Seminar Paper

The Just Price in the Film Industry

by

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1. Introduction

What does the word *justice* mean in our society nowadays? We all have the responsibility to ask ourselves whether we believe in the fairness of the system we live in. Philosophers from the Ancient times until now are still trying to figure out what justice really means and how a pure form can be implemented into our world. Derived from justice is the concept of *just prices*. One would argue that in a pure just system, prices would likewise be according to the value of each object, which would make the price fair. But just by glancing at our economic structure, we can easily rule out that we receive goods based on their core value. The capitalist system, which is the foundation of our economy, leads to profit machines and unfortunately, too often to greed and fraud. How can our world be a just one in which VW CEOs are able to accumulate a fortune of about $ 1 billion (Zeit Online, 2018), while a huge fraction of people on earth lack access to education, hygiene and fresh water? These types of clashes in society are no breaking news but still fairly little is done to turn our system around and increase a fair share of the cake. This paper will try to examine how justice can be perceived out of different view points and how the concept of the just price can be derived from the previous. However, it is a necessity to annotate in the beginning of this empirical paper that it is impossible to find a definite and fair explanation for the concept of justice and the just price. This debate has been ongoing for centuries and will be continued in future generations. Therefore, in order to develop a profound understanding of the controversy around the fairness in prices, the concept has to be viewed from several perspectives. Controversy is also an important keyword in light of the film industry – especially in Hollywood. Hollywood is dominated by the “Big Six” major studios, which basically run the whole industry, as well affecting prices for the end-users. The film industry is very torn and ethically questionable in all kinds of aspects. Looking at the costs for producing movies and the resulting prices for end-consumers leaves questions behind. Furthermore, the revenue generated by studios and distributors seems not fairly distributed when analyzing strikes organized among others by the Writers Guild of America. In addition, the newly lit debate about fair wages for actors, especially in regard to gender inequality, casts a negative shadow on the film industry.

After developing a reflective notion of just prices, the next step will be to establish how prices are perceived in the film industry in regard to the several distribution channels and how profits are split between producers and the rest of the industry.

2. Justice and Just Prices – Origin and Definition of Abstract Justice

2.1 Ancient Times

In order to fully grasp the idea behind a just price it is of importance to understand the different ways justice can be defined as. Only then one can derive the concept of just prices in a meaningful way. Aristotle and Thomas von Aquinas can be seen as the founding fathers of the ongoing debate about a core definition for justice and hence, just prices. In Ancient Greece, Aristotle discussed the idea of justice in society in both of his publications – the “Politics” and the “Nicomachean Ethics” – and the several forms justice can take on in a political system and in regard to his ethical standards.

This simple graphic depicts his main structure of the above mentioned forms of justice, which are relevant for the definition of just prices:

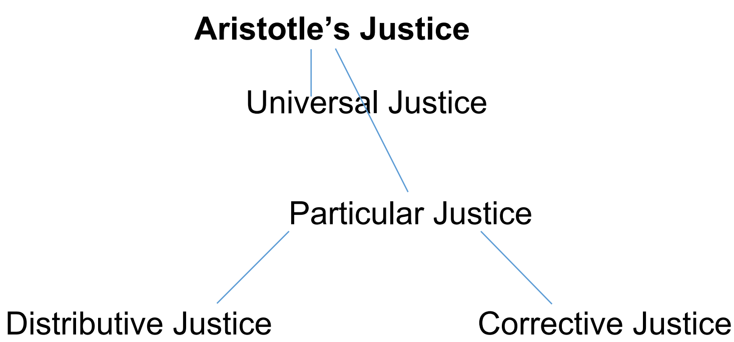


Figure 1: The different forms of Justice by Aristotle

As for Aristotle, justice is the purest and most important form of ethical virtue (Knoll, 2016) and thus, the foundation for a working constitution and society. Regarding the just distribution of social goods, Aristotle divides justice into two forms: the universal justice and the particular justice. The former is concerned with the general state of a person’s lawfulness and correctness in a political state, which means that it refers to the whole of virtue (Young C. , 2006). The term *universal justice* can be even seen synonymous for *lawfulness*. The latter, however, deals with virtue of each individual character in terms of courage, liberality and so on, but is also part of the universal justice as this includes everything related to virtue in society (Young C. , 2006). Aristotle defines virtue as one's own moral state and justice as a way of managing the relationships and connections among people in a society. Hence, virtue and justice go hand in hand, both trying to promote the concept of happiness. This is the raw concept of Aristotle's perception of justice in society. As mentioned above, universal justice captures everything related to virtue and ethics whereas particular justice can be further divided into *distributive justice* and *corrective justice*.

