

The Determinants of Revenues in the Swiss Motion Picture Market

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Abstract

This paper presents an empirical study of the determinants of a motion picture's financial success based on Swiss data covering the period 1995-1997. The paper is inspired by the path-breaking studies by Throsby (1990) who highlighted the fundamental role of quality in demand for various types of performing arts and Abbé-Decarroux (1994) who analysed the role of uncertainty weighing on the quality of cultural services as well as the attitude of consumers towards risk. Using regression analysis, we try to identify the main characteristics and quality indicators influencing the choice of Swiss movie viewers. Moreover, we compare our results to those obtained by Prag and Casavant (1994) for the United States and Bagella and Becchetti (1999) for Italy.

We use original unpublished data in film revenues, characteristics and quality indicators for 600 movies released in Switzerland during the period 1995-1997. The methods of investigation are stylised facts and regression analysis conducted on cross-section data. The results show that the quality of movies as measured by critical reviews and awards received in the most prestigious European film festivals exerts a positive and significant impact on their performance in the Swiss motion picture market. The characteristics regarding the film genre and the country of origin of the movie are also revealed as significant determinants of film revenues, as well as the presence of famous actors and the film director's reputation. However, some of these variables are crowded out when production costs and marketing expenditures are included among the explanatory variables. Further analysis shows that the latter variables are themselves largely influenced by film characteristics.

We therefore find ample evidence in favour of the hypothesis according to which, as result of the homogeneity of ticket price across movies, viewer choice is largely determined by film characteristics and quality indicators. Variables such as critical reviews, awards received, film category, presence of stars and country of origin of the movie all exert significant impact on movie demand either directly or indirectly. These results confirm and go beyond those of Prag and Casavant (1994).

References :

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