

An Investigation into the Factors Determining the Success of Service Innovations: The Case of Motion Pictures

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EXECUTIVE SUMMARY

The identification of factors that determine the success of innovations is a well-established field of research in marketing, yet the literature on service innovations remains scarce. In this article, by drawing on new institutional economics theory and its sub-discipline, economics of information theory, we use the specific characteristics of services as a starting point for the development of a general framework of service innovations' success. The general framework is then applied to motion pictures which, despite their economic relevance, represent a clearly under-researched area of services. Most important for our choice, motion pictures are characterized by a high degree of innovativeness.

The general framework of service innovations' success presented builds upon the absence of search qualities of new services. Based on this general lack of characteristics that the customer can easily evaluate before consuming the service, there is a strong need for the service provider to transform experience qualities into what can be called "quasi-search qualities." Quasi-search and experience qualities are the subject of service-related communication. With regard to the latter, we distinguish between company-related and non-company related information sources as key determinants of the success of an innovative service offer. Consumers can learn about a service's quasi-search qualities either via the service provider's communicative activities (i.e., advertising) or via neutral information sources, i.e., word-of-mouth communication by other consumers or information from buyer-helping businesses (e.g., restaurant and book critics, travel agents).

Although consumers and buyer-helping businesses may also make quasi-search qualities the subject of discussion, their focus is clearly on experience qualities. This is due to high credibility and trust which consumers tend to associate with these kinds of information. In contrast, the focus of service providers' communication is on quasi-search qualities. Both types of communication (i.e., service-provider communication and neutral communication) are not independent because (a) word-of-mouth and critics' comments are not limited to the service provider's performance but can also include its advertising measures, and (b) evaluations of the new service by 'neutral' institutions (e.g., customers, product-testing agencies) can be implemented in the service provider's communication strategy.

Although other marketing variables also influence the customer's evaluation of a service (distribution, pricing, timing of market entry), communication can be seen as crucial for the diffusion of a new service. In addition, the framework covers the first-time customer's decision to visit the service provider repeatedly and the crucial role of the consumer's degree of

satisfaction with the service provider, with the expectation component of the latter being strongly influenced by the service provider's and neutral information the customer receives before consuming the service for the first time.

The Case of Motion Pictures: An Application and Concretization of the General Framework

The general framework of service innovations' success is applied to a single service sector, namely to motion pictures. Based on the general framework, insights into the determinants of a motion picture's success and their inter-relationships are derived. Basically, two basic groups of determinants of the economic success of a motion picture are distinguished; movie traits and motion picture-related communication. Movie traits, as a concretization of the general category of service traits, cover (a) factors that moviegoers can comprehend before watching a movie (i.e., quasi-search qualities) and (b) those they can only comprehend after watching it (i.e., experience qualities). Quasi-search movie traits include; movie genre, symbolicity, success in previous exploitation levels, and several structure qualities (i.e., attractiveness of personnel, budget, language, country of origin, movie length), while a motion picture's experience traits overlap with the concept of aesthetic quality. Motion-picture related communication include; movie advertising as the main company-controlled information source and movie reviews, awards, and word-of-mouth as important neutral information sources. With regard to motion-picture success as the outcome variable of the framework, great importance is attached in the movie industry to the number of moviegoers and the respective box-office gross (i.e., income figures), as well as to a motion picture's profitability. These two objectives are closely linked, but can also result in strategic conflicts when it comes to resource allocation issues. The interrelations between traits, communication, and success are discussed in detail in the article.

Implications and Conclusion

The implications of this article are two-fold. Firstly, the general framework developed in this article extends the existing knowledge on the success of service innovations. Driven by economics of information theory considerations, we suggest that a focus on service features and their evaluation by consumers offers new insights into the literature on the management of new services. Accordingly, attention must be paid to the transformation of experience qualities into what is called quasi-search qualities; service features that consumers are able to evaluate in advance and that allow them to infer key experience qualities of the new service.

Secondly, as the application of the general framework shows, several aspects important for the success of new motion pictures are pointed out. With movie traits and movie-related communication, two basic types of success factors are identified and their impact on a motion picture's success is explored. By combining the various variables of the framework which represent elaborations of the general categories, movie producers might be able to reduce uncertainty surrounding a movie's likely economic success. Essentially, the framework demonstrates that stars and other movie attributes are used by consumers as quasi-search qualities enabling them to evaluate the motion picture prior to watching it.

The importance of the different elements of the model must be differentiated with regard to a short-term and a long-term perspective of motion-picture success. As the number of screens on which a movie opens nation-wide is continually raised by movie distributors, a higher share of the success of a motion picture is earned in a relatively short period of time, especially in the opening weekend. This assigns an important role to quasi-search characteristics (e.g., symbolicity and especially the movie's "brand") while experience qualities (e.g., interplay of the movie's components) become less important. However, for a movie to become a long-term box-office success, quasi-search elements have to be complemented by an adequate overall or outcome quality which is communicated through viewers' word-of-mouth. Further implications are derived that may help to improve the effectiveness of motion-picture marketing.

An Investigation into the Factors Determining the Success of Service Innovations: The Case of Motion Pictures

"You'll never be a good writer if you let 85 million popcorn eaters decide whether you pull this way or that. Crawl, kiss ass and write their happy endings, sign their long-term contracts, never take a chance on anything, never fly, never leave Hollywood: when you're a healthy looking fifty, you die of a stroke, because whatever was wild in you has eaten the muscles in your heart."

Clint Eastwood in White Hunter, Black Heart

The identification of factors that determine the success of innovations is a well-established field of research in marketing (Urban and Hauser 1993). In the innovations literature, there is a clear dominance of studies on goods, whilst –despite a general agreement that services differ conceptually from other kinds of market offers and are of high economic interest– the literature on service innovations remains scarce (Grönroos 2000; Sundbo 1997). Existing approaches to model the success of service innovations tend to focus on the process of new service development but neglect structural issues (i.e., identification of key factors and their inter-relationships; e.g., Bowers 1989; Scheuing and Johnson 1989) or they are of an exploratory nature (i.e., finding factors that differentiate successful and unsuccessful service providers) rather than theory-driven (e.g., Edgett 1994; Martin and Horne 1993).

In this article, we use the specific characteristics of services as a starting point for the development of a general framework of service innovations' success. Drawing on economics of information theory and the distinction of search and experience qualities, we identify the factors that determine a new service's economic success. The general framework is then applied to motion pictures which are a specific kind of service and whose success factors also have been analyzed only scarcely. This dearth of research is all the more striking given the economic relevance of motion pictures, which generated an income of \$7.66 billion in 2000 at the box office in North America, 59% more than a decade ago (MPAA 2001). More than most other service markets, the motion picture market is characterized by innovativeness, stemming from the short market presence of most movies. The success or failure of movies at the box office has been understood only partially. By applying the general framework of service innovations' success to this field, this article aims to contribute to a better understanding of motion pictures' commercial success or failure.

The structure of this article is as follows. First, a general framework of service innovations' success is proposed. Second, the framework is applied to the field of motion pictures and its elements and paths are discussed in detail on the basis of a review of the motion-picture related literature and the authors' exploratory depth interviews with industry insiders. Thirdly, implications are discussed for service marketing as well as for the theory and practice of motion-picture marketing.

A GENERAL FRAMEWORK OF SERVICE INNOVATIONS' SUCCESS

Services are usually defined by a limited number of constitutive characteristics. Although there is no agreed set of such characteristics in the literature, (a) its lack of materiality, (b) the concomitance of service creation and consumption (so-called uno-acto principle), and (c) the integration of an external factor in the service creation can be viewed as central characteristics identifying a service (Shostack 1977; Zeithaml, Parasuraman, and Berry 1985; Rodie und Kleine 2000). As a direct consequence of these specific services attributes, the consumer's ability to evaluate a service a priori is limited and evaluations are mainly based on consumption experiences. As to service innovations this is not possible because no experiences exist.

