

 Claremont Graduate University

Peter F. Drucker and Masatoshi Ito
Graduate School of Management

Marketing Strategy: Application to the Film Industry

MGT 352

2 Unit MBA Course

21 Instruction Hours

February 22 & 23, 2007 and April 18 & 19, 2007 – Burkle #14

Class Hours: Fridays 4 - 10:00 PM, Saturdays 1 – 6:30 PM

Professor Peter Sealey

peter@sealey.net

peter.sealey@cgu.edu

www.sealey.net

T. (415) 332-6551

M. 650-492-1548

F. (415) 332-6571 (Fax)

(Office hours: by appointment)

Faculty Support:

Kristina Patten

T. 909-607-9042

Kristina.patten@cgu.edu

Class Assistant:

Elizabeth Rue

T. 650-346-3409

Rue1@aol.com

Background

This course concerns itself with the discipline of marketing and the use in that discipline of marketing strategy.

The course work will focus on two areas: the creation of a marketing strategy to be used as the basis for the release of a theatrical motion picture in the US and a marketing plan reflecting all the elements of the chosen strategy. The intent of the course is to show the critical relationship between the creation of a clear and focused marketing strategy and the necessity of translating and implementing that strategy into an effective marketing plan.

While our area of focus is motion pictures, the lessons learned and insights gained should be broadly applicable in a wide range of industries and markets.

Our focus for both the strategy and the marketing plan is the domestic theatrical release of our selected film; there will be no consideration given to foreign theatrical or the large and diverse range of television and home video windows. We have chosen the theatrical feature film market in the US for several reasons.

First, the theatrical release of a motion picture is a defined and self-contained entity. It is a classic case for the study of marketing effectiveness. With a theatrical film, there is no history and no afterlife for the theatrical window. A film opens on a given Friday night and by Monday morning its ultimate fate, success or failure, has been determined. Moreover, the level of success in the US theatrical window has enormous impact on the subsequent success for foreign theatrical as well as the television and home video windows. It can be said without much exaggeration that the ultimate long-term profit or loss for a film is determined by the opening weekend's boxoffice figures.

With the exception of sequels, every motion picture is a "new" product and the marketing strategy for its release and the attendant marketing plan must be created out of whole cloth. As such, it is a pure and self-contained case

for the development of a marketing strategy and the implementation of the marketing plan. Moreover, in our entertainment oriented society, entertainment properties - films, TV shows and on-screen talent - are permeating almost all types of marketing activities in the broadest sense. The astute marketer today must have an understanding of the entertainment industry to be an effective marketer in almost any field.

The theatrical film market is a rich environment for the study of marketing. For the most recent year available, US boxoffice was \$9.49 billion consisting of 1.45 billion admissions to some 607 films. (For comparative purposes, the home video market for that same year was about \$24 billion.) The average cost of each of these feature films was \$100.3 million consisting of \$65.8 million to make the film itself (called negative costs) and \$34.5 million to market each film (referred to as "P&A" or prints and advertising). In the most recent ten years, P&A costs have risen far faster than the increase in negative costs.

The prospective student should have a generally inquisitive interest in the subject of marketing and how the discipline works. At least one graduate or undergraduate marketing course is required unless an exception is made by appeal to the instructor.

The film chosen as the subject for the course will be announced in January, 2008.

1. Description and Objective of Course

This course examines how entertainment is marketed, and more importantly, how entertainment is used generally in marketing products and services. The course is concerned with the profound changes in the manner in which consumers make the ultimate choices of what, how and when they will watch, read or listen, including the altered mindset of the younger consumer impacted by technology and hyper-accelerated rates of change. In the course, we will explore the impacts new technologies are having on the business models for filmed entertainment, recorded music and television. We will discuss the implications all this has on the evolving marketing strategies for entertainment firms, i.e., how will movies, recorded music and television be marketed and distributed to consumers in a digital environment.

This is the study of an industry we loosely call “Hollywood” and its inevitable headlong collision into a hyper-accelerating storm of new technologies, and into the globalization of this once neighborhood business.

