Agenda

Overview of Innosight

Applying Innosight’s Thinking

Questions
Overview - What makes Innosight unique?

- Co-founded by Clay Christensen
- Ongoing development and publication of intellectual property

For a complete list of books and articles visit Innosight’s website
Agenda

Overview of Innosight

Applying Innosight’s Thinking

Questions
Summer Presentation

Applying Innosight’s IP to disruption in the film industry
Disruption in the U.S. Film Industry | Agenda

What everybody’s talking about

Why that’s not a big deal

What should be talked about…

… and why
There’s something about tentpoles – lots of people are criticizing the tentpole strategy used by the major film studios.

**Tentpole (n)** Big budget movie designed for “surefire success” – meant to bring in enough revenue to sustain the studio’s profits.

Originally studios produced one per year – now they produce many tentpoles each year.

A tentpole is a success when its opening weekend box office revenues are equal to or greater than its production budget.
When talking about the U.S. film industry, there are six major studios that dominate the field.
In the summer of 2013, Spielberg's incendiary comment got the industry talking…

“There’s going to be an implosion where three or four or maybe even a half-dozen mega-budget movies are going to go crashing to the ground, and that’s going to change the paradigm.”
And box office sales throughout the summer made Spielberg seem more prescient than preposterous.

**Budget**
$150m

**Opening Weekend**
$24.8
Budget
$130m

Opening Weekend
$27.5m
Budget: $214m
Opening Weekend: $29.2m
Budget $190m

Opening Weekend $37.3m
Budget
$135m

Opening Weekend
$21.3m
Budget $130m
Opening Weekend $12.7m
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What everybody’s talking about

Why that’s not a big deal

What should be talked about…

… and why
The tentpole strategy has increased box office revenues and is projected to be even bigger this year.
Theater-going remains strong in the U.S.

Number of Movie Tickets Sold in U.S., 2003 – 2012
(billions)
Tentpoles do well in theaters because they satisfy the jobs-to-be-done of theater goers

“I love the sensation of blockbusters, you get sucked into the screen”

Entertain me

“If our date bombs, we won’t have to talk during the movie – but if we hit it off we can get a drink afterward”

Provide a venue for a date

“My kids love going to the movies, we bond over it”

Help me spend quality time with my family
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What everybody’s talking about

Why that’s not a big deal

What should be talked about…

…and why
The major studios should be paying attention to how tentpole movies perform in home viewing scenarios

How to make money from a film

1. Theatrical
Exhibiting films in theaters, revenue primarily comes from first week of theater release

2. Home video / electronic delivery
DVD sales, selling to online streaming platforms

3. TV Licensing
Selling movie rights to cable and pay-per-view channels

4. Ancillary
Merchandise branded with movie

Tentpoles do not satisfy the jobs-to-be-done for audiences which watch videos on demand, threatening a big revenue source
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What everybody’s talking about

Why that’s not a big deal

What should be talked about…

…and why
Tentpoles do not satisfactorily fulfill the jobs-to-be-done for home viewing audiences

- I need to be cheered up
- Inspire me
- I want to learn something new
New entrants across the value chain make it easier for small filmmakers to produce movies and get them to audiences.

A few successes...

- Raised $5.7 MM through Kickstarter
- Purchased by Fox Searchlight after success at Sundance
Additionally, streaming services may realize they have more leverage and will negotiate down the price for tentpole films.

“There is so much to watch that even the highest-demand titles don’t materially swing viewing”

- Netflix shareholder letter, 2013
The big six need to diversify their film portfolios and innovate their business models for delivery to audiences

To keep from losing home viewing revenues to small, low cost independent filmmakers...

1. Produce fewer tentpoles
2. Produce more movies that are diverse
3. Find innovative ways to partner with independent filmmakers
4. Before production, evaluate the performance of the movie in all exhibition channels
5. Personalize how the movie is delivered (e.g. direct to streaming, only in theaters, theaters then cable, etc)