MANAGING BRANDS AS A RESOURCE: A STUDY OF HOLLYWOOD FILM FRANCHISES

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ABSTRACT

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In spite of the extensive research that has been carried out on the resource based view (RBV), few studies have focused on a firm's brands as a key strategic resource. This represents a significant omission since the brands that are developed by a firm clearly fit the criteria – valuable, rare, difficult to imitate and with no substitutes – that define resources that can form the basis of a sustainable advantage. Furthermore, RBV research has not given much consideration to the different strategies that a firm can deploy to manage its brands as a resource.

This dissertation draws on the literature in marketing to identify three different strategies that are most commonly used by firms to derive value from their brands. Brand extensions have received the most attention as it can be applied to a wide range of industries that offer products or services that consumers need to acquire on a regular basis. Beyond this, there has been some attempt to investigate brand revitalization, which is typically used to update a firm's products or services on a regular basis in order to incorporate the development of new features and to accommodate changing consumer preferences.

The subject of this dissertation is brand re-creation, which has received little attention as it is mostly limited to industries where each product represents a different brand and each of these have a relatively short life cycle. This is most commonly observed in the entertainment and leisure industries, such as motion pictures, video games and mass market books. Because of the need to regularly introduce new products, firms can draw on a brand associated with a prior

successful offering through the use of brand re-creation. This leads to the creation of what is referred to as franchise, which can extend the life of a brand across several consecutive products.

To Jill whose strength, faith and insight have made irrational ventures like this possible.

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CHAPTER 1

INTRODUCTION

Existing formulations of the resource based view (RBV) have helped to shift the source of competitive advantage away from industry characteristics and towards firm attributes (Hoskisson, Hitt, Wan, & Yiu, 1999). In particular, this framework has proposed that sustainable competitive advantage (SCA) can be attributed to the possession of resources that are valuable, rare, difficult to imitate and without substitutes (VRIN). Although resources generally lie within the firm, the benefits that can be obtained from any of these must be driven by their value in the market. Yet, most of the focus of RBV has been on supply-side resources such as human capital and intellectual property. As such, there has been little effort to focus on demand-based resources such as brands.

In fact, early work on the RBV did suggest that a firm's brands can serve as a valuable strategic resource which can enable them to successfully launch products and improve their performance (M. Peteraf, 1993; Wernerfelt, 1984, 1985). However, most of the research on the use of brands as a resource has been carried out in marketing and has focused mainly on the development of brand extensions (e.g. Aaker, 1990; Aaker & Keller, 1990; Boush & Loken, 1991). Brand extensions refer to leveraging an existing brand to introduce new products that may attract different market segments.

Such a single focus on brand extensions has hindered attempts to identify different brand management strategies and to tie each of these to specific industry characteristics. In particular, little work has been carried out on how brand management strategies would differ across industries that exhibit differences in the purchasing patterns of consumers (Pringle, Wilson, & Brody, 1982). For example, most consumers would tend to stick with a given brand in their

purchase of products such as soft drinks or laundry detergents which they buy on a frequent basis. However, it is not clear that these consumers would show similar loyalty to brands for products such as automobiles and smart phones which they buy on a less frequent basis.

In this paper, I explore the firm's brands as a key resource that can contribute to a SCA if managed properly. As such I identify three different brand management strategies and tie their benefits to particular types of industries with an emphasis on demand driven differences in consumer purchase patterns. Finally, the main purpose of my study is to focus on industries such as movies, books and video games where most consumers would only purchase a brand once. In these conditions, firms cannot maintain a continuous presence for all of their brands and must re-launch their brands on a regular basis in order to continue to derive benefits from them. By doing this, I hope to help develop a better understanding of the strategic challenges that can be associated with managing brands across different contexts.

In this work, I make three contributions. First, to research on the RBV I establish the firm's brand as a key strategic resource by illustrating how brands possess VRIN based characteristics. To date, the RBV literature has largely focused on production based resources such as human and technological resources and has largely neglected how brands can serve as a strategic resource (see for example, Coff, 2002; Hall, 1992; Ployhart, Nyberg, Reilly, & Maltarich, 2014). As a market based asset, brands can enhance firm performance (Capron & Hulland, 1999; Morgan & Rego, 2009; Rajendra K. Srivastava, Shervani, & Fahey, 1998; R. K. Srivastava, 2001) and by considering the VRIN based characteristics of brands I begin explore how brands can be a source of advantage.

Second, I make a contribution to the marketing literature on brand management by focusing on the use of brands as a strategic resource. In particular, I develop three different brand

management strategies and demonstrate how the effectiveness of each of these strategies is closely intertwined with demand-based characteristics of industries such as differences in consumer purchasing pattern. In this way, I show how the appropriate deployment of brands as determined by industry context can play an important role in their effectiveness.

Third I expand on the deployment of brands in the motion picture industry by expanding on a brand re-creation strategy which can be used in industries where consumers typically purchase any given product only once. I show how firms in such industries can introduce new products that carry over the brand from a previous product in the form of a franchise. In developing the specifics of a brand recreation strategy within the motion picture industry I manage to show the importance of the timing between the introduction of successive products and the number of films to date in the franchise. I also touch upon issues associated with the concepts of product level similarity and brand concept consistency in maintaining the value of the brand in such industries.

I find support for the notion that the timing of sequel products plays an important role in how brands impact performance in the motion picture industry. Moreover, I find that quickly releasing sequel films can enhance performance early in the franchise while more time between sequels can be beneficial as the franchise matures. Secondly, I find that product level similarity in the form of the use of consistent lead actors and brand concept consistency in the form of the use of the same production companies can enhance brand performance across sequels. Finally, due to satiation and brand wear out the positive impact of these forms of similarity and consistency is contingent on when the sequel is released and where it falls within the franchise such that their positive impact is reduced as the time between sequels increases and the franchise matures.

In summary this work suggests that brand management strategies can play an important role in the firm's effort to gain a competitive advantage and that the appropriate use of these strategies is contingent on demand-based industry characteristics such as consumer purchase patterns. Brand re-creation specifically is an appropriate brand management strategy in industries where products have a short product life-cycle and consumers generally purchase the product only once. Furthermore, managers in these types of industries can expand upon the benefits of a brand re-creation strategy through decisions regarding the time between different products and the number of new products to introduce.

The organization of this dissertation is as follows. Chapter 2 provides a review of the evolution of the RBV. Chapter 3 considers brand as a resource which can be managed through extensions, revitalization and re-creation. Chapter 4 applies brand re-creation to the Hollywood film industry and provides arguments for the hypotheses that will be tested. Chapter 5 outlines the methodology for testing these hypotheses. Chapter 6 includes the results from the analysis and Chapter 7 includes a discussion of the results and conclusions.

CHAPTER 2

THE EVOLUTION OF THE RESOURCE BASED VIEW

The resource based view represents a collection of literature within strategic management which theoretically focuses attention inside the firm for creating and maintaining value. Early work on the RBV focused more heavily on an understanding of how resources can help firms to pursue various opportunities (Penrose, 1959; Wernerfelt, 1984). Later work focused on how specific resources could be viewed as a basis of sustainable competitive advantage (J. Barney, 1991; M. Peteraf, 1993; M. A. Peteraf & Barney, 2003). Over time, the RBV has undergone both criticism and refinement (J. B. Barney, 2001; Foss & Knudsen, 2003; M. A. Peteraf & Barney, 2003; R. L. Priem & Butler, 2001a) as well as numerous empirical tests with somewhat mixed results (Arend, 2006; Armstrong & Shimizu, 2007; Crook, Ketchen Jr., Combs, & Todd, 2008; Newbert, 2007). Each of these developmental phases has played an important role in the formation of the RBV as a dominant perspective within strategic management research (Nag, Hambrick, & Chen, 2007). The following sections provide a review of these phases illustrating how each of them shed light on differing aspects of firms, their resources, and how the firm creates value within a market.

Resources are tied to opportunity

Early work in the RBV was pioneered by Penrose (1959). Trained in economics, Penrose focused on how a better understanding of its resources could allow a firm to figure out how they could be deployed to pursue various opportunities. As such, her work was designed to investigate the basis for a firm's growth through its ability to pursue these opportunities.

Because of Penrose's focus on resources as a basis for the growth of a firm, she stressed how managers could understand the different ways in which resources could be combined to

pursue opportunities. Consequently, Penrose laid considerable emphasis on the learning of managers so that they would be able to link resources to opportunities (Penrose, 1959, p. 85). At the same time, her work placed considerable emphasis on the bundles of resources that could be created by the firm rather than on any single resource.

Wernerfelt (1984) followed up on these ideas several years later. Based on the deployment of resources to pursue specific opportunities, he suggested that they were fundamentally connected to a firms choice of products. Or, as Wernerfelt aptly states, "to managers, resources and products are two sides of the same coin" (Wernerfelt, 1984, p. 171). Resources in this sense offer heterogeneous benefits based on their differing characteristics. Therefore, according to the RBV, firms differ in their approach to opportunities and growth because of their heterogeneous resource base and the benefits that they choose to obtain from them. Early conceptions of the RBV therefore emphasize the interplay between resources and markets in understanding how firms exploit opportunities.

Both Penrose (1959) and Wernerfelt (1984) also acknowledge the importance of time in both the development and exploitation of resources. As such, resource development and exploitation was viewed as an emergent process resulting from an interplay of market opportunities and productive resources to develop unique knowledge within the firm (Garnsey, 1998). For example, Wernerfelt (1984) illustrated the RBV through a market sequence matrix in which firms developed capabilities in one market which were then exploited in new markets.

Early work on the RBV therefore emphasized how firm growth resulted from the accumulation of firm based knowledge that allowed them to continue to link market opportunities to their resource deployment over time. Notwithstanding these remarkable

contributions, to this point, the RBV remained largely amorphous and without specific parameters for theorizing.

Resources are tied to sustainable competitive advantage

While early conceptions of the RBV focused on the application of resources to pursue various opportunities, subsequent formulations focused on how resources serve as a source of sustainable competitive advantage (SCA). Building on early developments with the RBV, Barney (1991) began parameterizing the perspective into a theory of SCA. Barney proposed that a firm's SCA is derived from its access to resources that possessed particular characteristics: they were valuable, rare, could not be imitated and did not have substitutes.

Barney's reformulation of the RBV did share some characteristics with the theory that had been developed by Penrose (1959) and Wernerfelt (1984). The key attribute of a resource's value was based on its ability to address opportunities in the firm's environment. Similarly, the lack of imitability of any resource was tied to the specificity of a resource or its ties to a given firm. Beyond this, it shifted the focus of the RBV to the attributes that were tied to each resource.

Closely associated with his work, Peteraf (1993) further developed the parameters by connecting the RBV to the notion of Ricardian rents. Specifically, she elaborated on Barney's focus on the advantages that a firm could derive from its possession of particular resources. Clearly a SCA was derived from a heterogeneous distribution of resources across firms. Furthermore, this heterogeneity could only be preserved under conditions where firms did not face competition in securing the resource and could subsequently prevent its rivals from obtaining or developing similar resources.

Building on Barney's framework, Peteraf (1993) also argued that a SCA would depend on relative lack of mobility of resources between firms. This extended the focus of the RBV

beyond single resources to a complementary set of resources, as Peteraf suggested that a particular resource may be more valuable to a given firm because it could match it with other resources that it also possessed.

For the most part, the later contributions by Barney and Peteraf moved the RBV toward more formal theorizing, in the form of specific parameters for formal propositions and testing. In addition to formalization, these researchers focused on SCA, outlining not only how resources enable the exploitation of opportunities but also how resources can be a source for continuing to secure benefits from exploiting these opportunities.

Debate around the theory

The formalization and parameterization of the RBV was not without its critics. In their critique of the theory, Priem and Butler (2001a) argued that the RBV had fallen short of being a theory due to a lack of law-like statements, overly general parameters and tautology. In addition, Foss and Knudsen (2003) suggested that the RBV as developed by Barney (1991) and Peteraf (1993) suffered from overly broad definitions and a lack of parsimony and clarity. These critiques prompted a lively debate among organizational scholars based on the merits and usefulness of RBV as a theory of competitive advantage (J. B. Barney, 2001; M. A. Peteraf & Barney, 2003; R. L. Priem & Butler, 2001b). Each of these developments led its proponents to clarify the theory, definitions, dependent variable and scope of the RBV.

One of the primary criticisms of Barney's reformulation of the RBV has been its lack of clear definition of value. In particular, there has been a lack of sufficient distinction between the attributes and the benefits of resources, suggesting that the theory cannot be refuted (Kraaijenbrink, Spender, & Groen, 2010; R. L. Priem & Butler, 2001a). It has been proposed that this issue could be addressed by relying on different measures of the value of a resource based on

its ability to generate customer perceptions (Bowman & Ambrosini, 2000; Hoopes & Madsen, 2008; Schmidt & Keil, 2013).

A related criticism of the RBV focuses on its assumption that possession of VRIN resources is sufficient to provide the firm with a SCA. Unlike Penrose (1959), Barney gave little consideration to the role of mangers in identifying and deploying resources. In fact, the attribution of a resource's value to exogenous factors has been criticized (Makadok & Coff, 2002). Subsequent work has incorporated the role of managers in generating revenues from resources (Holcomb, Holmes Jr., & Connelly, 2009; Kor & Mahoney, 2005; Sirmon, Hitt, & Ireland, 2007).

Some recent contributions have pushed for more work on the conditions which allow a firm to use its resources to create a SCA (Becerra, 2008; Foss & Knudsen, 2003). Uncertainty, for example, is essential for the limiting of competition which has been proposed by Peteraf (1993). Similarly, the many factors that increase the immobility of resources must be given more consideration, since they may be a key determinant of SCA.

In general, further work on the RBV has been shifting to how resources are deployed by firms in a manner that can provide them with a SCA. This has led to a growing interest in how combinations of resources can create resource complementary or resource specificity. It has also provided the impetus for the rise in prominence of a firm's capabilities that may, in fact, help to establish how firms may use their resources to generate value.

Empirical approaches to the RBV

Amidst the continuing theoretical refinement, the RBV also underwent significant empirical testing. Broadly, one of the fundamental questions focused on the locus of the variance in firm performance. There were a number of studies which partitioned firm variance into

industry and firm components (S.-J. Chang & Singh, 2000; McGahan & Porter, 1997; Schmalensee, 1985; Short, Ketchen, Palmer, & Hult, 2007). In general, these studies align with the RBV, suggesting that most of the variance in firm performance is at the firm level when compared to industry or strategic group.

Although many different studies have been carried out to test the RBV, support for it has been somewhat mixed as reflected in recent surveys of this research (Acedo, Barroso, & Galan, 2006; Armstrong & Shimizu, 2007; Crook et al., 2008; Lockett, Thompson, & Morgenstern, 2009; Newbert, 2007). To a large extent, these mixed results reflect several underlying issues which have continued to confound researchers.

To begin with, there are differences in the manner in which resources are defined. According to Newbert, (2007), researchers focused on different aspects of resources in their assessment of their links to firm performance. To begin with, there was no clear distinction between what could be defined as a resource and what could be defined as a capability. Next, many studies focused on specific resources rather than on a broad set of resources. Finally, studies differed on the specific attribute – value, rareness, inimitability – that they used measure the effect of a resource.

In this regard, a review of research by Crook et al. (2008) was much more helpful. It found more support for the RBV when they focused on studies that focused on resources that more clearly conformed to the specified criteria. In other words, they found the results to be weaker when studies focused on resources that were not clearly valuable, rare, inimitable or without substitutes. Furthermore, the support was stronger for results that had been unaffected by issues that were tied to appropriation of revenues (Coff, 1999).