Drawing on new institutional economics theory and its sub-discipline, economics of information (Hirshleifer and Reiley 1992; Stigler 1961), one can distinguish between two different types of product characteristics with regard to the

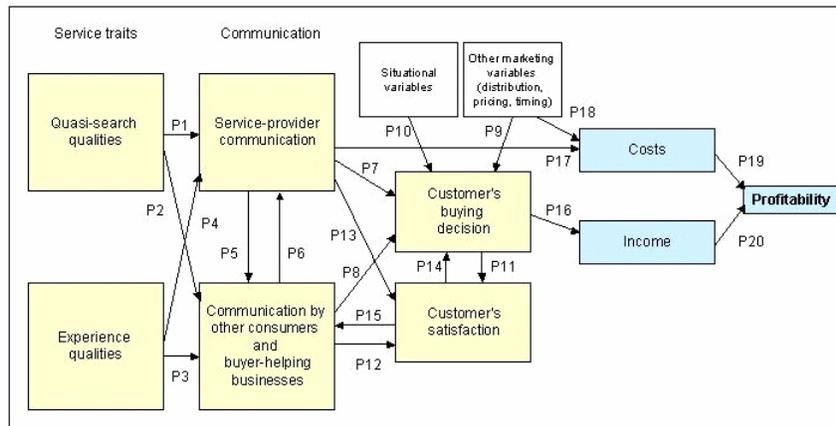
consumers' ability to assess the product's performance; search qualities and experience qualities (Nelson 1974; 1981)¹. New institutional economics, as a further development of traditional micro economics theory, mainly focuses on uncertainty with regard to environmental as well as market factors, stemming from a systematic and asymmetrical distribution of information amongst exchange partners (Eggertsson 1990). As a key approach to explain consumers' and companies' market-related activities and options, the distinction of search and experience qualities depicts the consumers' state of information with regard to a product's attributes. While search qualities are defined as those features or attributes that can be evaluated by the customer without personally consuming a market offer (e.g., the color of a car, the material of a couch, the working memory of a personal computer), experience qualities describe those features or attributes of a product that have to be experienced by the consumer before he or she is able to evaluate them (e.g., cleanness of the holiday apartment, quality of the meal in a restaurant, punctuality of a railway). As service innovations are very much characterized by experience qualities and an absence of search qualities, transferring this dichotomy into the context of services can help to better understand why some services are successfully introduced and others are not.

Most existing approaches that attempt to model the success factors of service innovations are (a) exploratory or data-driven instead of being derived from an established theory, and (b) take an aggregated (i.e., company-focused) perspective instead of putting the individual consumer at the center of analysis (e.g., Cooper and Kleinschmidt 1987; Martin and Horne 1993). When considering the individual consumer's buying decision as the key to a service innovation's economic success and drawing on the distinction of product characteristics from economics of information theory, the most important implication of the dominance of experience qualities in the case of services is that any prospective consumer has to find a way to overcome this state of being under-informed when choosing a specific new service against a variety of previously available alternatives. Basically, the consumer has two options to deal with this problem. First, the consumer can draw on service attributes that can be evaluated in advance and which enable the consumer to infer salient attributes. These qualities can be referred to as quasi-search attributes as they replace the transfer of an experience quality into a search quality. Second, consumers can rely on non-commercial information from people (e.g., personal friends, colleagues, relatives or acquaintances) that have already experienced the service and pass on their assessments to them. Alternatively, the consumer may be influenced by consumer experts like restaurant and book critics, travel agents, and product-testing agencies. Because of their impact on consumer decision making, these societal actors who "owe their very existence the filtering functions they perform" (Solomon 1988, p. 339) are referred to as "buyer-helping businesses" (Hollander 1974) or "imagery gate keepers" (Solomon 1988).

In Figure 1, a general framework of service innovations' success is presented that (a) builds upon the distinction between quasi-search qualities and experience qualities and (b) distinguishes between company-related and non-company related information sources as key determinants of the success of an innovative service offer. The consumer can learn about a service's quasi-search qualities either via the service provider's communicative activities (P1 in Figure 1) or via neutral information sources, i.e., other consumers or buyer-helping businesses (P2). Commonly used quasi-search qualities to overcome new services' lack of search qualities include service guarantees (Hart 1988; Zeithaml and Bitner 2000), the design of the servicescape (Bitner 1992), and the transfer of well-established service brands to new services (de Ruyter and Wetzels 2000). The latter represents a variation of the brand extension concept in which a new product is labeled with an existing popular brand name (e.g., Sharp 1993). When introducing a new good, the point of reference can either be a product brand (e.g., Pringels or Pampers) or a company brand (i.e., company's name, e.g., Ford or Heinz), whereas in the case of service innovations, the corporate brand is regularly used for feasibility reasons. The mentioned lack of search qualities as to services makes it relatively more cost-intensive to introduce a new service than a good, a fact that diminishes the advantages of product branding (i.e., no negative irradiation effects, independent branding strategies).

¹ This dichotomy has been extended by Darbi and Karni (1973) for a third kind of product characteristics, i.e., credence qualities, which can not be assessed by the customer even after he or she has bought the product. This third kind of qualities is of no specific relevance for the purpose of this study and is consequently not considered in the following.

FIGURE 1
A General Framework for Service Innovations' Success



Although consumers and buyer-helping businesses may also make quasi-search qualities the subject of discussion, their focus is clearly on experience qualities (P3). This is due to high credibility and trust which consumers tend to associate with information as well as articulations of critics passed on through word-of-mouth (Westbrook 1987). Service providers can also try to make experience qualities the topic of their communicative activities (e.g., by using testimonials who report on a service's 'performance'; P4 in Figure 1), however, this tends to be less effective due to the lack of neutrality and credibility. Both types of communication (i.e., service-provider communication and neutral communication) are not independent because (a) word-of-mouth and critics' comments are not limited to the service provider's performance but can also include its advertising measures (P5), and (b) evaluations of the new service by 'neutral' institutions (e.g., customers, product-testing agencies) can be integrated in the service providers communication strategy (P6).

The customers' buying decisions in favor of an innovative service determine its market success. Customers' buying decisions are based on information about the existence and quality of the new service which are transmitted via the service provider's communication activities (P7) or non-company communication (P8). Despite the existence of other marketing variables, which influence the customer's evaluation of the service (distribution, pricing, timing of market entry; Lilien and Yoon 1990; P9), and situational factors (P10), communication can be seen as crucial for the diffusion of a new service. The first-time customer's decision to visit the service provider repeatedly (or to not come again) depends mostly on his or her degree of satisfaction with the service provider and, closely related, the perceived quality of the service (Rust and Oliver 1994; P11 and P14). According to the expectations-disconfirmation paradigm of customer satisfaction (Erevelles and Leavitt 1992), the customer's level of satisfaction depends not only on the perceived service quality, but also varies with the customer's expectation toward the service innovation. The expectations mainly depend upon the service provider's and neutral information the customer receives before consuming the service for the first time (P12 and P13, respectively). In return, consumer service satisfaction strongly influences the way in which service experiences are shared with other prospective customers (Anderson 1998; P15). A service's income figures directly depend upon consumers' buying decisions (P16) while service provider's costs are influenced by communication and other marketing variables (P17 and P18). It goes almost without saying that both costs and income determine a service innovation's profitability (P19 and P20).

In the following the developed general framework of service innovations' success is applied to a single service sector, namely to motion pictures. Based on the general framework, insights into the determinants of a motion picture's success and their inter-relationships are derived. Before this is done, some background information is provided on the specifics of motion pictures and their service characteristics as well as on the state of research on motion pictures' success.

