in the future if it were decided to produce short content.

In conclusion, this study highlighted how media-franchises play an important role in every stage of the supply chain of this industry and in the majors themselves, impacting not only the main business (production of audiovisual content) but also on other company business lines (merchandising and marketing). The supply chain, however, is set to change thanks to technological progress that will modify release windows and increase the strategic role of SVOD platforms. Despite this, only some contents will undergo a revolution in releases while the products that have been the focus of this research will undergo important but not radical changes.

The new business models developed by companies will be essential to understand what audience preferences will be and also to develop competition on a new type of contents.

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EXECUTIVE SUMMARY

The film industry is, today, one of the most important and profitable sectors in the economic landscape.

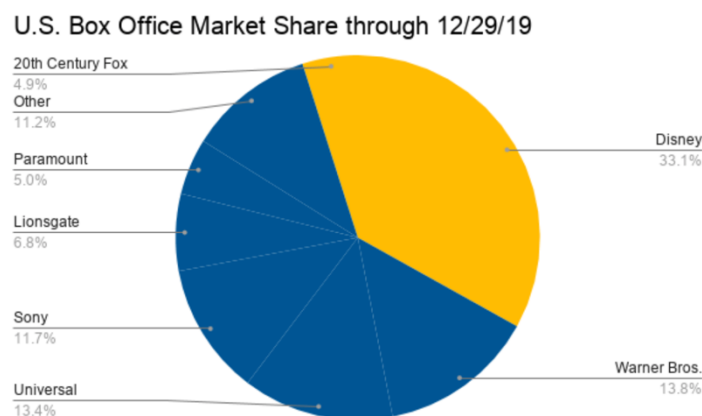
What, in fact, is called "Seventh Art" is not limited to being just this - an art - but it is much more: the Americans, first of all, with the birth of Hollywood, understood how audiovisual content can be treated as a real industrial or manufacturing product. This, in fact, is planned and designed for years before being placed on the market and even before its diffusion among the public, they think about the production of any sequel to the movie not yet released.

Since the 1960s, therefore, Hollywood has focused on creating content that could be successful among the audience. In a first moment were the action, the showmanship and the actors - with the well-known "*Star System*", that attracted the audience to the theater - today the situation is different. The sector has evolved over time leading to the birth of different genres, higher production budgets and considerable expenses in different business lines such as marketing and merchandising but the change that in recent years has had a more important impact on the production level was the massive use of IP (*Intellectual Properties*).

The shape of the industry, compared to its birth, has therefore evolved, showing a change in the main players present in it. There are six large-scale production studios in Hollywood, also known by the insiders as the "*Big Six*": they are Disney, Columbia (a Sony's division), Fox, Universal, Warner and Paramount. To these six should be added the *Lionsgate* and the *Weinstein Company* - defined as "*mini-majors*" - and other independent studios which, however, have only a small market share. It is necessary to emphasize that although Fox and Disney are represented as two separate entities they belong to the same production studio: on December 14, 2017 the Walt Disney Company, through a press release on its own website, in fact, made official the acquisition of Twentieth Century Fox assets - movie and television - for a total cost of 66.1 billion dollars¹⁴⁰. (Whitten, 2019)

Disney CEO Robert A. Iger commented the successful M&A operation with Fox: "*The acquisition of this stellar collection of businesses from 21st Century Fox reflects the increasing consumer demand for a rich diversity of entertainment experiences that are more compelling, accessible and convenient than ever before*"¹⁴¹. (Iger, 2017)

To measure the concentration of the industry it is possible to use the Herfindahl-Hirschman index (HHI), used to measure the degree of competition in a given market. The formula used is the following: $HHI = \sum_{i=1}^n (q_i 100)^2$ where " q_i " is the market share of the player " i ". Applying this formula with the values listed in *GRAPH 4* we would have the result of 1.823,19 and this would confirm what was written above: the industry is not very competitive and the market is mainly divided among few players – seven, to be precise – that hold the 88,8% of the market.



GRAPH 5, Market share of leading film studios in North America from in 2019 (SOURCE: comScore.com)

On this industry has been realized also a SWOT analysis, which remarked:

140 (Whitten, 2019)

141 (Iger, 2017)

- the Strengths of the industry are principally the perennial demand for the entertainment sector, the exclusivity for the contents released in cinemas that generates revenues for the majors and the revenues from merchandising for strong IPs;
- the Weaknesses for the companies in the industry are the huge amount of costs they have to sustain (both production and marketing costs) and the uncertainty of returns on these investments, moreover the increase on the tickets' price for theatres is discouraging people to attend theatres;
- the Opportunities of the business are concerned the organization of event in order to create hype and attention around majors' products and the use of SVOD platforms as another option for the release of some product, some destined to theatre but then redirected on a streaming release and others produce exclusively for the platforms;
- the possible Threats are principally the piracy - according to a survey carried out in the USA by PayPal, 73% of Americans pirated films when there is still "hype" for them (PayPal, 2017) – and the proliferation of new competitors only on digital, such as Netflix and Amazon Prime Video, in fact in November 2019 the 53% of the Americans declared a preference towards cinema over streaming, in March 2020 (thanks to the health emergency) 50% of respondents said they preferred streaming¹⁴². (Consult & Reporter, 2020) Should this trend continue in the near future, the Hollywood majors could find some difficulties to adapt their strategic plans to a new business model.

Recently, the film industry has focused on producing safe products that will appeal to the general public. These products are the media franchises. The latter are based on intellectual property and, as far as the entertainment industry is concerned, it can be shared with a very limited circle of subjects: basically, it is only a company that wins the rights to be able to exploit a specific IP. This type of movie typically points to a very large slice of the public, therefore to the penetration of the global market by using large distribution systems on a global scale and the timing that allows for close release dates. For these reasons, the product sales process takes on a more important role than the product production process: the costs that the majors face for marketing and distribution costs are even higher than millionaire budgets for the production of the movie itself due the need for planetary marketing campaigns that exploit media convergence to increase the channels for promoting the film and the merchandising attributable to it.

The film studios, then, in the case of media-franchises adopt real branding strategies (as Brand Identity and Brand Equity), considering each franchise a real organization in its own right: many of these media-franchises are managed as companies and for each branch there is a work staff responsible for the IP itself.

Precisely for this reason, when studying a media-franchise and referring to *Brand Identity*, it is divided into two parts: *Core Identity* and *Extended Identity*.

The Core is considered a factor of continuity in the brand and in the franchise, something that cannot be changed beyond the means used for its transposition; Extended, on the other hand, includes the modifiable aspects of the brand that are not - and probably never will be - components of Core Identity.