Distributive Justice: The name already gives away its purpose. Distributive justice deals with the fair distribution of honor, wealth and other related items within a society of equals (Young C. , 2006). The most important keyword in regard to this form of justice is equality. A distribution is only fair and just if equal persons receive equal shares. While it is easy to measure the equality of shares it is however difficult to define the equality – or more precise: inequality – of people in a society. Young gives the following example (slight variation):

- Citizen A invests €10,00
- Citizen B invests €20,00

If the annual return of this investment amounts to €60,00, then the just and equal distribution would be the following:

→ Citizen A receives a return of €20,00

→ Citizen B receives a return of €40,00

(Young C. , 2006)

This simplistic example should depict the purpose of the distributive justice. But in reality it is not always that easy to decide upon the equality of the issue at stake and the status of the two parties concerned.

Corrective Justice: The second form of particular justice, is the corrective justice. Again the name indicates that this has something to do with restoring – correcting – the equality between people. In a situation where one person has wronged another and hence, created inequality, the initial situation has to be restored. Young calls this a restoration of the original position between the principals where both parties are back at ground zero (Young C. , 2006). This form of justice is only concerned with restoring and upholding equality but not with the punishment of unjust behavior.

Aristotle's concept of equality is based on merit. Therefore, the hardworking deserve proportionally more than the lazy which means that the effort of each individual should be rewarded (Peneconomics , 2016). The same principle can be applied to pricing. Every item sold must be in proportion to its value, which means that the abstract value of everything must be determined. Consequently, every object needs an objective price tag so others can judge upon the fairness of its value. In order to undertake a fair and equal transaction, prices have to be set so all parties exit the transaction as equals – in terms of fair distribution and correct behavior.

2.2 Medieval Ages – Scholasticism

Aristotle's work and thoughts on justice were taken on in the Medieval Ages by important philosophers, among them Thomas von Aquinas who wrote the "Summa Theologica" in which he combined his thoughts on justice and the theory of value with the Christian worldview (Hecker, 2008). Aquinas, one of the best known scholars of Albertus Magnus, discussed the importance of human needs and how they have an impact on the creation of value. This aspect includes a subjective approach to the matter. Is value supposed to be determined by calculating the factors of labor and costs or by subjective means of human wants and needs (Hecker, 2008)? The subjective approach will be discussed later. Aquinas believed that value creation was a result of how much value could be derived from each good or service and how satisfactory it was in comparison to others. So all leads back to the satisfaction of needs in society and the value that can be derived from that (Hecker, 2008). The interpretations of his ideas vary but in the most simplistic form it can be said that prices are just and fair as long as it is possible for each individual in society to meet their basic needs. As always, there are two sides to the story: income must be adequate too to be able to buy basic products and services in the first place!

Furthermore, Aquinas points out that a transaction needs to be just, meaning that the price should not exceed or fall below the actual value of the product. If this were to happen, it would be contradictory to Aristotle's theory of corrective justice (Hecker, 2008). Therefore, a price increase is only justifiable if the product concerned is being enhanced in any kind of way or if the seller needs to bear some kind of risk, which makes it admissible for him to sell the good for a slightly higher price (Hecker, 2008). An immense contradiction to just behavior, however, would be to sell a product at a higher price in times of great demand and hence, if the buyer associates an abnormally high value with the product in question (Hecker, 2008). Examples would be medicine in third world countries or the case by Bruno Fey where a snowstorm leads to a price increase in shovels due to a rise in demand, which will be discussed in detail later. Aquinas emphasizes throughout his work the importance of need. For ones, prices should not be increased in times of high demand and hence, need. The other scenario in question is that of usury. If one person can give away €100,00 and lend them to a person in need of cash, then why should there be a high interest rate if the lender does not actually need these €100,00 as he is able to spear this exact amount and does not need them to cover his or her own basic needs? For Aquinas, it would be disproportionate to earn a large amount of money for something one does not attribute an adequate amount of value to and one does not actually need (Peneconomics , 2016). All of the above mentioned implications of Aquinas believes are based on the concept of Christian charity and altruism (Hecker, 2008). Our economy however, has proofed in more than various ways that we cannot rely on people around us being primarily concerned with utilitarian well being. The capitalist system we live in demands from each individual to fight for their own survival before helping others, which makes the implementation of Christian charity into our economy rather questionable.