THE CASE OF MOTION PICTURES: AN APPLICATION AND CONCRETIZATION OF THE GENERAL FRAMEWORK

The Marketing of Motion Pictures

Producing and promoting motion pictures is a capital-intensive and extremely risky management task. The average production costs of a US studio picture today are \$53.4 million, rising to \$75.6 million when marketing expenses are included (Fleischhauer and Müller v. Blumencron 1999). James Cameron's *Titanic*, the most expensive motion picture in history, had a production budget exceeding \$200 million². As well as being cost intensive, motion pictures are inherently high risk investments, but with potentially very high returns. For example, *Titanic* is also the most successful movie in history, generating worldwide box-office takings of about \$1.8 billion, not including revenues from subsequent forms of commercial exploitation (e.g., video rental and sales, free and pay TV rights, merchandising). However, other cost-intensive motion pictures (e.g., *Heaven's Gate*, *One from the Heart*, *Ishtar*, *Pirates*) pulled in considerably lower revenues and managed to earn only a fraction of the money invested³.

At the same time, existing knowledge on the reasons for the success or failure of motion pictures is limited. "Film industry experts know little...about the audience for this medium in general, less about the audience's movie selection decision process, and even less about the process they use to choose film over other activities" (Austin and Gordon 1987, p. 12). Similar things can be said with regard to the state of motion picture-related marketing theory. The few existing studies on motion pictures' success often have the character of partial analyses that examine the effect of individual determinants on the success of motion pictures. For instance, the effect of Academy Awards and critiques on box-office takings is examined (e.g., Dodds and Holbrook 1988; Eliashberg and Shugan 1997). A rare exception is the econometric approach taken by Sawney and Eliashberg (1996), who attempt to explain the overall success of a motion picture. However, the authors' model only includes box-office takings in the opening weeks as an explanatory variable; other product- and communication-related variables are not considered. Consequently, there is a need for an integrative approach extending the existing knowledge on motion pictures' success.

Interpreting Motion Pictures as Service Innovations

Despite the fact that both the production and storage of a motion picture miss the aspects of customer integration and immateriality, which are seen as critical for the definition of services, the process of screening the film to the paying consumer is a non-material event to which the *uno-acto* principle applies. At the same time, the screening is characterized by the presence of a group of people, and their behavior influences the perception and evaluation of the movie, i.e., there is at least some degree of customer integration in the experience. Therefore, the screening component of a motion picture clearly has a service character. Also, motion pictures are usually new products or innovations whose novel character is an important criterion which distinguishes them from subsequent levels of exploitation, such as DVD or television (Frank 1993). Motion pictures are generally characterized by a relatively short market presence when compared with other goods or service offers. We found that, on average, a movie is available to audiences in movie theatres for a period of eight weeks before it is forced out of the market by a successor. Movie theatre programs are therefore highly dynamic and constantly dominated by 'new products'. Consequently, motion pictures are considered here as an appropriate field of application for the general service innovations framework developed above.

Overview of the Motion Picture-related Framework

² Costs continue to follow a strong upward trend: "In 1987, we [the director Martin Brest and his team] made *Beverly Hills Cop* for about \$13 million. Today, doing exactly the same movie would cost us between \$65 million and \$70 million" (quote from Egger 1999, p. 12; quote has been back-translated from a German language translation of the original English).

³ *Heaven's Gate*: production costs of about \$44 million, box-office of about \$1,5 million; *One from the Heart*: production costs of about \$26 million, box-office of about \$1 million; *ISHTAR*: production costs of about \$55 million, box-office of about \$7.7 million; *Pirates*: production costs of about \$31 million, box-office of about \$1 million. The failures of *Heaven's Gate* and *One from the Heart* even resulted in the bankruptcy of the respective production companies. On average, only every third American motion picture manages to generate a profit.

This application and concretization of the general framework is mainly based on a review of the literature on consumer behavior with regard to motion pictures. To ensure expert validity of our findings, qualitative in-depth interviews were conducted with industry insiders from Germany, i.e., a movie consultant (Pkay Krieg, Screenline GmbH), a movie director/producer (Tom Tykwer, X-Filme), and a marketing manager responsible for film distribution at Germany's largest movie theater chain (Dirk Felsmann, CinemaxX AG). These mainly exploratory interviews took place in Lübeck, Berlin, and Hamburg and were largely unstructured. This was deemed acceptable since the purpose of our study is model development, not model testing (Churchill 1991). Each of the three interviews had an average length of two hours. In the following, the insights gained from the interviews are not reported separately, but integrated in our argumentation.

In addition to those factors related to the movie itself, there are others that influence the consumer's decision to visit a particular movie. These factors include the technical standard of the movie theater, the socio-demographic structure of the audience and the social environment of the consumer (e.g., preferences of friends, colleagues, etc.). In this article, however, these factors are not considered as the focus is on movie-related factors. This selection is primarily based on the supposition that the influence of the movie theater on the consumer's decision is diminishing due to the increasing standardization of theaters in terms of equipment (e.g., THX sound and picture certificates; Jowett and Linton 1989).

It must finally be added that, for the sake of focus, the object of analysis has been defined in three ways. First, the focus of the following is on the behavior of moviegoers in western civilizations, e.g., the US, the UK or Germany. The authors believe that the arguments presented will also have some relevance in other parts of the world (e.g., Australasia, Africa), but cultural, political or other differences may mean that some parts of the framework developed might not be globally applicable without modification (e.g., Norden and Wolfson 1986, who illustrate the culture-related differences between US and Chinese students with regard to the interpretation of motion pictures). Second, the article centers on motion pictures regularly referred to as 'mainstream' or 'Hollywood' movies, i.e., movies that are produced for a mass audience by a commercial production company and where the main objective is to earn money (Austin 1989; Wallace, Seigerman, and Holbrook 1993). Third, exploitation levels subsequent to the screening of a movie in movie theaters such as video or DVD releases and TV screenings are not considered in this study.

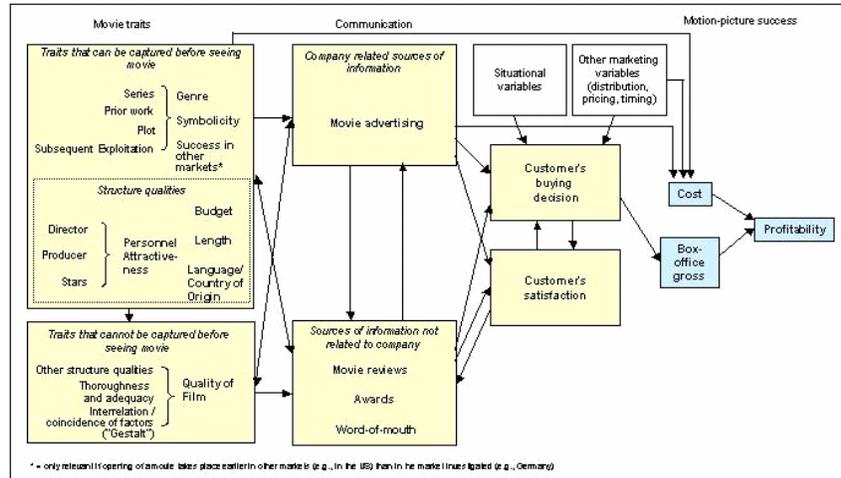
Drawing on the general framework of service innovations' success, we distinguish between two basic groups of determinants of the economic success of a motion picture; movie traits and motion picture-related communication. Movie traits, as a concretization of the general category of service traits, describe those attributes of a movie that are relevant for the decision of consumers to watch this specific movie (Jedidi, Krider, and Weinberg 1998). Depending on their influence on the behavior, movie traits can be distinguished into: (a) factors that moviegoers can comprehend before watching a movie and (b) those they can only comprehend after watching it. The first category represents quasi-search characteristics, through which the consumer tries to evaluate traits he or she is actually unable to evaluate without having seen the movie him- or herself. It can be postulated that the factors genre, symbolicity, attractiveness of personnel, budget, and success in previous exploitation levels (i.e., foreign markets) are particularly relevant to consumer behavior. The second category contains motion-picture experience qualities, which are not accessible prior to watching the movie. This is especially the case for the movie's overall quality. Motion picture-related communication stands for the discussion of the motion picture and its various elements by different social institutions. Communications play a mediator role between movie traits and movie-related consumer knowledge and decision making. Important types of communications include; the distributor's and producer's movie-related communications (hereafter referred to as movie advertising), movie reviews, awards, and viewers' word-of-mouth activities. The movie-specific framework also includes the film distributor's pricing and distribution measures. However, the impact of these two variables is limited because price differentiation of movies rarely exist and a segmentation of movie theaters is also not practiced. In accordance with our framework, pricing and distribution of movies are not investigated in more detail in this article.