Brand Equity is also an important factor for the success of a media franchise.

This term can be defined as the set of assets (or liabilities) linked to the logo or name of a company that add value to the services or products provided by the company to customers¹⁴³. (Aaker, 1996)

The main categories of assets are:

- *Brand name awareness*. The first of these assets is defined as the force that the brand exerts in the mind of consumers: in short, how easily a consumer can recognize and connect the name or logo of a media-franchise to the contents and products linked to the latter. Awareness is measured by the ways in which consumers remember a brand. There are therefore four levels: *recognition*, *recall*, *"top of mind"* and *"dominant"*.

142 (Consult & Reporter, Preference for watching a movie for the first time at a theater instead of via a streaming service in the United States in November 2018 and March 2020, 2020)

143 (Aaker, 1996)

- *Brand loyalty.* The brand loyalty asset can be defined as the loyalty that a consumer has towards a particular brand: when he/she needs to buy a specific product, the consumer will mainly refer to a brand over other because the latter has loyalized him/her. The case for IPs and media-franchises is slightly different. The loyalty that consumers will have in the case of the media-franchise is linked to the satisfaction they experience in adapting the work. For the majors, this asset has a particularly delicate management: due that loyalty is often related to the adaptation of the main source - which will not always be completely faithful to the original source - it is impossible to fully satisfy every consumer, therefore retaining all of them.
- *Perceived quality.* Perceived quality is of great interest to the Hollywood entertainment sector due that the performance on the box office often is correlated to the movie's quality.
- *Brand associations.* The last asset, the brand associations, is connected to the brand identity and to what it represents in the consumers' mind. This, of course, depends on the consumer exposure to the brand and the knowledge he has about the franchise and about the product.

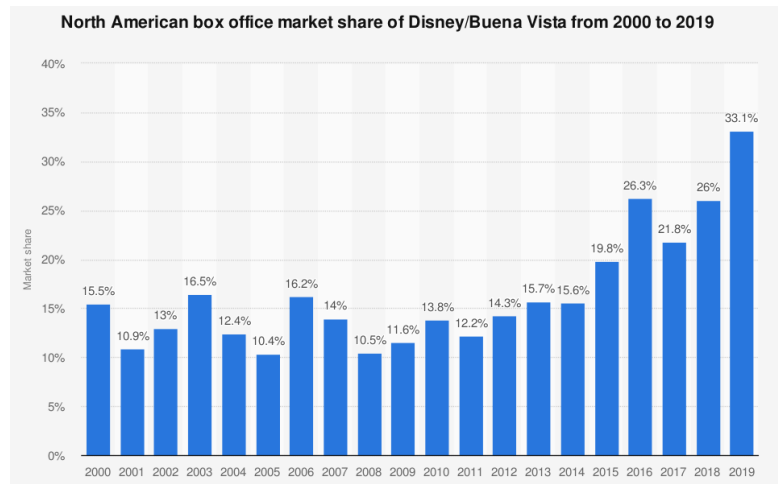
There are different ways on how a major can acquire the rights in order to produce and distribute some entertainment contents based on an intellectual property.

- One of the ways to purchase an IP for the creation of a media-franchise is the direct negotiation with the author of the intellectual property itself.
This kind of negotiation is widespread: dealing with the author of an intellectual property is much simpler for a major label, especially if he/she remains involved in the creative or production process, allowing for returns on a franchise that he/she has helped to create.
- In the “007: *James Bond*” franchise case, the franchise rights belong to a production company, EON Productions, which acquired the rights in the 1960s after the author accepted the offer and to MGM. However, both MGM and EON does not deal with the distribution of the film but only with the production: therefore, the rights for the distribution of the film are exclusive to a studio but limited to a pre-established amount of time between EON & MGM and the other counterpart.
The mechanism that is set up is very similar to an auction: once the exclusive contract with a major has expired, the “franchisor” evaluates the proposals from all possible buyers, ultimately deciding who to guarantee the exclusive distribution rights.
Neither production company distributes the movie, so the exclusive rights are assigned to the studio that makes the offer with the highest figure, typically.
This also happened recently after Sony, which had held the franchise rights since 2006, saw its exclusive contract expire and failed to exceed Universal's offer, which can now enjoy an asset of considerable importance¹⁴⁴. (Nyren, 2018)
- Another case is the Spider-Man one: even if Sony bought the rights in order to produce movies, both animated and live-action, and release them in cinema and on home-video they don't have the rights to produce an animated series with the character. Moreover: Spider-Man is an important asset for both Sony and Marvel, which is owned by Disney. The latter, hence, has the right to use the character on their contents and properties. In fact, they advertised the inauguration of a new area in the Disneyland. This kind of acquisition is, without any doubt, the most difficult one because the two parties are film studios and each one knows the mediatic importance and influence of the franchise.
If the main object of the negotiation is a very well-known franchise, as Spider-Man is, it is really difficult that the negotiation has a positive outcome since the asset has a fundamental importance for the company. Spider-Man case is very emblematic: the right ownership is shared by Marvel (so Disney) and Sony because of an agreement between the two parties over two decades ago (when Disney didn't own Marvel). When both parties have a huge interest about a franchise, most of the times a sort of agreement will be reached: there will be a right sharing or a collaboration between the two studios.

Many of the most well-known franchises have in common the company they belong to the Walt Disney Company.

144 (Nyren, 2018)

Today, Disney is the company that has the greatest power in the entertainment sector. The surprising figure, however, is how in just twenty years the company's market share has doubled, going from 15.5% in 2000 to 33.1%



GRAPH 6, North American box office market share of Disney/Buena Vista from 2000 to 2019 (SOURCE: statista.com)

in 2019 (also shown in *GRAPH 6*). Considering also the market share belonging to *20th Century Fox*, estimated at around 5%, Disney's market share reaches 40%¹⁴⁵. (CNBC, 2019)

The success of the Mickey Mouse company is due to a strong programming that has characterized the company's last twenty years. The Burbank company owns, in addition to the *20th Century Fox* - whose name has been changed to *20th Century Studios* - also other production studios such as *Marvel Studios*, *Lucasfilm*, *Pixar Animation Studios*, *Searchlight Pictures*, *Disneynature*, *Walt Disney Animation Studios* and *Walt Disney Pictures*. Disney in recent years has become a protagonist purchasing many production studios, which inside had many media-franchises deemed attractive by the Burbank company that managed to enhance each of the IP available to these studios: this turned out to be one of the reasons why the company has been able to increase its market share in recent years.

