

HOLLYWOOD

Studios struggle to rein in movie marketing costs



A billboard along Sunset Boulevard advertises "Angels & Demons," one of a dozen high-profile movies that studios together will spend about \$1 billion to market worldwide from May through August. Mel Melcon / Los Angeles Times

Film companies are taking such measures as hosting fewer lavish premiere parties and curtailing newspaper ads, but they're not making much of a dent because TV ad rates remain high.

By Claudia Eller
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You know times are getting tough in the movie business when an entourage of studio executives, instead of flying by private jet to Sacramento to attend a screening, is forced to ride-share -- to Chatsworth.

Universal Pictures, clamping down on costs, moved a test screening of its recent sequel "Fast & Furious" to the Los Angeles suburb from the state capital to save money on ferrying the executives and filmmakers out of town. Along with hosting fewer lavish premiere parties, curtailing newspaper advertisements and restricting the number of agencies that produce trailers, the Hollywood studios are struggling to get a grip on the movie industry's equivalent of the pork barrel earmark: marketing budgets.

And like an entitlement program that can't be axed, Hollywood isn't having much success. Despite a sharp decline in consumer spending and DVD sales that have long been the underpinning of the movie business, the studios are about to embark upon the costliest summer for movie marketing campaigns they have ever pursued. A dozen big-budget pictures are set to crowd into theaters over the short 16-week popcorn movie season, many with worldwide marketing budgets that will top \$100 million each.

Studio executives contend that if they want to get out the word to the public about their movies, they have to pony up.

From May through August, the studios will together spend about \$1 billion to market globally such high-profile titles as the "Da Vinci Code" follow-up "Angels & Demons"; "Transformers 2"; the sixth "Harry Potter" film; "X-Men Origins: Wolverine"; "G.I. Joe"; "Star Trek"; "Night at the Museum 2"; and "Ice Age 3." Because the summer movie season can account for as much as 40% of the year's box-office revenue, capturing as much of it as possible is crucial for the studios.

"Every film launch is a new-product release," said Adam Fogelson, president of marketing and distribution at Universal. "We can't jeopardize successfully opening these pictures."

Universal will open two costly "event" pictures this summer: "Land of the Lost," an effects-laden adventure comedy starring Will Ferrell, and "Public Enemies," a 1930s-era crime drama starring Johnny Depp.

One bit of good news is that the depressed economy has apparently not stopped people from going to movie theaters. Ticket sales are up 17.3% this year from a year earlier, and attendance is up 15.6%, according to box office tracking firm Media by Numbers.

As the studios have flooded theaters in recent years with an increased number of releases, they have been forced to spend more on marketing as they jostle for the attention of moviegoers. Although studios have begun to reduce the numbers of films they make and squeeze the fees they pay talent, marketing costs have largely escaped the scythe.

After falling from a peak of \$40 million in 2003, the average marketing cost for a studio picture popped back up again to \$36 million in 2007, the latest year for which data is available, according to Hollywood's movie trade association. Studio executives contend that marketing costs have only risen since then.

"It's a very difficult, competitive time," said Warner Bros. President Alan Horn. "The amount of money that studios spend on a cumulative basis has escalated substantially, and it's an obvious target for reduction."

But executives say it's hard to know exactly where to trim marketing costs because they fear spending too little could hurt a movie's chances at the box office. A picture basically gets one shot to make a mark on opening weekend; if it doesn't gain

traction with audiences, it will be knocked out of the way on subsequent weekends by the next films opening up behind it.

"None of us know what to cut because you don't really know definitively what pushes someone's decision to go to a movie," said Kathy Jones, a longtime studio marketing executive who now works at Participant Media, an investor in the upcoming drama "The Soloist."

As a result, when it comes to cutting marketing costs, the studios have been largely confined to trimming the edges. Universal's Fogelson said that for some releases the studio is making fewer prints of movies, which cost \$1,200 to \$1,500 a piceto produce and show in theaters.

One target for cost cutting is the ritualistic Hollywood movie premiere, staged for the media and free publicity it generates. Rather than a big red-carpet weeknight event and requisite after-party bash for its recent comedy "Paul Blart: Mall Cop," Sony Pictures held a simple screening on a Saturday afternoon in Westwood. Such cutbacks, however, can't make a significant dent in lowering overall movie marketing budgets because of the continued high cost of television advertising.

Buying commercial time to advertise a movie on network and cable TV remains the biggest marketing expense for the studios. Fogelson estimates that since 2005, those rates have risen 15% to 20%. Despite the recession, studios still spent as much as \$3 million for each 30-second spot for 10 movies -- including DreamWorks Animation's recent "Monsters vs. Aliens" and Paramount's "G.I. Joe," "Star Trek" and "Transformers 2" -- that aired on the Super Bowl telecast in February.

For the same reason, companies defend their multimillion-dollar Super Bowl ads because of the huge audience the game delivers -- about 100 million viewers -- and argue that they can't afford to cut back on network TV ads, even though viewership is declining.

"Television is still the No. 1 medium to sell our product," says Jeff Blake, Sony's worldwide marketing and distribution chief. "And it's the only medium that gets you a mass audience." Executives say they've begun to see local TV stations lower ad rates, but it hasn't yet widely spread to network or cable TV networks. However, given the slowdown in ad spending by automakers and retailers, some believe they might gain leverage to demand lower rates this spring when the networks begin selling commercial time for the coming year.

"There will be a natural savings because the election is over, and a lot of giant buyers just aren't there," said Rob Friedman, chief executive of Summit Entertainment, which produced last year's hit "Twilight." "That will translate into lower rate cards and create a better marketplace for media buyers."

Studio marketers say that although they have shifted much of their newspaper ad spending to the Internet, it nonetheless can't compare with TV for creating mass awareness. "The Internet is a rising medium for selling movies," Sony's Blake said. "But it doesn't yet have the reach of TV. No single Internet space reaches consumers as effectively as TV."

One major contributor to rising marketing costs is the fragmentation of media, which makes it harder to reach an audience. The long-ago three TV network era has given way to an abundance of broadcast and cable channels and Internet sites. "In the '80s, all I had to do to open a movie was advertise on NBC Thursday night," said Peter Sealey, a former head of marketing at Columbia Pictures who teaches at Claremont Graduate University's Drucker School of Management. "Today, you're spread out across hundreds of options, and it costs you more to get eyeballs."

With no end in sight for the recession or the economic pressure that the studios are under to shore up their bottom lines, marketing costs may finally get the same scrutiny as movie production budgets.

"Marketing is really an integral part of this business and always has been as far back as the barkers who used to stand out in front of the nickelodeon theaters and try to get people to come in," Sony's Blake said. "We just have to be smarter about it and try to get as much bang for our buck as we can."

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