With regard to motion-picture success as the outcome variable of the framework, great importance is attached in the movie industry to the numbers of moviegoers and the box-office gross (i.e., income figures) as well as to a motion picture's profitability. These two goals are closely linked, but can also result in strategic conflicts when it comes to resource allocation issues. For example, the movie *Blair Witch Project* with US box-office takings of about \$130 million competed with George Lucas' *Star Wars: Episode I* (box-office takings in the US: approximately \$700 million) for the

title of the most successful movie of 1999. Due to its much lower production costs, the profitability of Blair Witch Project was 400 times that of Star Wars: Episode I (Vahabzadeh 1999)⁴.

As an application and concretization of the general framework of service innovations' economic success, Figure 2 describes the framework for the factors determining the success of a motion picture. The elements and relationships of this specific framework are elaborated in the following sections, and propositions are formulated for each element of the framework.

FIGURE 2
A Framework for Motion Pictures' Success



MOVIE TRAITS

Movie Genre

Given the range of possible contents and formats, a movie's genre provides the consumer with a first, and often significant, reference point (Austin 1989). Consumers use basic dramaturgic and aesthetic patterns to roughly classify motion pictures. Common movie genres are action movies, drama, comedy, horror, westerns, and science fiction. At the same time, no formal classification of movie genres exists and movies regularly conform to more than one genre. Accordingly, the movie genre must be regarded as a highly complex concept (Austin and Gordon 1987).

The consistency within a genre allows the viewer familiar with the rules determining genre to infer motifs as regards content and structure, without having to watch the movie (in its entirety) in advance. Furthermore, certain atmospheres and feelings are closely associated with particular genres. For example, a feeling of freedom and manhood is associated with the 'lonesome cowboy' riding into the sunset in a western, or a feeling of fear is associated with a horror movie. With regard to a movie's success, it can be assumed that the audience feels more attracted to certain motifs than others, and the choice of genre is therefore a key decision criterion for the consumer. "The idea that movie audiences do have movie type preferences is widely acknowledged" (Austin and Gordon 1987, p. 14). Empirical research by Wallace, Seigerman, and Holbrook (1993) shows a significant impact of genre on box-office results. At the same time, the production costs of a movie vary from genre to genre. For example, production costs for costume dramas or science fiction movies might include the creation of opulent sets, and today's action movies usually require cost-intensive special effects.

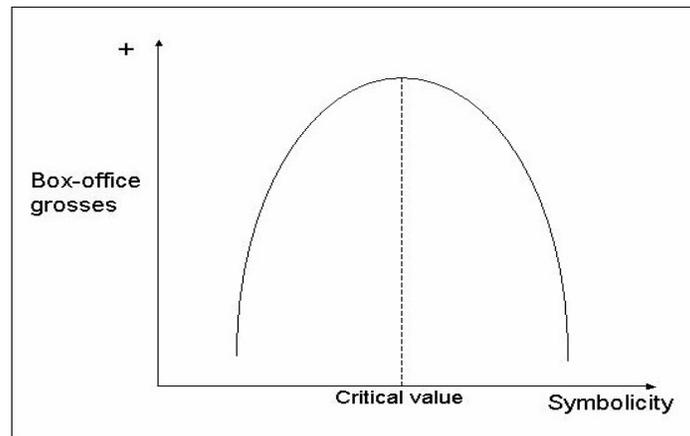
⁴ Movie production also has several non-economic goals that reflect, for example, a movie's artistic and cultural value to a society, but which are beyond the scope of this article (see, for example, Monaco 1977).

Proposition 1: The movie's genre influences the movie's success by impacting on both box-office gross and production costs.

Symbolicity

Symbolicity is defined here as a movie's potential to be categorized into existing cognitive categories by consumers (i.e., scripts or semantic memory; Tulving 1972) to which the consumer has positive associations. The difficulty of such cognitive processing and retention varies with both the complexity of movie-related information and the movie's closeness to products which the consumer likes and is familiar with⁵. A negative effect on movie success can be expected with an increase in a movie's complexity in terms of content and visual presentation. In contrast, an easily comprehensible and communicable movie concept is likely to reduce perception and behavioral barriers. At the same time, due to the fact that a basic requirement of moviegoers is that a newly released motion picture is innovative and comes with an associated surprise factor, the relationship between symbolism and box-office results is not expected to be positive for all parts of the function, but only up to a critical value as illustrated in Figure 3. When this value is exceeded, a higher degree of symbolism can cause the customer to feel bored and to dismiss the movie as predictable.

FIGURE 3
Relationship between Symbolicity and Box-office Grosses



This cogitation is related to the psychobiological approach as part of the aesthetics literature, which sees the hedonic value of an object as a function of the object's arousal potential (Berlyne 1971). Based on neurobiological considerations, this theory postulates that the arousal potential-hedonic value function has an inverse U-shape, with low as well as high degrees of arousal leading to a limited hedonic value or feeling of indifference (i.e., 'Wundt curve'). Integrating these findings with the concept of symbolism, one could conclude that if a movie's symbolism is beyond the critical value mentioned above, the movie's arousal potential is limited, i.e., causing a decrease in the movie's hedonic value (which is similar to the level of attractiveness associated with a movie). In other words, the prospective moviegoer is not attracted by a movie due to an extreme degree of familiarity and experience with the movie's symbols.

The central elements of a movie's symbolism are; a relationship to prior works, being part of a series (of movies), the ability to easily communicate the movie's key benefits, and the possibility of independently merchandising and promoting certain elements of the movie. The first two elements can be explained with the brand extension concept (de Ruyter and Wetzels 2000). Prior works refer to other areas of culture including myths and sagas (e.g., Robin Hood), fairy tales (e.g.,

⁵ As one reviewer mentioned, the movie's genre also helps the consumer to categorize the movie and some of the factors discussed in this section may be interpreted as 'sub-genres'. However, the main difference is that while symbolism refers to the 'title level' of an individual movie and has a lot in common with a movie's branding, genre is a more abstract concept. Nevertheless, a dividing line is hard to draw and is of course a measure of degree.

Cinderella), literature (e.g., Hamlet), comics (e.g., Superman), musicals (e.g., West Side Story), stage plays (e.g., Oleanna), TV shows and TV programs (e.g., The X Files), and computer games (e.g., Tomb Raider) or societal elements like topical events (e.g., Thirteen Days), historical incidents (e.g., Saving Private Ryan) and people (e.g., JFK) used as the theme of a motion picture⁶. These works can give the consumer an idea of a movie's content and also, depending on the prior works' closeness to the movie, of the formal conversion between the two. For example, the movie Mission: Impossible is based on a television series and draws on the theme music and various routine elements from this series to make optimal use of series-related symbolicity. From a brand-extension perspective, an established TV-series brand is used here as the point of reference for the introduction of a new motion picture. A 'fit' must exist between the original work and its transfer into a film. The effectiveness of this fit depends less on the topic of the original work but on the degree of 'cinematicity'. For example, while the TV-series Ally McBeal is hard to imagine to function as a motion picture due to its multi-personal and episodic character, Stephen King's as well as John Grisham's novels are widely known as being written in a cinematic way.