Two very interesting changes have occurred in the last period: the use of the rights of the various franchises in the various media - many majors have decided to expand their media-franchises with TV series or exclusive movies for streaming platforms - and the habits of the audience. The latter place the Hollywood majors at a crossroads by changing the heuristic of their decision-making process: the resulting outputs can be two, the focus on the film release and the box office entries or an advanced data analysis that can provide more information about audience preferences (introducing new movies in the catalogue) and therefore increasing the number of subscriptions, in the case of streaming.

There is, therefore, a duality between the institutional and operational logics of the majors: the "*logic commitment*" aims at box office success with products for the mass market; the "*convenience logic*", on the other hand, tries to reach a large audience of subscribers thanks to the micro-segmented catalog offers¹⁴⁶. (Hadida, Lampel, Walls, & Joshi, 2019)

The analysis of the two logics - commitment and convenience - leads to the development of four possible scenarios (*FIGURE 2* below) that can take place in the industry, therefore how the majors will have to adapt in the near future¹⁴⁷. (Hadida, Lampel, Walls, & Joshi, 2019)

1. **COMMITMENT LOGIC DOMINANT.** In this scenario, production studios and cinemas aim to improve the customer experience: the former trying to produce quality content and advertising it worldwide in order to increase audience hype. In addition, traditional studies will try to combine different technologies to implement the experience: AR (*augmented reality*) could be a tool to promote the

¹⁴⁵ (CNBC, 2019)

¹⁴⁶ (Hadida, Lampel, Walls, & Joshi, 2019)

¹⁴⁷ (Hadida, Lampel, Walls, & Joshi, 2019)

outgoing movies. This scenario has the highest level of uncertainty as it is based on a few Blockbusters per year produced by a small number of majors with uncertain success and a high production cost. In this circumstance streaming services continue to use data analysis to micro-segment offerings and produce niche content: these producers focus on creating episodic content, which places these platforms in direct competition more with TV than with the cinema. This formula used by providers has a low level of risk and a low level of costs¹⁴⁸. (Walls, 2013)

In this scenario, the predominance of the "commitment logic" over the "convenience logic" leads to a reduction in original works with a low budget and an increase in high-budget franchises.

2. **COMMITTED CONVENIENCE.** The Hollywood majors, in this scenario, deal with data analysis to have a portfolio with highly diversified content, a part of these will have a theatrical release while the remaining part will have a streaming release¹⁴⁹. (Glynn & Lounsbury, 2005)

In the meantime, the streaming platforms continue the production of TV series or low budget films to be released online, however, exponentially increasing the "high budget" content that will have a theatrical release (as done by Netflix for "*Marriage Story*"). In this scenario, the sector is dominated by traditional majors that can integrate more easily in streaming¹⁵⁰. (Hadida, Lampel, Walls, & Joshi, 2019).

3. **CONVENIENCE LOGIC DOMINANT.** In this scenario, the majors gradually lose importance and theatrical distribution will tend to decrease more and more in favor of streaming. The latter will be able to provide sustainable and low variance returns on their platforms thanks to an analysis of the huge amount of data, that they have in this scenario (due to increase in subscribers)¹⁵¹. (Gomez-Urbe & Hunt, 2015)

An extreme of this scenario would lead to the progressive disappearance of cinema. However, modern production studios like Netflix and Amazon would engage in the production of films with a theatrical release: this would be done because a theatrical release is considered as a prerequisite for creating prestige around the studio. A development of this scenario would lead many streaming service providers such as Netflix to integrate vertically downstream with the purchase of some cinemas to decrease distribution costs and expand further by buying studios like Paramount Pictures.

4. **CONVENIENTLY COMMITTED.** This scenario leads to the creation of a completely new institutional logic: traditional film studios have not managed to anticipate the advent of streaming platforms and, therefore, to have a prompt reaction to the demands of the new generation of consumers. Just as happened for traditional studios, this could also happen for streaming platforms: this would lead to a total war between streaming platforms, greater than the one we have nowadays with much lower subscription prices. The ATAWAD (*Any Time, Any Where, Any Device*) would become even more fundamental for the consumer, who would begin to use only platforms that allow him to use this service making the policy of the "big blockbusters" unsustainable for traditional majors. This scenario therefore intends to highlight how the birth of a new institutional logic different from the two considered till now may represent a danger for both traditional cinema and streaming: the sector will therefore have to face the changing nature of content consumption¹⁵². (Hadida, Lampel, Walls, & Joshi, 2019) The new industry trend sees the interaction between users via social networks, without the physical presence in the same room: the experience provided can be shared in different places. Technological developments, such as AI, can accelerate these events. In this scenario, new online business models and platforms may emerge that provide experiences and functionality of existing services but as part of their expanded offerings.

¹⁴⁸ (Walls, 2013)

¹⁴⁹ (Glynn & Lounsbury, 2005)

¹⁵⁰ (Hadida, Lampel, Walls, & Joshi, 2019)

¹⁵¹ (Gomez-Urbe & Hunt, 2015)

¹⁵² (Hadida, Lampel, Walls, & Joshi, 2019)

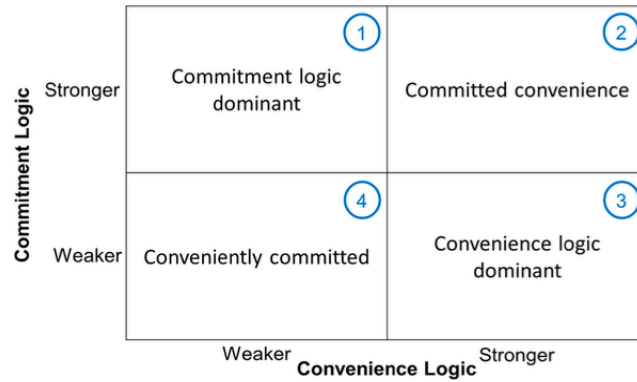


Figure 2, Institutional logic scenario matrix (SOURCE: Journal of Cultural Economics)

So, is necessary to understand what the content and technological developments will be in the immediate future and it would be useful to understand what the consumers preferences are, trying to find a sustainable business model also for the production of blockbusters and high budgets franchises that are successful among the audience.

