

# Paramount pictures corporation analysis



Paramount Pictures Corporation is an American film Production and Distribution Company started in 1912. It has a reputation of being Americas oldest film studio that still produces and distributes motion pictures. It is currently owned by Viacom. It has its headquarters in the Hollywood district of Los Angles, California.

Paramount Pictures has seven divisions[i]:

Paramount Digital Entertainment- Provides entertainment on digital platform.

Paramount Home Entertainment- Deals with marketing and distribution of home entertainments such as DVDs, Blu-Ray discs.

Paramount Pictures International- Marketing and distribution unit for movies to audiences around the world.

Paramount Licensing, Inc- Deals with licensing for all of Paramount's properties worldwide.

Paramount Studio Group- A studio production amenities open to film makers to produce movies, TV shows and commercials.

Worldwide Television Distribution- A distribution unit to distribute television contents around the world.

Paramount Famous Productions- Another home entertainment division specific to classic paramount movies.

## **The Situation Analysis:**

With the US, domestic market lying flat (In 2010, the domestic box-office market fell by 0.33%)[ii]; Paramount Pictures along with its International distribution unit, Paramount Pictures International is trying to grow its revenue by capturing the global market. The major challenge facing Paramount Pictures International is its inability to recognize the strong market-growth potential in the Asia-Pacific regions; India and China.

## **Market Summary:**

The overall market for Hollywood movies in the US is about \$10 Billion[iii].

The US domestic market is shared by six major production houses. Warner Bros lead the market with a share of 17.98% followed by Paramount Pictures with a market share of 16.55%[iv]Walt Disney and 20th Century fox come third and fourth with 14.05% and 13.25% respectively.

Variety's exclusive report for the 2010's International Box-Office suggests that Paramount Pictures, which has the second largest US market share has moved to the fourth position in the International market. Paramount Pictures earned revenue of \$1.98 Billion[v]in the International arena.

This suggests that with more effort and concentration on the markets of rising economies such as India, China and Brazil would help Paramount Pictures to become a leader in both the domestic (US) and the International market.

## **Market Geographies:**

Paramount Pictures International operates in more than 35 countries and across 6 continents[vi].

Its key-markets include Australia, Brazil, France, Ireland, Mexico, New Zealand and the UK.

Though Paramount Pictures International operates in India and China, it has not yet increased its operations as much as it does in the UK or Australia.

### **Market Demographics:**

Paramount Pictures focuses on audiences between the ages of 21 to 29[vii].

“ Our core target audience of males and females 21 to 29 represent an entirely new generation of moviegoers who have vastly different interests, actions and attitudes than those before them”, states Amy Powell, SVP of Interactive Marketing at Paramount Pictures.

This is an important age segment to target. In India, the “ working-age” urban population is expected to grow by 41%[viii]by 2030.

### **Market Trends:**

The emphasis in the past was to dominate the domestic US market and additional revenue from the International market was considered a bonus. However, this is changing; studios such as 20th Century Fox, Warner Bros and Sony Pictures have started investing in India and China.

20th Century Fox already produced a Chinese film called “ King’s Ransom”[ix], Sony Pictures and Warner Bros Entertainment has entered the Indian Bollywood market with “ Saawariya”[x]and “ Chandini Chowk to China”[xi]respectively.

Paramount Pictures should also move towards the east, before the competitors capitalize those markets.

### **Competition:**

The “ Big Six” is often a term used to refer the major movie production companies in and around Hollywood;

They include 20th Century Fox, Warner Bros Entertainment, Paramount Pictures, Universal Pictures, The Walt Disney Studios and Sony Pictures Entertainment (earlier known as Columbia-Tristar Pictures).

### **Marketing Strategies:**

Paramount Pictures should closely work with its marketing executives and filmmakers to take advantage of the growth the digital environment and implement new promotions within that environment.

Co- Production of movies with Asian and eastern-European production houses should also be considered. For example: A Bollywood or a Chinese co-production will be less expensive to produce and at the same time they have the ability to generate more revenue.

