Telematics and Informatics xxx (xxxx) xxx–xxx

Contents lists available at ScienceDirect

Telematics and Informatics

journal homepage: www.elsevier.com/locate/tele

Dissecting movie performance across multiple distribution channels: An elastic justification theory perspective

Kaeun Song[a], Hyungjin Kim[a,*], Junyeong Lee[b], Young-Gul Kim[a]

[a] College of Business, Korea Advanced Institute of Science and Technology, 85 Hoegi-Ro, Dongdaemoon-Gu, Seoul 130-722, South Korea
[b] School of Management, University of Science and Technology of China, 96 JinZhai road, Baohe district, Hefei, Anhui 230026, China

ARTICLE INFO

Keywords:
Movie success drivers
Multiple distribution channels
Perceived risk
Elastic justification
Simultaneous movie distribution

ABSTRACT

The recent emergence of multiple channels such as Internet protocol television (IPTV) and online video-on-demand (VOD) has transformed sequential movie distribution structures into simultaneous ones. We analyze the drivers of movie performance success in terms of box office, IPTV, and online VOD services amid these changed market conditions. We use elastic justification theory and consider diverse consumer risks to explain how movie consumers exhibit different behaviors for different movie channels when facing different degrees and types of risk. We classify the antecedents of movie selection into justifiable (risk-hedging) factors such as *viewer rating, scenario familiarity, star power*, and *country of origin* and unjustifiable (tempting and appealing) factors, including *expert rating* and *genre*. By considering various types and degrees of risk in each channel based on elastic justification theory, this study offers insights that should lead to more effective movie distribution across channels. This study is a first step toward paving the way for advanced movie distribution strategies for producers and distributors.

1. Introduction

Most studies on distribution channels in the movie industry have investigated sequential distribution strategies (Lehmann and Weinberg, 2000; Elberse and Eliashberg, 2003; Prasad et al., 2004; Hennig-Thurau et al., 2006, 2007; Chiou, 2008). Some have sought to determine the proper timing for the sequential opening of distribution channels and forecast the sales of sequential products for existing theaters and video rental shops (Lehmann and Weinberg, 2000). Others have sought to determine the optimal sequential timing for the transition from theaters to home video (Prasad et al., 2004; Chiou, 2008). However, most of this research focuses on distribution timing without considering the determinants of consumers' movie and channel choice. Hennig-Thurau and colleagues (Hennig-Thurau et al., 2006, 2007) began to consider the factors influencing the movie choices of various distribution channels by building models with which to examine the differences among them. They found that several factors exerted different influences on box office and video rental success, such as cultural familiarity, distribution intensity, and release date (Hennig-Thurau et al., 2006). They later expanded their research by investigating sequential distribution strategies for optimizing the revenue structures of online video-on-demand (VOD) in three major markets: the US, Japan, and Germany (Hennig-Thurau et al., 2007). Though this research helps explain sequential movie distribution, its findings cannot be applied to the contemporary market situation, which features new IT-related media platforms such as Internet protocol television (IPTV) and the extension of online VOD to mobile environments.

Recent technological advances have brought the consumer and distributor much closer together and are offering movie audiences more convenient methods of accessing various media, including IPTV and online VOD channels. As predicted by Zhu (2001) and

* Corresponding author.
E-mail address: hjkim13@business.kaist.ac.kr (H. Kim).

http://dx.doi.org/10.1016/j.tele.2017.10.009
Received 30 June 2017; Received in revised form 9 September 2017; Accepted 14 October 2017

Silver and Alpert (2003), the digitization of the motion picture industry has been vitalized through the emergence of the Internet and online VOD services, leading to cost reductions in the value chain in the short term and a restructuring of the value chain itself. Video rental stores and other middle players in the value chain are disappearing, while globally simultaneous "day and date" movie releases have become a reality in all media and in all markets. Movie producers and distributors are simultaneously releasing their products beyond the sequential distribution process. The extant research does not reflect these radically changed circumstances in the motion picture industry. Elberse and Eliashberg (2003) investigated the supply-and-demand dynamics of global distribution in the motion picture industry but assumed sequential distribution rather than a simultaneous process. Current research must consider the new industry reality: simultaneous distribution through multiple channels.