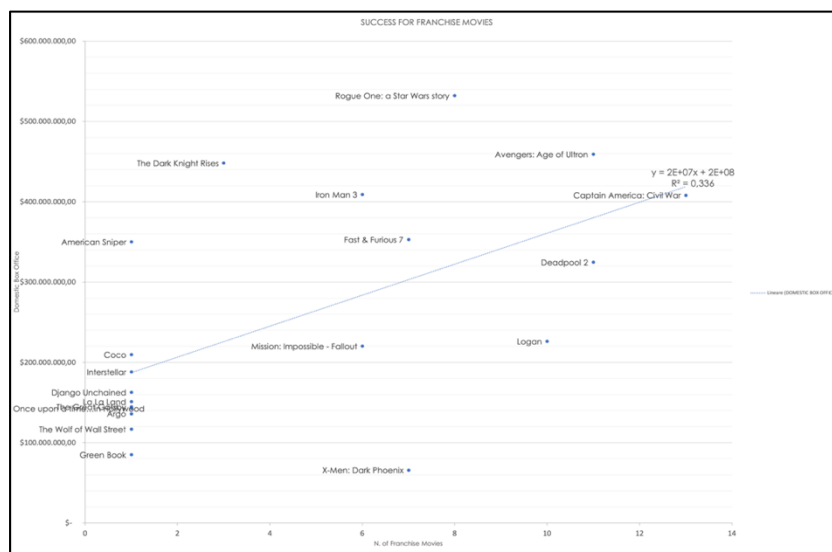
In today's entertainment industry, therefore, media-franchises could play a role of primary importance: obviously there can be majors that invest more in a strategy that has as its main object the management of a franchise and other majors that, instead, prefer to invest in auteur cinema or single films for market niches. The reason why many majors decide to invest in media-franchises is because, due to the fact that they are better known among the audience, they can be more successful than traditional auteur movies or other brand-new contents.

A linear regression can be developed that shows how movies that have a bigger number of chapters tend to have, typically, more success than "original" contents. This method has been chosen because, with the due simplifications, can help the study of the reality and of the future of a sector understanding the relations between two variables or phenomena.

So, the “domestic box office” – or success – will be the dependent variable Y for this quick study while the “reference number of a movie” will be the independent variable X.

The reference number of the chapter was linked to each movie. Therefore: if it is an "original" movie the number indicated will be "1", while if the movie is a part of the franchise the number indicated will be the one of that specific film in the saga. For example, "The Dark Knight Rises" is the third chapter of a trilogy, will therefore be indicated with the number "3".

It is also necessary to emphasize that the first chapters of each franchise weren't taken as a reference.



GRAPH 8, elaboration of the linear regression using the data of the table 4

On the basis of the data collected, a growth function was calculated for the "short term": a linear growth in receipts can be noted as movies belonging to a franchise are produced.

Obviously, there will be a limit beyond which, for obvious reasons (such as a change in market trends, a saturation of the market or, simply, a saga's conclusion) the proceeds will no longer be able to increase.

The graph indicates that there is a positive correlation between the two variable and the computation of the "coefficient of correlation", also known as "R", showed that the value is $R=0,57968$. So, it indicates that there is a correlation, albeit an excessively strong one, about the fact that movies belonging to a franchise can be more successful, therefore cash more at the box office.

This short study had the sole role of demonstrating how the franchises end up being more successful, therefore grossing more, than original films.

The reasons can be multiple: some media-franchises may already be known to the public thanks to representations on other media, other times may simply happen that part of the audience watch a movie to complete a saga that began years earlier.

The management of franchises and any changes in their distribution could have an impact on the film industry as a whole. For this reason, the qualitative analysis that will be developed starting from a series of interviews with industry professionals provides that the latter play different roles in the value and supply chain of this sector. Over the years, two models have emerged aimed at explaining the "supply chain" for the film industry: the first developed by Jehoshua Eliashberg and the second developed by Lucy Küng.

The first model representing the value chain of this sector is divided by Eliashberg into three fundamental stages, mentioned previously: *production*, *distribution* and *exhibition*. The concept of production, in this case, must be understood as the process that begins with the writing of the movie, evolves with the finding of funds to start shooting. The second step which involves the distribution of the movie. The third phase, the last before the consumption of the product by the customer.

The model has an alternative development for this value chain given by an ancillary distribution and ancillary channels: this refers to the fact that, sometimes, the studios decide not to release a movie in theatres and focus their efforts only on ancillary markets to the traditional one (cinema), such as pay TV or streaming platforms.

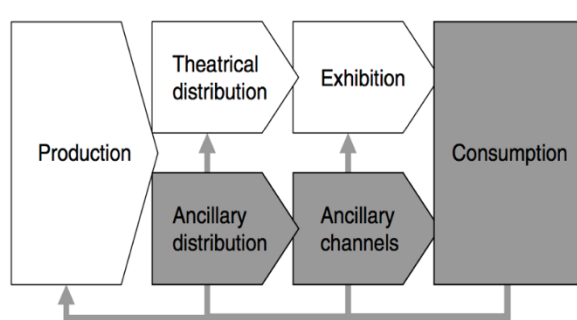


Figure 4, Eliashberg model for the Value Creation in the Film Industry (SOURCE: "The Motion Picture Industry: Critical Issues in Practice, Current Research, and New Research Directions" by J.Eliashberg, A. Elberse, M. Leenders)

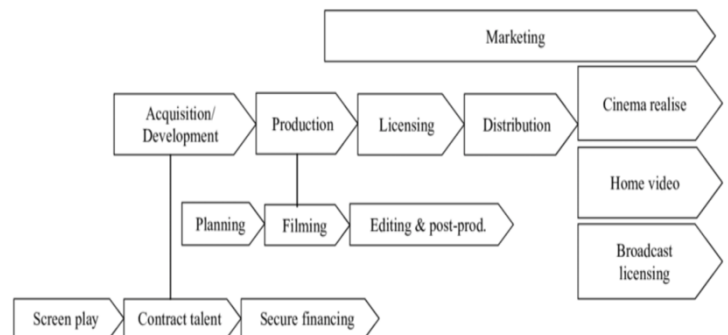


Figure 5, Küng model for the Value Creation in the Film Industry (SOURCE: "Strategic Management in the Media: Theory to Practice" by Lucy Küng)

Alternatively, the ancillary distribution and the ancillary channels are a support for the diffusion of the content produced by the major.

Unlike the first model, the Küng's one, this gives marketing a role of primary importance given that the advertising initiatives of the majors help improve the "awareness" that customers have towards the movie, potentially increasing box office earnings. The first phase, unlike the first model, is divided into two steps: "development" and "production", each of these steps then has different phases within it ("screenplay", "contract

talent" and *"secure financing"* the former and *"planning"*, *"filming"* and *"editing & post-production"* the latter)¹⁵³. (Küng, 2013)

Both models are easily applicable to the American majors and their blockbusters while there would be enormous difficulties in applying this model to a smaller studio that produces low budget movies.

The interview questions that were submitted to industry's professionals had the role of gathering objective opinions and data on the sector and on its future trends.