However, the most serious problem with the RBV lies with its lack of attention to the manner in which SCAs are created as the result of the processes that are used by firms to create and deploy their strategic resources. Dierickx and Cool (1989), for example, advanced some ideas about the factors around resource creation and deployment that could explain their lasting effect on performance. In their review of RBV studies, Armstrong & Shimuzu (2007) have suggested that the processes that tie resources to performance must be more carefully studied in order for us to gain a better understanding of the contribution of RBV.

Conclusions

In spite of these different issues, the RBV has moved the field of strategy into several new directions. These can be broken down into two different categories: resource-centered and capability-centered. In the resource-centered stream, RBV has led to a growing stream of research on the contribution of different types of resources. In this regard, there has been growing interest in knowledge-based resources, otherwise known as the knowledge-based view (Grant, 1996). As Kraaijenbrink et al. (2010) have proposed, however, there are many different ways in which resources can be characterized, based on their relevance to the RBV. The most commonly used have been criteria such as financial, reputational or human; tangible or intangible; fungible or non-fungible.

In the capability-centered stream, RBV has led to a greater focus on firm capabilities, including dynamic capabilities (Teece, Pisano, & Shuen, 1997). This research has been probing into the way that managers in organizations may learn how to combine resources and deploy them to pursue specific opportunities. Together, these two streams of research may allow us to combine the perspectives of RBV that have been advanced by Barney (1991) with the one that had been laid out earlier by Penrose (1959).

CHAPTER 3

BRAND AS A RESOURCE

According to the RBV, firms derive advantages from the possession and utilization of their resources. In particular, RBV scholars suggest that these advantages stem from the heterogeneity of resources held by different firms. To the extent that specific resources are attached to different firms on a semi-permanent basis, they can be the source of SCA. However, Barney (1991) suggested that resources can provide such advantages only when they can be considered to be valuable, rare, inimitable and without substitutes.

Characteristics of brands

Brands as valuable. A firm's brand serves as a valuable resource by making consumption more efficient for the firm's consumers. A brand helps to create a distinctive identity for the products and services of a particular firm that also separates them from those offered by its rivals (Aaker & Keller, 1990; Boush & Loken, 1991; Sood & Drèze, 2006). Generally brands serve as a valuable resource because they help the firm to develop a degree of loyalty from consumers. Brands serve to develop loyalty by performing three important functions namely, making consumption more efficient through search processes, user skills and by shaping consumer preferences.

First, brands create loyalty by facilitating efficient consumption through lowering search costs for consumers. Consumption markets can be highly complex and evaluating all products and services on all characteristics can be cognitively demanding, particularly for those products that consumers buy on a frequent basis (Shamsie, 2003). For example, consumers would not have much motivation to engage in extensive search every time that they buy soap, toothpaste or toilet paper. Therefore, brands can serve to speed up consumer decision making based on the

prior performance of their brand, thus making evaluation more efficient for consumers (Nelson, 1970).

Second, consumers are more likely to stick with a given brand as they learn more about its uses and benefits. Consumption requires consumer effort to produce benefits (R. L. Priem, 2007; Ratchford, 2001; Stigler & Becker, 1977). As consumers become more familiar with a firm's brand and its associated products, they can learn more about how to derive the maximum possible benefits from its use. For example, repeated use of a particular spreadsheet software can provide consumers with mastery of its use, allowing them to perform many different functions. Firm specific user skills can therefore enable consumers to engage in consumption in such a way that they are more efficient and more likely to realize benefits from the firm's goods (Wernerfelt, 1985).

Third, brands are valuable inasmuch as they shape consumer preferences. Consumer preferences to some degree are ambiguous. In some markets, consumers may be uncertain as to which factors should play an important role in purchasing decisions. Firms can try to reduce this ambiguity by emphasizing those characteristics that make their products more attractive to consumers. In this way, firms can persuade consumers to make their purchase decisions more easily by drawing them to the specific characteristics their brand. For example, Heinz has emphasized the thickness of its ketchup to differentiate it from other competitive offerings. These associations between brand and product factors can serve as important mechanisms shaping the consumers' preferences toward the firm's offerings (Fischer, Völckner, & Sattler, 2010).

Brands as rare. Although firms have the capacity to create many brands, it is difficult to develop a loyal customer base for each of them. Brands that have value because of the following

that they have already developed in the market tend to be rare. In other words, while brands in general do not appear to be rare, those that have already established themselves are certainly heterogeneously distributed, and names with high levels of favorable recognition are certainly rare (Capron & Hulland, 1999).

In addition, brands are rare because of the limited number of brands in a consumer's consideration set. Purchase decision making is conceptualized as a multi-stage process where consumers restrict the number of brands to be considered in a purchase. A consideration set represents the brands a consumer is willing to evaluate when making a decision (Roberts & Lattin, 1991). Consideration of a number of brands requires cognitive effort and, because consumers seek to economize cognitive effort, they are likely to reduce the total number of available brands to a select few (Roberts & Lattin, 1991). Because the potential benefit of additional consideration of brands offers diminishing marginal utility, consumers are likely to be highly selective in the number of brands under consideration for a given purchase (Roberts & Lattin, 1991). These market constraints enhance the rareness of brands as a strategic resource.

Brands as inimitable. The inimitability of a firm's brand is also an important factor that makes it a strategic resource. In accordance with the RBV, brands are difficult to imitate because they are usually connected to the idiosyncratic resource base of a particular firm. Brands represent an asset that is created and supported by the various competencies of a firm. In other words, the interconnectedness of a firm's products and the resources needed to produce these products makes brands idiosyncratic and therefore more difficult to imitate.

In addition, brands benefit from time compression diseconomies (Dierickx & Cool, 1989). Building brands requires repeated investments over a long time period (Anand & Delios, 2002). Establishing a positive image in the minds of a high number of consumers requires large,

repeated investments. The accumulation of positive brand images, therefore, can generate time compression diseconomies because other firms cannot quickly imitate them with their own set of resources and capabilities (Dierickx & Cool, 1989). These time horizons, coupled with the repeated investments, also enhance the inimitable nature of brands as a resource for firms.

Brands as non-substitutable. Brands have been shown to have a number of characteristics that make them non-substitutable. The use of brands can also serve an important source of information to reduce the uncertainty when purchasing new products. In order to reduce the risk disappointment associated with purchasing new products, consumers often rely on the brand associated with the product (Claycamp & Liddy, 1969; Milewicz & Herbig, 1994). Associating a product with the brand can enable consumers to select products that are more likely to meet their needs and to have the appropriate expectations (Basuroy & Chatterjee, 2008). Other approaches such as product features or distribution are unlikely to have similar risk reducing properties.

In addition, brands can serve as an efficient market signal, in that they can communicate a high level of complex information very concisely (Wernerfelt, 1988). As a market signal, brands allow a consumer to associate a product with specific attributes. Furthermore, by continuing to purchase the same brand, the consumer is assured of the consistency of these attributes. This feature of a brand, particularly one that is already well known to the consumer, makes it difficult to find substitutes for it.

Based on the RBV resources are strategic only when they demonstrate VRIN type characteristics in that they are valuable, rare, inimitable and with no-substitutes. As noted above, brands offer a number of strategic characteristics; however strategic management research has

also discussed that competitive advantage arises not only from the possession of resources but also from their appropriate management (Sirmon et al., 2007).

Managing Brands

Early conceptions of the RBV generally focused on the characteristics of resources, which assumed that the mere possession of strategic resources made their appropriate use self-evident (J. Barney, 1991; M. Peteraf, 1993). Later work challenged this assumption, suggesting that how these resources are managed, combined and deployed played an important role on their leading to SCA (Sirmon & Hitt, 2003). Therefore, current work in the RBV suggests it is not only the possession of strategic resources, but also their appropriate management which influences SCA (Sirmon et al., 2007).

Even though some of the RBV research has identified brands as a strategic resource (i.e. Helfat & Peteraf, 2003; Wernerfelt, 1984) and there have been frequent calls for integrating strategic management and marketing (J. Barney, Wright, & Ketchen, 2001; R. K. Srivastava, 2001) there has been little theoretical and empirical work on the use of brand as a resource carried out to date. Combining the RBV literature with the marketing literature is critical to understanding how firms can manage their brands for SCA. While there has been substantive work about brand management strategies in the marketing literature (Aaker, 1990; Kapferer, 2008; Keller, 1999, 2008; Low & Fullerton, 1994) to date this work has not fully considered how the effectiveness of these brand management strategies vary by contextual factors like industry characteristics like product life-cycle.

In terms of brand management, the marketing literature has mostly concentrated on the use of brand extensions (Aaker, 1990; Keller & Aaker, 1992; Spiggle, Nguyen, & Caravella, 2012; Völckner & Sattler, 2006). Brand extension as a brand management strategy refers to

using established brand names to introduce new products to reach new consumers. The core product of a brand may not appeal to all consumers therefore to broaden the reach of the brand; brand extensions enable firms to reach new consumer groups with new products.

In addition, there has been some growing reference to the concept of brand revitalization (Berry, 1988; Brown, Kozinets, & Sherry, 2003; Gilmore & Wansink, 1999; Thomas & Kohli, 2009, 2009). Brand revitalization refers to reinvigorating the brand for existing consumers. Brands can lose their consumer appeal as brands and consumers age (Bivainiene, 2010; Simon, 1979). Therefore revitalization represents the firms efforts to maintain the efficacy of the brand for existing consumers (Berry, 1988).

In spite of this progress, there has been little effort to link different brand management strategies to specific industry contexts with different consumer purchasing patterns. Furthermore, these existing strategies do not cover all types of industries such as movies, books and video games where managing brands can be challenging given that most consumers do not purchase any single product more than once. The following sections provide a more in depth assessment of various brand management strategies.

Extending brands to reach heterogeneous consumers. Across a wide range of industries that offer products consumers buy on a regular basis, firms build on the appeal of their most popular brands through the use of brand extensions (Aaker, 1990). Brand extensions are most commonly used to reach new consumer segments that are not attracted to its existing brand. For example, Coca-Cola has expanded the appeal of its flagship brand to other segments that prefer drinks that are lower in sugar or in caffeine content. Such a strategy allows the firm to draw on the strengths of its core brand resources while modifying the product to appeal to a wider range of consumer preferences.

When effectively executed, the attributes of the parent brand are transferred to the new product extension, thus enhancing its position relative to competitor products (Farquhar, 1989; Sood & Drèze, 2006). Strategically, brand extensions provide an opportunity for firms to utilize their market based resources to efficiently expand their customer base. To accomplish this, brand managers navigate the difficult balance of product similarity, in order to leverage and maintain brand identity, while differentiating the product sufficiently, so as to secure a net increase in sales rather than cannibalizing existing products. When an extension product is too similar to its parent brand, brand extension strategies can backfire. For example, when Gillette sought to offer a lower end shaving cream to compete with Barbasol they regrettably used the Gillette name, ("Good News! Shaving Cream by Gillette"). Upon doing so, many of their existing consumers simply opted for the Gillette product at the lower price (Aaker, 1990). Thus brand extension strategies are challenging as firms expand the consumer base through brand extensions while maintaining the identity of the parent brand.

Brand extensions can also be used by firms to offer products that fall into other industry categories. Like traditional extension, in cross industry brand extensions, firms seek to transfer some of the positive characteristics or associations to products that they can introduce into other industries. In order to be successful in cross industry brand extension, parent brands should have brand associations that are salient and favorable in the extension context because even if the parent brand is strong, extensions are often negatively evaluated when similarity between the extension and parent brand is low (Keller & Aaker, 1992). This can be exemplified in the efforts of Zippo to diversify away from smoking centered products. Their introduction of fragrances was a flop because of the negative association of lighters to perfume (Hagerty, 2011). Therefore

successful brand extensions need to have some level of similarity between the parent brand and extension.

In addition to brand characteristics and fit, effective brand extension strategies also require effective market communication. Both marketing support and distributor acceptance play important roles in the effectiveness of brand extensions. Marketing support refers to advertising and distribution strategies which can enhance the perceptions of fit while enhancing cooperation among distribution partners (Collins-Dodd & Louviere, 1999; Reddy, Holak, & Bhat, 1994; Völckner & Sattler, 2006). While brand extensions lower the overall expenses associated with launching new products when compared to launching a new brand, extensions also require effective marketing support. Therefore allocating the necessary resources to launch the brand extension is critical to its effectiveness.

Brand extensions provide both risk and opportunity for brand managers. Brand extensions provide an opportunity for firms to both reinforce and extend the reach of their brands, therefore successful extensions can actually strengthen the parent brand. However, unsuccessful brand extensions can also dilute the parent brand (Keller & Aaker, 1992). For example, when Sprite introduced other related products such as Sprite Orange, the parent brand was significantly weakened (J. W. Chang, 2002). Thus brand managers seek to choose brand extension opportunities which, "enhance brand equity while extending the brand's meanings in a way that preserves its cultural, semiotic, and symbolic value" (Spiggle et al., 2012).

In summary, brand extension strategies are of particular value to firms transacting with heterogeneous consumer markets whereby the positive attributes of parent brands are leveraged to introduce new products. In general, brand extensions are more prevalent in industries where it is not too costly to introduce new products and where consumer preferences are varied but stable.

The key issue in the use of brand extensions is to find the balance between the need for similarity with the core brand while creating some meaningful differences in the brand extension.

Revitalizing brands to satisfy changing consumer preferences. Contextual factors such as changing consumer preferences can play an important role in how firms strategically manage their brands (Carpenter & Nakamoto, 1989). Consumer preferences refer to the priorities consumers place on certain benefits from the products they purchase. These preferences are likely to vary over time for certain product categories due to changes in cultural values, consumer life stage and technology. The degree to which consumer preferences are stable can play an important role in how firms manage their brands. For some product categories, such as laundry soap, consumer preferences are very stable and thus the firm's brand and products have a long stable value proposition. When consumers have stable preferences and technology plays a lesser role brands can be established and exploited over longer periods of time.

A brand revitalization strategy is effective in product markets where consumer preferences change over time. As consumer preferences change the focal brand can undergo a life-cycle, much like products, where brands emerge, become well known and then begin to age (Bivainiene, 2010; Simon, 1979). In this context can be critical for firms to engage in a brand revitalization strategy where the brand is consistently renewed. Brand revitalization can take many forms such as new product models to satisfy changing needs or marketing tactics such as promotions and advertising to re-instill the brand values.

Not only can revitalization strategies vary in their tactical approach but also in their temporal pacing. For automobiles, these changes are carried out on an annual basis in order to incorporate the most recent features and reflect style changes. In other industries, such as clothing, changes may be carried out two or three times each year in order to match the offerings

to the season or time of the year. Brand revitalization strategies then incorporate marketing tactics such as new products or advertising to reconnect the brand with consumers and ensure that consumers have positive experiences related to the brand.

Brand revitalization differs from extension as extension focuses on reaching new consumers whereas revitalization is designed to hold on to current consumers. Brands with a long period of market exposure can begin to decline when consumers experience dissatisfaction with the brand. Differences between the brand promise and consumption experience can generate dissonance for consumers, thus weakening the meaning of the brand within the market (Anderson, 1973). To rejuvenate brand meanings, firms engage in product innovation to reinforce brand meanings and enhance consumption experiences. For example, while Cadillac historically enjoyed strong brand meanings, over time it became less impactful in the market as GM struggled to compete with Japanese and German competitors. GM, however, introduced new models such as the CTS, the STS, and the DTS, which all helped to revitalize the Cadillac brand (Ireson, 2008).

