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Critics review or preceding week's admissions explaining movie admissions

A panel data method approach is used to explain weekly movie admissions in Finland in 2003. The results indicate that when word-of-mouth is taken into account, critical reviews do not seem to significantly explain weekly movie admissions. Since admission figures are typically highest during the first weeks, a variable "weeks since released" is used to control for this peak. The analysis shows that it is significant, as well as the price variable. Price elasticity of weekly movie admission is roughly -1. Panel data analysis also indicates that the fixed effects model is the most suitable for explaining weekly movie admissions in Finland in 2003.

Critical reviews can influence consumers in their selection process. This is the influence effect. On the other hand, reviews can forecast whether the film becomes a success or not. This is the prediction effect of critical reviews. Different proxies have been used to measure WOM in the literature. In this study critics' review has been published weekly on Fridays in "Nyt" which is a supplement to Helsingin Sanomat that has the largest newspaper circulation in Finland. There are five reviewers that independ-

ently judge films in other newspapers than *Nyt* which simply collects and republishes these reviews. Their judgement is published as stars ranging from 5 (superior) to 1 (loss of time). The average value of critical reviews is used as explaining variable in the estimations.

Word-of-mouth is also based on tables printed in *Nyt*. The previous week's top 10 admission figures at theatres in Helsinki are listed on the same page as critical reviews. The sample consists 53 weeks with 20 top movies each week. The price variable is simply box office revenue/admission which takes into account both the difference between the price of using packages of several tickets and normal tickets as well as children/conscripts' lower prices compared with normal prices.

Admission is highest typically during the first weeks for blockbusters. The life cycle of sleeper movies is different since demand peaks later; weeks 4 and 5 from the release demand is highest. The mean duration of a movie run is typically 7 to 10 weeks in Western countries. A control variable to take the life cycle effect into account is needed: weeks since released.

Since the data has both time-series (weekly) and cross-sectional (different movies) dimension, conventional regression analysis cannot be used. Panel data analysis enables regression analysis with both time-series and cross-sectional dimension.

With Finnish data, movie admission is inelastic with respect to number of screens. The screen variable does not take into account the number of actual seats in the hall. Blockbusters with a vast admission are shown in larger auditoriums and with more daily showings than arts movies. Increasing the number of screens is not as flexible as increasing daily showings if the movie turns out to be a blockbuster.

An important implication for movie distributors in Finland is that they should use a wide release strategy when the expected WOM is negative. On the contrary if the expected WOM is positive, movie distributors should use platform release with a small number of initial screens and expanding later. ■