Important to this course is the belief that a practitioner cannot be a marketer of any product or service in today’s world without a fundamental understanding of the entertainment industry. The entertainment industry represents the fundamental building blocks for advertising, public relations, promotions, event marketing and guerilla marketing. Yet this very industry is in the midst of short-term and long-term paradigm shifts that will alter every preexisting assumption about this arena. Acquiring a basic understanding of these issues will enable marketers to compete effectively in the coming decades.

The objective of the course is to understand how technology and digital media are profoundly changing the manner in which the entertainment industry creates, distributes and markets its products and how to craft marketing strategies and plans in such an environment.

2. Prior to the First Class

Prior to the first class you should prepare a brief, i.e., no more than two pages, a biography giving a brief description of the following:

Your educational and relevant career background.

Your career goals post the Drucker School.

What do you expect to get out of this course? Please list these in order of priority.

This should be sent to me by e-mail by February 19, 2008.

3. Course Materials

- *Pacific Coast Studios*, Gary Pisano and Alison Berkley Wagonfeld, HBS 9-605-016

- *The Passion of the Christ (A)*, John Quelch, Anita Elberse and Anna Harrington, HBS 9-505-025
- *Simplicity Marketing: End Brand Complexity, Clutter and Confusion*, Steven Cristol and Peter Sealey, The Free Press, New York, 2000 (Available as a PDF file.)
- *Not on My Watch: Hollywood vs. the Future*, Peter Dekom and Peter Sealey, New Millennium Press, Beverly Hills, 2003 (Available as a PDF file.)

4. Prerequisite

An undergraduate or graduate level course in marketing and/or advertising is required unless an exception is made by the instructor. Proficiency with the Internet is assumed.

5. Grading Policy and Assignments

The grade in this course will be based on the following criteria and their associated weights:

Class Participation	25%
Tests in Class	25%
Individual Project	
Strategy Paper	25%
Marketing Plan	25%

The following reflects the grading system used to mark your work.

CGU explanation

- A+ Truly exceptional performance, rarely given.
- A Performance significantly above expected levels.
- A- Performance moderately above expected levels.

- B+ Expected level of performance.
- B Performance moderately below the expected level.
- B- Performance significantly below the expected level.
- C+ Passing but marginally acceptable performance.
- C Unacceptably poor performance.
- C- Very poor performance.
- U Unsatisfactory work. No credit given.

With respect to class participation, I will call on students at random to discuss course materials and lecture content. Your participation grade will depend on how prepared you are and the quality of your answers.

- The main focus in the course goes toward a marketing plan for the motion picture that has been announced but not yet released by a Hollywood studio. (Our film will be chosen in January and announced before the first class.)
- The first phase of this assignment is for each student to prepare a written marketing strategy paper of no more than 1500 words outlining the recommended approach for the domestic theatrical release of the selected film. This segment will be due by electronic delivery to the instructor by Friday March 8, 2008.
- You should use the materials and concepts discussed in class and those from the course text in creating this marketing strategy. You are to assume you are in charge of marketing at the Fox Searchlight Pictures. You have seen the impacts that technology and digital media are having on your marketing strategies and ability to communicate with your audience. You have noted the increasingly expensive and fragmented nature of network TV as a media vehicle. You are preparing to present to the board of directors of the studio how you will market this

important film, a film that will greatly impact the 2008 financial performance of the entire studio.

- Your report should be concise and should go beyond descriptive material to address strategic implications, especially those related to technology and the new media. It is helpful to provide a sense of the strategic problems or alternatives facing this theatrical launch. This analysis should be used to motivate and provide direction for the body of the report. Remember your constant thread is adapting to the impacts of digital media on the marketing strategy and plan.
- Do not attempt to be comprehensive – rather, discuss those areas that add insight and clarity to your strategy and tactics. The goal is to be insightful -- not to cover every dimension of an analysis. Introduce strategic questions, especially as related to the impacts of technology and new media, as you go along. Do not save them for the end. The recommended marketing plan can then be a summary of the questions and options that have already been raised. You should consider defending and justifying your recommended strategy (including rate of consumer adoption of the relevant technologies) with respect to the rationale and the costs/risks involved.
 - When would you choose to release this film into theaters domestically? (Assume any date in the summer or fall of 2008 is available to you. If the studio releasing the selected film has announced a release date, you may or may not choose to go with that date.) You should look at the releases of other studios in making your decision.
 - Who is your primary target audience for this film? Who is your secondary target audience for this film? Why have you chosen these demographics?
 - What is your positioning for this film, i.e., what is the film about and what does it promise to deliver to the audience? You are answering the questions: “What is this film about?” and “Why should I come to this film?”