2.3 Development until Today

While Aquinas declared the free flow of the market as unjust in terms of the adaption of supply and demand, other economists such as Adam Smith and his "invisible hand" argue the opposite in the centuries to come. Great philosophers and economic theorists – among them Hobbes, Smith, Marx and so on – discussed the issues concerning justice, the theory of value, just prices and the right market structure. However, one economist of the last century brought justice and the choice of system into a new light. John Rawls, an American philosopher, professor at Harvard and author of the groundbreaking piece "A Theory of Justice" introduced a new and radical notion of justice and value. He introduced the concept of the "Veil of Ignorance", a veil in which citizens have the ability to think rationally but with certain restrictions (Rawls, 1973). The whole point of this imaginative procedure is to establish an idea of how people perceive justice and fairness in case they do not know their status in society, their family background, their generation, how intelligent they are and so on.: behind this veil people are “ignorant” to their personal and external surroundings. But what they are aware of is general information on the different forms of justice, the political system, how the market can affect each life and so forth. There is no restriction on the pool of general information. The task now is that these rational participants take on this broad-spectrum of information to choose a system in which they would like to live in, especially in case they are born into a situation deprived of privileges and chances to move up the ladder (Rawls, 1973). Having society behind this veil of ignorance will ensure the creation of a system in which everyone can be heard and which is built on altruism. Statistically speaking, chances are not very high to exit the veil and realize one is part of the tiny fraction of people without the need for help. Hence, most rational people would probably opt for a system in which they would receive all the help needed in case they belong to the vast majority of people without the means to fight for themselves. In this purely fair and just system, prices would without question be just, as exploitation and incorrectness would – probably – not occur anymore.

3. The Psychological Aspect of Subjective Justice and Prices

3.1 The Subjective Justice

Throughout history many political and economical philosophers tried to define justice in the most general form possible. From Aristotle to Thomas von Aquinas and Rawls the notion of creating a system of fairness for each and everyone in society and the economy was the most important aspect of their work. But history proofed that there cannot be only one functioning system. Even the greatest thoughts and ideas fail when implementing these into the real world. To state an exemplary case: the good will and thinking of a better world from Marx and Engels and the actual implementation of their ideology in communist and corrupt systems such as the People’s Republic of China or the USSR. Based on this thought and the former elaboration of justice from the ancient times until now, the following question arises. May justice not be a political and objective tool but a subjective perception of individuals based on their family background, habits and ethical standards?

3.1.1 Justice and Habit (or Context)

Our perception is guided through our political institution and our economic history. Most people perceive their system as fairly just because they do not know anything different and hence, do not question the justice in it. The same could be

applied to pricing in our system. We are used to paying around €1,00 for a liter of milk and therefore, perceive the price as just. But imagine another scenario: We are brought up in an economy where a liter of milk only costs €0,50. If the price would be increased to €1,00 we would perceive this as incredible unjust, although in our first scenario this is completely normal.
This is the first aspect of justice and just pricing in a society.

> *We perceive something as just and fair because we grew up with the notion and practice of it – we do not question the concerned issue.*

But it would be wrong to only define the notion of justice regarding the way we grew up. It is also always a question of context. Would a price rise from €0,50 to €1,00 in the second scenario be unjust, if wages would also increase by double (Serfas, 2012)? This idea does not include inflationary influences. In our economy nowadays inflation and therefore, prices increase more steeply than wages, which diminishes the purchasing power of households (Focus, 2013).

3.1.2 Justice and Psychological Acceptance

The next aspect of justice and just prices is regarding acceptance and the psychological mindset. Do we imprint our first impressions on prices for specific products and objects? Meaning if we get in touch with a new product, do we accept the price out of inexperience and see if from this moment on as our anchor? This phenomenon is called anchoring and is used by business psychologists to figure out whether the first piece of information we receive will determine our perception of the product in question from that moment on (Kane, 2014). If we see a pair of jeans for €200,00 and after further research find a pair of jeans for €150,00 or even less, this will seem as a fairly better offer and will therefore seem cheaper to us although production costs are still significantly lower and this would therefore, not make the price just (Kane, 2014).

The above mentioned example is a very obvious form of anchoring as the anchor is set toward the same product (both prices are concerning jeans). But there is also a more complex version of anchoring. The psychologist Dan Ariely conducted the following experiment:

He asked the participants (55 students of the marketing department) to write down the last two numbers of their social security number. This was the first and very important step in his experiment. After that the psychologist introduced several products to his students, among them valuable and rare wine bottles and a PC keyboard with mouse. The students were given a sheet of paper with all introduced objects and where then asked to write down the last two numbers of their social security number on top of the page and then next to every object. Then they were asked to decide whether they would spend the given amount (lets say the last two numbers of the social security number where 23. Hence, $23,00 on the keyboard with mouse or the rare wine bottle) stating a "Yes" or "No" and then deciding how much they were actually willing to spend.

After submitting their answers, the students were asked whether they believed that their social security number had the effect of an anchor on their decision-making process. They denied this vehement but what Dan Ariely found out in the aftermath proofed the opposite:

The analysis of the collected data showed that those students with the highest social security numbers (80-99) gave the highest offers for the products whereas the students with the lowest social security numbers (01-19) gave the lowest offers.