Most past studies have focused on the impact of theaters, as the first distribution channel, on secondary channels, while ignoring the impacts of each channel's unique characteristics. Distribution channels were divided into two broad categories—theaters and video rental shops—in the previous market situation, but video rental shops are disappearing and IT-based movie distribution channels are emerging. This has changed users' motivations for and ways of consuming movie content and has given each IT-based movie distribution channel unique characteristics (Dutta-Bergman, 2004; Hennig-Thurau et al., 2010). Studies must now consider the factors that may influence movie selection in each distribution channel. Identifying the factors influencing movie selection through the unique characteristics of each channel (e.g., IPTV for home entertainment, online VOD for individual entertainment) may help movie industry players develop curation and customization strategies for customer retention and reinforcement.

We address the abovementioned gap in the research by applying elastic justification theory and considering consumer risk. Consumers perceive risk when purchasing a product, especially an experience good (Bauer, 1960). When choosing movie channels, people perceive different risks in different channels by reflecting on the present movie consumption availability while considering all distribution channels simultaneously (e.g., theaters, online VOD, IPTV). Since selecting channels for movie consumption constitutes decision making under uncertainty (risk), consumers consider the elasticity (i.e., ambiguity) of all the relevant factors. Thus, we apply the elastic justification theory introduced by Hsee (1995) to examine the different types of consumer behavior for different channels. We explore the factors influencing movie consumption via each channel by analyzing actual movie performance over multiple distribution channels in South Korea, providing insights that should lead to more effective movie distribution across multiple channels.

The rest of this paper proceeds as follows. The next section describes the study's theoretical background and hypotheses. Section three describes the research methodology. Section four presents the analysis and results. Section five discusses the study's results, limitations, and implications, and finally proposes potential future research directions.

2. Theoretical background

2.1. Consumer risk in movie consumption for different channels

When purchasing a product, people perceive risk on the basis of unanticipated and uncertain consequences (Bauer, 1960). Jacoby and Kaplan (1972) defined five types of perceived risk in consumption: financial, performance, physical, psychological, and social. Financial risk simply reflects the customer's risk of losing money. High financial risk is expected to incur a high cost of consumption. Performance risk is the chance that consumers will be unsatisfied after trying unfamiliar products, driven mainly by the fact that these products are not guaranteed by others or by previous experience. Consumers often rely on word-of-mouth to minimize their risk (Roselius, 1971; Eliashberg and Shugan, 1997; Zhu and Zhang, 2010). Physical risk is the potential for bodily harm. For example, riding a rollercoaster at an amusement park carries higher physical risk than does online shopping or virtual reality video watching. Psychological risk is the possibility that a product or service might not satisfy the consumer's individual preference. This risk is high for social activities, where individuals cannot base choices exclusively on their own preferences. Finally, social risk is the possibility that a consumption activity might affect one's relationships with others. This risk is higher in activities undertaken by groups than in those undertaken by individuals.

Since a movie is an experience good, its quality may not be accurately evaluated before it is viewed (Sawhney and Eliashberg, 1996), and perceptions of quality will vary widely according to individual preferences. Thus, variations in the expected utility (e.g., emotional expectations, latent product interest) to be obtained from watching a movie are wide. This is an important risk factor to consider in movie choice (Neelamegham and Jain, 1999). Audiences decide under uncertainty, and they cannot help but consider content risks when choosing a movie.

The appearance of new media such as the Internet have significantly changed content consumption methods (Dutta-Bergman, 2004; Hennig-Thurau et al., 2010), and customers now display different consumption patterns for different movie channels. For example, consumers of home entertainment channels such as IPTV and online VOD are not restricted by screening schedules and can access movie content on demand, in sharp contrast to the box office (Montpetit et al., 2010). Portability is now a factor: IPTV content is typically consumed via televisions located in the gathering areas of family homes (Jung et al., 2007), while online VOD movies are typically consumed individually via personal mobile devices such as laptops, tablet PCs, and smartphones. Thus, online VOD consumers are free from not only temporal constraints but also spatial constraints (Jung et al., 2007). The movie consumption unit differs across movie channels: the IPTV is the family unit, and online VOD is the individual unit (Montpetit et al., 2009). The individual consumption of online VOD content is expanding the range of movie consumption from the realm of conventional social activity to that of personal leisure (Sieber and Sabatier, 2003).

As each channel features distinct characteristics and consuming patterns, consumer risk may vary across IPTV, online VOD, and the box office—the three primary movie consumption channels. To establish the degree of consumer risk for each channel (Jacoby