Hollywood Movies and Determinants of Box Office Performance in USA

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This study replicates past research that examined the predictors of movies’ box office revenues. Using a sample of 400 movies released from 2004 to 2007, the present study discovered that production budget, the number of screens, critics’ review, and star actor were significant for the total domestic, the first-week, and the international box office revenues. Unlike the findings from previous studies, however, the study found that the Easter period negatively affected both the domestic and international box office revenues, while the Christmas season negatively affected the first-week performance in the domestic market.

Key Words: Hollywood movies, film economics, box office performance, international market
I. Introduction

It has been generally assumed in Hollywood that predicting success or failure of each new feature film is hard to grasp (Sochay, 1994). However, past research has continuously tried to search for the variables that might affect theatrical box office revenues since early 1970s (e.g., Chang & Ki, 2005; Garrison, 1971; Litman, 1982; Litman & Ahn, 1998; Litman & Kohl, 1989; Simonet, 1977; Sochay, 1994; Wyatt, 1991). Among the studies that investigated the factors of theatrical movies’ financial success, Litman’s (1982) study laid the groundwork for later studies in that it classified three critical areas that would affect financial success of theatrical movies: the creative side, the scheduling and release pattern, and the marketing effort. Later studies either extended the variables used in Litman’s study or employed theoretical frameworks in order to make the study of financial success of theatrical movies a more rigorous research area. In this vein, Litman and Ahn (1998) analyzed predictors with the classification of the production, distribution, and exhibition stages, based upon the industrial organization model. More recently, Chang and Ki (2005) incorporated the theoretical framework of the experience good property in their explanation of box office revenues by categorizing the factors into four different groups: brand-related variables, objective features, information sources, and distribution-related predictors.

The purpose of the present study is to replicate Chang and Ki’s (2005) study. The rationale for a replication is as follows. First, the present study analyzes more recent data: box office revenues from 2004 to 2007. Second, Chang and Ki (2005) did not include the box office result from international markets. Third, moviegoers who actually pay for movie-watching may have more information about theatrical movies compared to the early 2000s thanks to the abundance of online information sources and the development of online communities where moviegoers can exchange information about specific movies. Thus, a replication with Chang and Ki’s framework may not only provide updated results with more recent data but also provide an opportunity to test the applicability of their framework.