The interviews has been submitted to the following professionals: *Marco D'Andrea*, sales director for the Italian branch of Universal; *Guido Tundis*, executive sales director of the Italian and Swiss branches of Warner Bros; *Davide Dellacasa*, consultant for some US majors in the Italian market; *Mario Fiorito*, producer, distributor for many US major in the Italian market, entrepreneur of the sector and CEO of EmmeCinematografica; *Vincenzo Mandova*, entrepreneur of the sector.

The goal of this methodology is to obtain tools that can then lead to a conclusion inherent the possible evolutions of the entertainment industry.

FIRST QUESTION ANALYSIS

The importance of the media franchise plays a huge role in today's entertainment industry and their management can be seen as a challenge for the majors. Which lines of business are most interested in managing these properties in your company?

The importance of franchises in the industry was underlined by all the interviewees for different reasons.

In fact, those who are "downstream" of the value chain consider media-franchising to be a high-yield commercial product, which allows them to attract audiences both in cinemas and on other platforms.

From a distribution point of view, however, the franchise plays an important role as content to "sell" and "promote", pushed by the majors.

The importance of franchising, on the other hand, in the stage of "production" - upstream of the value chain - is very high: the management of these assets has, in fact, changed the company structures by providing professionals to manage certain franchises: the majors have changed their organizational structure, introducing CFOs (*Chief Franchise Officers*) or CMFMs (*Chief Marketing Franchise Managers*).

These company figures have the task of enhancing the franchise brand and coordinating the various company departments for the release of these products.

According to all interviewees, the business lines most involved in the management of franchises are marketing and merchandising.

Marketing involvement occurs both upstream and downstream of the value chain.

Cinemas have the task of promoting the contents that have the greatest potential for success to attract even more audiences in the sale: although many products do not need a real marketing campaign within theatres, many exhibitors try to advertise the movie (even with the creation of events) to attract the largest audience.

The management of this franchise is entirely entrusted to marketing which, even at the expense of immediate billing, seeks to maximize the franchise's brand identity. The process takes time and is entirely controlled by the Chief Franchise Officer who will have the task of coordinating all the company departments and communicates continuously with the marketing department and the CMO (Chief Marketing Officer) for the elaboration and for the development of promotional strategies.

The *"merchandising and consumer product"* is, according to the unanimous opinion, the business line where the franchises have the most important role.

Simultaneously with the release of the films, in fact, the major will agree with other companies that will create various products such as, for example, clothing, books and action figures.

The monetization from licensing use of a franchise is a source of great wealth for the majors, sometimes more than the movie's box office revenue.

Franchises are a *"safe product"* because they generate wealth for the majors, not only with box office revenues, but with revenues deriving from other markets that exploit studios' brands.

¹⁵³ (Küng, 2013)

This has involved, in recent years, not only a majors' corporate reorganization but an "industrial" reorganization: the studios have figures who collaborate closely with marketing and other company departments for the maximum enhancement of the IPs that are reflected vertically on other markets, ancillary to the cinema one, which will produce further wealth for the majors to the box office one.

SECOND QUESTION ANALYSIS

The Digital Transformation has changed our way to live and to work. According to your opinions, this transformation could in the short run modify the distribution chain of famous blockbusters, having an impact on the distributional channel and on audiences' contents?

Although everyone agrees on the fundamental role that digital transformation has played on the industry, there are discrepancies on what could be the future changes in the distribution of films and in the processing of content produced by the majors: this brought to the hypothesis of three scenarios according to professionals' opinion.

- The first scenario foresees a radical change in the business model of the majors due to the digital transformation. With increased competition in the film industry and the outbreak of COVID-19, which has forced cinemas to close, studios have been forced to experiment with alternative release forms such as directly on an SVOD or Premium VOD platform. Given the disappearance of one of the most important sources of income for the majors, many of them – almost every big studio - have decided to enter this new competitive arena.
The need, in fact, is to exploit a growing sector in such a way as to replace home video revenues with those of streaming. The experimental phase mentioned above, caused by COVID-19, concerns the release of some movies with a “dubious cinematic success” directly on platforms in SVOD mode or in Premium VOD mode. This method of distribution, in the near future, will become increasingly used as it allows the distribution in theatres of strong products, such as franchises, requested by exhibitors who, on the other hand, struggle to exhibit contents of dubious success due to a very short movie's "life cycle", even lasting only one week. The “movies as events”, therefore, will be distributed exclusively in theatres.
However, according to this scenario proposed by some professionals, these too will be influenced by digital transformation. Within three years there will be a noticeable shrink in release window days – today is a 105-days gap between the dismissal of a movie in theatres and its release on other media - and this will lead to the streaming release of blockbusters on platforms owned by the majors, a few days after their release in theaters.
- According to one of the experts, for the second scenario, there will not be a revolution in the business model in the short term because streaming is a technology that today, at least in Italy, does not offer certainties and there is a lack of certain data on what are the real performances of movies released directly in streaming. According to this scenario, streaming will have a marginal impact on the sector given the immaturity of the market for such a technology for the release of "important" movies.
- The last hypothesized scenario sees the disappearance of cinemas as a consequence of COVID-19. However, it is necessary to emphasize that cinemas would not disappear only due to the health and economic crisis that has recently hit the world: the process for replacing a theatrical release with a streaming release has been studied for some time by the majors, which would reduce distribution costs.

In conclusion: taking as a reference the sector analyzes carried out in a preliminary way at the beginning of the present paper together with the commercial potential that a media-franchise can have and the opinions of the industry professions, I believe that it will be the first scenario to become reality in the near future with a release window shorter than the current one (105 days) which will allow a faster release of "important" movies on other media and the release of movies with little chance of cinematic success released directly in streaming for allow the exhibition of “safer” and highly marketable products in the theatres.

THIRD QUESTION ANALYSIS

The streaming platforms have a huge role in the actual entertainment industry: in your opinion, using which means you can compete with these brands so rooted in the streaming sector of the industry?

The trends that emerge from the answers are basically two: continue to invest in this new "competitive arena", implementing streaming platforms owned by the majors with the support of exclusive contents' production, and enhancing the core element of the industry, the cinema.

The majors can compete with the most powerful brands that provide SVOD services - such as Netflix and Amazon Prime Video - by creating exclusive content on their own platforms. The latter are fundamental because the majors need to compete globally, working mainly in the three most important continents for the industry: America, Europe and Asia.

The competition will be based, therefore, on the creation of original content since they will be the main element of differentiation between the platforms. The first original contents produced by the majors for their platforms will be real bets. Subsequently, thanks to an analysis of the performance of these contents and the analysis of customers data, which these platforms allow, the majors will be able to understand which products will be most appreciated by the audience.