In large part, the impetus for brand revitalization arises from changing consumer preferences which can be catalyzed by moves of competitors (Thomas & Kohli, 2009). In many industries, competing firms develop a pattern of updating their products or services on a regular schedule. For example, Apple and Samsung introduce new smartphones in order to catch up with each other in terms of their offerings. In other industries, firms may need to re-orient their brand occasionally, rather than regularly, in order to accommodate what may be longer term trends in consumer preferences. The dimensions by which consumers distinguish value can vary over time, which can require that firms make changes to their offerings to respond to these shifts (Adner & Zemsky, 2006; Danneels, 2011; Tripsas, 2008). Similarly, the growing interest of

many consumers for fresher and healthier food has pushed McDonalds to add salads and offer fruits. By moving in this direction, the firm is trying to maintain its appeal among the largest possible consumer base ("Lovin' McDonald's Back To Health," n.d.). In some cases the firm may even change its brand in order to avoid losing consumers because of their changing preferences. As an example, Kentucky Fried Chicken repositioned its brand by going with the initials KFC to lower the importance of "Fried" to health conscious customers while maintaining an image of the Colonel to be true to the brand's heritage.

Finally, brand revitalization may be useful to develop new demand for products, especially when the firm may need to rely on new uses of the product in order to maintain growth. The characteristics of a given product can often result in value for other consumers or consumption contexts (Adner & Snow, 2010). For example, Johnson & Johnson successfully targeted its baby shampoo to adults by emphasizing its gentleness as an attribute (Keller, 2008). Alternatively, firms may decide to communicate new uses for its products in order to keep exploiting its brand. For example, Arm & Hammer brand faced significant decline when fewer consumers cooked at home. To combat this, they advertised baking soda as a deodorant for refrigerators, revitalizing the brand to apply in new consumption contexts.

In summary, in those industries where consumer preferences change over time brand revitalization strategy can be an effective way to maintain the appeal of the brand to its market. Unlike brand extension, however, this form of brand management tends to rework existing products rather than introducing new ones. In other words, the latest model of Toyota Camry is simply an updated version of the earlier car with improvements that can allow it to more effectively compete with the new offerings of its rivals and to offer more value to consumers. In addition, brand extensions focus on reaching new consumer segments whereas brand

revitalization focuses on reconnecting the brand with existing consumers. Therefore brand extensions enhance brand performance in markets with heterogeneous consumer preferences and revitalization enhances brand performance in markets where consumer preferences are changing.

Both extending and revitalizing brand strategies focus on brands which maintain their market presence with continual transactions. For brand extension strategies the continued market presence of the parent brand is critical to keep the brand name salient for potential extensions. For revitalization strategies, the continual deployment of new product models and marketing strategies maintains the brands continual market presence. Extensions and revitalization then effectively address consumer heterogeneity and changing preferences but they do not consider the complexity of marketing a brand that is only temporarily present in the market.

Table 1 Contextual Factors for Effective Brand Management Strategies

	Brand Extension	Brand Revitalization	Brand Re-Creation
Purchase Cycle	Multiple	Multiple	Single
Customer Mix	Heterogeneous	Heterogeneous or Homogeneous	Homogenous
Consumer Preferences	Stable	Changing	Changing
Target Market	New	Existing	New & Existing
Relevant Industries	Consumer Packaged Goods	Consumer Packaged goods & Consumer Durables	Cultural Goods

Re-creating brands for single purchase cycle goods. In contexts where products are only temporarily present in the market firms may need to re-create their successful brands in order to exploit their value. An important factor influencing how firms manage their brands is the purchase cycle for goods within the category (Pringle et al., 1982). For goods with multiple

purchase cycles firms are able to communicate their brand values through repeated purchases of the branded product. However other goods such as books, motion pictures and video games, are largely purchased within a single purchase cycle and thus sales of any new product tends to decline as consumers are not as likely to keep consuming the same product (Holbrook & Hirschman, 1982). This effect is strongest in motion pictures, as most consumers tend will not view the same film more than once. But it also affects video games, where consumers will experience decreasing value from the same experience.

For single purchase cycle products consumers tend to satiate when consuming a given product therefore firms need to introduce new products on a regular basis (McAlister, 1982; Redden, 2008). For cultural products such as films, art and books consumer demand is largely satisfied with a single purchase. In addition, the sales of cultural goods is often driven by information cascades where the consumption response of friends strongly influences sales (Pollock, Rindova, & Maggitti, 2008). But just as demand grows through information cascades it also quickly declines as the goods are consumed. As a result of this satiation effect, firms will be constrained in the extent to which each new product can resemble previous ones and each new product gets recognized as a separate brand. Firms therefore face challenges in drawing attention to and generating interest in a new brand with the launch of each new product.

To effectively manage the firm's brand value in the context of temporary market presence firms employ a brand re-creation strategy. This strategy, which has become known as franchising, enables firms launch new products that are tied to a previously successful brand after sales have significantly decreased. These new products stay close to the concept of the previous product but will change some of its attributes. In this way, firms can continue to capture benefits from the brand of the preceding product by capturing some of its core appeal.

Brand re-creation differs substantially from both brand extensions and brand revitalization because of the temporary presence of the brand. Neither brand extensions nor brand revitalization consider the issue of intermittent periods of the brand being absent from the market. For example, in brand revitalization strategies firms continually sell a relatively high number of old models while new models are being launched therefore while sales may vary across the transition, the company can largely maintain its operations across various models. Furthermore a brand extension assumes the consistent presence of a parent brand in the market to launch new products. These periods however play a critical role in products with a single purchase cycle because they face the challenges of weakening brand associations (Alba & Hutchinson, 1987; Basuroy & Chatterjee, 2008) effectively spacing new products and managing the extent to which re-creation of a brand is associated with previous products of the same brand (McAlister & Pessemier, 1982; Sood & Drèze, 2006).

The issue of temporary market presence also complicates how firms manage brand continuity. Continuity plays a critical role in brand re-creation strategies because intermittent brand deployment provides fewer opportunities for reinforcing brand values. Although brand extensions and revitalization consider brand continuity, they consider these issues in the context of repeated purchase cycles in which firms are able to repeatedly communicate and reinforce the brand ideals which can be critical to managing a brand (Campbell & Keller, 2003). Brand continuity becomes a challenge in brand re-creation because the need for continuity is complicated by fading memories and associations from a lack of exposure. Thus while the context requires a totally new sequel product the absence of the brand from the market increases the need for brand continuity in order to be identified with the franchise.

In summary, brand re-creation is essential in those product markets where the consumers engage in a single purchase cycle, each sequel product has a relatively short life-cycle separated by time when the brand is largely absent from the market. Within this context, a re-creation strategy can enable a firm to draw on the core characteristics of a brand that have been established by the previous offerings to introduce new products.

CHAPTER 4

RE-CREATING BRANDS IN THE MOTION PICTURE INDUSTRY

The U.S. motion picture industry is one of the oldest, dating back to the start of the 20th century. It also generates the largest revenues and represents a significant contribution to the overall US economy. In 2013, the industry recorded $130 billion in sales and 1.9 million jobs. Known as Hollywood, based on the early location of most of the film studios, it presently consists of six large firms and several smaller ones. All of the major studios, with the exception of Disney, can trace their origins back to the beginning of the U.S. film industry.

Since 1980, the six major film studios have accounted for the bulk of the industry's revenues and profits. They primarily focus on fewer higher budget movies that they release widely, generally on 2,000 or more screens across the U.S. and in almost all markets outside the U.S. Over the last decade, they have released about 100 movies annually, with an average production budget of around $70 million and a marketing budget of around $35 million.

In addition, over 500 movies are released each year by smaller studios, often referred to as independents. Most of these cost less than $10 million to make and are released in no more than a handful of theatres. Three of the major studios also have subsidiaries that collectively release about 40-45 films per year that fall into this category. A couple of these independents, such as Lionsgate, could be considered large enough to be considered to be a major film studio.

All films, especially those distributed by the major studios, are first released into theatres. Increasingly, studios are releasing many of their films in many markets around the world on the same date. After their theatrical run, these movies are offered on DVD, to cable channels and for live streaming. DVD sales have declined, particularly with the growing use of streaming video. In spite of the many different sources of revenue, theatrical box office receipts have remained a

key indicator of a film's success. The popularity of a movie during its run in theatres helps to create the market for its subsequent sources of revenue.

Use of Sequels

Film studios generate a large part of their revenues from a slate of films that they release each year. Because most consumers will not watch a movie more than once, each of the films has a relatively short life cycle, generating almost all of their revenues within a year of their release. Furthermore, since consumers will not be drawn to another movie that is exactly like one they have seen before, each film can be considered to represent a new brand which has little association with the prior offerings of the same film studio. As such, the studio takes a risk with launching each of its movies. In large part, this risk tends to be high because audiences and critics can be fickle in their preferences. Therefore it is generally accepted that many new films fail to make money while in theatres (Vany & Walls, 1999; Vogel, 2010).

Therefore, film studios have relied increasingly on the use of brand re-creation. In motion pictures, re-creation consists of turning the brand associated with the movie into a franchise which can allow them to release sequels (M. A. Desai, Loeb, & Veblen, 2002; Eliashberg, Elberse, & Leenders, 2006). By establishing a franchise, a studio reduces the risk of future offerings by tying it to a film brand that has already been successful (Landro, 1989). With each sequel, therefore, the studio seeks to re-create the brand that was associated with the title of a previous movie. The use of sequels has grown considerably over time. In 2014, 12 of the top 25 grossing films were sequels. In addition, IMDB currently lists 226 anticipated sequel films between 2015 and 2020.

The use of sequels as a strategy offers a number of advantages, such as reducing market risk. Because the franchise brand provides information about some key film characteristics,

consumers can more confidently select the film prior to consumption (Basuroy & Chatterjee, 2008; Keller, 2008). For example, franchises such as *Lethal Weapon* and *Mission Impossible* integrate certain storylines and characters into the film offering (Basuroy & Chatterjee, 2008). Associating the film with a franchise name serves as a useful signal to consumers making purchase decisions (Wernerfelt, 1988). Essentially brand re-creation in the motion picture industry reduces the risk for consumers by providing useful information regarding whether the film will satisfy their desires.

Effective brand re-creation in the film industry requires that firms re-create a brand concept that sufficiently links the new product to a prior film in order to leverage favorable consumer memories. According to the branding literature, brands can be considered living entities that require both identity and vitality (Kapferer, 2008; Keller, 2008). Therefore, in the motion picture industry, firms effectively create sequels by leveraging components of the previous film which communicate the identity of the brand in the minds of consumers without weakening the sequel's promise of novelty (e.g. Aaker & Keller, 1990; Erdem & Swait, 2004; Park, Milberg, & Lawson, 1991; Sood & Drèze, 2006). In other words, consumers must believe that their experience with the sequel will be comparable to the previous film without being an exact replication.

Timing of Sequels. The timing of sequel products represents a critical strategic decision for firms seeking to effectively manage the brand value associated with a franchise (Basuroy & Chatterjee, 2008). In the movie industry, franchises often vary widely in the timing of sequels with some franchises offering sequels in quick succession while others take longer between sequels. For example, *Back to the Future Part III* (May 1990) followed only 6 months after *Back to the Future Part II* (November 1989). In contrast, *Herbie Fully Loaded* (2005) came 25 years

after the previous *Herbie Goes Bananas* (1980). The strategic decision of when to deploy sequel products can have important implications for the effectiveness of brand re-creation strategies. Time elapsed between the launch of sequel products can influence the degree to which subsequent offerings are able to draw upon positive brand associations related to the franchise.

By strategically timing sequel products, firms capitalize on positive brand associations (Basuroy & Chatterjee, 2008; Wyer & Srull, 1986). The release of a sequel product within a franchise refreshes the brand within the market, establishing the brand ideals and the potential value of franchise products. By quickly releasing sequel products, firms are more effectively able to leverage the franchise brand to promote each of their products. This is largely because the short time between sequels ensures that brand ideals are salient and accessible to potential consumers when making their purchasing decisions (Alba & Hutchinson, 1987; Basuroy & Chatterjee, 2008; Lynch & Srull, 1982).

As such, by releasing sequels in quick succession firms are able to draw on the benefits of a salient brand that can enable them to differentiate their films from others. The more closely a firm can link its sequel products to a familiar franchise, the more effectively it can allow consumers to relate to and fully appreciate the various attributes of the film (R. L. Priem, 2007; Ratchford, 2001; Stigler & Becker, 1977; Wernerfelt, 1985). When consumers can employ the familiarity acquired from previous consumption, the economies of brand familiarity make franchise branded products more valuable.

In contrast to rapid sequel product deployment which leverages and influences brand ideals delaying the launch of sequel products can weaken relevant brand associations. The impact of a firms brand on the market is partially contingent on the relevance, salience and strength of brand associations as conceived by the firm's consumers. These brand associations

are not stable over time but are prone to decay without reinforcing stimuli (Alba & Hutchinson, 1987). Therefore, absent other factors to reinforce the brand such as marketing or fan clubs, when sequel products are separated by longer time periods the impact of brands on consumer preferences and product choice decreases. Thus franchise brands have a more positive effect on sequel product performance when time between products is short rather than long.

Hypothesis 1: Time elapsed between sequels is negatively related to sequel performance.

Although time lapsed is expected to be negatively related to sequel performance this negative relationship may attenuate and possibly reverse beyond some point. As argued above the impact of a franchise brand on sequel performance is contingent on exploiting vivid consumer memories. Although memories related to a given product are likely to fade over time, firms may be able to revive those memories through a lens of nostalgia (Schindler & Holbrook, 2003; Stern, 1992). Through evoking nostalgia by delaying the release of a sequel, firms enhance the brand's appeal by reawakening positive emotions consumers attached to the franchise at an earlier point in their lives.

Delaying sequel products is likely to draw upon previous experiences and thus enhance nostalgia (Brown et al., 2003). Nostalgia refers to "one's sentimental longing for the past" and is likely to be experienced by consumers who have earlier associations related to the brand or product. These associations are more likely to enhance brand attitudes and purchase intentions when these associations are positive and founded on attachments to the product formed either during childhood or while they are growing up (Mueling, Sprott & Sultan 2014). By delaying sequel products firms have an opportunity to capitalize on these earlier memories and product associations formed at a time in life when emotional attachments to a brand or brand identification may be stronger.

When firm offerings evoke nostalgia they are likely to enhance the positive associations with a given product or brand. Evoking nostalgia can allow firms to enhance consumer interest, attention and involvement in the consumption process (Bambauer-Sachse and Gierl 2009b; Marchegiani and Phau 2005; Muehling and Sprott 2004; Muehling and Pascal 2011; Pascal, Sprott, and Muehling 2002). By enhancing attention and involvement, nostalgic brands and products are more likely to revive positive feelings and attitudes towards the franchise brand and product **(**Burke and Edell 1989; Derbaix 1995; Holbrook and Batra 1987; Moore and Hutchinson 1985). Thus by linking a sequel to nostalgic remembrances of the franchise, firms can enhance consumer interest and attention to influence consumer judgment (Mueling, Sprott & Sultan 2014).

Increased time between sequels enables firms to reframe memories of product performance by evoking positive nostalgic memories about the franchise while avoiding negative memories that a more recent release might trigger (Braun, Ellis, and Loftus, 2002; Moore & Homer, 2004; 2008). Increasing the time elapsed between sequels allows consumers to experience nostalgia by allowing consumers to draw upon affect laden past experiences. Recalling those experiences should influence consumer judgment through increased consumer involvement (Sujan, Bettman & Baumgartner, 1993). Consequently, though time elapsed initially undermines sequel performance, extending that time may eventually lead to an improved sequel performance.

Hypothesis 2: There is a curvilinear shaped relationship between time elapsed between sequels and sequel performance such that the relationship begins negative and turns positive.

