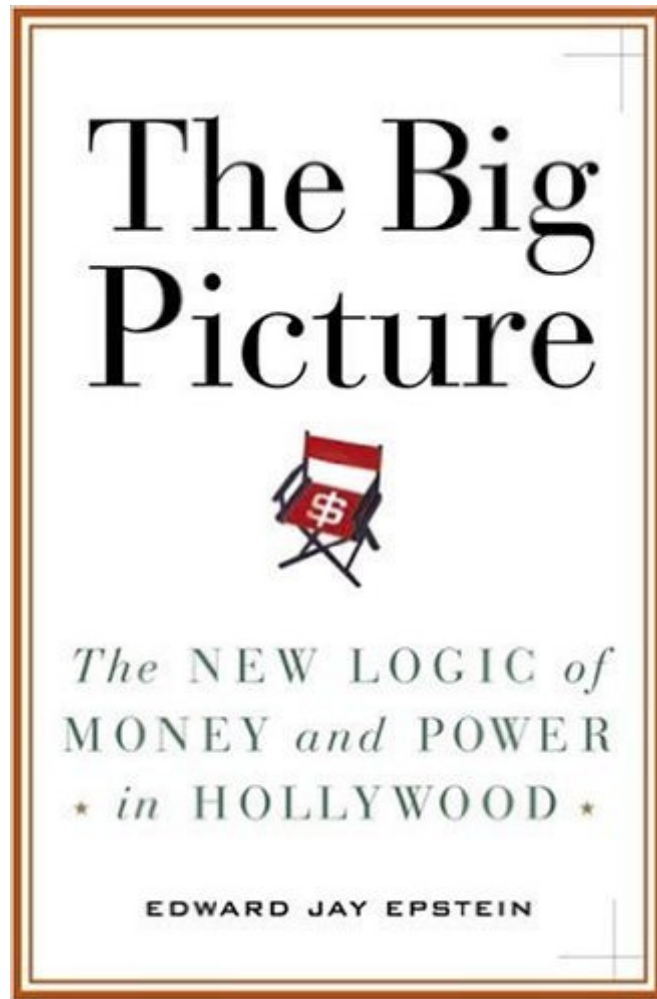


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# The Big Picture: The New Logic Of Money And Power In Hollywood



## Synopsis

During the heyday of the studio system spanning the 1930s, '40s, and '50s, virtually all the American motion picture industry's money, power, and prestige came from a single activity: selling tickets at the box office. Today, the movie business is just a small, highly visible outpost in a media universe controlled by six corporations—Sony, Time Warner, NBC Universal, Viacom, Disney, and NewsCorporation. These conglomerates view films as part of an immense, synergistic, vertically integrated money-making industry. In *The Big Picture*, acclaimed writer Edward Jay Epstein gives an unprecedented, sweeping, and thoroughly entertaining account of the real magic behind moviemaking: how the studios make their money. Epstein shows how, in Hollywood, the only art that matters is the art of the deal: major films turn huge profits, not from the movies themselves but through myriad other enterprises, such as video-game spin-offs, fast-food tie-ins, soundtracks, and even theme-park rides. The studios may compete with one another for stars, publicity, box-office receipts, and Oscars; their corporate parents, however, make fortunes from cooperation (and collusion) with one another in less glamorous markets, such as cable, home video, and pay-TV. But money is only part of the Hollywood story; the social and political milieu—power, prestige, and status—tell the rest. Alongside remarkable financial revelations, *The Big Picture* is filled with eye-opening true Hollywood insider stories. We learn how the promise of free cowboy boots for a producer delayed a major movie's shooting schedule; why stars never perform their own stunts, despite what the supermarket tabloids claim; how movies intentionally shape political sensibilities, both in America and abroad; and why fifteen-year-olds dictate the kind of low-grade fare that has flooded screens across the country. Epstein also offers incisive profiles of the pioneers, including Louis B. Mayer, who helped build Hollywood, and introduces us to the visionaries—Walt Disney, Akio Morita, Rupert Murdoch, Steve Ross, Sumner Redstone, David Sarnoff—power brokers who, by dint of innovation and deception, created and control the media that mold our lives. If you are interested in Hollywood today and the complex and fascinating way it has evolved in order to survive, you haven't seen the big picture until you've read *The Big Picture*. From the Hardcover edition.

