ARTICLE IN PRESS

IJRM-01239; No of Pages 28

International Journal of Research in Marketing xxx (2017) xxx–xxx

Contents lists available at ScienceDirect

IJRM

International Journal of Research in Marketing

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

Full Length Article

Should sequels differ from original movies in pre-launch advertising schedule? Lessons from consumers' online search activity☆

Ho Kim [a,*], Norris I. Bruce [b]

[a] University of Missouri-St. Louis, College of Business Administration, 1 University Blvd, St. Louis, MO 63121, USA

[b] University of Texas at Dallas, Naveen Jindal School of Management, 800 W Campbell Rd, Richardson, TX 75080, USA

ARTICLE INFO

Article history:
First received on March 13, 2017 and was under review for 6 months
Available online xxxx

Keywords:
Pre-launch advertising
Dynamic ad effectiveness
Motion pictures
Sequels
Original movies
Media schedules
Online keyword search
Tobit state-space model
MCMC

ABSTRACT

Sequels have become a profitable strategy in the U.S. motion picture industry because of their strong name recognition. However, while the established positioning of a sequel may help insulate it from competing firms' advertising messages, its familiarity may cause moviegoers to be more easily satiated with advertising from the sequel. Therefore, this study examines how sequels differ from original concept movies in terms of their ad effectiveness. We focus our analysis on pre-launch periods, given these periods' importance in shaping the financial outcomes of motion pictures. We consider the weekly online search volume of a movie as a measure of consumer interest in it, and thus as an intermediate response to pre-launch advertising. We then develop a model that assumes ad effectiveness can decline, due to copy and repetition wearout, and increase, due to forgetting, over time. We find that copy wearout is greater for original movies, while repetition wearout and forgetting are greater for sequels. These findings suggest that sequels should allocate more in early pre-launch periods and less immediately before release, relative to originals, to maximize pre-launch consumer interest.

1. Introduction

A movie's theatrical performance is highly uncertain as it is often difficult to forecast consumer preferences for experiential goods. Moreover, movies have a short window to capture an audience's imagination, and just a few movies will typically dominate weekly box office performance (De Vany, 2004). One strategy studios employ to deal with this uncertainty is to pursue sequels in the hope that the existence of the parent movie will provide a guaranteed audience for its follow-up (Eliashberg, Elberse, & Leenders, 2006). Ever since *The Godfather Part II* won multiple Academy Awards in 1974 and *The Empire Strikes Back* became a box office success in 1980, sequels have become a reliable box office guarantee in the movie industry. For example, eight of the 10 highest-grossing films in 2015 and 2016 were remakes or part of pre-existing franchises, and more than half of the top 25 highest-grossing films of 2014 were sequels, remakes, or reboots (Kurtzleben, 2012). Given that only about 10% of all movies are sequels, their success is exceptional.

The commercial success of sequels comes with immense financial investment. First, sequels are generally more expensive to produce than original concept movies (Basuroy, Desai, & Talukdar, 2006). Second, movie studios tend to allocate a movie's mar-

☆ This work was supported by UCLA Anderson School of Management research grant and University of Missouri-St. Louis College of Business Administration research grant.

* Corresponding author.
E-mail address: kimho@umsl.edu (H. Kim).

https://doi.org/10.1016/j.ijresmar.2017.12.006
0167-8116/© 2017 Elsevier B.V. All rights reserved.

keting budget proportionally to its production cost. Thus, they generally allocate a greater advertising budget to sequels than to original concept movies, even though sequels enjoy a high level of initial recognition. In addition, intense competition for audience attention has pressured movie studios into increasing advertising expenditure (Elberse & Anand, 2007), resulting in negative profitability for the majority of movies (Vogel, 2014). Given the importance of sequels, potential differences between sequels and originals, and the movie industry's struggle to improve profitability, it is important to understand how ad effectiveness for sequels is different than for original movies.

This study investigates how sequels and original concept movies should differ in pre-release ad scheduling to maximize consumer interest before theatrical release. One could argue that because original concepts are less familiar to audiences than sequels, originals should start advertising early to have enough time to build awareness; similarly, one could also argue that sequels can start advertising relatively late and concentrate their ad spending just before release to maximize ad effectiveness, because they already have an established brand name. Others may suggest the opposite, citing the fact that sequels are well-known “brands,” and claim that sequels should spread their ad campaign over a long period and insert frequent ad hiatuses. Their reasoning is that the familiarity of sequels tends to accelerate the satiation of sequel concepts (Sood & Dreze, 2006), and thus the advertising of sequels is more susceptible to the decay of ad effectiveness due to excessive repetition of the same ad theme (Naik, Mantrala, & Sawyer, 1998).