Number of Sequels. Sequel products serve as reinforcing mechanisms to enhance brand value. Through the release of additional sequels firms reinforce the franchise brand by

communicating its ideals and meaning (Klink & Smith, 2001). The value of a firm's brand is partially established through repeatedly creating positive associations between the consumers and the ideals of the brand. Additional sequel products enable firms to re-create similar experiences for the consumers to enhance consumer associations with the firm's brand and products (Campbell & Keller, 2003).

In addition to enhancing consumer associations, each succeeding sequel may enhance the perception of brand quality (Basuroy & Chatterjee, 2008). Given that product markets can be highly complex, firms are challenged to differentiate their offerings from competitors. Brand quality becomes a signal that can differentiate a product from those of competitors by reducing the risk consumers' face in selecting among alternatives. The number of sequels released can support a perception of brand quality if consumers view subsequent offerings as an indication of the success, and presumably the quality, of prior offerings.

Thus, a sequel product associated with a mature franchise can carry with it a signal of quality when it is preceded by other sequels. For example, the video game franchise *Mario* has been associated with over 200 sequels across multiple video game platforms. Because of its rich history as a franchise, sequel products associated with *Mario* often signal a high quality gaming experience. Therefore, by associating sequel products with a mature and well known franchise, firms differentiate their products by signaling quality.

In addition to serving as a signal of quality, sequel products may also enhance consumer recall of the franchise (Aaker 1991; Naik, Mantrala, & Sawyer, 1998). The value of a franchise brand is partially a result of the ability of consumers to recall the brand and its ideals. Consumer recall of a given brand generally arises from repeated exposure to the brand across time (Campbell & Keller, 2003). Therefore, by releasing additional sequel products, firms may

enhance consumer recall of the franchise brand and thus enhance brand value (Basuroy & Chatterjee, 2008; Sood & Drèze, 2006). In sum, sequel performance can improve with the prior number of sequels offered.

Hypothesis 3: Sequel number is positively related to sequel performance.

Effectively managing a brand franchise can vary significantly over the age and maturity of the brand (i.e. Simon 1979). The inimitability and value of a brand is arises from how effectively a sequel product draws upon favorable consumer associations to enhance their willingness to purchase. Early within a franchise consumers have limited exposure to the brand or its related products and thus the brand is either not well recognized or its recognition may not evoke the positive associations to signal quality (Innis & Unnava, 1991). This lack of exposure to sequel leads to weakly held brand associations. In contrast, mature franchises benefit from stronger brand associations due to repeated exposure to the brand's ideals through sequel products.

The strength of brand associations plays an important role in how the timing of sequel products may influence their performance. In particular, because sequel performance relies on evoking past memories the importance of timing varies according to the maturity of the franchise (Balota, Duchek & Logan 2007). Effective sequel timing capitalizes positive consumer associations which vary with the maturity of the franchise (i.e. Luan & Sudhir, 2010). For instance, early in the life of the franchise consumer associations with the brand are likely to be weakly held and thus it may be more important for sequel products to follow in quick succession in order to capitalize on these associations. In contrast, as the franchise matures, with more sequel products, these associations are likely to be more strongly held and thus more resilient to longer time periods between sequel products.

Weakly held associations with a given franchise are more likely to deteriorate with time elapsed between sequel products. Weakly held associations for a given brand are more likely to be forgotten by consumers and become less accessible for consumption of future sequel products (Alba & Hutchinson, 1987). Memories of brand associations are largely reinforced through repetition and for newer franchises these associations have not yet been reinforced. The lack of reinforced brand associations suggests that less mature franchises will result in lower performance when time elapsed between sequels is higher. Therefore for newer franchises, firms enhance performance by quickly deploying sequel products to capitalize on recent awareness and market buzz (Friedman, 1992; Lehmann & Weinberg, 2000).

In contrast, mature franchises are more likely to establish more strongly held associations with the brand. More strongly held associations result from multiple sequel products which reinforce brand ideal. These strongly held associations are more likely to be resilient to deterioration over time and thus time lags will have less impact (Joshi & Mao, 2010). A number of film franchises appear to have followed this type of strategy by quickly releasing sequels early in the franchise and then as the franchise matures allowing for more time between sequel products. For example, *Teenage Mutant Ninja Turtles* which released three films between 1990 and 1993 and then just recently launched another sequel in 2014.

Hypothesis 4: The negative relationship between time elapsed and sequel performance is moderated by sequel number such that the performance will be much weaker for earlier sequels than for later sequels.

Leveraging Product Level Similarity

To maintain or enhance the value of a franchise, firms often maintain consistent use of symbols, names and designs to serve as cues regarding the sequel's potential performance

(Aaker, 1991; Erdem & Swait, 2004; Janiszewski & van Osselaer, 2000; Keller, 2008). Product level similarity refers to consistency in certain product components across sequel products. The configuration of product components can play a critical role in the perceived value of the product to consumers (Cooper & Kleinschmidt, 1987). Such a consistent use enhances the value of the franchise by exploiting the familiarity of consumers with these components across all of the films in the franchise.

For example, the *Mission Impossible* franchise has largely drawn on the use of Tom Cruise as a lead actor across all films. Audiences have begun to associate him as the principal character that pursues the different challenges that face the team in each of the sequels. Similarly, the *Bourne* franchise has relied on the consistent use of Matt Damon as the main actor for the protagonist *Jason Bourne* leveraging the familiarity with and understanding of the character in order to drive sequel performance. However when the film studio employed Jeremy Renner to play the role of the new protagonist performance at the box office as well as among critics significantly declined.

As such, lead actor and actresses are an important product component which has been associated with higher film performance (Albert, 1998; Elberse, 2007; Wallace, Seigerman, & Holbrook, 1993). Lead acting talent often represents the face of the franchise by connecting the audience to the film's main characters. This connection between the audience and the lead roles can endear the audience to the franchise brand and evoke positive associations. Because of the familiarity consumers may have developed for a specific actor playing a lead role this continued association is likely to more efficiently and effectively evoke positive associations with the sequel product. Thus by employing previous acting talent film studios enable consumers to rely

on previous knowledge making consumption less costly in terms of time and effort to learn, thus enhancing the consumer's ability to immediately benefit from their consumption experience.

Hypothesis 5: The use of previous lead actors used in the prior movie is positively related to performance.

While product level similarity can enhance sequel performance this positive relationship is likely to weaken as time between sequels increases. Consistent product components enable consumers to more efficiently engage in consumption through the economies of familiarity. However these positive effects may weaken as consumer memories and familiarity decline in the absence of reinforcing stimuli (Cooper & Kleinschmidt, 1987; Shepard, 1967). Therefore the ability of product level similarity to draw upon these memories is also limited by longer time periods between sequel products.

In contrast to quick succession, the connections between consumers and particular product components are likely to weaken with greater time between sequel product releases. Consumer memories connecting product level components to the franchise are likely to deteriorate and evolve over time (Alba & Hutchinson, 1987; Luo, Chen, Han, & Whan Park, 2010). With more time between sequel products the franchise brand is less prominent within the market and the connections between the franchise brand and product components are likely to deteriorate.

Weakened connections between the consumer and product components also arise from shifting consumer preferences which more likely to occur with more time between sequel products. Consumer preferences are often changing over time based on their evolving tastes and lifestyle (Adner & Zemsky, 2006). In particular consumer preferences for cultural goods such as films can be notoriously fickle (Peltoniemi, 2015). When sequel products follow in quick

succession the likelihood of a shift in these preferences is lower than when sequel products are separated by longer time periods. Thus as memories, preferences and tastes evolve, consumers may be less likely to find value in consistent components of sequel products.

The role of time between sequel products can therefore play a particularly important role as it relates to acting talent in sequel films. In particular, the value of lead actors playing a role in a series of sequels is likely to weaken as the time between sequel films increases. Through longer time periods between sequel products, the association of lead talent with the franchise is likely to decay (Tulving & Psotka, 1971). In addition, as the time between sequels increases, both acting talent ages and the characters they represent can evolve thus potentially weakening the impact of acting talent on sequel performance. Consumers of the franchise may disassociate the actor from the character over time, or the actor's advancing age may create dissonance between the conception of the character by consumers and the portrayal by the actor leading to a devaluing of the actor within the franchise. Thus the impact of talent is likely to weaken as associations decay over time.

Hypothesis 6(a): The positive effect of previous acting talent decreases with time lapsed.

Early in the franchise, firms benefit from utilizing consistent product level similarity to increase the association of consumers with a given brand (Basuroy & Chatterjee, 2008). For emerging franchises consumer conceptions of the brand are likely to be more uncertain and weakly held (Bivainiene, 2010; Simon, 1979). Because the brand may have a weaker salience for less established franchises it can be critical for firms to maintain product level similarity in order to leverage the economies of familiarity. Because the brand is not strongly recognized by consumers they rely more heavily on product component consistency to assess the value of sequel products.

As the franchise matures however, consumer conceptions of the franchise brand become more strongly held such that consumers become more associated with the brand and less dependent on product level similarity. Over the life of the franchise, sequel products can serve as reinforcing brand mechanisms reminding consumers of the brand's values. Mature franchises then are more likely to have a more established brand which is more readily recognized by consumers. Because the brand is more established, the performance of the sequel is largely due to its association with the franchise brand and may be less impacted by product level consistency (Desai & Basuroy, 2005).

The role of stronger branding and satiation will similarly impact the performance of sequels in the film industry. For mature film franchises, performance is likely to be less affected by consistent lead actors due to stronger franchise brands and the risk of consumer satiation toward certain actors (Sood & Drèze, 2006). Sequel films associated with mature franchises are likely to enjoy greater brand recognition and market buzz thus enhancing their performance despite changing the lead actors (Basuroy & Chatterjee, 2008). Thus, later in the franchise history consumers may experience fewer benefits from consistent acting talent when compared with earlier in the franchise (Brickman & Campbell, 1971; Herrnstein & Prelec, 1991; McAlister, 1982).

Hypothesis 6(b): the effect of previous actors on performance decreases with the number of sequels.

Leveraging Brand Level Consistency

While product level factors can play a critical role in the effectiveness of brand re-creation strategies product level similarity does not fully consider the importance of consistency in the brand concept (Park et al., 1991). The brand concept refers to the ideals and values

associated with a given brand and its associated products. Consistency in the brand concept suggests that additional sequel products associated with the brand will evoke similar emotional responses from consumers. Brand concept consistency is critical to maintaining brand value for sequel products because firms capitalize on brand recognition when they ensure that consumers can easily associate the product with the brand (Park et al., 1991).

Maintaining consistency of the brand concept requires a tacit understanding of the brand and the delivery of the promise embedded in the brand (Kapferer, 2008). Valuable brands within the motion picture industry are often the result of the integration of diverse business activities such as production, distribution and marketing. When these business activities reinforce a particular brand message they support the brand concept in the minds of consumers. In order to maintain the consistency in brand concept across sequel products, firms must learn to develop and utilize tacit knowledge for coordinating these diverse activities (e.g., Polanyi, 1962).

For example, the *Fast and Furious* franchise brand promises illegal street racing, precision driving sequences, and heists interwoven with the nuances of familial ties. Neal Moritz, the franchises' producer leverages these brand ideals through the intervening sequels while adding new features that draw consumers to the newer version. By managing a consistent brand concept, *Fast and Furious* fosters consumer commitment and perceived values because consumers have a consistent experience of product fulfilling the brand promise, while also offering something to pique their interest (such as the outrageous stunts in Fast and Furious 6). Thus, by ensuring accessible and salient brand ideals, firms can use each of the sequels in a franchise to reinforce brand meanings and ideals.

In the film industry, the production company is responsible for integrating the various activities that all eventually come together to influence the look, the feel and therefore the brand

of the film. They hire actors, director, special effects support, arrange for locations and so forth. How all these elements come together in the making of a film influences the look, feel and therefore the brand of the film. This look and feel as experienced by consumers plays a critical role in ensuring that the sequel is consistent with the franchise. By producing the previous film the production company develops the necessary tacit knowledge to effectively deliver on the brand concept for each sequel film. By enlisting the previous production company the film studio can ensure that sequel films conform to the franchise brand concept and thus improve the performance of the sequel.

Hypothesis 7: The use of production companies used in the prior movie is positively related to performance.

When quickly deploying sequel products, concept level consistency remains a highly salient indicator for using the franchise brand to enhance performance (Basuroy & Chatterjee, 2008; Naik et al., 1998). When sequel products are released in quick succession, consumers are more likely to remember the nuances of the franchise's brand concept. Because of the awareness and salience of these factors, brand concept consistency is likely to play a more important role in sequel performance when time elapsed is low because consumers are more likely to recognize and thus appreciate consistency of these factors.

Increasing the time between sequel products, however, can reduce the need for consistency, making consumers more open to novelty in brand concept (Basuroy & Chatterjee, 2008; Desai & Keller, 2002; Sgourev 2013). With increased time between sequel products consumers are less likely to remember, and be influenced by, brand concept consistency factors when considering the value of the sequel product. Because these brand factors are often subtle, their importance to consumers evaluating the sequel product may decline with time. As time

between sequels increases, these factors may become elusive and thus less critical to the brand concept. Ultimately time between sequel products makes brand concept consistency less critical to the success of the product (Alba & Hutchinson, 1987; Luo, Chen, Han, & Whan Park, 2010).

Part of this reduced need for consistency as time increases is that consumer memories related to the brand concept are not stable but rather can evolve over time. The evolution of consumer memories is more likely to occur with more time between sequel products due to the re-examination of memories in light of new experiences, new information and the sharing of brand interpretations with other consumers whose memories likely differ. By delaying sequel products, firms allow consumer associations with the brand concept to weaken (Tulving & Psotka, 1971). This may lead many consumers to be open to changes in the brand concept.

All of this suggests that the brand concept become less important due to fading or changing memories or more openness to change. Under these circumstances a change in the production company may not be as detrimental to the performance of a sequel. In other words, the effectiveness of the continued use of a production company in order to maintain brand concept consistency may decline with an increase in the time that elapses between sequels.

Hypothesis 8(a): The effect of previous production companies on performance decreases with the time elapsed between consecutive films.

Maintaining a consistent brand concept during the early stages of a franchise can be critical to the success of the franchise since the brand concept is relatively nascent. Consistency reinforces positive associations between the consumer and the franchise brand (Luan & Sudhir, 2010). In addition, maintaining brand concept consistency reduces the consumption risk of consumers because linking sequel products with a consistent brand concept can ensure similar quality for sequel products (Basuroy & Chatterjee, 2008). By ensuring that the first few sequels

carry a similar brand concept consumers develop a clear understanding of the brand and the value proposition offered by that brand.

While brand concept consistency can play a critical role in enhancing performance early in the franchise, later in the franchise brand concept consistency will play a lesser role in performance because consumers are likely to be more open to changes in the brand. As consumers become more familiar with the brand they can also become more open to changes in the brand concept (K. K. Desai & Basuroy, 2005; Ho-Dac, Carson, & Moore, 2013). With higher numbers of sequel products consumers become more familiar with the core concepts of the brand. In particular, as consumers become more familiar with the franchise brand this knowledge enables consumers to more efficiently process new information such as changes in the brand concept (Johnson & Russo, 1984). Greater familiarity with a brand can serve as a knowledge set which allows consumers to effectively encode and evaluate new information. This familiarity with the brand concept can lead consumers to be less negatively affected by changes in the brand concept as the franchise matures.

In addition to consumer familiarity, consumer satiation may also lead to consumers being more open to variation in brand concept. Within some product markets, consumers value variation in sequel products and brand concept, therefore for more mature franchises consumers may not find as much value in brand concept consistency (Sood & Drèze, 2006). Additional sequel products may in fact increase the risk of consumer satiation with core elements of the brand. That is, consumers may tire of certain aspects which begin to feel dated or too repetitive (Adner, 2002; Coombs & Avrunin, 1977). At this point, consumers may require the introduction of new concepts that update and revive the brand in ways that reawaken interest in the brand. Thus, satiation from additional sequel products in can weaken consumer preference for a

particular brand concept (Brickman & Campbell, 1971; Herrnstein & Prelec, 1991; McAlister, 1982).

