

**EconoMag**  
**The Show that demystifies Economics**  
**Cinema Industry – part 2**  
**Box Office**

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The term “Box office” is very frequently used in the film industry to describe the amount of business that comes into the cinemas and the revenues a film makes. The box office is actually the sales window where you buy your tickets, but the term was broadly adapted as a measurement of the number of tickets sold and the amount of money raised by ticket sales. The projection and analysis of a film’s earnings are very important for the industry, as producers need to make projections on how much they will earn with a particular film, they have to plan budgets accordingly as well as distribution agreements, salaries, royalties and more. It is also a major source of interest for many fans.

It is hard today to compare the financial success of all films because of the inflation of the US dollar over the past years and decades. A simple example is that the highest grossing film ever made is *Avatar* in 2009, with an estimated \$2.7 billion, followed by *Titanic* with \$2.1 billion and the *Avengers* with \$1.52 billion in revenue.

When you take into account the historical inflation of the US dollar along with its current value, *Avatar* slips to second place with gross sales of \$3 billion, and *Gone With the Wind*, the American historical romance film released in 1939, comes up in the lead. Adjusting its \$390 million in box office earnings to the dollar’s present value would translate into \$3.4 billion, making it the highest grossing film of all time.

Let’s now have a look at the major film franchises, and which is the number one franchise in terms of global revenue? The first guess of many older cinema fans would be *James Bond* or even the *Star Wars* or *Star Trek* franchises, or perhaps *Rocky* and its spinoffs. But no, it’s neither of them. *Star Wars*, with 7 films (the original trilogy as well as the more recent *The Clone Wars* prequels) totaled close to \$4.4 billion, an average of \$636 million per film and comes in 5<sup>th</sup> place. *The Lord of the Rings* series, also with 7 films, is 4<sup>th</sup>, with nearly \$5.9 billion. Making up the top three are the *James Bond* franchise in 3<sup>rd</sup> place, with 25 films totaling more than \$6.1 billion; the *Harry Potter* series is second, with 8 films and \$7.7 billion in revenue; and taking top spot with 11 films is the superhero franchise known as the Marvel Cinematic Universe, raking in already \$8.5 billion dollars and their latest film is still showing in the theaters. Their highest grossing film is the *Avengers*, and the franchise also includes the *Iron Man* films, the *Hulk* series, the *Guardians of the Galaxy*, and *Captain America*.

And of course, if there are the tops there are also the flops...also called Box office bombs, the biggest failures of the film industry. There are a number of reasons a film might be declared a bomb. First and foremost is the estimated loss when the box office sales are dismal. If the film’s production required an enormous budget and the worldwide gross sales

do not add up to a profit, then the film is deemed a flop, or box office bomb. Another reason may be when a movie has been highly marketed but fails to live up to the box office expectations. Several factors can contribute to a film's success or failure, including positive or negative reviews, the current competition and the timing of the film's public release. Even if a film is a box office success, it may still be considered a commercial failure when its production costs were much higher than its earnings.

Similar to the rankings for best box office hits, there is also a ranking for the biggest box office bombs. The list is led by the *47 Ronin*, which was released in 2013 and had an original budget of \$225 million. Its revenue was only \$150 million, and including the marketing costs, the estimated loss of the movie was around \$149 million. This flop caused Universal Studios to close the 2013 fiscal year in the red. However, if we adjust for inflation, *47 Ronin* falls into second place, overtaken by *The 13<sup>th</sup> Warrior*, released in 1999, which had an estimated loss of \$182 million.