Affiliation to a movie series (e.g., James Bond, Rocky, Alien) offers clues that enable the moviegoer to perceive and evaluate a movie in advance. In contrast to relationships with prior non-movie works, the transfer of product knowledge within a movie series requires relatively little cognitive effort from the consumer, because no transfer from one medium to another is necessary and respective cognitive categories already exist. Hence, the fit between the existing brand name and the new service's brand name is greatest in the case of a movie series. Here, the series title functions as a quasi umbrella brand used for brand extension purposes. Remakes (e.g., Psycho, The Thomas Crown Affair, Shaft) and re-releases of a (possibly slightly modified) movie (e.g., Close Encounters of the Third Kind, Star Wars) also have similar reference points. While re-releases, from an innovation perspective, represent a kind of strategic relaunch or re-positioning of a motion picture, remakes exploit the reputation of an existing movie with the same title and can be interpreted as 'me-too services'.

A succinct plot also increases the symbolicity of a motion picture. A movie's plot can be considered succinct when it can be reduced to a limited number of key scenes. Its succinctness can be increased by any image that manages to attract the attention of a broad audience (e.g., the computer-animated dinosaurs in Jurassic Park). In this context, we have to bear in mind that a plot's success potential is also determined by its compatibility with the zeitgeist (Kapsis 1991). "What explains the success of [Titanic]? It certainly lets two of today's most intense social currents collide. On the one hand, disaster fantasies, millennium fears and a longing for death in an era of late capitalism, from which there seems to be no escape or alternative. On the other hand, the longing for some overwhelming feeling, some great love to compensate for all the lost fights for freedom and our emotional regression" (Seeßlen 1998, p. 8)⁷.

The independent commercial potential of certain movie elements can sometimes contribute to increased public recognition of the movie and its attribution to a particular cognitive category. Such elements can include symbols and logos (e.g., the Batman emblem) or theme music (e.g., the title song from Titanic, the easily recognizable title theme from The Good, the Bad, and the Ugly). Regarding music elements, production companies have recently started to get popular artists to release songs from a movie's soundtrack prior to the appearance of the movie itself (e.g., the song Beautiful Stranger performed by Madonna from the movie Austin Powers: The Spy Who Shagged Me)⁸. In addition to soundtracks and merchandising products like toys promoting the film's logo, a high potential for independent commercialization is seen in the existence of cross-sold products such as books and posters (Blum 1992). Although such arrangements might create additional income, this is usually a secondary consideration from a marketing standpoint. "The primary motivation for producer-

⁶ In the case of Clue, Hollywood proved that even a traditional board game can be transferred into a motion picture – "complete with three alternate endings exhibited at different locations across the country" (Jowett and Linton 1989, p. 24).

⁷ Quote has been translated from the German language original by the authors.

⁸ Sometimes, the pre-released song is not part of the main feature but can only be heard during the credits, which indicates that it has been included specifically to induce higher symbolicity.

distributors to enter into merchandising and tie-in arrangements is the promotional value they have for their movies" (Jowett and Linton 1989, p. 63).

Proposition 2: A movie's symbolicity (i.e., the existence of prior works, an affiliation to a movie series, a succinct plot, the potential for independent commercialization of key movie elements) positively influences box-office grosses. When a critical level of symbolicity is exceeded, then the positive impact becomes weakened by the lack of surprise and innovativeness.

Success in Previous Exploitation Levels - Information on a movie's box-office success or failure in foreign markets is another factor influencing the behavior of patrons. Unlike other movie traits mentioned in this article, this trait is created after the shooting and editing of the movie⁹. Success in foreign markets is particularly important for our understanding of movie success outside the US. Due to the global dominance of US movies, their domestic box-office grosses play a key role when they are released in other countries. However, the success of a non-US motion picture in its home country can, in turn, also be helpful at the US box-office, as was recently the case with the German movie *Run Lola Run*. The media and customers use the success of a movie as an indicator of quality, and soon divide these movies into 'winners' or 'losers'. The advent of global markets and the concomitant communicative interrelatedness of the different national markets draws the attention of moviegoers to motion pictures as soon as they open in their respective home country. At the same time, there is a danger that 'failed' movies can quickly become stigmatized (e.g., Kevin Costner's *Waterworld*).

Proposition 3: If a movie has already opened in other countries, then the movie's box-office gross is positively influenced by the movie's success in these other countries.

STRUCTURE QUALITIES

Attractiveness of Personne

Motion pictures are the outcome of the work of numerous individuals. These people, in a similar way to other service providers, are sometimes visible to the customer (on-stage or boundary-spanning personnel, i.e., actors) and sometimes invisible (backstage personnel, such as the director, producer, or cameraman) (Austin 1989; Chase and Tansik 1983)¹⁰. It is reasonable to expect potential customers to partly base their movie-related expectations on the names of the individuals involved in the making of the movie. The overall attractiveness of a movie's personnel is mainly based on the popularity of three groups: stars, directors, and producers.

Stars differ from the much larger group of prominent actors through their economic impact. "[Sharon Stone] is a celebrity, she has a big name and that helps sometimes....but she is not necessarily a box-office star. If Tom Cruise appears in a movie...then it becomes a huge success. That is a real star" (Bill Mechanic, former CEO of 20th Century Fox, quote from Müller v. Blumencron and Huetlin 1999, p. 102)¹¹. Like the title of the movie, information on a star's presence in a movie serves as a branding function which helps to reduce consumer uncertainty. In a similar vein, Albert (1998, p. 251) notes that "stars are important ... because they are the least noisy and most consistent marker for successful film types. And because of this they have not only drawing power, but also 'marking power'." Unlike most other services, the 'star brand' represents a kind of branded ingredient of the movie, made possible through the material character of the pre-produced

⁹ However, even some of the traits mentioned before are not as unchangeable as it seems. James L. Brooks movie *I'll Do Anything* gives a good example for the ability to change a movie's genre after the production process is (nearly) finished: the movie was originally filmed as a "musical", but re-edited and released as a "comedy" (without songs). Blake Edward's insider-satire *S.O.B.* tells the story of a musical that is finally marketed as - a sex film.

¹⁰ "[The producer, director and star Clint Eastwood] is very conscious that movies are a collaborative medium, which is why he does not take a proprietary credit when he directs ('a Clint Eastwood film')" (Schickel 1996, p. 15).

¹¹ Quote has been back-translated from a German language translation of the original English.

film. This effect can be compared to the inclusion of branded ingredients in consumer goods such as personal computers (e.g., microchip from Intel)¹². Similar to a brand name that stands for a constant package of quality characteristics, the participation of a star in a movie is viewed as an indicator that the whole movie attains a certain standard (Arnold 1992). Some empirical studies have been carried out that try to quantify the impact of a star's participation in a movie on that movie's economic success (Albert 1998; Kindem 1982; Wallace, Seigerman, and Holbrook 1993). Although the studies differ in the way they handle measurement and sample selection, they come to a common conclusion that about 20 percent of box-office grosses can be explained by star power. However, these results are somewhat limited as a necessity can be seen to differentiate the impact of stars on box-office with regard to several factors, including the movie genre and the degree of 'type-casting' (i.e., the similarity of the star's role with his or her previous roles)¹³.

Moreover, as a movie's screenplay usually incorporates several characters or roles, more than one star may be engaged which involves the problem of interaction effects. For example, although Arnold Schwarzenegger and Dustin Hoffman both have a remarkable degree of star power, casting them as co-stars will influence their respective names' impact on the movie's success. While fans of Schwarzenegger might be irritated by the participation of the more subtle actor Hoffman and might stay away from the movie as they fear it is too 'arty', Hoffman's fans might doubt the movie's seriousness due to Schwarzenegger. The interaction effect can either increase or decrease the sum of the participating stars' star power depending on the respective combination of actors in a movie.

If we think about profitability, then we should note that today's stars account for the highest production costs. The royalties of the actors starring in the movie Lethal Weapon 4, for example, amounted to \$50 million, of which the main actor, Mel Gibson, received half (Vahabzadeh 1999). This indicates that stars influence motion picture success in both directions; a positive impact on box-office takings can be expected, but the higher costs associated with more attractive personnel have a negative impact on profitability. "When a star rakes in a bunch of money it is good for him but bad for the system. The millions actors, directors, cartoonists and the advertising industry draw off, we [the studios] miss" (Bill Mechanic, quote from Müller v. Blumencron and Huetlin 1999, p. 100)¹⁴.