For franchises in the film industry the previous production company plays an important role in brand concept continuity. By maintaining the previous production company, film studios utilize existing knowledge of the franchise brand concept for sequel films. However by changing the production company of a franchise brand can lead to changes in the brand concept as a result of new tacit knowledge. Therefore consumers may find less satisfaction with the original brand concept as the franchise matures and more open to changes with additional sequel products.

Hypothesis 8(b): The effect of previous production companies on performance decreases with the number of sequels.

CHAPTER 5

METHODS

To study how brands are managed within the film industry the sample focuses on movie franchises within the U.S. film industry, based on the use of sequels.

Sample

The list of movie franchises is primarily drawn from an extensive list maintained by www.the-numbers.com. This list was further supplemented with additional franchises from the IMDB through the combined review of two researchers.

The sample includes films that clearly represent sequels such as those tied to *Harry Potter*. However, they also include those sequels which were not as closely tied to the previous film. For example, *A Fish Called Wanda* had a follow up film entitled *Fierce Creatures.* Therefore, the sample includes sequels which are both closely associated to the original film and those which are more distant. In all, the sample for this study consists of 311 movie franchises within the U.S. motion picture industry associated with 910 total films including the first movie in each franchise. The sample then represents nearly a fully known list of franchises which have been distributed in theatres within the U.S. market.

The franchises in this sample cover 1960 to 2013 which represents an appropriate time period for this study because of the increasing use of sequels as a brand strategy of film studios over these years. For example, the number of sequel movies increased from seven sequels during the 1960s to 199 sequels from 2000-2009. Not only did the number of sequels greatly increase during this time period, but also the performance of those sequels also varied greatly. For example, *Universal Soldier: Day of Reckoning* grossed $5,460 at the box office whereas *The Dark Knight* grossed $533 million. Within the sample 33.8% of the sequels represent first

sequels, 13.2% represent second sequels and 6.8% represent third sequels. Among the sequel films the *James Bond* franchise remains a clear outlier. Including the franchise, *sequel number* has a mean of 2.51 and with 23 sequel films, is over 7 standard deviations beyond the mean level. Thus I have removed this franchise in order to reduce the risk of the results being driven by extreme observations. Based on data coverage and the removal of extreme values yields a final sample of 499 sequel films. While the sample was primarily drawn from www.the-numbers.com and the IMDB other data about the films themselves was drawn from www.boxofficemojo.com, www.rottentomatoes.com and www.quigleypublishing.com.

Dependent variable

Domestic box office receipts. The focus of this study is primarily on how brands can be successfully managed. The performance of a film brand is largely measured by the films box office receipts. Box office receipts represent the total revenues collected for a given film through theatre distribution channels. Past research has suggested that *domestic box office receipts* serves as an effective proxy for the value of the movie in other markets (Ainslie, Drèze, & Zufryden, 2005). Further, box office receipts have been suggested to be a reliable indicator of overall revenue in the film industry (Ravid, 1999). Finally, the use of market based measures of performance have been suggested as more useful for RBV research than measures of appropriation (Crook et al., 2008). Thus, box office receipts serves an appropriate measure of market response to the film company's value creation efforts.

Domestic box office receipts were primarily gathered from www.the-numbers.com. For any films not reported on this website, data was collected from IMDB and www.boxofficemojo.com which both report the revenue associated with the entire domestic theatrical release. This variable is highly skewed and therefore is log transformed.

Independent variables

Time elapsed. *Time elapsed* represents the number of years that passed between the release of a sequel and the release of the film that preceded it. When sequels follow each other more quickly, time elapsed is low.

Sequel number. *Sequel number* represents the temporal sequence in which the film appears within the franchise. For example, the first sequel is coded as 1, with each temporally subsequent sequel an increasing value. High levels of *sequel number* thus represent films later in the franchise whereas low levels of *sequel number* represent films early in the franchise.

Previous actors. *Previous actors* represent maintaining an association between a brand and its central product components. Acting talent can play a critical role in how the characters are understood by the audience. By continuing to employ the previous acting talent, film studios maintain the image of key characters within the franchise however when acting talent changes between sequel films the image of the characters can be disrupted by differences in how the role is portrayed and understood by the audience. IMDB maintains a database of major actors in a given film with up to 5 major actors or actresses within a given film and was reviewed by two researchers to ensure validity. As a measure, *previous actors* represent the percentage of central actors, meaning the key protagonist and antagonists in the film that are included from the previous film.

Previous production company. *Previous production company* serves as proxy for brand concept consistency. The brand concept consistency in films is often a result of the look and feel of the film as experienced by an audience. These components are often arise from both the inputs, such as the type of story and characters, the use of different types of talent and the visual and special effects. But these have to be carefully integrated to communicate a coherent brand

image. The production company represents the product development resources for creating the film through securing the talent, managing the shoot and handling post-production. Therefore production companies are largely responsible for the look and feel of the film. By maintaining a consistent production company film studios leverage the tacit knowledge held regarding the franchise brand as well as the network and production resources needed to maintain the brand's concept in subsequent films. The production companies were collected from IMDB and supplemented from Wikipedia. *Previous production company* represents the percentage of production companies from the previous film that are involved in producing the sequel.

Control variables

Previous film performance. The performance of a sequel is likely to be partially driven by the performance of the previous film in the franchise. When the previous film has a higher level of performance the franchise is likely to be more well-known and recognized by the market. Therefore, higher performing franchise films are likely to benefit from market momentum to enhance the performance of sequel films. *Previous film performance* represents the domestic box office receipts of the previous film in the franchise. The variable is highly skewed and therefore is logged.

Production budget. The *production budget* for a given sequel film can vary significantly based on the film studios' commitment to the film. Higher production budgets enable the film studio to secure better talent both for acting and production crews. With higher budgets films often have stronger appeal based better known talent and production values. Data for the production budget is collected from the IMDB and supplemented with data from Wikipedia. Because this value is highly skewed the measure was logged to reduce the impact of extreme values.

Ticket price. Importantly, these sequels occurred over a large period of time when ticket prices and increased significantly. One approach would be to scale our dependent variable by this measure, however to avoid the risks associated with ratio dependent variables and to control for this potentially confounding variable, *ticket price* represents the average cost of a movie ticket during the year the sequel was released (Wiseman, 2009).

Book based franchise. Book based franchises differ from other franchises because they are based on characters from another creative work. Therefore, a market's familiarity with the characters and general plot lines for a book based franchise are likely to be different from a non-book franchise. Further, because they are often part of a series, the number of sequels is likely to be significantly different for book based franchises than from those originating as a film. This variable is coded 1 for sequels based on books and 0 for sequels not based on books.

Character based franchise. Character based franchises are franchises based on a certain protagonist within the story. Character based franchises such as Batman are likely to perform differently because of other brand based elements of the franchise and the character. Films were coded as character based when the title of the film includes a main character of the film. This variable is coded 1 for sequels based on character franchises and 0 for sequels not based on character franchise.

MPAA rating change. The Motion Picture Association of America evaluates films according to the appropriateness of the content for certain audiences. A change in MPAA rating can significantly influence the audience which the film targets. Films which change their rating may or may not maintain their current customer base. This variable is coded with a dummy code with 1 representing a rating change and 0 representing a consistent rating.

Star power. Previous research has suggested that the performance a film can be driven to some degree by the appeal of the lead acting talent (K. K. Desai & Basuroy, 2005; Ravid, 1999). Acting talent can vary widely in their popularity and audience recognition. By employing more recognized and popular stars, film studios may be able to enhance the performance of their films. To measure *star power*, I checked each lead actor or actress involved in the film to identify whether they were among the top 10 earning stars, as reported by Quigley Publishing in the year the film was released. Thus *star power* is a count variable which increases with the number of top 10 actors or actresses filling major roles in the film.

Unrelated sequel title. The title of a sequel film can vary based on how directly the film draws upon previous sequel products. For example, some franchises draw directly on previous sequel products as in the case of *The Fast and the Furious* franchise. Other films can generate entirely new titles that have little association with the previous film as in the case of *A Fish Called Wanda* had a follow up film entitled *Fierce Creatures.* To control for this effect I include a dummy code which is 1 when the film has less than 2 of the same words as the previous film in the title.

Critic reviews. The performance of a given film can be partially explained by the reception of the film by critics. Critics can often serve as expert consumers which evaluate the film based on its novelty and value to the market. *Critic reviews* are often related to *domestic box office receipts* because these reviews can serve as a meaningful signal regarding the value of the film (Lampel & Shamsie, 2000). *Critic reviews* were collected from the lead critics average review as posted by www.rottentomatoes.com.

Table 2 Data Measures

Construct	Measure	Level	Calculation	Source
Dependent variable				
Domestic box office receipts	Domestic box office receipts during the domestic theatrical release	Sequel	$\ln(dbo)$	www.the-numbers.com www.imdb.com www.boxofficemojo.com
Independent variables				
Time elapsed	Number of years since the prior film released	Sequel		www.imdb.com
Sequel number	Order in which the film is positioned within the franchise based on the release date	Sequel		www.imdb.com
Previous actors	The percentage of central actors from the previous film	Sequel	$\frac{\sum previous\ actors}{sequel\ total\ actors}$	www.imdb.com
Previous production company	The percentage of production companies from the previous film	Sequel	$\frac{\sum previous\ prod\ comp}{sequel\ total\ prod\ comp}$	www.imdb.com www.the-numbers.com www.wikipedia.org
Control variables				
Previous film performance	Box office receipts of previous film	Sequel	$\ln(previous\ dbo)$	www.the-numbers.com www.imdb.com www.boxofficemojo.com
Production Budget	Published production budget	Sequel	$\ln(prod\ budg)$	www.imdb.com www.wikipedia.com
Ticket price	Average ticket price spent for movies during the year the film is released	Year		www.boxofficemojo.com

Table 3 Data Measures (continued)

Book based	Dummy code for franchises which are based on a previously published book	Sequel	www.the-numbers.com www.wikipedia.org
Character based	Dummy code for films based on characters	Sequel	Code based on title reference to a character
MPAA rating change	Dummy code 1 for a change in rating 0 for consistent rating	Sequel	www.imdb.com
Previous film performance	Box office receipts of previous film	Sequel $\ln(previous\ dbo)$	www.the-numbers.com www.imdb.com www.boxofficemojo.com
Star power	Number of top 5 grossing stars in a given film	Sequel	www.quigleypublishing.com
Unrelated sequel title	Dummy code for whether the focal sequel title has words from the previous film	Sequel	Coded based on title comparisons
Critic reviews	Rating from 0-1 based on the reviews of major critics	Sequel	www.rottentomatoes.com

CHAPTER 6

RESULTS

The descriptive statistics and inter-correlations of the variables in this study are found in Table 3. The descriptive statistics are largely in line with expectation. Domestic box office receipts has a very large variance with the maximum value of $533 million for *The Dark Knight* to a minimum value of $5,460 for *Universal Soldier: Day of Reckoning* which was distributed in only 3 theatres. Production budget also has a large standard deviation. The raw values are reported in the descriptive statistics however the log was taken of both domestic box office receipts and production budget in the analysis.

The highest budget film was *Pirates of the Caribbean: At World's End* at $300 million with the lowest budget sequel film at $600,000 million for *The Return of Texas Chainsaw Meassacre*. There were several (6) sequel films released during the same calendar year as their predecessor and 3 films were among the longest time periods between sequel films including *Herbie Fully Loaded, Planet of the Apes* and *Jungle Book 2* at 25, 28 and 36 years respectively. The longest running franchises include *Star Trek* and *Friday the 13th* at 11 and *The Pink Panther* at 9 sequel films. In general the descriptive statistics are in line with what would be expected from the dataset.

There are some strong correlations among the variables in the dataset. For example, the correlation between previous film performance and domestic box office receipts is .79. This correlation is high, but to be expected, as films from the same franchise are likely to perform similarly. Furthermore both production budget and critic reviews are strongly correlated with domestic box office receipts at .77 and .43 respectively. These correlations are to be expected as high budget films are likely to generate greater market buzz and offer special effects and

production resources likely to generate high attendance. Also, while critic reviews are related to performance the correlation is somewhat weaker as expert reviews are likely to evaluate different criteria when compared to average consumers. The other correlations are largely as expected. Finally, the focal independent variables indicate some level of variance with standard deviations close to their respective means, suggesting that over-dispersion does not appear to be an issue for the focal independent variables. In addition, the focal independent variables are somewhat related to domestic box office receipts. Specifically, time elapsed has a small negative relationship (r=-.04) sequel number a small positive correlation (r=.05) with domestic box office receipts while both previous actors and previous production company have a moderate positive relationships with domestic box office receipts (r=.36 & r=.14).

The unit of analysis within this study is the film sequel. While the use of domestic box office receipts as a dependent variable can be considered a continuous dependent variable and thus analyzed using ordinary least squares regression (OLS), this approach poses a number of restrictions when compared to generalized linear modeling using maximum likelihood estimation (MLE). In particular, because of the difference in assumptions, MLE uses more information in the data to estimate parameters and standard errors when compared to OLS.

The differences in the amount of information used by either OLS or MLE is based in the assumptions of either technique. OLS fits parameter estimates by minimizing the difference between the estimate and the distance to surrounding observations otherwise known as the mean square error. OLS does this by imposing normality assumption on the population from which the dependent and independent variables are drawn. Therefore, OLS uses individual observations in order to minimize the error across the sample range. In contrast, MLE requires a distributional assumption of the errors while not imposing assumptions on the population variables. In doing

so, MLE maximizes the probability of obtaining the sample data observed. Based on these assumption MLE estimates the probability of obtaining a sample size of N, for a given population based on the probability of N observations. Thus MLE more fully considers the information in the sample when estimating coefficients and standard errors. MLE also assumes independence of observations when estimating standard errors. Because sequel film observations are nested within franchises, which are likely to perform similarly, I correct for this by using clustered standard errors by franchise (Wooldridge, 2003). I use an identify link function because the dependent variable is logged and a Gaussian family for the standard errors because the error are assumed to be normal.

The hypotheses in this analysis include a number of higher order coefficients such as interactions and quadratic terms which can increase the risk of multicollinearity. In order to reduce the risk of multicollinearity I mean center all of the variables in the analysis by subtracting the mean value from each variable. In doing so I remove non-essential multicollinearity making the results more stable.

The results of the regression analysis are reported in Table 2 with domestic box office receipts as the dependent variable. Model 1 includes the control variables. Previous film performance should be positively related to domestic box office receipts as sequels of previously very successful film are also likely to be more successful than sequels of less successful films. The coefficients for both previous film performance and production budget are positive and statistically significant ($p<.001$). Critic reviews is also positively related to domestic box office receipts and is statistically significant ($p<.001$). Ticket price represents the average ticket price for the year of the focal sequel to measure the difference in performance due to increasing ticket prices. This variable is negative but not statistically significant ($p= .612$). Book based is a

dummy code representing whether a given film was based on a previously published book and is negative but not statistically significant (p=.212). Character based represents whether the focal film is based on a central character such as *Superman* or *Harry Potter* these films are expected to perform at a higher level because of the general recognition of the focal character related to the franchise. The coefficient for character based is positive but not statistically significant (p=.936). One might expect MPAA rating change to be negatively related to domestic box office receipts because changing the target audience may reduce their familiarity with the franchise brand. The coefficient for MPAA rating change is negative and statistically significant (p=.019). Star power should be positively associated with domestic box office receipts as films with more well-recognized stars are likely to benefit from that positive association. The coefficient for star power is positive and statistically significant (p=.030). Finally, unrelated sequel title is a dummy code representing whether the title of the sequel could not be readily associated with the previous film. There were very few instances in the database and thus the coefficient while positive is not statistically significant (p=.877). The AIC and BIC model fit statistics for Model 1 are 1383.073 and 1425.199 respectively.