Paramount Pictures should also produce more 3-D movies, this is because, with the rise in technology film piracy is also rising at a staggering speed, 2-D films are pirated at a huge scale across the world; India is at the 4th place for illegal downloads of movies, Spain alone generates a loss of \$2. 6 Billion[xiii]with piracy. 3-D Contents are hard for pirates to copy.

## **Target Markets:**

In 2010, the growth in International box office revenue was 3.5%<sup>[xiv]</sup>. Most of the contribution for this growth was from India, China and Brazil.

China's box-office revenue alone grew by 61%<sup>[xv]</sup>, from \$900 Million in 2009 to \$1.4 Billion in 2010. India's revenue grew also grew from \$1.4 Billion<sup>[xvi]</sup> in 2009 to almost \$2 Billion in 2010. Brazil's box-office growth was 30%<sup>[xvii]</sup>.

These numbers clearly indicates that Paramount should target these markets.

With the above trends and targets in mind, the BCG matrix analysis can be used in determining the market share against market growth potential for Paramount Pictures.

The US market being the dominant Cash cow is in a position of high market share. If competitive advantage can be achieved, this can lead to high profit margins and can also generate a lot of cash flow.

The South American market acts as a Dog and is in low growth markets (Brazil being the sole exception) and thus has low market share.

The Asian market with a high growth rate and with fast exploration can soon become Stars.

The European market with its own thriving domestic market has the potential to become either a Star or a Cash Cow.

From the BCG analysis, we can understand the Paramount Pictures should invest more in Asia; the investments can either be in the form of co-productions as discussed earlier or through more distribution of its own American products. Based on the past experiences, Paramount Pictures should check for future growth patterns in South America. Except for Brazil, other South- American markets seems to lack growth potential, in this case, Paramount Pictures should considerably reduce investing there.

### **Marketing Mix:**

Paramount Pictures' marketing mix is comprised of the following approaches to pricing, placement, distribution, advertising and promotion.

**Product:** Motion pictures produced by Paramount Pictures in association with local production houses (specific to target geographies).

**Price:** This will be based on a per-product price, depends whether the product needs a direct theatrical release or via a third party distributor. The average ticket prices cost \$7 to \$10. The 3-D products cost \$12 to \$14.

**Distribution:** Initially Paramount should use a direct to cinema hall distribution approach, for this purpose Paramount Pictures should establish offices in the target geographies or use the nearest branch office. Over time a third party distributor, successful within the target markets can be used for market penetration. A joint-venture based on percentage split can be used.

**Advertising and Promotion:** Several different methods can be implemented: Customised trailers based on each country's cultural preferences; China, India and Brazil have their own historic cultures, Brazil and India have huge

preference to musicals whereas China's preference has always been action films. So to promote movies in India or Brazil, trailers edited with a lot of music can be used and for China trailers with action sequences can be used. Further, other promotional events such as press conferences with celebrities, promotional TV shows can increase awareness about the product in these markets.

### **Closing Remarks:**

Like Eric Beinhocker, Ian Davis and Lenny Mendonca mention in their article "The 10 Trends You Have to Watch", Asia is growing.

History tells us that investors who invest in growing markets have most of the time been successful. For example, Nokia, the mobile phone manufacturer, in India and Carrefour, a chain of retail stores, in China.

Paramount Pictures' competitors have already started investing in these markets: Sony Pictures (started their television channel in India way back in 1996, they co-produced their first motion picture in 2007), Warner Bros (started production in India by 2009), 20th Century Fox (co-produced their first Chinese film in 2009) and Walt Disney Entertainment (began their Indian production in 2010). Competition is an important "C" in the marketing world; Paramount Pictures should not ignore it.

Paramount Pictures has the potential to be a world leader in entertainment. It has a history of making movies for almost 100 years now. They too are watching the changes in these markets. I am sure that in coming years they will be successful in capturing the Asian market and increase their revenues.