The director is usually considered the most important person during the shooting of a motion picture. As the project's artistic head, he or she tries to realize his/her vision of the movie by coordinating the actors and technical staff and equipment (Schröder 1995). For the audience, the director's performance is much more difficult to evaluate than that of the actors because the director's work is 'invisible'. Given that the director bears most of the responsibility for the final product, the director's performance can be inferred from the movie's quality. Accordingly, the director's previous successes are sometimes stressed in movie advertisements; Titanic, for example, was initially advertised using the slogan "*From the director of True Lies*". As is the case with stars, a director's fame involves additional costs that can diminish the profitability of a movie.

Producers finance a movie's production and because of this great financial responsibility, they tend to have far-reaching control over production-related aspects, such as the so-called 'final cut'. This influence on a movie is mostly even less recognizable to audiences than the influence of the 'invisible' director. In those cases where producers exert a strong influence over their movies' style (e.g., Jerry Bruckheimer, producer of Top Gun, Armageddon, and Pearl Harbor), an influence on consumer decision-making behavior is possible and also supported by the movie industry through appropriate communication activities. To the best of our knowledge, directors' and producers' impact on movie success have not been empirically studied so far.

Proposition 4a: The popularity of stars positively influences a movie's box-office gross.

¹² Although this is not the case with the majority of other services, the use of branded ingredients can also be found at some other services, e.g., a car repair communicating the use of spark plugs by Bosch.

¹³ See Derbaix and Sjöberg (1994) who have analyzed the stability of moviegoers' preferences with regard to movie stars.

¹⁴ Quote has been back-translated from a German language translation of the original English.

Proposition 4b: The popularity of a director positively influences a movie's box-office gross.

Proposition 4c: The popularity of the producer(s) positively influences a movie's box-office gross.

Budget

If we consider the impact of budget size on success, then we can discern two possible effects. Firstly, potential consumers view a movie's budget as an indicator of quality, since the budget indicates whether the producer has the resources to turn an idea into convincing reality through acting, artistry, and technology. This indicator function is likely to be particularly true in capital-intensive genres, notably action and science-fiction movies. Secondly, production costs are an indication of the economic potential of a movie, as perceived by the producer(s). An investment of \$123 million in a movie like Godzilla, for example, is an expression of the financial backer's expectation that the movie's story, cast and crew is attractive enough to generate the necessary earnings and return an appropriate yield. It should also be noted, however, that the budget has, of course, a direct negative impact on profitability.

Proposition 5: The size of the budget positively influences a movie's box-office gross.

Language, Country of Origin, and Movie Length

In addition to personnel and budget issues, some additional structure qualities exist that are also available before seeing the movie and are consulted by a number of potential visitors to 'get a picture' of the movie. These factors include the language spoken in the movie and, closely related, its country of origin as well as the movie's length. With regard to the language of a movie, conventional wisdom tells us that viewer's acceptance of a movie in the US is limited when the original language is not English, i.e., the film being either subtitled or dubbed (e.g., the 'dollar-trilogy' by Sergio Leone). Consequently, a remake is often considered more lucrative than dubbing a movie or adding subtitles (e.g., Spoorloos, the Netherlands/The Vanishing, USA; Trois hommes et un couffin, France/Three Men and a Baby, USA). Until recently, no so-called foreign language films grossed more than \$10 million in the US and Canada together. However, the hugely successful Mandarin language film Crouching Tiger, Hidden Dragon (with box office incomes exceeding \$127 million) proved that, despite having a non-English audio track (which usually prevents many consumers from seeing such a film), no such general rule exists. In several non-English speaking countries the (original) language of a film is less important, as dubbing a movie (e.g., Germany, France) or adding subtitles (e.g., Netherlands, Denmark) are widely accepted by a majority of moviegoers. A movie's country of origin is related, but not limited, to the language spoken. Some countries' motion pictures are associated with having a specific style or kind of narration that is more or less attractive for consumers. For example, French movies are expected to be arty rather than 'merely' entertaining (Ungureit 1994). The attractiveness of the country-specific style influences the movie's success. With regard to the length of a movie, critical thresholds exist instead of a simple linear regression model. This is because a movie's length is usually not visible to a prospective customer unless and he or she has to pay a price premium due to the movie's overlength. Apart from the financial aspect, a significant number of consumers are not willing to spend more time than what can be regarded the 'critical length' in the movie theater. This critical length can not be easily assessed but varies with regard to the respective country and the movie genre. Additionally, if the critical length is exceeded, a movie's overlength reduces the number of screenings per day, i.e., its box-office potential (Felsmann 1998). However, the impact of film length on success again must be seen in perspective as Titanic, i.e., the most successful film of all time, runs more than three hours.

Proposition 6a: In the US, movies filmed in English are more successful at the box-office than subtitled or dubbed films. In other countries, a film's language is less important.

Proposition 6b: The attractiveness of the style associated with a movie's country of origin has an impact on the movie's box-office success.

Proposition 6c: Exceeding a 'critical length' negatively influences the movie's box-office gross.

Quality of the Movie

A movie's box-office gross is an important component of economic success but it is only partly based on quasi-search qualities. In addition, the movie's experience traits summed up by the aesthetic quality of the movie play a key role in terms of success and are a subject of discussion through different forms of communication (e.g., movie reviews, consumer word-of-mouth)¹⁵. The exploratory findings of Wallace, Seigerman, and Holbrook (1993), who use reviewer judgements to operationalize a movie's aesthetic quality, support this assumption. Except for movies with very low quality levels, the authors found that quality had a positive impact on box-office results worth up to \$24 million in additional income.

The aesthetic quality of a motion picture is based on the process of transformation of structure qualities into outcomes (Donabedian 1980). With regard to this transformation process, important structure qualities include, among others, the movie's personnel and the budget. The relevance of the structure dimension for the aesthetic quality of the outcome can be exemplified by looking at the two movies L.A. Takedown and its remake Heat. Although the two movies have an almost identical story and are even directed by the same person, Michael Mann, reviewers unanimously agree that Heat is the 'better' movie (i.e., of higher quality). This judgement can be attributed to a higher budget and the attractiveness of the movie's personnel (the stars Robert De Niro and Al Pacino played the roles originally taken by the relatively unknown actors, Scott Plank and Alex McArthur). "It is striking and enlightening to see how the same scenes win substance, or only work, when they are filmed with the necessary budget, when actors like De Niro, Pacino...breathe life into the characters" (Schnelle 1996, p. 29)¹⁶. In addition to those structure qualities which can be captured by the consumer before seeing the movie (i.e., quasi-search traits), some structure qualities also exist that are not used as quality indicators by consumers, e.g., the script of the movie, its camerawork, the costume design, and the movie's special effects.

There are two key issues that largely determine the success of the transformation process. On the one hand, a movie's aesthetic quality is determined by the thoroughness and adequacy with which the personnel involved work and integrate their respective potentials. All those participating must be motivated to the extent that they devote themselves entirely to the project - a condition not necessarily met in every case. For example, the actor Harrison Ford reports having been extremely dissatisfied at working conditions during the post-production phase of the movie Blade Runner: "*I had never read this material before. I had no chance to participate in it, so I simply read it. I was very, very unhappy with their choices and with the quality of the material*" (quote from anonymous 1999b).

On the other hand, we know from Gestalt psychology that the whole can be more, as well as less, than the sum of its parts and that numerous individual factors influence an object's quality (see, for example, Katz 1951). Transferred into the field of movie production, Gestalt psychology teaches us that a movie can fail despite the participation of highly talented actors and a rigorous script, simply because the various components may not fit together and no synergies can be realized. Taking the case of Brian De Palma's Bonfire of the Vanities as an example, Tom Hanks is seen by many viewers and critics as rather unconvincing, playing a Wall Street yuppie (i.e., no fit between story and cast), which reduces the movie's overall aesthetic quality. The relevance of this Gestalt aspect is often neglected, because today "the stars and directors for expensive movies are contracted well before the script is completed - simply on the basis of a good idea. And then, of course, the shooting of the movie begins while the usual team of authors is still working on the script. No matter whether the idea has come to something" (Vahabzadeh 2000, p. 13)¹⁷.