- What is your “theme line” for the movie, i.e., what is the headline of the one sheet poster that goes out to theaters before the film’s release? Again, you may or may not choose to go with the studio’s theme line if that has been announced.
- The second assignment for the class is the preparation of a marketing plan for the domestic theatrical release for our selected feature film. This can be either a written plan or a PowerPoint presentation and is due Friday, April 25, 2008.
- Among the areas your marketing plan should explore and outline are:
 - What is your requested P&A budget? (Prints and Ads are the total marketing expenditures for the theatrical release of a film. “Prints” are the 35mm reels of film that are required; one for each theater. These prints cost \$1,500 each and are paid for by the studio. Ads are all advertising, publicity and promotion.
 - What is your publicity and promotional plans for your film?
 - Do you choose to have any advance or “sneak” screenings of the film before its theatrical release? If so, where and to whom?
 - What is your advertising and media plan for your film? How do you propose to integrate online and offline media into a comprehensive media plan?

6. Attendance and Class Participation

Attendance is expected at all class sessions. Class participation will be graded after each class. Quality contributions that are relevant to the discussion will improve your participation grade.

7. Class Readings

As general preparation for this course, each student should read the following materials:

- General background readings:
 - *Big Pictures*, David Denby, The New Yorker, January 8, 2007
 - *Revenge of the Nerds, Part V: Can Computer Models Help Select Better Movie Scripts*, Knowledge@Warton
 - *'Crash' Principals Still Await Payments for Their Work*, Sharon Waxman, The New York Times, July 25, 2005
 - *Caught on Film: A Growing Unease in Hollywood*, Laura Holson, The New York Times, August 19, 2006
 - *Is Film Biz Just a Seller's Market?* Patrick Goldstein, The Los Angeles Times, August 1, 2006
 - *From Storyline to Box Office: A New Approach for Green Lighting Movie Scripts*, Jehoshua Eliasberg, Sam K. Hui, and Z. John Zhang, The Warton School, August 18, 2005
 - *Motion Picture Association, Worldwide Market Research*, U.S. Theatrical Markets, 2006 Statistics, MPAA
 - *A Big Star May Not a Profitable Movie Make*, Eduardo Porter and

Geraldine Fabrikant, The New York Times, August 28, 2006

- *A New Way to Use the Force*, The Wall Street Journal, August 22, 2006

Prior to our first weekend of classes, each student is expected to have read the following:

- *Pacific Coast Studios*, Gary Pisano and Alison Berkley Wagonfeld, HBS 9-605-016
- *Simplicity Marketing*: Chapter 1: “Too Much Choice”
- *Simplicity Marketing*: Chapter 8: “Visible Simplicity, Invisible Complexity – The Role of Information Technology
- *Not on My Watch*: Chapter 1: “Content is Garbage”
- *Not on My Watch*: Chapter 3: “Show Me the Money”
- *Not on My Watch*: Chapter 4: “Without Content, Delivery Systems Are Garbage”

Prior to our second weekend of classes, each student is expected to have read the following materials:

- *The Passion of the Christ (A)*, John Quelch, Anita Elberse and Anna Harrington, HBS 9-505-025

- Fast Food Nation Marketing Plan – this is student work at UC Berkeley for an entertainment marketing class
- Not on My Watch: Chapter 5: “The Overwhelmed Content Consumer”
- Not on My Watch: Chapter 6: “The New Movie Business”
- Not on My Watch: Chapter 9: “Technobabble Meets the Technology Wars”
- Not on My Watch: Chapter 10: “Size Does Matter”
- Not on My Watch: Chapter 12: “The New Rules and Solutions in a Sea of Change”