	Produkte					
Gruppen nach Endziffern	**Schnurlos-Trackball**	**Schnurlose Tastatur**	**Designbuch**	**Neuhaus-Pralinen**	**1998er Côtes du Rhône**	**1996er Hermitage**
00–19	$ 8,64	$ 16,09	$ 12,82	$ 9,55	$ 8,64	$ 11,73
20–39	$ 11,82	$ 26,82	$ 16,18	$ 10,64	$ 14,45	$ 22,45
40–59	$ 13,45	$ 29,27	$ 15,82	$ 12,45	$ 12,55	$ 18,09
60–79	$ 21,18	$ 34,55	$ 19,27	$ 13,27	$ 15,45	$ 24,55
80–99	$ 26,18	$ 55,64	$ 30,00	$ 20,64	$ 27,91	$ 37,55
Korrelation	0,42	0,52	0,32	0,42	0,33	0,33

Figure 2: (Ariely, 2010)

As you can see here the lowest 20% would spend approximately $16,09 whereas the upper 20% $55,64 on the keyboard. This is true for all six objects in question. Hence, the social security number of each participant was an anchor for their perception of what each product should be worth.

Another interesting feature is that for products within the same product category (the two wine bottles e.g.) the first decision was also an anchor. The students were all willing to pay more for the 1996er Hermitage as they were told that it is more prestigious. Hence, they raised their willingness to pay from the former 1998er Côtes du Rhône (Ariely, 2010).

This experiment is supposed to depict how easily we set anchors which then determine how just and acceptable we perceive prices. Hence, one can argue that prices are not objective at all. Especially as profit margins are considerably higher than the actual production costs.

3.1.3 Justice and Ethics

The third aspect of justice and just prices is regarding ethics – especially in the economy. As already mentioned above in light of Aquinas theories, the economists Bruno Fey and Werner Pommerehne conducted an experiment in the early 1990s where they questioned households in Switzerland and Germany to find out how price increases in times of high demand were perceived. The good concerned was a snow shovel for which demand increased rapidly after a heavy snow storm. Due to the increased demand the hardware store raised the price for a snow shovel from CHF 30 to CHF 40. The outcome of the survey showed that 83 percent of the interviewed households believed this opportunistic economic behavior was unjust (Walsh & Lynch, 2002). This depicts the incredible high trade-off between ethical standards and the preservation of the economic system. In terms of ethics, the hardware store should have probably decreased prices or given shovels away for free as fellow citizens heavily depended on these tools. But in economic thinking, lifting prices only made sense, as demand exceeded supply and the market shifted towards a mark-up. When comparing this to the theories of Aquinas this would be marked as highly unjust behavior as it would be a contradiction to raise prices if the buyer would be in desperate need for it and hence, his value towards the product would be extremely high (Hecker, 2008).

The term of justice is two sided here. For the households in need for a shovel, the mark-up seemed highly unfair but for the store owners it only seemed just to

increase prices as their economic well-being also depended on selling their goods for the best price possible. Justice and just prices are subjective and are hence, always perceived in different ways by different parties out of different view points. Out of a utilitarian approach it would be highly unethical to raise prices as this would not maximize overall justice. The only ones benefiting from a mark-up would be the sellers but the buyers are most probably in the majority in this example (Schroth, 2006).
The question which arises here is what is more important? Being ethically correct or stimulating the economy? This is a though question to be answered but arises in nearly every aspect of our society. For example, is it just and fair to charge for HIV medicine or to produce weapons in order to send them into war zones? Ethics and the economy are in constant clash but this is what makes our capitalist system work. Taking this question about capitalism and ethics further would lead to an empirical paper itself and will thus not be pursued here, but should be kept in mind.