Table 4 Correlations and Descriptive Statistics

						Correlations												
		Mean	S.D.	Min	Max	1	2	3	4	5	6	7	8	9	10	11	12	13
1	Domestic box office receipts (000)	82,400	93,400	5.46	533,000	1												
2	Previous film performance (000)	97,500	93,800	7.6	533,000	0.79	1											
3	Production budget (000)	49,300	55,400	600	300,000	0.77	0.71	1										
4	Ticket price	5.47	1.76	1.53	8.02	0.39	0.34	0.50	1									
5	Book based	0.20	0.40	0	1	0.09	0.12	0.11	-0.05	1								
6	Character based	0.21	0.41	0	1	0.15	0.10	0.18	-0.05	-0.03	1							
7	MPAA rating change	0.19	0.39	0	1	-0.14	-0.13	-0.06	-0.16	0.06	0.07	1						
8	Star power	0.36	0.64	0	4	0.25	0.23	0.26	0.02	0.06	0.12	0.00	1					
9	Unrelated sequel title	0.01	0.10	0	1	-0.06	-0.05	-0.05	-0.08	0.10	-0.05	0.15	0.07	1				
10	Critic reviews	0.41	0.28	0	1	0.43	0.26	0.30	0.10	0.11	0.21	-0.03	0.09	0.06	1			
11	Time elapsed	4.54	4.50	0	36	-0.04	-0.14	0.04	0.10	0.04	0.01	0.16	0.08	0.24	0.10	1		
12	Sequel number	2.11	1.74	1	11	0.05	-0.04	0.07	0.18	-0.08	0.09	0.00	-0.13	-0.06	0.07	0.05	1	
13	Previous actors	0.37	0.31	0	1	0.36	0.38	0.25	0.09	0.02	0.02	-0.06	0.18	-0.01	0.22	-0.22	-0.13	1
14	Previous production company	0.73	0.28	0	1	0.14	0.19	0.04	-0.05	-0.01	-0.05	-0.07	0.09	-0.05	0.09	-0.26	-0.11	0.23

Table 5 Maximum Likelihood Regression Coefficients and Robust Standard Errors

	Model 1	Model 2	Model 3
	Domestic box office receipts		
Previous film performance	0.455***	0.435***	0.457***
	(0.105)	(0.116)	(0.111)
Production budget	0.445***	0.447***	0.425***
	(0.088)	(0.089)	(0.088)
Ticket price	-0.02	-0.02	-0.014
	(0.040)	(0.040)	(0.039)
Book based	-0.145	-0.122	-0.114
	(0.116)	(0.115)	(0.109)
Character based	0.006	0.012	-0.011
	(0.071)	(0.072)	(0.072)
MPAA rating change	-0.234**	-0.224**	-0.184*
	(0.100)	(0.096)	(0.092)
Star power	0.144*	0.155*	0.190**
	(0.066)	(0.067)	(0.070)
Unrelated sequel title	0.124	0.199	0.314
	(0.803)	(0.802)	(0.663)
Critic reviews	1.251***	1.209***	1.167***
	(0.140)	(0.149)	(0.150)
Time elapsed		-0.004	-0.061**
		(0.014)	(0.025)
Sequel number		0.037+	0.028
		(0.027)	(0.026)
Previous actors		0.089	0.072
		(0.149)	(0.142)
Previous production company		0.250+	0.176
		(0.167)	(0.153)
Sequel number * Time elapsed			0.009
			(0.007)
Time elapsed * Time elapsed			0.005**
			(0.002)
Previous actors * Time elapsed			-0.045
			(0.040)
Previous actors * Sequel number			-0.113*
			(0.060)
Previous production company * Time elapsed			0.023
			(0.046)
Previous production company * Sequel number			-0.068
			(0.077)
Constant	17.028***	17.037***	16.934***
	(0.092)	(0.091)	(0.098)
N	499	499	499
AIC	1383.073	1385.86	1372.457
BIC	1425.199	1444.837	1456.709

To test the hypothesis I first test the main effects in Model 2 and then test the interactions and curvilinear effects in Model 3. I begin with the main effects for Hypothesis 1, 3, 5 and 7 in Model 2. Because each of the hypotheses are directional, meaning that I not only hypothesize an effect but also whether the effect is positive or negative, I conduct and report the results of a one tail statistical test. First, Hypothesis 1 argues that longer time between sequel films is negatively related to domestic box office receipts. To test this hypothesis, I include the time elapsed variable in Model 2. While the coefficient is negative it is not statistically significant (B=-0.004, p=.391). Thus Hypothesis 1 is not supported. Hypothesis 3 argues that mature franchises are likely to have higher performing sequels and thus sequel number will be positively related to domestic box office receipts. To test Hypothesis 3 I include the sequel number in Model 2. The coefficient for sequel number is positive and marginally statistically significant (B=.037, p=.081) thus partially supporting Hypothesis 3.

To further illustrate these results I plot the linear prediction of sequel number across the range of the data along with the standard errors in Figure 1. According to the figure the estimates are more precise at low levels of sequel number when compared to high levels of sequel number. This is to be expected as the mean for sequel number is 2.15 and thus the higher number of observations at this level lead to more precise estimates. Finally, to further quantify the results I calculated the estimates of the linear combination of Model 1 at the mean level of sequel number as well as two standard deviations above (6) and one below because a negative value in sequel number is beyond the data range (1) the mean. Based on this prediction domestic box office is predicted to be $6.0 million higher for the 6^{th} sequel when compared to the first. In sum, these results suggest partial support for Hypothesis 3 and suggests that the increasing level of sequel number is materially related to domestic box office

receipts.

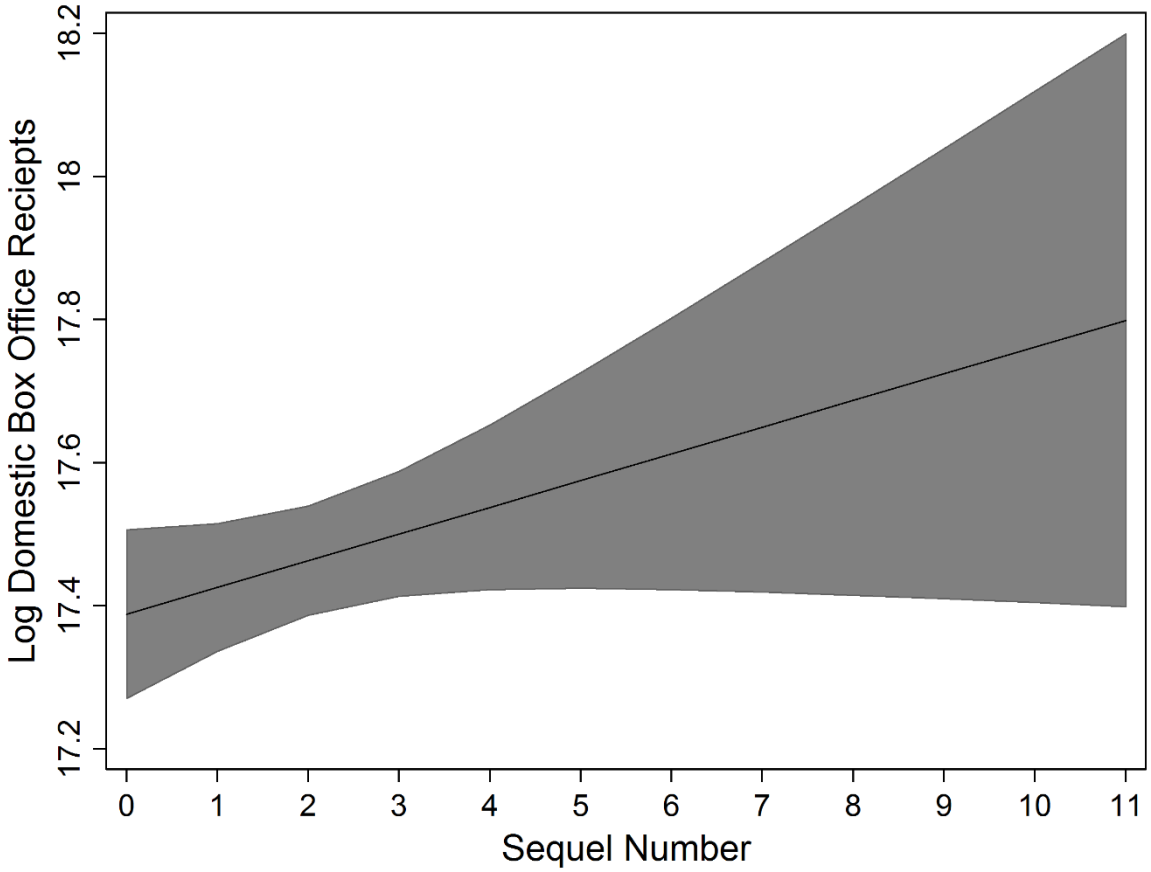

Figure 1: Predicted values of log domestic box office according to different levels of sequel number and 90% confidence intervals

Hypothesis 5 argues that previous actors will be positively associated with domestic box office receipts. To test Hypothesis 5 I also include previous actors in Model 2. The coefficient is positive but not statistically significant (B=.089, p=.275) which does not support Hypothesis 5. Previous Production Company is predicted to be positively related to domestic box office receipts in Hypothesis 7. To test Hypothesis 7 I include previous production company in Model 2. The results support Hypothesis 7 as the coefficient is positive and marginally statistically significant (B=.250 p=.068). To illustrate these results I plot these

results in Figure 2 across multiple levels of previous production company across the range of the data. Based on the figure the standard errors are narrower around .7 and .8 which is the sample mean when compared to the less precise estimates at very low levels of previous production company. Finally to quantify the strength of the relationship I computed the prediction of domestic box office receipts at three levels of previous production company the mean and standard deviation above and below. These calculated results suggest that two standard deviations below the mean (.3 mean of .7) results in $3.6 million difference in domestic box office receipts and one standard deviation above the mean (1) results in approximately $3.9 million increase relative to the mean in domestic box office receipts.

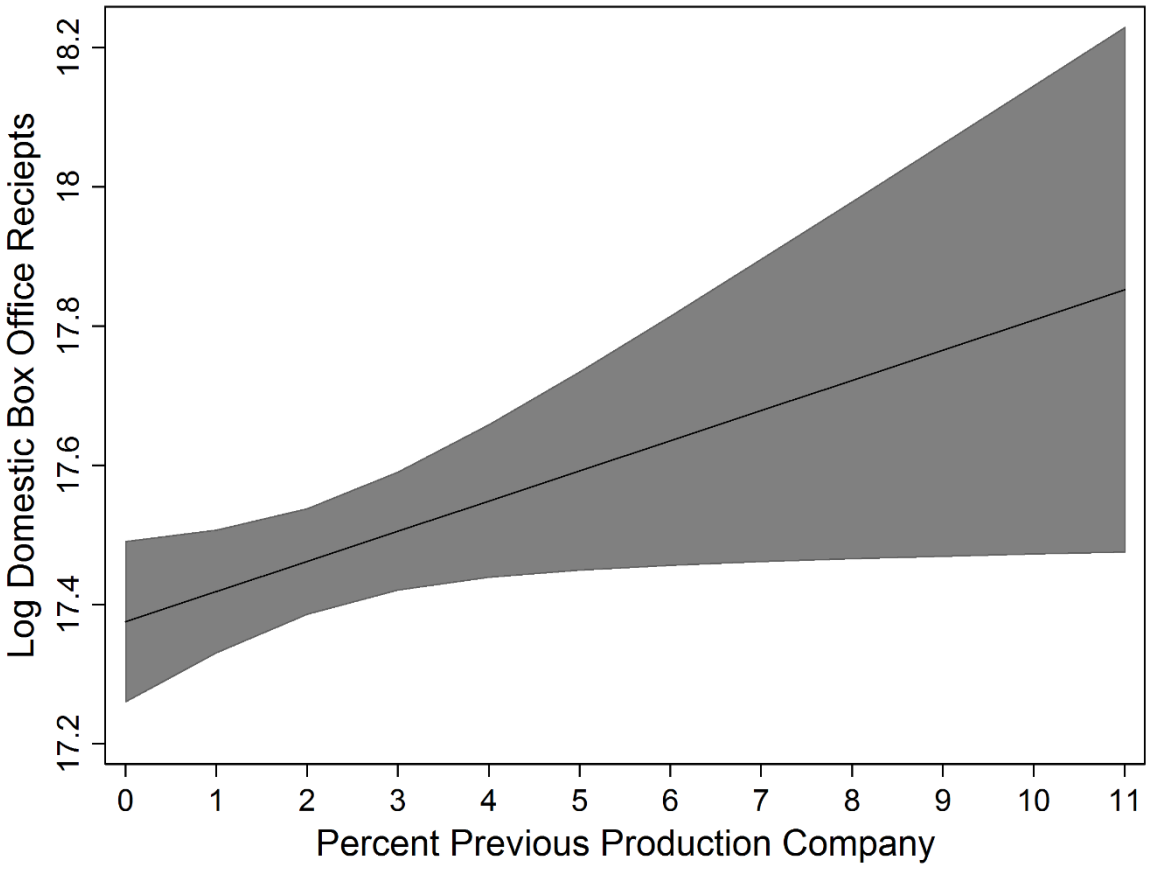

Figure 2: Predicted values of log domestic box office receipts according to different levels of previous production company and 90% confidence intervals

In summary, Model 2 provides marginal support for two of the four hypotheses tested. In particular there is marginal support for the positive association of sequel number and previous production company with domestic box office receipts and no support for the negative hypothesized relationship between time elapsed and domestic box office receipts and no support for the positive relationship between previous actors and domestic box office receipts. The AIC and BIC model fit statistics for Model 2 are 1385.86 and 1444.837 respectively. AIC and BIC fit statistics assess the explained variance relative to the complexity of the model. When the fit statistics of the focal model are lower when compared

to the control model then it is suggested to have greater fit, meaning that the increased complexity of the model due to additional coefficients is merited because of the additional variance explained. Because the AIC and BIC fit statistics for Model 2 are higher relative to Model 1 it suggests that while there are statistically significant coefficients in Model 2 the model does not explain incremental variance to merit the additional complexity.

Model 3 tests Hypothesis 2, 4, 6 (a) and (b), and 8 (a) and (b). Due to the repeated use of both sequel number and time elapsed in Model 3 there is some risk of multi-collinearity. Multi-collinearity can distort results, making them less generalizable and stable. Typically multi-collinearity is measured using variance inflation factor (VIF) statistics. VIF statistics are calculated based on tolerance, which is the amount of variance of independent variables unexplained by other independent variables (Hair, 1998). Calculating VIF statistics requires calculating the coefficient of determination or R^2, which cannot be calculated using MLE. Therefore to assess multi-collinearity in Model 3 I ran the model using OLS and found the highest VIF statistic to be 3.60 for time elapsed which is well below the commonly accepted threshold of 10 (Hair, 1998).

Hypothesis 2 argues that the relationship between time elapsed and domestic box office receipts is curvilinear such that it begins negative and turns positive. To test this hypothesis I include the squared term for time elapsed in Model 3 as well as the main effect for time elapsed. In order to interpret the coefficient one must consider both the main and quadratic terms. The main effect for time elapsed is negative and the squared term is positive and statistically significant (B=.005, p=.005). These results support Hypothesis 2 and Figure 3 illustrates this relationship. Based on the figure the curvilinear relationship is present and further that the estimates of domestic box office receipts are more precise at lower levels of

time elapsed when compared to higher levels. In order to quantify these results I compared the estimates at less than a year time elapsed compared to 11 years which is the point at which domestic box office receipts is the lowest. The difference in these predicted values is $22 million, suggesting that time elapsed is not only statistically significant but that the difference in timing of sequel films can have material impact on the film's domestic box office receipts.