Class Schedule

The following is our class schedule:

Friday Feb. 22, 2008

- Sealey course introduction
- Sealey Lecture on Ten Trends
(For video preview see:
<http://sausalitogroup.com/video/index.html>)
- Assigned Readings Discussion

Saturday Feb. 23, 2008

- Pacific Coast Studios, Gary Pisano and Alison Berkley Wagonfeld, HBS 9-605-016
- Guest Lecturers: Shelly Hochron on film marketing.
- Assigned Readings Discussion

Friday April 18, 2008

- Guest: Madelyn Hammond, Senior Vice President Sales and Marketing, Landmark Theaters
- Assigned Readings Discussion

Saturday April 19, 2008

- *The Passion of the Christ (A)*, John Quelch, Anita Elberse and Anna Harrington, HBS 9-505-025
- Assigned Readings Discussion



MADELYN HAMMOND
Senior Vice President of Sales,
Marketing and Retail

Madelyn Hammond is Senior Vice President of sales, marketing and retail for Landmark Theatres, a division of 2929 Entertainment, a vertically integrated group of media companies co-owned by Mark Cuban and Todd Wagner specializing in film production, distribution and exhibition. The 2929 Entertainment companies include Landmark Theatres, the largest theatre chain dedicated primarily to art and independent film, 2929 Productions (*Good Night, and Good Luck.*), HDNet Films (*Enron: The Smartest Guys in the Room*), Magnolia Pictures (*The World's Fastest Indian*) and Magnolia Home Entertainment (*The Lost City*).

Hammond's responsibilities include developing strategic alliances and revenue-generating opportunities for Landmark Theatres and other 2929 companies. She also oversees marketing, creative services and retail sales of specialized merchandise (including DVDs, books and CDs) for the circuit. Additionally, she has been instrumental in creating partnerships for the June 2007 opening of the state-of-the-art Landmark Theater (12 screens) at the Westside Pavilion in Los Angeles. Partner organizations include the Producers Guild of America, Los Angeles Film Festival and UCLA.

Prior to working for Landmark Theatres, Hammond was producer of Sunday Morning Shootout, the AMC weekly talk show featuring *Daily Variety* Editor-in-Chief Peter Bart and Peter Guber. She also served as Chief Marketing Officer and Associate Publisher of *Daily Variety* for eight years, where she was responsible for developing and executing marketing, advertising and branding strategies for *Variety's* suite of products: *Weekly Variety*, *Daily Variety* and *Variety.com*.

Hammond also oversaw all sales, marketing and promotion for the magazine *VLife*, a monthly consumer lifestyle and media publication. Before that, Hammond held various posts in the entertainment industry, including Vice President of Marketing for Sony Pictures Consumer Products, Vice-President of Marketing and Distribution at MGM/UA, Director of Worldwide Marketing for Turner Pictures and Director of Marketing for AMC Theatres. Hammond's first job was with The Coca-Cola Company.

Landmark Theatres

Landmark Theatres is the nation's largest theatre chain dedicated primarily to exhibiting and marketing independent film. Landmark is a recognized leader in the industry for providing consistently diverse and entertaining film product in a sophisticated adult-oriented atmosphere to its customers.

Since its inception in 1974, Landmark has grown to 61 theatres in 24 markets. Landmark is known for both its award winning historic theatres, such as the Tivoli in St. Louis, the Inwood in Dallas and The Oriental in Milwaukee, and also for its newer theatres, including Bethesda Row Cinema in Washington DC and the Keystone Art Cinema in Indianapolis. Three brand new Landmark theatres will open this year: The Landmark flagship theatre in West Los Angeles, the Harbor East Cinema on Baltimore's Inner Harbor and The Landmark Theatre in Greenwood Village (Denver). Landmark is at the forefront of exhibition, providing customers with a number of amenities including the latest in film, digital and sound technology, the widest selection of concession items and Landmark's signature brand of customer service.