¹⁵ The definition of the construct of aesthetic quality depends upon whether a subjectivist or objectivist perspective is taken. As Schindler, Holbrook, and Greenleaf (1989, p. 422) argue "the subjectivist view holds that beauty lies totally 'in the eye of the beholder' and is thereby consistent with the wide differences that exist between different people's tastes. By contrast, the objectivist view holds that there are esthetic absolutes or universals that make some artistic works inherently more beautiful or higher in esthetic value than others." In our study, we take an objectivist position.

¹⁶ Quote has been translated from the German language original by the authors.

¹⁷ Quote has been translated from the German language original by the authors.

Proposition 7a: The aesthetic quality of a movie depends on structure qualities that are either quasi-search qualities or experience qualities. Moreover, the thoroughness and adequacy of transformation and the interplay of these factors influence the movie's aesthetic quality.

Proposition 7b: The aesthetic quality of the movie positively influences the box-office gross and profitability.

MOTION PICTURE-RELATED COMMUNICATION

Movie Advertising

Movie advertising tends to focus on conveying a movie's quasi-search qualities, such as symbolicity and the presence of stars¹⁸. In addition, attempts are sometimes made to use a movie's overall (or outcome) quality in advertising, through testimonials or statements such as "The funniest film this year", or "A film in the tradition of Angel Heart". Such a strategy can, however, cause credibility problems, particularly as numerous 'independent' information sources are also available to the consumer. An alternative is to use neutral or independent information in movie advertisements. These information include favorable movie reviews (e.g., the legendary 'two thumbs up' by Gene Siskel and Roger Ebert), movie awards and nominations, as well as consumer opinions ('testimonials')¹⁹.

Movie advertising extends the conventional product advertising pattern (sometimes referred to as "paid advertising" in the context of motion pictures; e.g., Kahn 1983) to non-paid advertising ('publicity') and movie-specific advertising measures. The publicity used to advertise a new motion picture is based on the interpretation of movies as cultural events considered as news-worthy by the media (Jowett and Linton 1989). It includes, among others, the free airing of 'making-of' featurettes, i.e., pseudo-documentary advertisements endorsed by the production company and filmed while a movie is being made. Featurettes are perceived as editorial background information by consumers (Friedman 1992). Advertising measures specific to motion pictures are especially movie trailers, which gain increasing importance in movie advertising. Consumers perceive trailers less as advertising but more as an opportunity to gain initial consumption experiences. Different empirical studies show the relevance of movie trailers for the development of customer expectations toward a movie (Austin 1989; Eastman, Bradbury, and Nemes 1985; Müller and Ceviz 1993). However, trailers can interfere with the movie itself by revealing the movie's secrets too early. "The trailer of [What Lies Beneath] thoroughly demolishes the surprises; if you've seen the trailer, you know what the movie is about... The modern studio approach to trailers is copied from those marketing people who stand in the aisles of supermarkets, offering you a bite of sausage on a toothpick. When you taste it, you know everything there is to be known about the sausage, except what it would be like to eat all of it" (Ebert 2000). Trailers can also negatively influence box-office grosses by creating misleading expectations and disappointment and, as a consequence, negative word-of-mouth.

With increasing Internet accessibility, electronic or virtual advertising is becoming more important. First, information and material can be offered for public consumption (movie trailers, screen savers, etc.; within the first five days of its release on the Internet, the trailer for Star Wars: Episode I had been downloaded more than 3.5 million times, and this total has since exceeded 10 million; Lucasfilm 1999). Second, the Internet offers a venue for innovative advertising strategies, as demonstrated in the case of the small-budget horror movie Blair Witch Project. Despite the absence of additional traditional advertising, Internet-based word-of-mouth led to a box-office gross of \$130 Million in the US and Canada. "Blair Witch Project is the clearest example of a new phenomena: the movie's success is not driven by conventional advertisements but by a website" (Graaf 1999)²⁰. Although the impact of advertising measures on box office is usually

¹⁸ For studies that investigate the impact of movie advertising on box-office grosses, see Prag and Casavant (1994) and Zufryden (1996).

¹⁹ Recently, Sony Pictures was proven to have invented a reviewer ('David Manning'), who was supposedly affiliated to an actual newspaper, The Ridgefield Press. Sony Pictures' aim was to enthusiastically praise some of its movie releases (Teachout 2001).

²⁰ Quote has been translated from the German language original by the authors.

positive as postulated in the next proposition, there is some danger of a "boomerang effect" of excessive advertising (Jowett and Linton 1989). This effect is based on the relationship between movie advertising and the expectation component of the moviegoers' satisfaction. Daly (1980) reports that in the case of *The Great Gatsby*, the consumers' expectations were blown up by the marketing campaign to a level that the movie itself could never attain. "The audience might have .. been led to expect too much" (Daly 1980).

Proposition 8: Movie advertising positively influences a movie's box-office gross.

NEUTRAL INFORMATION SOURCES

Movie Reviews

Expert opinions are judgements given by independent professional movie critics and made available to the public through daily newspapers, magazines or electronic media²¹. Besides dealing with the movie itself, reviewers as a concrete type of the general category of "imagery gate-keeper", occasionally debate motion pictures' advertising campaigns (as illustrated above by the Roger-Ebert citation). Expert opinions are usually published shortly before a movie opens. For consumers, they are an aid in assessing a movie's outcome quality. However, the relevance of expert opinions is limited because many consumers think the critics' views are only partially compatible with their own preference system (Visarius 1998). Holbrook (1999) discusses the relationship between professional critics (and their expert judgements) and the 'popular appeal' of movies to ordinary moviegoers. He uses empirical data to show that the relevance of selected movie characteristics differs significantly between critics and the audience²².

Nevertheless, a link between expert opinions and a movie's box-office gross has been established both theoretically and empirically (Eliashberg and Shugan 1997; West and Broniarczyk 1998; Wyatt and Badger 1990). Eliashberg and Shugan (1997) arrived at the conclusion that such a relationship does not reflect the influence of expert opinions on viewer behavior (critics as influencers) but should rather be interpreted as the ability of experts to accurately predict movie performance (critics as predictors). However, Hennig-Thurau and Wruck (2000) showed empirically that both elements (to varying degrees) contribute to the relationship between expert opinions and box-office grosses. Like movie advertising, movie reviews also have an impact on customer expectations and hence the viewer's satisfaction with the movie.

Proposition 9: There is a positive relationship between expert opinions (i.e., movie critics) and a movie's box-office gross. Critics act as both influencers of opinion and predictors of a movie's success.

Awards

Awards are another independent indicator of the aesthetic quality of a motion picture. Awards are the result of a comparison of a year's movies and are a reward by the conferring institution for excellent performances. Awards imply a competitive perspective of the quality construct, whose relevance for customer behavior is illustrated in other service sectors (Dick and Basu 1994; Hennig-Thurau and Klee 1997). There are a multitude of such awards, but the Academy Awards (Oscars) given by the Academy of Motion Picture Arts and Sciences (AMPAS) clearly receive the greatest publicity and hence have the greatest potential influence on viewer behavior (Dodds and Holbrook 1988). The Oscars can be seen as "an institutionalized measure of movie quality" (Levy 1990, p. 330). The movie industry hopes that an award will boost demand for the movie receiving an award. Indeed, there is empirical support for this. Dodds and Holbrook

²¹ In addition to professional critics, numerous other movie reviewers exist that do not (or only partly) meet the criteria mentioned (particularly independence), because they more or less rephrase information provided by the movie's distributor. As their comments combine elements of "true" movie reviews and film advertising they therefore do not represent a success factor on their own.

²² However, his results are based on an evaluation of TV screenings, which involve different evaluative criteria to those relevant to movie theater screenings (e.g., age of film).