Furthermore, creating an exclusive content to be launched on a global scale would have enormous cost advantages for the majors. The production of content for a target of one hundred thousand viewers and the production of content for a target of ten million viewers have the same cost, however the per capita expenditure per viewer would drop drastically.

The possible evolution of this sector that could involve the majors is the creation of "packages" for the different types of content or, alternatively, the joint sale of multiple streaming services with an increased payment: in Italy this happens, for example, after an agreement reached between Sky and Netflix that allows you to view the contents of both platforms with a surcharge between 9€ and 16€ per month.

The second trend that emerged from the interviews, however, is the enhancement of traditional cinema.

This can be done following different methodologies: exclusive agreements with film chains, such as the one between AMC and Universal that ensures the distribution of Universal's exclusive content to the cinema chain for 17 days, before it is distributed to other media; release of highly marketable or high-quality content on a temporary basis exclusively for the cinema, a direct consequence of the analysis of the second question, thus revolutionizing the traditional model and directing to the theatrical release only a type of product suitable for the general public and pushing it to the cinema rather than making them stay at home to consume a streaming product.

FOURTH QUESTION ANALYSIS

Following the boom of the streaming platforms, according to your opinion, could ever be a “rethinking” on the majors’ release policy? If so, a “rethinking” could bring to a revaluation of some contents?

Two trends have emerged: a rethinking of the release is already underway, due to the changes that will have a very important impact on the industry in the coming years; there will be a re-evaluation of the contents, not of the franchises or other movies that can have a high commercial yield since they will always be directed to a theatrical release.

The re-evaluation will take place for those contents that are not considered capable of having a high commercial performance by the majors.

The development of a new release policy is based on a significantly shorter "release window": there will be a substantial downsizing with respect to the actual 105 days in Italy, bringing the release window to be between 14 and 35 days.

Obviously, this will not lead to the disappearance of cinema but a transformation of the latter, it will act as a release tool for the most important movies and can allow consumers to live a more inclusive and different experience than what they would live at home. Furthermore, today cinema potentially guarantees earnings that streaming is not yet able to guarantee. The international entertainment market is still immature for the release of a major blockbuster (such as those belonging to the franchises) directly via streaming: the majors are, in fact, “forced” to justify the enormous production and marketing costs of media-franchises and blockbusters with big box-office and merchandising returns.

This rethinking of the release policy will result in a re-evaluation of the contents.

As widely anticipated before, the contents deemed “not strong” for the theatrical release could have a release in SVOD or Premium VOD: in order to be possible, an evaluation by the majors will be carried out on the product in question.

If the product belongs to a niche or has a low commercial rating, it will be released in SVOD, if it is a product that can have a wider user base with a fair commercial rating then it will be released in Premium VOD.

These two types of releases are now considered alternatives to home entertainment, a declining sector.

The likely consequence of this could be the creation of other sections in the platforms that offer SVOD services:

- in the first section, "free" content would be released, as recently done by Netflix, which could attract a greater number of customers for the complete view of the content library within the platform;
- the second section is the traditional one, the one accessible thanks to a monthly payment that guarantees an unlimited fruition of the contents on the platform;
- the third section would focus on Premium VOD, with films recently discontinued from the cinema that would have a price that could fluctuate between 15€ and 30€, destined to decrease with the passing of the weeks until the publication of these contents in the second section.

FIFTH QUESTION ANALYSIS

As an observer, the impression is that the entertainment industry in the last 20 years has become very competitive. Which are the criteria that your company has used in order to understand on which contents and platforms invest? What are the priorities that the company has in the short-medium term?

Competitiveness in the entertainment industry has increased exponentially in the last ten years according to respondents, especially by the introduction of new platforms that allowed the fruition of contents in a totally different and innovative way for consumers: SVOD service providers such as Netflix and Amazon Prime Video have questioned the hierarchies of the film and entertainment industry.

This has led to the need to reorganize the majors in the sector in order to be prepared to compete on several fronts: the SVOD services and traditional cinema.

The goal of the majors, such as Warner Bros. with HBO Max, is to launch their streaming platforms globally within a maximum of four years.

Majors such as Disney, which have the privilege of having more than one streaming platform (Disney+ and Hulu) will try to launch both internationally - with Disney+ this process has already begun - to offer the audience two platforms owned by the same major but with different contents.

Furthermore, they will try to implement different sections by investing heavily in Premium VOD as an alternative method of distributing exclusive movies and to release discarded content from the theatres.

Many investments will also be made for the creation of exclusive content for SVOD platforms: the launch of these contents will have a strategic role since they will be launched in "*straightforward*" mode, knowing only marginally the real potential of the product and studying the performance once it came out.

The streaming release in "*straightforward*", although a very popular release format today, is not without risk: commissioning an entire season would involve incurring costs which will be no longer recoverable.

For this reason, the seasons of the TV series and movies will have a short duration, limit spending in case of a negative response from the audience and, therefore, failure.

Cinemas are still the core element of the sector and its enhancement passes through the creation of highly marketable products with high potential for success that can "bring" people into the theater.

SIXTH QUESTION ANALYSIS

In the last 10/15 the market for this industry has changed a lot: years ago, was really hard to think about the application of some strategies (big franchises, crossovers, big use of revivals and so on...) or think about some tool for a movie release (like ATAWAD platforms). What could be, in your opinion, the next and most important trends and how a company can really adapt to these changes and to consumers' preferences?

The opinions of professionals regarding the trends were quite heterogeneous.

The first trend, consistent with the previous answers, will concern streaming platforms and SVOD services. The creation of owned platforms and the launch of the latter globally is a priority for the majors but the implementation of these services in the coming years thanks to the production of exclusive content and the creation of different sections (free, SVOD and Premium VOD) it will become soon an important trend in the industry, especially with the shrinking of the release window. Each studio will also seek to enhance its own library through a content differentiation strategy aimed at making one platform unique over another.

The second trend has a focus on traditional cinema, aimed at further enhancing this release methodology.

According to the analyzes, in fact, the contents on which the industry will rely in the coming months are highly marketable products such as blockbusters and franchise movies.

However, these will not be the only two types of movies that will be launched on the market: the fundamental task they have will have is to relaunch the film industry after the recent crisis period.

After this temporary moment in which the major will drop on the market all the blockbuster that have been postponed in these last months, the investments will be differentiated and directed towards various types of movies, for example on "remakes" or "revivals" that will use the well-known "nostalgia effect" to acquire a large audience: they too can be considered products with an high commercial yield.

The third trend is, without a doubt, the most interesting but also the one furthest away from concrete implementation. The majors could, in fact, invest in other types of platforms different from the traditional ones attributable to the concept of "SVOD service". These platforms would be a sort of "hybrid" between social media and the classic streaming platforms, previously mentioned.

