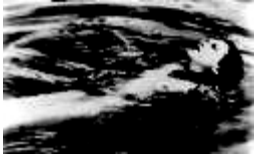


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Lighting Hollywood's Camera Obscura



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The screenwriter William Goldman famously explained Hollywood this way: nobody knows anything. He is right— up to this point. The decisions of Hollywood studios seem inexplicable to anyone who is not privy to what is perhaps their most carefully guarded secret: the breakdown of the money made from sources other than movie houses. Despite the tsunamis of back-stabbing and self-idolizing anecdotes about mini-moguls that all but drown the entertainment media, there is a Saharan dearth of information about actual cash flows from such after-markets as television networks, cable television, Pay-TV, and DVD sales.

If these numbers are obscure that is not accidental. Studios have no interest in providing a road map to their El Dorado to those who might want to claim a share of the gold, including talent agents, stars, producers, directors, writers, and equity partners. And, as of now, no regulatory agency requires divulging this information. So just as the studios keep their patrons in the dark in movie theaters, they keep their other audiences in the industry— and media— in the dark about the magnitude of these cash flows.

Once the lights go on— and I provide the numbers and breakdowns in [The Big Picture](#)— the studios' decisions not only are explicable but the business model is more relentlessly logical than those of many non-creative industries. They demonstrate that those who ask how the movie industry can possibly make sense are asking the wrong question. There is (no longer) a movie industry, there is an entertainment industry. Consider, for example, [Table I](#), in my book. The ticket sales from theaters, which had provided all the revenues in 1948, provided less than 20 percent of the studios' revenues in 2003 . Instead, home entertainment in the form of television, Pay-TV, DVD, and videos provided more than 80 percent of the studios' revenues in 2003. This tidal shift reflects this underlying reality: on any given night, less than 2 percent of Americans go to movie theaters while over 95 percent stay home to watch something on TV. Since the advertising and other marketing costs associated with DVD sales and television licensing are minimal, the six big studios earn a veritable ocean of bottom-line profits from this home market. These rich streams, which studios understandably prefer to keep private in their camera obscurae, have transformed the way Hollywood operates. Theatrical releases, despite the blinding allure they hold for the media, now serve essentially as launching platforms for licensing rights, much like the runways at haute couture fashion shows.

Even in the face of this forced march towards home entertainment, there are notable disconnects between the economic and social logic of the Hollywood community. See, for example, the [answer](#) to today's [Question Of The Day](#)– "Is movie sex an asset or a liability in Hollywood's economy today?"