3.2 Deciding Upon the Right System for Justice

The difficulty in deciding which system would be the most just and fair is that everyone chooses what is best for themselves knowing their personal background. Hence, the wealthiest 10 percent in society would decide upon a different system than the lowest 10 percent. This is only natural as every individual wants to improve their situation from their own starting point. However, there is another approach to this. As already mentioned above, John Rawls' approach of the veil of ignorance – even though impossible to implement – would most probably build a system of benevolence because most of the people would choose a system in which they would receive help and a chance in case they end up in the unfortunate half of society. This would be the first step towards the introduction of just prices into the economy. Furthermore, it is of importance to decide upon the true value of things and hence, the creation of a new form of capitalism. The optimum would be a form of capitalism that is based on just behavior, transactions and prices. In her new book, Mariana Mazzucato tries to find out what a real value-creator is and how products should be priced in regard to their value. In her opening statement she gives the example of a cancer drug, for which the industry set a price equal to what the costs would be for society if the disease could not be treated. This principle is called "value-based pricing". Although this seems just, an independent calculator which is supposed to determine the real value of drugs computed a much lower price for many drugs on the market, proofing the power and superior position of the industry and market once again (Mazzucato, 2018). The problem with setting just prices is greed and the impulse of always wanting more. No company in the whole world would be content if you would tell them to decrease their prices and therefore, diminish their profit margin. The higher the profit, the higher the wages and loans one would think, but inadequate income is a further discussion of unjust behavior in society. It is no breaking news that managers receive immense salaries, justified with the high risk they have to bear. But while managers live a life in extravagance, most workers in a society have problems with paying their rent and bringing food on the table. The film industry is not exempted from this problematic. While Oscar winning actors – emphasis on the male - receive millions of dollars for their performance, most of the creators behind the camera – scriptwriters, directors and so on – have problems paying their bills. Creative and artsy industries are not well balanced. Though a small fraction in the film industry, especially the studios and distributors, is flushed with money, the rest is left nearly empty handed. In the following, we will look at how supply and demand works in this specific industry, how value is created and how prices and wages are determined – keeping in mind what we learned about justice and just prices so far.

4. Film Industry

4.1 Demand in the Film Industry

The underlying supply and demand mechanism in the film industry is unique in its own way and this complexity is in turn responsible for the current price structure. For studios it is of importance to predict the vague demand of consumers due to the immense upfront costs that have to be paid when producing a movie, especially for cinematic purposes. There are three types that influence the demand of which every studio and production company should be aware of and should focus their strategy on. These three types are specifically focused on the demand concerning movie theatre visits, as the theatrical release determines the further success and therefore, revenue a film is able to generate with revenue streams beside movie tickets (Young, Gong, & Van der Stade, 2010). The first type is concerning the genre and storyline of the movie in question (I), the second type states that demand varies according to the season and the days of the week people choose to go to the movies (II) and the last type determines demand in regard to the stage of its movie life cycle (III) (Einav & Orbach, 2001).

4.1.1 Content-wise Demand

Regarding the first type that influences demand – the genre and storyline of the film – production companies have to create and produce stories that meet the consumers interest. The story has to peak their curiosity and persuade them to actually go to the movies. People love to go to the movies because it helps them escape reality for a short amount of time and enter into an entirely new world in which personal problems do not matter. Exactly this desire has to be sparked in consumers when hearing about the plot or watching the trailer. Studios can be certain that there will be an *underlying demand* for their films but in order to actually be profitable they have to exceed the underlying demand and bolster overall interest in potential fans (Cartier & Liarte, 2012).

