Surfing the product life cycle: patterns of visible titles in the movie industry

Abstract

Cultural industries have captured an unprecedented level of attention both from practitioners and scholars from different disciplines (Panofsky 1982, Shapiro Varian 1999, Scott 1999, 2004, Thorsby 1994, Caves 2000, Howkins 2001, Cunningham 2005, Neff et al 2005). On the one hand, entrepreneurial dynamism and the explosion of available content have contributed to skyrocketing consumption level for music, videos, games and text. On the other, the market size for these products on the main traditional channels shows declining rates.

A striking feature of cultural products is the extreme difficulty to predict commercial performance of new titles, as these industries are prototypical in nature (Caves, 2000) and intrinsically dealing with the continuous creation and interpretation of new signs and symbols (Hesmondhalgh, 2002). Efforts by managers to reduce the impact of unpredictability (for instance, through sequels and use of already known artists) (De Vany, 2004) have a minor contribution to the predictability of results.

As these industries are characterized by an increasing overproduction, one of the biggest managerial challenges at new product launch is ensuring that it can be visible for as many people as possible, in order to stimulate snowball and herding effect in consumption patterns. This is particularly true for movies, whose production costs (and therefore the risk associated with them) are significantly higher than other cultural products.

In this paper, we are interested in understanding whether highly visible movie titles show similar life cycle patterns and whether the life cycle pattern determines the economic performance or reflects different types of business models.