The reason why the majors will invest in these hybrid platforms in a few years is because of a change in the new generation of consumers' tastes: Millennials, in fact, are increasingly attracted to the "*short content*", that is a video with a maximum duration of ten minutes, which is comparable to content uploaded on YouTube, Instagram's IGTVs or TikToks.

Netflix, in fact, considers social networks' companies such as Instagram and TikTok dangerous competitors that undermine their sectoral power.

The platform "Quibi", in fact, was born with these premises and the interest of the majors for this kind of content and platforms is evident from the fact that the investors of this service are mostly majors such as Warner Bros., Disney and Universal.

SEVENTH QUESTION ANALYSIS

According to your opinion, the partnership between a classic major and streaming platform can bring benefits to both parts in terms of distribution and revenues? Could, sometimes, be specific contents (or request for them) for a platform?

The seventh question highlighted how the possibilities for partnerships between Hollywood majors and companies offering SVOD services are minimal, if not nil, given that the benefits attributable to this type of agreement are limited: the profit margins from any agreements, today, seem to be lower than those coming from the launch of a streaming service offered by the major or the classic theatrical debut of a movie.

The impossibility of partnerships between companies in this sector is due to the fact that all the majors in recent years have begun to create and implement their own SVOD platforms, starting to plan the total release of their streaming services on a global scale within four years.

However, due to the delay of some majors in the launch of these platforms worldwide, the only possibilities for collaboration are those in countries not yet covered by the studio's streaming service.

Any agreements would be possible only in the face of incredible offers that would convince the traditional majors to give up their exclusive content: this kind of negotiation, although realistic, appears very far from being realized. On the other hand, SVOD's brands can still reach agreements with large individual producers and "mini-majors" (such as *Lionsgate*, for example), for the creation of content to be produced together and subsequently launched exclusively on the platforms.

This methodology has already been used by Netflix for the movie "*The Irishman*": the latter, in fact, was rejected by all the traditional majors as they considered the product excessively expensive, risky and not suitable for cinema due to its excessive length.

These digital platforms, unlike the majors, can afford these risks.

EIGHTH QUESTION ANALYSIS

The release of some blockbusters on streaming platforms can be considered a disruptive move for the industry. According to your opinions, can this action have some repercussions on majors' business model?

The responses were homogeneous. The move made by Universal first with "*Trolls 2*" and subsequently followed by Disney with the big launch of "*Mulan*" on the Disney+ platform was disruptive and will have repercussions on the majors' business model.

The new business model will see the coexistence of cinema and streaming services. This new model would see, in addition to the SVOD, the Premium VOD which has the task of creating greater wealth for the majors: for the use of these sections it will be necessary to pay a premium over the ordinary subscription.

It should be noted that not all products will be subject to this change. The contents that more than others lend themselves to a Premium VOD release are those aimed to "families" as target.

The big franchises and blockbusters, considered highly marketable movies and which play a very important role in corporate merchandising, will still have a traditional theatrical release.

Another fundamental factor is that the business model used by American studios, with the exception of Disney, is a B2B model that bases its success on the sale of TV series and movies rights.

The majors, today, sell movies on the basis of the "admissions" on theatres: thinking about a model where the theatrical release is completely eliminated would mean completely destroying the traditional business model and sacrificing guaranteed sources of income.

Some majors may decide to enter into exclusive agreements for the screenings of the movies with some cinema chains: Universal has decided to undertake this strategy thanks to an alliance with AMC.

The large cinema chains with a large market share would guarantee, in fact, the viewing of the majors' contents just before their release on streaming platforms.

The release window of the franchise movies and blockbusters will, however, undergo a change. These types of movies, aimed at a wide audience, will continue to be released in cinemas, as happens in the traditional model. However, they too, albeit in a different way, will suffer the consequences of a smaller release window.

These movies will be released, in fact, in the Premium VOD sections of the streaming platforms a few days after their theatrical disposal.

There will be, therefore, the introduction of what can be defined as a second "release window", that is the period that will elapse between the loading of these contents in Premium VOD at a high price and their release in other media, such as TV or SVOD section.

A NEW BUSINESS MODEL

The interviews with the professionals involved in the study highlighted what the next changes in the entertainment sector will be and that will force the majors to make changes within the organization.

The value chains developed by Eliashberg and Küng, due to these industry developments, can be considered obsolete for the creation of wealth in entertainment companies.

In the near future, in fact, SVOD platforms will play a fundamental role in the value and wealth creation process: the customs clearance of the B2B model with a consequent launch of products on the market with a B2C model could, in the short term, result in a destruction of guaranteed revenues for the majors.

For this reason, the representation of the value chain, as well as the business model, of companies belonging to the entertainment industry will change, distinguishing itself in two areas: a B2B area and a B2C one.

The first, hypothetical, phase will concern IP licensing / acquisition. According to the study, media franchises are the strongest commercial properties now and are an essential source of income for the majors. Therefore, it is necessary to consider that the majors can begin their process of creating wealth and value with the purchase of an IP. This phase, although it may be important, is not strictly necessary: many studios, by now, already have many licenses to exploit.

The very first phase of the new model will be based, similar to the Eliashberg model, on production. This will have various processes within it, as happens in Küng's model.

Unlike Küng's model, the financing process has been integrated into the production process since, being the model based on the majors, they have a high spending power to produce their movies. Furthermore, it must be considered that majors like Warner Bros. or Universal will probably choose to operate in the states that grant them financing or tax relief for the movie's shooting.

The separation between the two business models will take place in the "evaluation" phase. Evaluation is a phase that, ideally, is positioned upstream in the strategy development process. However, especially after the latest

events, the evaluation process of a movie can also be positioned after production. The majors, therefore, will have to understand what the expectations of success for the product are and what were the expenses made and, finally, what type of expenses will have to be faced.

If the expectations for the film's commercial success are low, the model adopted will be a B2C model.

The marketing campaign, however, could be more or less expensive compared to the theatrical one.

The effort in the promotion depends on the type of film: if since the first moment this has been designed to be released directly on the platform, its promotion will be limited; if the product is strong, so the streaming release is simply an alternative release to the theatrical one, then the company will invest in a marketing campaign aimed at promoting both the platform and the movie.

The investments that will have to be made are necessary to create a greater consumer awareness of the product.

In this section there will be a further division: the first branch leads to the direct movie release on the SVOD platform, through the ordinary subscription; the second branch includes a first release in Premium VOD, which will require the consumer to pay a higher price than the normal subscription, before the ordinary release streaming.