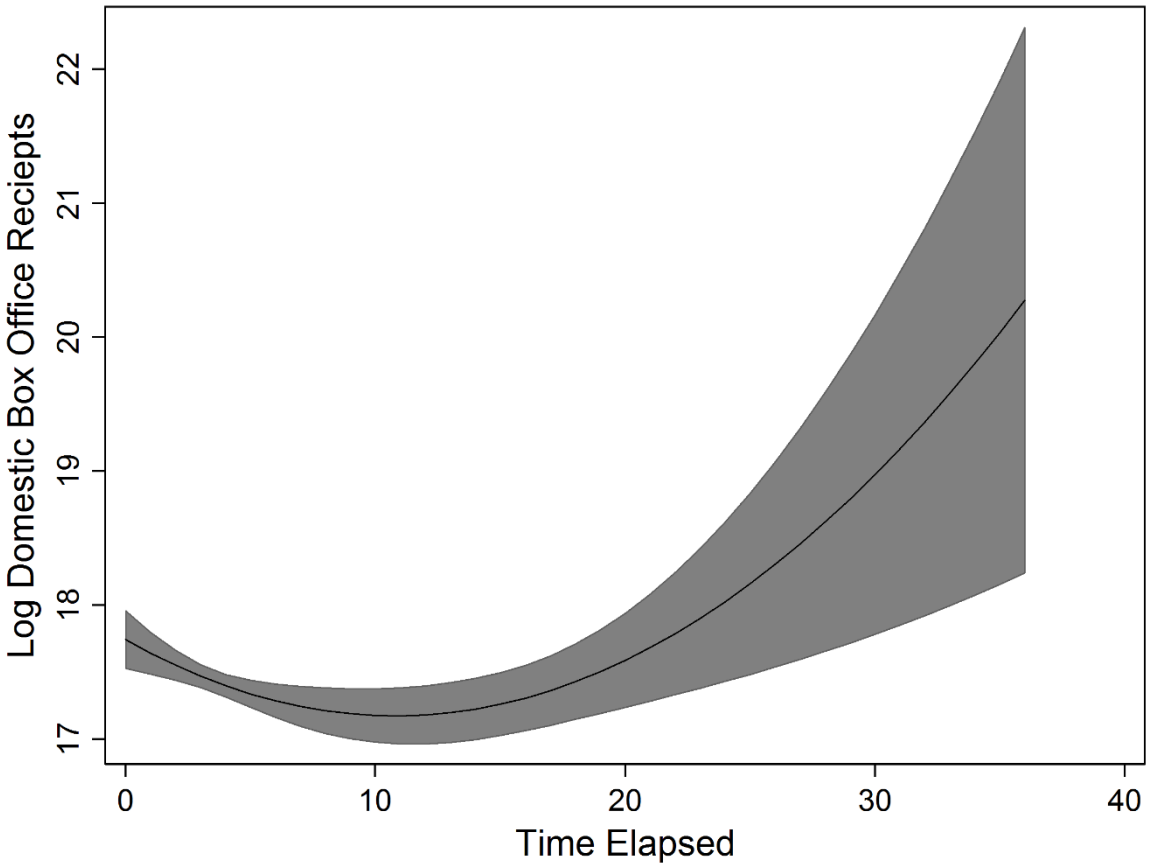

Figure 3: Predicted values for time elapsed on domestic box office receipts with 90% confidence intervals shaded

Hypothesis 4 argues that the negative relationship between time elapsed and domestic box office receipts is moderated by sequel number such that that relationship is weaker when sequel number is high than when it is low. To test this hypothesis I include both of the main

effects and their product. In Model 3 the product coefficient is positive and nearly marginally significant (B= .009, p=.12). Figure 4 illustrates that once again the precision of the estimates is stronger a lower levels of time elapsed. In addition, the figure considers both the interaction and curvilinear relation for time elapsed on performance. It appears that the most meaningful distinction between high and low levels of sequel number occurs between 5 and 20 years of time elapsed where higher levels of sequel number are likely to have higher performance when compared to lower sequel number. Also, there does not appear to be a strong distinction between high and low levels of sequel number at very low and very high levels of time elapsed. These results however should be interpreted with caution because the standard errors remain large relative to the effects and statistical significance remains quite low. Notwithstanding these limitations the material effect of these predictors remains relatively large. For example, I calculated the predicted domestic box office receipts at both high and low levels of sequel number (1 and 6) at 11 years of time elapsed. This difference represents an incremental $16.5 million in domestic box office receipts.

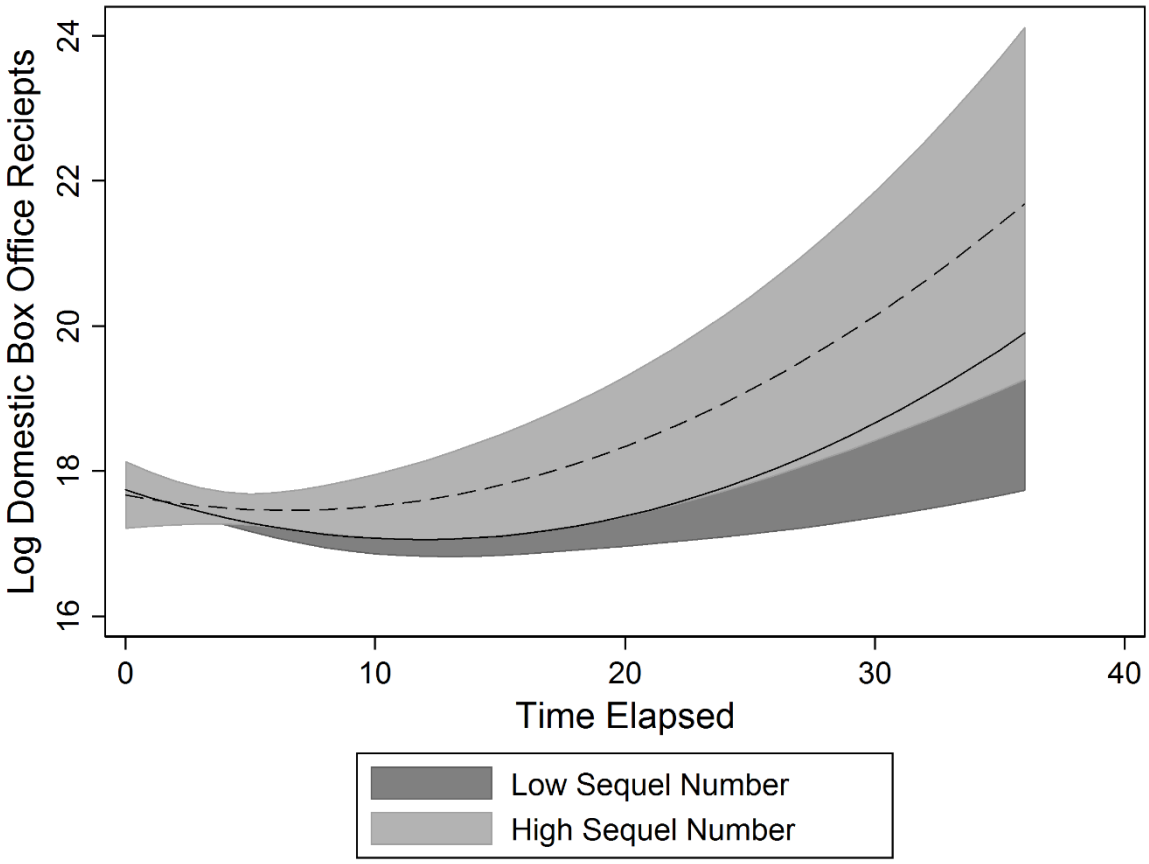

Figure 4: Predicted values of domestic box office receipts based on varying levels of time elapsed and at low and high levels of sequel number shaded areas represent 90% confidence intervals

Hypothesis 6a and 6b refer to moderating relationships between previous actors, time elapsed and sequel number. To test this hypothesis I include both main effects and their product in Model 3. The coefficient for the product of previous actors and time elapsed is negative and not statistically significant (B=-.045, p<.134).

Similar to Hypothesis 6a, Hypothesis 6b argues that the positive effect of previous actors is moderated by sequel number such that the relationship becomes less positive as sequel number increases. To test Hypothesis 6b I include the product of previous actors and

sequel number along with their main effects. The coefficient for the product term is negative and statistically significant (B=-.113, p=.03). This relationship is illustrated in Figure 6 which suggests that similar to Hypothesis 6a the relationship between previous actors and domestic box office receipts is positive for low levels of sequel number but that this relationship becomes negative when sequel number is higher. Further by graphing the standard errors this graph suggests that the contingency of sequel number is most distinctive at very low levels of previous actors when compared to high levels. Collectively the figures and results in Model 3 offer support for Hypotheses 6a and 6b. In order to quantify these results I calculate the difference in domestic box office receipts at low levels of previous actors (0) and both low and high levels of sequel number (1 and 4). These results suggest that low levels of previous actors is associated with a $7.6 million increase in domestic box office receipts when sequel number is high rather than low.

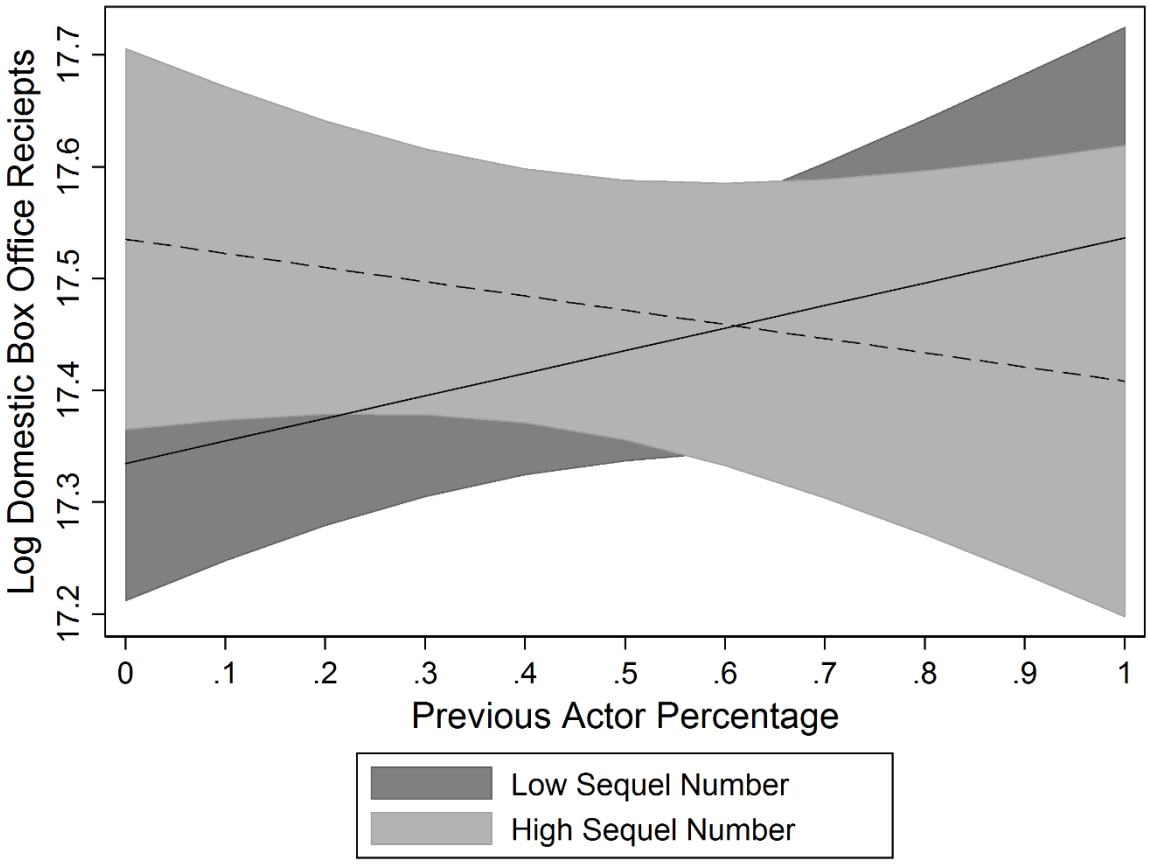

Figure 5: Predicted values of deomestic box office receipts based on previous actor and sequel number at both high and low levels shaded areas represent 90% confidence intervals

In Model 3 I also test Hypotheses 8a and 8b. Hypothesis 8a argues that the positive effect of previous production company is moderated by time elapsed such that the relationship becomes less positive when time elapsed increases. To test this Hypothesis I include both of the main effects for previous production company and time elapsed as well as their product. The product coefficient is positive but not statistically significant (B= 0.023, p=.307) thus not supporting Hypothesis 8a. Similarly, Hypothesis 8b argues that the positive effect of previous production company is moderated by sequel number such that the relationship becomes less

positive as sequel number increases. Testing this hypothesis also requires both main effects and their product be included in Model 5. The product coefficient is negative and not statistically significant (-0.068, p=0.189) thus not providing support for Hypothesis 8b.

Finally, to assess model fit I compare the AIC and BIC fit statistics. The fit statistics for Model 3 are 1372.457 and 1456.709 for AIC and BIC respectively. Interestingly, while the AIC suggests that Model 3 is a better fit when compared to the control model, the BIC statistic suggests otherwise. Divergence in these measures can occur because of the differences in how these "penalize" additional coefficients in the model. BIC is closely related to AIC but more heavily penalizes complexity in a model when compared to AIC. BIC fit statistics are more helpful when seeking to avoid a Type I error in contrast to AIC fit statistics which are more helpful in avoiding Type II errors. Therefore while there may be some support for the hypotheses these results must be interpreted with caution due to model fit.

In summary while there is support for the Hypotheses 2, and 6b along with marginal support for Hypothesis 3 and 5 the null results for the other hypotheses weaken model fit. Suggesting that notwithstanding some support for the theoretical framework there remains some uncertainty regarding the size and consistency of these relationships.

CHAPTER 7

DISCUSSION

Brands can serve as a key strategic resource as firms compete for competitive advantage (Aaker, 1991; Keller, 2008; M. Peteraf, 1993; Wernerfelt, 1984). In industries such as books, movies and video games firms face significant challenges exploiting the value of their brands because consumers are unlikely to purchase the same brand more than once. The focus of this study is to better understand how firms manage their brands for competitive advantage in these types of industries. In particular, I develop the notion of brand re-creation as a brand management strategy which focuses on launching new products associated with a prior successful brand after some interval during which the brand has largely been absent from the market. In this way, brand re-creation differs significantly from existing models of brand management which largely rely on either repeated purchases or consistent brand presence. Thus brand re-creation considers how firms exploit their brand intermittently with new and innovative products.

Investigating brand re-creation as a brand management strategy expands our understanding of how firms manage and exploit market based resources (R. K. Srivastava, 2001). To date, there has been little research about how firms manage their brands from a broader strategic perspective for competitive advantage. Early RBV research suggested that market based assets such as brands could serve as strategic resources (M. Peteraf, 1993; Wernerfelt, 1984) which could be used to exploit market opportunities (Penrose, 1959). Implicit in this line of thinking was that brands can be created and, once established, become a resource that can be leveraged perpetually. There was little thought given to how brands might need to be re-created from time to time with intervals when the brand is largely absent

from the market. Thus by investigating brand re-creation I draw upon early RBV work to answer repeated calls for research bridging strategic management and marketing domains (J. Barney et al., 2001; R. Priem, Butler, & Li, 2013; R. L. Priem, Li, & Carr, 2012; R. K. Srivastava, 2001).