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## Customer Reviews

This is a very detailed and insightful book on the movie entertainment business. Epstein researched an enormous amount of proprietary financial information from the Motion Picture Association All Media Revenue Report (MPA). This is a report disclosed only to the studios that details movie earnings. It is unclear how Epstein obtained access to this proprietary data. Epstein leveraged this proprietary data into an incredibly insightful analysis of the movie-entertainment industry. Thanks to Epstein lively writing style the book is a quick read despite the volume of information provided. The movie business is not an economically viable stand-alone business. Indeed, over 95% of the movies lose a ton of money at the Box Office even if they often generate hundreds of millions in such Box Office revenues. Movies have become extremely expensive advertising for a very risky long-term investment in an "intellectual property" right. The pioneer of such a business model was Walt Disney who fully grasped the possibilities of the ancillary businesses more than half a century ago. Related ancillary revenues generated by videos, Pay TV, and Networks dwarf the revenues at the Box Office. While the major studios derived 100% of their revenues from Box Office in 1948, this percentage has continuously dropped to only 18% in 2003. Additionally, these ancillary businesses are almost all profits. The vast majority of the production costs have already been absorbed within the Box Office business. However, a majority of movies still lose money when you figure the full life cycle of its "intellectual property." Epstein details throughout the book such a cycle for "Gone In 60 Seconds" with Nicolas Cage.

This book is an astute analysis of the film business by someone outside the motion picture business. Many books are written about the movie business by insiders or entertainment reporters but often these writers are too close to the subject or in awe of the subject and as a result miss the mark. Mr. Epstein gives an astute analysis of the current state of the business using sources that normally are not available to the public. An example is the confidential disclosures by the six major studios to the Motion Picture Association Of America (MPAA), which are then compiled into an industry compendium disclosing studios sources of revenue. Mr. Epstein confines his analysis to the six major studios, Disney, Sony, Universal, Warners, Paramount and Fox, which dominate the motion picture and ancillary entertainment businesses world wide. Once a movie's theatrical release was the primary source of a studios income and indeed in the beginning the only income. Now however the theatrical release is just the beginning of income to the studios that now earn more income from video/DVD sales and rentals than the initial theatrical release. Also particular types of movies that lend themselves to action figures, promotional tie-ins, theme park rides and sequels are the major earners for the studios. Examples of these are Star Wars, Jurassic Park and Batman. These movies are easy to understand, involve multiple spectacular action scenes and cater to a young demographic who go to movies, buy the action figures and memorabilia associated with a movie and after seeing it more than once in the theatres may buy the DVD or video of the movie.

I like books on business in general and also read many books on the movie business. This is an exceptional book to understand the current-day economics of the movie business which has changed drastically. Much in this book has already been covered of the original movie business starting from an Eastern Jewish influence to the West Coast. Fortunate to have a business with complete control of the talent through the studio system it was a "win-win" controlling the talent as well as what movies were shown in the theaters they owned. But laws soon outlawed owning the theaters and by the 60s the studio system completely crumbled allowing directors and stars to now bid their pay to incredible wealth. Where this book really excels is not in the history of the business, where a fine job was done, but in the current discussion of the economics of the business. There are specific examples but probably the most telling is concerning the film, "Gone in Sixty Seconds", a typical car crash film starring Nicolas Cage. Most would probably assume this was not a profitable movie but he explains how movies are generally not profitable from ticket sales but through licensed video games, DVD sales and other promotions. This movie was hugely profitable but only when considering this ancillary income. The example is carried further in explaining the mystic behind "net"

and "gross" points. The known fact in Hollywood is always to get your points in "gross", prior to expense allocation. That's easier said than done. He goes through the whole math of the clearing house. As a former CPA it's an excellent explanation on what is "behind the curtain" in Hollywood accounting that leads to so many lawsuits. Overall, I consider this one of the best books ever written about Hollywood.

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