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THE CONVERSATION



How the Oscars can help Hollywood crack the China market

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Worth their weight in gold. MidoSemsem / Shutterstock.com

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The Oscars are the Olympics of the acting world: as well as being the most coveted of awards for those in the business, they are the most watched of the entertainment awards shows globally – broadcast internationally since 1969, they are now watched in more than 200 countries.

The 2016 Academy Awards have been marred by a lack of black nominees and talk of a boycott. Not only does it raise moral questions, the negative publicity surrounding the Oscars is also something Hollywood should care about from a financial perspective. As an important marker of quality, the awards play an important role in boosting revenue.

The Oscars have become a fantastic marketing tool for the film industry. Films often highlight the number of Oscar nominations and awards that they have received in their advertising. Some films will also be re-released onto cinema screens once nominated for Oscars to increase their revenues. Others enjoy extended box office runs once Oscar nominations are announced.

Quality control

Economists have long distinguished between “search goods” and “experience goods”. With search goods, the key characteristics are easily identifiable before they are purchased. For example it is straightforward to find out the features, price, and warranty information when buying a new kitchen appliance. Films, however, alongside products such as books and restaurant meals, are experience goods. They differ to search goods in that some of their key features can only be discovered after they are purchased.



To inform our decision about which film (or book or restaurant) to choose to spend our money on, there is a host of information available to us. You can discover the genre and elements of the plot and can find out things that will signal the film's potential quality. Film budgets may be a sign of a film executives' faith in a movie or the effort gone into it, while the actors and director involved – or whether the film is part of a movie franchise – may help you select between films. Newspaper and magazine critics' reviews have traditionally been a signal of film quality – and online reviews of films by the general public on websites such as Rotten Tomatoes and IMDB are easily accessible.

Leo's not the only one who benefits from gongs. Ian West / PA Wire

The Oscars have long been recognised as a very important signal of a film's quality and potential success. As well as having a huge focus of media attention, the awards are decided on by the nearly 6,000 members of the Academy who are active and important members of the film industry. And research has shown that both Oscar nominations and awards boost box office revenues.

The effect is even more pronounced on films that do not start out with huge budgets for marketing. The King's Speech for example seems to have benefited hugely from its Oscar nominations and success. Initially projected to gross US\$30m worldwide, its nomination for 12 Academy Awards led to a revised estimate of US\$200m. It went on to earn US\$427m at box offices around the world, not to mention DVD sales.



The King's Speech had 12 Oscar nominations and won four.
EPA/Michael Yada

The China market

As films compete with the growing Chinese film industry, the importance of Oscar credibility is set to become even more valuable. China has the second largest film market in the world in terms of revenue. And it seems only a matter of time before it will become the largest – the latest projections are that China could overtake the largest market, the US, by 2020.

By 2010, China had become the world's third-largest producer of films behind only India and the US. Now that the Chinese government is allowing an increasing number of foreign films to be shown on cinema screens, the competition will be fierce to impress Chinese audiences.

Some of these imported films are Hollywood blockbusters such as Star Wars: The Force Awakens or Skyfall. But others have been nominated for and won key Oscars, such as The Artist, The Iron Lady and The King's Speech.

With a population of 1.3 billion, the Chinese market will clearly continue to be very important

for films produced outside China – and reputable signals of film quality to Chinese audiences will be invaluable. This is particularly true when Chinese audiences are sceptical of film awards in mainland China, Hong Kong and Taiwan.

Hollywood will be wary of giving this audience any reason to doubt the credibility of the Oscars as the major, internationally acclaimed awards. The Academy of Motion Picture Arts and Sciences needs to work hard to make sure that next year's awards are not marred by negative publicity, when the industry needs weapons to help it fight in the important Chinese film market.



Oscars

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