This research has also built on the importance of consistency in effective brand management strategies (Keller, 1999; Sethuraman, Tellis, & Briesch, 2011). In particular, consistency can be broken down into product level similarity and brand concept consistency (Park et al., 1991). In the film industry, product level similarity is best achieved by using the same lead actors across sequels, and brand concept consistency can be facilitated through the use of the same production company across sequels. By maintaining both of these forms of consistency film studios can signal the quality of their products and facilitate more efficient consumption for their audiences.

Theoretical implications. There are a number of theoretical implications arising from this work regarding how market based assets, such as brands, can be managed for SCA. These implications include formalizing arguments for brands serving as a strategic resource, distinguishing brand management strategies according to industry characteristics and linking the value of brands to their effective deployment.

In order to formalize the arguments of brands serving as strategic resources I draw together assertions of the RBV (M. Peteraf, 1993; Wernerfelt, 1984) with the findings and rationale in the marketing literature regarding brand management (Aaker & Keller, 1990; Berry, 1988). To date, the development of theory around brands as a resource has been limited by a lack of cross functional research (R. K. Srivastava, 2001). Thus RBV research lacked specificity regarding the mechanisms by which market based assets like brands evoke

value in transactions. Furthermore marketing research has been criticized for a lack of strategic perspective regarding how firms strategically manage downstream for SCA (Dawar, 2013). In this work, I bring together marketing and RBV research to formalize the arguments explaining how brands meet VRIN based characteristics. To the RBV literature, this connection provides explanations by which brands serve as value creating assets to enhance value for consumers. Finally, these arguments illustrate the cognitive constraints of consumers which make brands rare and difficult to imitate thus addressing the criticism that the RBV lacks specificity and transaction level mechanisms for SCA (R. Priem et al., 2013; R. L. Priem & Butler, 2001a). Furthermore, to the marketing literature it provides a framework by which brands can lead to SCA. By connecting these two disparate streams of research I provides a way for future researchers to investigate how market based assets can be managed for SCA.

Another theoretical implication relates to associating brand management strategies to industry characteristics. The brand management literature has explicated a number of approaches for managing brands to enhance their value (Berry, 1988; Kapferer, 2008; Park et al., 1991). Notwithstanding these various approaches there has been little high level theoretical work connecting these brand management strategies to the larger industry context. Contextual factors have been considered but currently they are not linked to demand based differences in industry (see Fischer et al., 2010 for a notable exception). Theoretically, this work brings demand based characteristics of different industries to the forefront by emphasizing the consumer purchase cycle as well as the differences in consumer purchase patterns in determining how brand can be appropriately managed (Dawar, 2013; Pringle et al.,

1982). Thus effectively leveraging brand can take many forms depending on the demand based characteristics of the industry.

Finally, this research illustrates the interwoven nature of resource characteristics with resource deployment strategy. The RBV literature often asserts that resource value is innate, however by focusing on market based assets I bring light to how the value of brands as a resource can be heavily influenced by their appropriate deployment. In particular, I suggest that the value of brands is contingent on their effective timing and configuration. In this case the characteristics of the resource, specifically their value, is tightly connected to deployment strategy.

Strategic implications. This study also emphasizes a number of strategic implications associated with market based assets and their deployment. The RBV has been criticized with the "more is better" or infinite regress problem (Kraaijenbrink et al., 2010). This critique argues that firms are always going to be searching for both higher order and higher value resources. To address this critique it is important for researchers to consider the interplay of resources and their management (Kraaijenbrink et al., 2010; Sirmon et al., 2007). While the RBV asserts that in order to be strategic, resources need to be rare, this rareness relates to the availability of other firms possessing a similar resource. To date there have been fewer studies indicating the potential value of a firm suspending customer access to a given resource in order to enhance its value. In this study, I use such a perspective suggesting that the value of market based assets is partially realized in their scarcity.

Strategically there have been a number of firms utilizing this strategy in order to enhance their performance but to date there has been little effort to quantify and specify the usefulness of the strategy. Walt Disney has utilized a scarcity strategy by keeping their movie

titles in a “vault” thus limiting the opportunity for consumers to purchase the title except during certain re-releases of the film (Felten, 2011). In this work, these strategies take on more nuance. For example, the results suggest that it may be important to quickly reinforce an emerging franchise by quickly releasing sequel films whereas a more mature franchise may be more appropriately exploited through sequels mediated by significant time. Furthermore the results suggest a curvilinear main effect of time elapsed with domestic box office receipts suggesting that effectively leveraging nostalgia may require more time between sequel films. Thus, this work begins to unpack the nuances of managing the appropriate level of exposure and scarcity for market based assets in this industry.

The RBV has also faced challenges regarding how to conceptualize and integrate the issue of dynamics. In this study, I suggest that market based assets are unique because the value of market based assets can be highly transient. Because the value of brands is largely based in the minds of consumers, this value can vary according to changes in brand exposure, reinforcement and satiation. Illustrating these dynamics is a primary focus of this study. Furthermore, by utilizing marketing research I suggest that brands can act as a “living market variable” meaning they can vary according to maturity and age thus I not only consider resources and their management but also how the management of those resources may vary according to their age and timing. In so doing, I consider the strategic implications of how their effective management may need to change as market based assets age and mature.

In addition to considering the role of age and resource management this work also considers how firms can go about making their resources more firm specific. Previous brand management research emphasized the importance of consistency in maintaining the brand image (Keller, 1999; Sood & Drèze, 2006). This approach suggests that firms enhance brand

value by maintaining consistent messaging and content. In doing so however, the firm's brand can become highly dependent on lower level components needed to maintain the brand's image. In these cases, the firm becomes dependent on resources that it does not own. For example in the film industry, acting talent that is contracted to appear in every sequel or production companies that are used to make all of the sequels. This dependence on external resources can allow these contributors to appropriate a considerable share of the revenues that a studio generates from each of the franchise films (Coff, 1999). For example, in the film industry the Marvel franchise has largely been built and supported by the key main actors, which derive increasing salaries with each sequel (Fritz, 2015). Thus the success of the franchise becomes increasingly dependent on the focal acting talent. In this work, I argue that the effectiveness of this consistency can diminish with increased time between subsequent offerings and with increasing numbers of sequels. With some marginal support these results indicate a path by which firms can separate value of the franchise brand from the supporting components making the franchise less dependent on their consistent use to enhance the value of the franchise. Thus through appropriate management film studios can effectively separate the value of a given brand from its consistent product components.

Consequently, although the studios are able to develop and exploit branding through franchises, the value of this brand to the firm is somewhat limited because of their inability to change lead actors or production companies. It is therefore interesting to find that studios may be able to move away from using the same acting talent by offering more films within the franchise while maintaining performance. This development can allow a firm to continue to benefit from a brand as a fully owned resource without having to depend on external resources to maintain its value for consumers.

Managerial implications. This work offers a number of findings helpful to brand managers. First this study invites managers to consider the demand based characteristics of their industry. Essentially, by considering the purchase patterns of their consumers, brand managers and top managers can better allocate resources in order to maintain and exploit their brand. For example, in industries with high customer heterogeneity and repeated purchasing cycles managers should invest in product development to develop brand extensions. Furthermore when managers identify changing consumer preferences, as key demand based characteristics, it may be important for managers to invest in brand revitalization to keep the brand fresh and meaningful to consumers. Finally, in industries with single purchase cycles, changing preferences and short product life-cycles it is important for managers to invest in brand re-creation strategies that enable them to build brand franchises across subsequent offerings.

For managers engaging in brand re-creation this study suggests that timing can play an important role in establishing and exploiting a franchise. Brand re-creation is inherently a temporal phenomenon and therefore managers face important decisions regarding how to properly time their sequel products. According to the results of this study it is particularly valuable to quickly release sequel films; particularly when the franchise is relatively young. Doing so will help to establish the franchise brand in the market by capitalizing on fresher memories. Furthermore, these results suggest that for mature franchises it can be useful to spread out sequel films in order to avoid satiation and to capitalize on nostalgia. These temporal results also suggest that there may be significant opportunity in purchasing older franchises which may evoke nostalgia from audiences with more time elapsed since the previous film.

Using brand re-creation and demand-based industry characteristics as a lens I identify product level similarity, concept level consistency as key characteristics predicting the effectiveness of brand re-creation strategies. Specifically, for managers, these results suggest that consistency in key supporting personnel can be critical for the effectiveness of the franchise brand. In the film industry I identify acting talent and production companies as the key components necessary to maintain product level similarity and brand concept consistency. By maintaining these components managers ensure a connection to their audience and the key tacit knowledge necessary to ensure the franchise brand is coherent across sequel films. Therefore, for managers, these results emphasize the importance of consistency in sequel film performance.

This study also outlines the opportunity for managers to make the franchise brand less dependent on supporting components. While consistency is important early in the franchise and when sequel films follow in quick succession the importance of consistency declines as the franchise matures and sequels are separated by more time. In this case, managers can change these components in order to weaken the bargaining influence of contributing members without lowering the overall performance of the franchise. In summary, the results of this study outline the nuances of brand re-creation strategies helping to both explain and predict the effectiveness of different managerial decisions in the brand re-creation process.

Limitations

Although broadly there appears to be some support for the theoretical framework there were a number of hypothesis without support specifically the main effect of years lapsed and the interactions with production company. First, some may argue Hypothesis 1 stating that the main effect of time elapsed on domestic box office receipts being negative would conflict

with the curvilinear relationship in Hypothesis 2, which states that the effect would start negative and then turn positive. It is empirically possible to simultaneously have both a linear and curvilinear effect depending on the shape of the curvilinear effect. (Weisberg, 2013). For example, if the general trend of the data is toward a either positive or negative direction then there can be both a linear and curvilinear effect. While there is support for the curvilinear relationship of years lapsed on domestic box office receipts there is no support for a linear effect. This finding can be due to a number of reasons both theoretical and empirical. First, theoretically it appears that there is some support for a negative relationship for years lapsed particularly up to about 11 years. However at this point the relationship turns positive. Furthermore from a sampling standpoint, as discussed below, there is some risk of survivor bias because the sequel films are likely to be produced after a long time period are more likely to be associated with high performing franchise brands. Therefore it is difficult to separate the effect of brands from time because of the selection effect of studio managers systematically tends toward more popular franchises for sequel films being produced after longer time periods. Finally, there is also data issue of fewer films being produced after long time periods. As illustrated in Figure 3 the tighter standard errors at low levels of years lapsed is partially the result of more data at this level then at higher levels where the standard errors are substantially larger.

Another null finding was for the main effect of previous actors on domestic box office receipts. This null finding is particularly surprising as the interaction with sequel number is significant. While there does not appear to be a strong theoretical reason that this hypothesis was not supported, there are a number of empirical challenges that inhibit testing this hypothesis. The measurement of this variable particularly imposes challenges in accurately

measuring its relationship. Currently this measurement is drawn from up to 5 individuals per sequel film based on the prominence of acting talent as reported by IMDB. However in many films there may be roles which are not anticipated to be played in sequel films such as the role of the antagonist. Because my measure includes up to five individuals there may be some error in this measurement approach. In this case the increased error may have limited the chances of efficiently measuring this relationship because audiences may only expect recurring characters to be played by the same stars when compared to lead roles that are not expected to perform in future sequel films. For example, audiences may enjoy the introduction of other actors to play new characters such a love interest or the main villain.

While there is some support for an interaction of sequel number and previous actors there was only very marginal support for time lapsed and previous actors and no support for these interactions with previous production company. The lack of support for the interactions with production company may be due to either theoretical factors or measurement error. First, theoretically, I argue that the use of previous production company enables the film studio to capitalize on tacit knowledge and the network of resources necessary for maintaining the brand concept of the franchise. This tacit knowledge however may also be held by directors, acting talent and other important resources associated with the franchise. Thus without these other consistent factors it may be difficult for a production company to maintain the brand concept. Similarly this consistency in brand concept may require a similar or larger production budget when compared to the previous film. Therefore there may be a number of factors necessary to maintain consistency in the brand concept.

Finally, for measurement error, this variable included up to eight production companies associated with the focal film. Often franchises, as they mature, add on production

companies while maintaining the focal production company. Therefore the lack of results may be due to this measurement error where the focal production company remained stable across sequel films but the measurement of consistency went down with the addition of each production company across the franchise. Thus future research may look at keeping any previous production company rather than percentage of previous production company.

While the results of this study offer insight into brand re-creation strategies the results are not without limitations. In particular, the results of this study are subject to limitations due to survivor bias. Survivor bias occurs in backward looking studies when the sample chosen includes only those observations which survived to be measured at the time of the study (Smith, 2014). This bias is problematic because the sampling approach does not give an equal chance to all population observations to be included and therefore is not random. Survivor bias was illustrated in Abraham Wald's study on aircraft survivability. During World War II Wald was tasked with recommending where to add armor to military aircraft based on data from returning damaged airplanes. While the data included significant detail regarding the number and locations of rounds, the database only included observations of planes that returned rather than those which fell (Mangel & Samaniego, 1984). While Wald went to significant lengths to compensate for the biased sample the strict assumptions required to derive parameters in the analysis were also limiting.

Survivor bias is likely to exist within the sequel film dataset because film franchises are often run by profit driven agents and therefore the choice of producing a sequel film is not random. An ideal sample for this study would include an equal chance for both successful and unsuccessful film release. The sample in this work is less likely to include unsuccessful sequel films because of the selection criteria mangers use to produce a sequel film. The decision to

produce another sequel film within a franchise is generally influenced by the potential of the sequel film to generate economic profit. When managers do not foresee economic profit from a sequel film they are unlikely to produce and release the film. Therefore, while the sample is intended to include all released sequel films, it does not include those franchises which may have been intended to generate sequel films, such as *John Carter*, but because of poor box office performance did not.

With regard to the results in this study, survivor bias possesses a risk for some of the results. Notwithstanding a control variable for previous film performance there remains some risk of survivor bias in the results. For example, Hypothesis 3 argues that sequel number is positively related to domestic box office receipts. Because it is less likely for low performing franchises to produce a high number of sequel films, a positive relationship may be due to a survivor bias rather than the impact of the franchise brand on the market and subsequent performance.

One potential approach for dealing with this issue would be to utilize the backward looking selection data as an advantage. To do so, I created a dummy variable for prequel which was coded as 1 for if the focal film was followed with an additional sequel within the dataset and 0 for no subsequent sequel. This variable is intended to control for the survivorship bias by evaluating whether the film led to a subsequent film. In these results the main effects for sequel number was not supported, thus the positive effect of sequel number may be due to survivor bias rather than brand impact. Other results such as the interaction between sequel number and years lapsed however are supported.

Data availability is a key obstacle to dealing with survivor bias. Ideally future studies on brand re-creation may better deal with survivor bias with access to film studio planning

data. In particular, to measure the intention of each film to become a long running franchise. This approach will be limited in sample size but may better deal with the risk of survivor bias.

Conclusion

In closing, while research in the RBV has emphasized how resources can be differentially accumulated and maintained for SCA, this view pushes the RBV toward consumers and asks questions regarding how the impact of resources can be contingent on demand factors such as the memories and satiation of consumers with a given brand. In doing so, this research suggests that the effectiveness of resource management and deployment can be enhanced when these strategies include demand related factors. More broadly still, this research suggests that consideration of demand related factors cannot be relegated only to the marketing discipline; rather, such factors are within the purview of strategic management research, particularly when they have material implications for how firms effectively manage and deploy their resources.

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