To answer the research question, we use the pre-launch weekly online search volume of movies to measure consumer interest. We develop a time-varying ad-effectiveness model where the weekly online search volume of a movie is decomposed into two parts: (1) baseline search that exists before advertising (i.e., *pre-advertising* search) and (2) ad-induced search or incremental search attributable to advertising. We link the baseline and ad-induced searches to movie features to understand how sequels and original films differ in building pre-launch consumer interest. To model time-varying ad effectiveness, we apply three concepts from advertising dynamics: copy wearout, repetition wearout and restoration of ad effectiveness (Naik et al., 1998 Pechmann & Stewart, 1990). Copy wearout refers to the decay of ad effectiveness due exclusively to the passage of time, regardless of advertising intensity. Repetition wearout refers to the deterioration of ad effectiveness due to ad repetition or excessive exposure to the same message in a short time window. Restoration of ad effectiveness refers to the recovery of ad effectiveness when an ad has ceased. This occurs because consumers forget the details of ad messages during the ad's hiatus.

We find that consumers show interest in movies before advertising begins. But the *pre-advertising* interest (or baseline interest) is much higher for sequels than for originals; perhaps the name recognition of sequels contributes to the high level of interest. We also find that copy wearout is smaller for sequels than for originals, but that repetition wearout and restoration effect are greater for sequels. The smaller copy wearout of sequels may be explained, for example, by the fact that sequels generally have well-established positioning in moviegoers' minds, which can shield their ad messages from external noise, a factor associated with the time decay of ad effectiveness. But because sequel concepts are well known, even a small amount of ad repetition may saturate consumers' interest and motivation to process sequel ads, creating faster repetition wearout. Furthermore, because motivation to process information influences the amount of information recall, sequels' ads experience a larger forgetting effect when the ad has ceased and, in turn, a larger restoration effect when the ad resumes after its cessation.

Given the importance of sequels and the level of ad spending in the motion picture industry ($35 M per film and $3.7 billion in 2007: Nielsen Monitor-Plus), this study should be of interest to movie marketers. For example, the larger baseline interest in sequels implies that a manager can allocate a relatively smaller ad budget to sequels than to original concept movies to achieve a given level of consumer interest. Also, due to the aforementioned differences in ad effectiveness between original movies and sequels, sequels should distribute advertising budgets over long periods and use frequent ad hiatuses, whereas original movies should concentrate their advertising in a relatively short time window.

2. Literature review

This section briefly reviews the role of sequels in the motion picture industry and the growing research on factors affecting their performance. It then discusses why the effectiveness of movie ads could vary with time, explains why time-varying ad effectiveness could differ between sequels and original concept movies, and promotes the use of search data to assess ad effectiveness during a movie's pre-release period.

2.1. Movie sequels

Research on movie sequels can be classified into three categories. The first focuses on the conceptualization of sequels and its implications. Sood and Dreze (2006) consider movie sequels as brand extensions and focus on the role of movie titles. They argue that the naming strategy of a movie affects perceived similarity when sequels are evaluated, to the extent that consumers prefer dissimilar extensions (sequels with descriptive titles) to similar extensions (numbered sequels). They test this theory in an experimental setting and find that sequels with a numbered title (e.g., *Daredevil 2*) receive less favorable evaluations from moviegoers than sequels with more descriptive titles (e.g., *Daredevil: Taking It to the Street*). Basuroy et al. (2006) view sequels from the standpoint of signaling theory and argue that sequels and advertising are two distinct quality signals. They show that sequels work synergistically with advertising to affect the movie's box office revenue. Basuroy and Chatterjee (2008) adopt the brand extension perspective, finding that the box office revenues of sequels do not match those of their parent films.

The second category of research compares various performance metrics for sequels and original concept movies. Moon, Bergey, and Iacobucci (2010) study how sequels and original concept movies differ in terms of financial outcomes and user reviews. They

Please cite this article as: Kim, H., & Bruce, N.I., Should sequels differ from original movies in pre-launch advertising schedule? Lessons from consumer..., *International Journal of Research in Marketing* (2017), https://doi.org/10.1016/j.ijresmar.2017.12.006