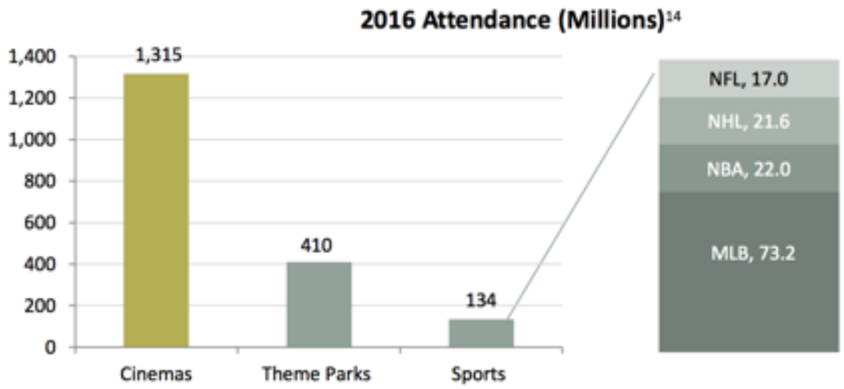


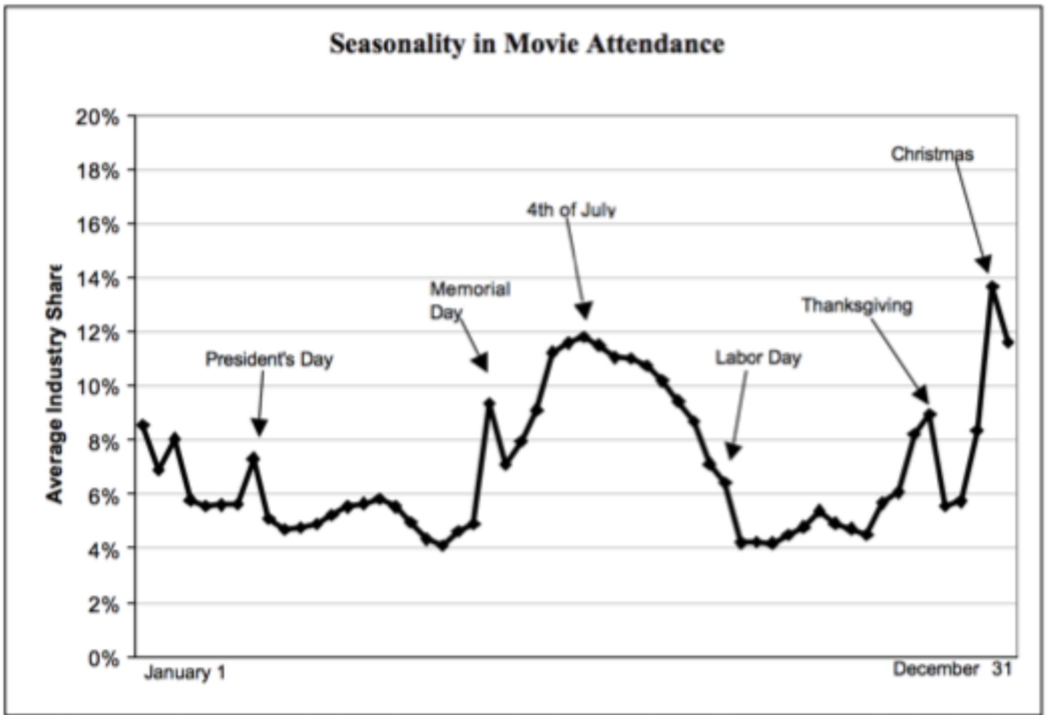
Figure 3: (Motion Picture Association of America, 2016)

Figure 3 depicts the attendance of movie-goers in the US and Canada in 2016 and clearly shows that films are one of the most popular entertainment options, supporting the argument for underlying demand. There is never the danger of having no demand at all, although it has to meet the vast majority's interest in order to be a hit and hence, profitable. As it is rather difficult for studios to anticipate the genres and plots movie-goers all over the world would want to see in the near future, they can orientate themselves e.g. by current events. For example, the DJ Avici just died very recently, but only a couple of days later, his documentary was all over social media and video-on-demand (VoD) platforms. In succession of his death, the interest in his persona peaked and thus, the demand for his documentary. Another indicator would be historic events that still have an impact today. The consequences of 9/11 and the rise of terrorism or the financial crisis of 2007/08 are a very popular thematic that is apprehended in movies. These examples are all part of a demand which is already given and only wisely exploited by studios. However, studios can create demand from scratch. They can construct demand by building a whole world around a story and hence, establish a relationship between the characters, the storyline and fans. Examples for this would be the *Star Wars Trilogies* or *Harry Potter*. Another example would be the late *Avengers: Infinity War* mega blockbuster, which became the most successful box opening weekend of all times. The first weekend realized about $257 million, in comparison to *Star Wars: The Force Awakens* which accounted for about $247 million (Box Office Mojo, 2018). But the success of *Avengers: Infinity War* is unique, probably the biggest coup in film history. Marvel managed to create a whole universe over the time span of ten years which in the end all led to *Infinity War*. They created dozens of superheroes with their own franchise films, leaving clues behind, building up this story piece by piece. Marvel took the chance ten years ago to go through with this plan, hoping the interest in the general population would arise and increase year by year, movie by movie (Sherman & Pallotta, n/a). And it worked out. The excitement for this film was massive and the demand more than given. Marvel managed to create this demand, this excitement for their superheroes, from scratch on. The underlying demand was created and is now not even in question anymore.

This is a very extreme, risky, time-consuming and cost intensive way of creating demand. Studios can only anticipate demand and conduct market research, but they are always left with a great amount of risk. Therefore, they often choose to produce sequels or similar storylines of movies that were successful. In contrast, VoD platforms are in a very advantageous position when it comes to demand prediction. Through big-data analysis Netflix is able to collect data from its 125 million subscribers (Statista, 2018), which helps the streaming platform to analyze their consumer behavior over their whole customer life time span. From this big-data analysis, Netflix is able to not only recommend their users films and TV shows, but is actually able to predict what their subscribers want to see in the future. Their previous interests and watch behavior gives Netflix the opportunity to create film concepts based on what users want to see in the first place. This bears the risk of offering very similar story plots in different formats and restricts creativity in the film making process, but it gives Netflix and other platforms the certainty of finding demand for their supply. It is not about being as creative and innovative as possible, more about creating something familiar (Lemm, 2017). The Netflix original *Stranger Things* was a major hit and is one of the most successful TV shows produced by the VoD platform. Based on this success, Netflix released its first German TV show *Dark*, which was dubbed in several foreign languages and became – you guess it – a huge success. The main story plot of both TV shows include a small town, a group of children that disappear, some sort of time travel and an evil source. Although the similarities are more than obvious, it became a hit anyways. To conclude, the genre and plot are one of the most important aspects of fostering demand and therefore, studios and production companies need to choose their scripts wisely and need to find ways to predict demand as accurately as possible.