In the second case I discuss about a "second" release window: a period of time in which the movie is available only with the Premium version and then becomes accessible, after a few weeks, in the normal version of the SVOD platform. Considering the reduction of the ordinary release window but also of the majors' need to create wealth from the exploitation of their own product, the desirable duration of this second release window will not exceed four weeks, in my opinion.

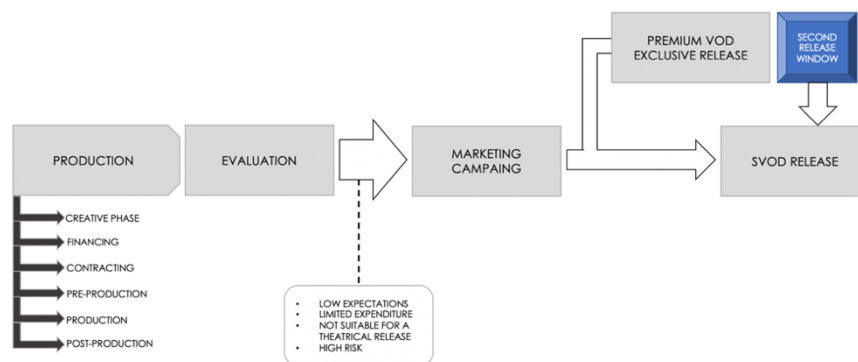


Figure 7, the B2C business model for the majors, elaborated following the experts' interviews.

If the studios made a different evaluation - before or after the production process - considering the product of high commercial potential, as happens with the franchises' movies typically, this will be directed towards the theatrical release. The model will therefore be B2B.

The marketing of movies that are released directly to the cinema is, in fact, a very important component for the success of the product: if highly commercial, the exhibitors trying to advertise the film as much as possible in order to attract the audience and earn more. After the marketing, the distribution process will take place - the "theatrical distribution" - which can be carried out by the majors or by intermediaries.

The exhibition phase is the period in which the film is played in the cinema. Once discontinued, we enter what will be defined as the "new" release window: the 105-day barrier will be demolished in favor of a release window that could be even seven times lower, considering that the difference period between the cinematic discontinuation and the release on other media could become about two weeks.

Subsequently, this type of movies would be released exclusively in Premium VOD, in the appropriate section of the major's streaming service.

Following the statements of some interviewees, this type of film, would continue to have high commercial potential even in streaming, despite the recent exit from the cinema. Consumers willing to pay a premium to watch the film recently discontinued from the cinema can generally be divided into two macro-categories: those who haven't had the opportunity to watch the movie in theatres; those who want to have a "second vision" of the product.

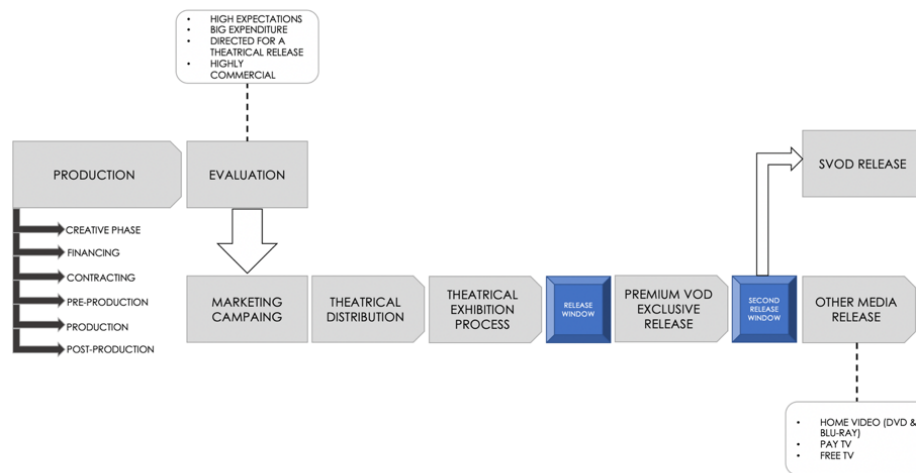


Figure 8, the B2B business model for the majors, elaborated following the expert's interviews.

Also for this case, therefore, there is a "second" release window in which the content is watchable only in the Premium service and not in the ordinary one of the SVOD platform: however, the price for watching the movie - which initially will be high - it is going to have a decrease as the days pass until it will be published, after four weeks, in the ordinary section of the streaming platform.

In this precise step, the B2B and B2C models come together again.

However, the movies released directly to the cinema are not intended as an exclusive content for the majors' platforms - unlike what can happen with many of the contents released directly in streaming – and, therefore, at the same time as the movie release in SVOD it is also intuitive the release of the product in other media.

In conclusion, the new business model that will lead to the creation of value and wealth of the majors will be based on the ability of companies to work in two different businesses: one focused on the provision of a service provided directly to the customer and one focused on the supply of content to other companies.

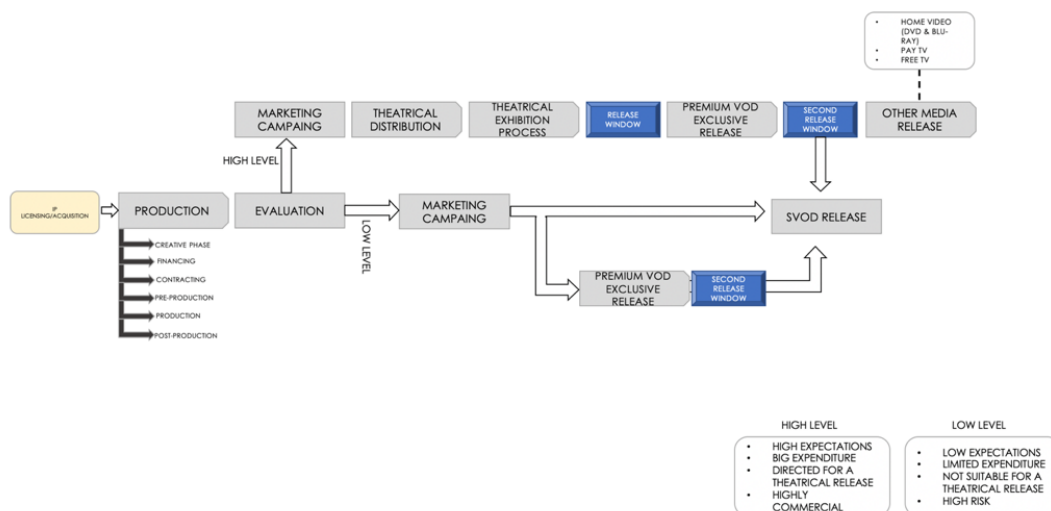


Figure 9, the complete business model in the near future for the majors, elaborated following experts' interviews