(1988) discovered that a best-movie award generates additional demand worth an average \$32 million. However, empirical investigations by other authors have not been able to confirm any significant influence of the Oscars on consumer decision-making (Austin 1989). Nevertheless, we postulate the following proposition.

Proposition 10: Awards, particularly the Academy Awards, positively influence a movie's box-office gross.

Word-of-Mouth

It can be expected that the success of a movie is determined to a large degree by the extent and direction of word-of-mouth (Austin 1989). Word-of-mouth can have both a negative and positive influence on consumer behavior. In general, word-of-mouth involves informal, non-commercial communication between consumers concerning positive or negative consumption experiences with regard to goods or services, including movies (Anderson 1998; Singh 1988). At its most intense, word-of-mouth involves a direct recommendation to buy (or not) a specific good or service. Interpersonal communication is significant to a movie's success because consumers tend to consider members of their reference groups (e.g., family, friends, or acquaintances) more credible than commercial sources of information (Assael 1987).

Since consumers tend to show a high involvement with movies, extensive word-of-mouth can be expected, which is reflected in the widespread discussion and expressions of relevant opinions found on the Internet. For example, by June 2001, more than 2,450 moviegoers had posted their subjective comments on, and reviews of, Star Wars: Episode I at the Internet Movie Database (IMDB 2001). As in the case of advertising and reviews, word-of-mouth can influence customers' expectations regarding a movie's quality.

Proposition 11: Positive word-of-mouth among moviegoers positively influences a movie's box-office gross. Negative word-of-mouth among moviegoers negatively influences a movie's box-office gross.

IMPLICATIONS AND CONCLUSION

Implications for Service Marketing and Innovation Theory

In this article, a framework is presented that tries to explain the success and failure of service innovations. The framework builds upon the specific character of services and the distinction of different kinds of attributes as discussed in the economics of information literature (e.g., Nelson 1974). Most basically, the consumers' inability to evaluate the service before consuming it (resulting from a lack of so-called search qualities or attributes) is crucial when introducing a new service. Consequently, the service provider has to find ways to ensure prospective customers that the service will be able to fulfill their needs. According to the proposed framework, this can be done by transforming experience qualities into what is called quasi-search qualities; i.e., service features consumers are able to evaluate in advance and that allow them to infer key experience qualities of the new service. The framework illustrates that communication on these quasi-search qualities and new service's experience qualities is crucial. Relatedly, the framework emphasizes the importance of neutral communication sources (and especially buyer-helping businesses) for the market success of a newly introduced service offer.

With this resolute focus on service creation and communication issues, the proposed framework complements existing service innovation models which tend to be adaptations of general innovation models, concentrating on topics like the timing of the market entry, the pricing of new products, or the product development process itself (e.g., Edgett 1994). The framework is intended to give new impulses to the general innovation literature in which business-to-business and consumer goods issues dominate, while service-related aspects are still under-researched in this stream of marketing theory.

Implications for Movie Marketing Theory and Practice

As an application and concretization of the general framework, several aspects important for the success of new motion pictures are pointed out. With movie traits and movie-related communication, two basic types of success factors are identified and their impact on a motion picture's success is explored, thereby increasing our understanding of the

determinants of the economic success of movies. By combining the various variables of the framework, which represent elaborations of the general categories, movie producers might be able to reduce uncertainty surrounding a movie's likely economic success. Essentially, the framework demonstrates that stars and other movie attributes are used by consumers as quasi-search qualities enabling them to evaluate the motion picture in advance. These indicators are relevant, provided no or little other information is available to the consumer during the opening week.

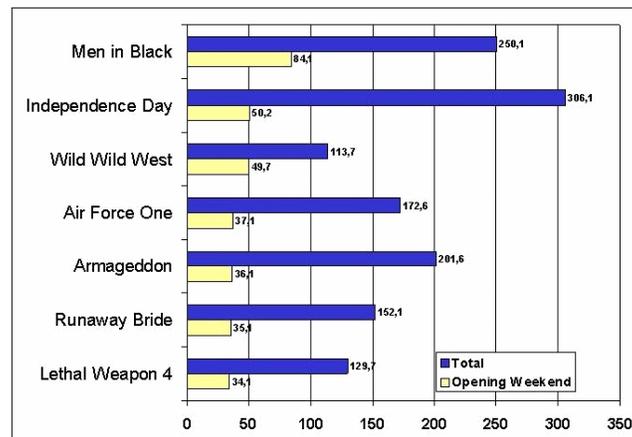
The importance of the different elements of the model must be differentiated with regard to a short-term and a long-term perspective of motion-picture success. As the number of screens on which a movie opens nation-wide is continually raised by movie distributors, a higher share of the success of a motion picture is earned in a relatively short period of time, especially in the opening weekend²³. This assigns an important role to quasi-search characteristics (e.g., symbolicity and especially the movie's brand) while experience qualities (e.g., interplay of the movie's components), which are only available through film critics' reviews, become less important. However, despite the growing opening-weekend grosses, the short-term success of movies is not a valid predictor of long-term success. This is illustrated in Figure 4 which lists the final box-offices grosses (US and Canada only) for different movies earning \$30 million and above on their opening weekend. For example, while *Independence Day* ended with a total income of more than \$300 million, *Wild Wild West* finalized with only \$113 million (Nielsen 2000). As a consequence, for a movie to become a long-term box-office success, quasi-search elements have to be complemented by an adequate overall or outcome quality which is communicated through viewers' word-of-mouth, among others.

Looking at more concrete implications of the applied framework for movie producers and distributors, the following insights on how to improve the effectiveness of their marketing can be drawn:

1. Influencing the perception of different success factors: Star power, but also quality, and elements of symbolicity are not 'objective' factors. Their strength is strongly influenced by communication activities. For example, producers might co-operate with TV stations and arrange for them to show old episodes of a TV series (i.e., increasing the symbolicity of a new movie release) or to feature movies starring the actor or actress playing a major role in the new movie (i.e., increasing the star power of the lead actor of a new movie). Producers might also undertake corresponding activities in co-operation with movie theaters.
2. Goal-directed marketing through accentuation of individual success factors when targeting certain segments (market segmentation).
3. Systematic management of the groups mentioned in the success framework: (1) Influencing the judgements of critics or the importance which the public attributes to these judgements. Here, alternative strategies - among others - might be to specifically internalize (through the provision of preliminary information) or externalize critics (by not showing previews). (2) Influencing the members of the Academy of Motion Picture Arts and Sciences. Indeed, in recent years some companies have distinguished themselves by an approach of innovative 'relationship management' before the Oscars are bestowed (notably Miramax for *Shakespeare in Love*, but also DreamWorks for *American Beauty*).

²³ For example, while *E.T. the Extra-Terrestrial* opened with 1,130 copies in 1982, *Pearl Harbor* was shown in 3,214 movie theatres at its opening weekend in 2001.

FIGURE 4
Opening Weekend Box-office Takings and Total US Box-office Takings (for Movies Opening in July)



Movie marketing may also need to take into account those aspects that were also subject of the framework, but not described and analyzed in detail in this article. In particular, the consumer's decision regarding whether to see a specific movie or not can be influenced by the production company through channel management. In treating movie theaters as channel institutions, movie producers try to optimize the selection of screens within theaters for showing their movie, and this can help to increase the movie's box-office takings significantly (Swami, Eliashberg and Weinberg 1999).

Finally, it should be noted that the framework developed here must not be misinterpreted as a 'golden formula' guaranteeing a movie's success. On the contrary, as mentioned earlier, one basic insight from innovation management also applies to movies, namely that those products and services with the highest degree of novelty (and risk) bear the potential for the greatest success ('really new products'; Urban, Weinberg, and Hauser 1996). Deviations from seemingly secure success patterns lead to the kind of surprises on the part of the consumer that make a movie a societal and social event, and sometimes a huge economic success. Therefore, there will always be a good chance that some producers will support risky and innovative projects.

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