4.1.2 Seasonal Demand

Different seasons and the day of the week also are an important indicator for when the demand in theaters reaches its peak. As Figure 4 below shows, demand of movie goers in America is cyclical. During holidays and in Summer the attendance in theaters increases by nearly 10 percent.



* Industry shares are calculated by the weekly industry box-office revenues divided by the average ticket price, normalized by the size of the U.S. population.

Figure 4. (Einav & Orbach, 2001)

Furthermore, about 70 percent of box-office revenues are generated on weekends (Einav & Orbach, 2001). This data allows to derive the argument that a visit to the movies is a pure leisure activity, which again undermines the fact that humans go to the movies to immerge into a world in which they can forget their own. Another thing that needs to be highlighted is that most of the movies are released on a Friday and at best a Friday during holidays. This is done with the notion of attracting more visitors at the beginning of the movie life cycle (Schedule, 2018), as the opening weekend is crucial for the further success of the movie.

4.1.3 Life Cycle Demand

Movies, like most products, have a certain life span. Firstly, demand keeps on increasing until it reaches an all time high from which it declines steadily. Einav and Orbach found out that demand of a certain film strongly decreases with the advancement of its lifetime span. The overall movement of the lifetime cycle highly depends on the success of the film – the bigger the hit, the longer the life span.

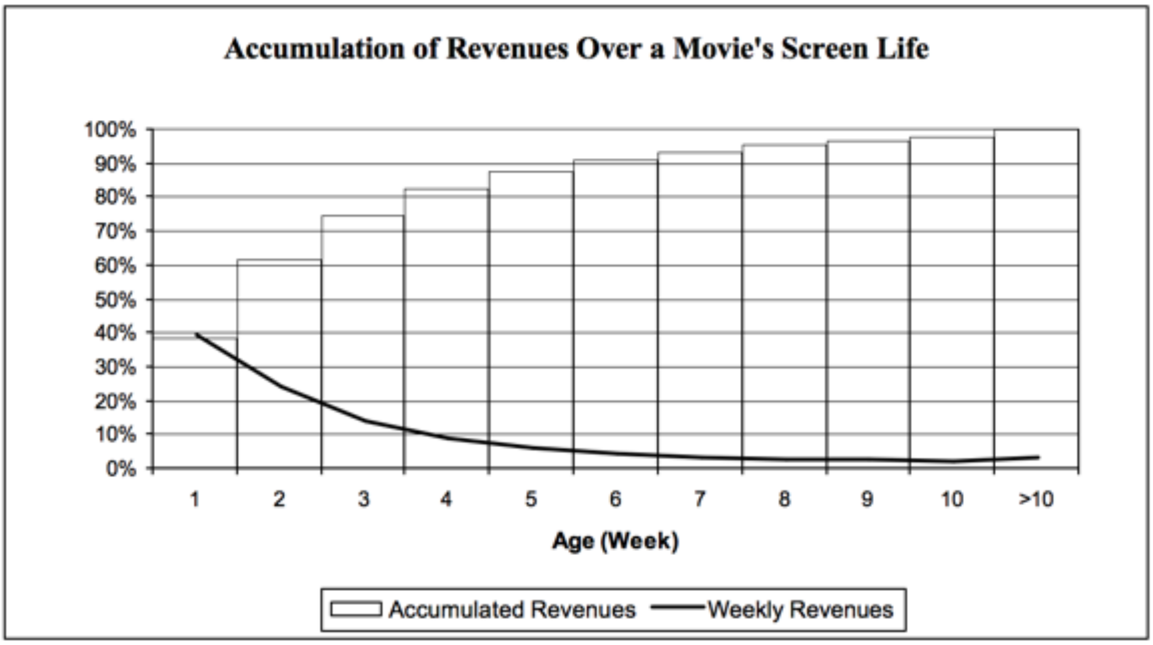


Figure 5: (Einav & Orbach, 2001)

Figure 5 depicts the above stated. The first week after the release of a new movie in theaters is the most profitable one. From there on, revenues and hence, visitors are diminishing week by week until the movie is removed from the program and can be either bought on DVD, TV or seen online via a streaming platform.

4.2 Supply in the Film Industry

After analyzing the different types that influence demand for movie-goers, it is now important to understand how production companies supply the ongoing thirst for new movie concepts – how value is created in the film industry. The whole process can be divided into four steps. The first step, the *development*, is based on brainstorming and creating a raw idea. Then, this idea is slowly turned into a concept and script which is the foundation for the whole project development. The second step, *packaging*, involves finding a suitable cast, production team and the calculation of the budget. The first two steps are the heart of the production. From there on, the actual filming begins in the third phase. The fourth and last step, and now it becomes interesting, is the distribution of the end product. The distributor is responsible for all the marketing campaigns before the premiere and that the movie is being broadcasted in cinemas all around the country and the world. After the movies cinema lifetime span comes to an end, it is made available on DVD or VoD platforms and only then the licensing rights are sold to Pay and then Free TV (Aschenbroich, 2005).

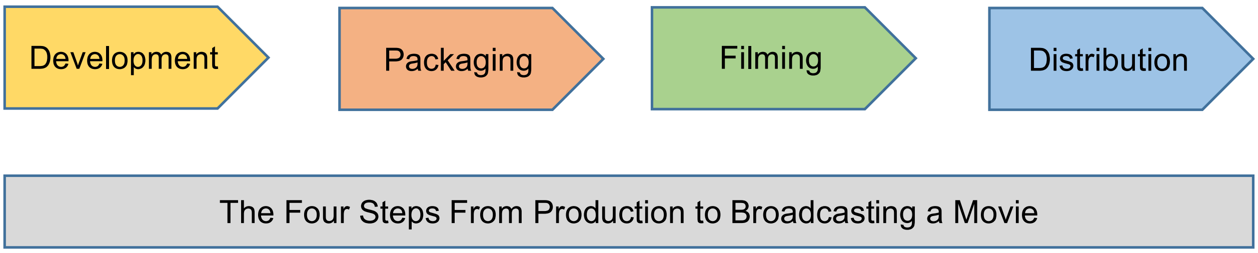


Figure 6: Supply Chain for Films

This depicts in a very simple form how movies are created from a naive idea to the availability in cinemas and other channels everywhere. Packaging is a crucial step in the overall process as this marks the point in which the budget for the whole production is defined.

4.2.1 Production costs

The good in question is a film, though one can argue that a film might be better categorized as service. As you cannot really touch a movie (except of the data storage medium), it falls into the category of an information good. The whole production process of a film is based on services, from the scriptwriter over the director to the cutter, it is all based on the execution of skills and the creation of information. Information goods are always more difficult to price because “information is costly to produce but cheap to reproduce” (Shapiro & Varian, 1989, 21). The phenomenon in question is the “first-copy cost”. Producing a movie costs millions of dollars upfront without having the absolute certainty of generating revenue in the aftermath. On average a major studio has to spend $72 million on production and the costs for promoting the movie add $37 million on top of that (Young, Gong, & Van der Stade, 2010). In comparison, the production costs of the earlier discussed *Avengers: Infinity War* amounts to $321,2 million, which makes it the second most expensive movie of all time (Telegraph Reporters, 2018). Sources vary but the poll position for the most expensive movie is taken by *Pirates of the Caribbean: On Stranger Tides* amounting to a total of $378,5 million (Telegraph Reporters, 2018). Movies this size are usually Hollywood productions as studios have the means to do so, but in contrast German cinematic productions such as e.g. *The Lives of the Other*, which also won an Oscar, only had a budget of approximately $2 million (Spiegel, 2007). Production budgets bear no proportion whatsoever and immense production companies are able to spend these vast amounts on the first-copy of information good. There is of course another side to the film business, a side in which costs are ruthlessly cut due to limited budgets. This again underlines the diversity in the film industry. Everything is possible, from multi million dollar productions to low-budget projects, both having the chance of becoming a major success. Nonetheless, it is very costly to produce a cinematic film and therefore, studios depend heavily on fans going to the movies in order to create good reviews so they can cover their costs and make profit in the end with the various revenue streams. However, it is only expensive to produce the first copy, from there on it costs essentially nothing to replicate the information good (Varian & Shapiro, 1998). Economically speaking, the production costs are the fixed costs which can be further defined as *sunk costs* because once you spend them, there is no way of retrieving them (Varian & Shapiro, 1998). Varian and Shapiro give the comparison of either investing in a new office building, which can be sold in case it is of no use anymore and therefore, at least a certain amount can be recovered. But in regard to movies, once production is completed and it becomes open to the public and turns out to be a flop, there is no way of recovering any of the costs already spent in the making (Varian & Shapiro, 1998). Sunk costs have to be paid upfront and are therefore, irrevocably lost in the production process.

4.2.2 Distribution and Market Monopoly

The last step of the supply chain for movie production involves the distribution of the film, which basically means, making it accessible to the public. Distributors are an important link between the production companies and the exhibitors, i.e. the movie theatre.

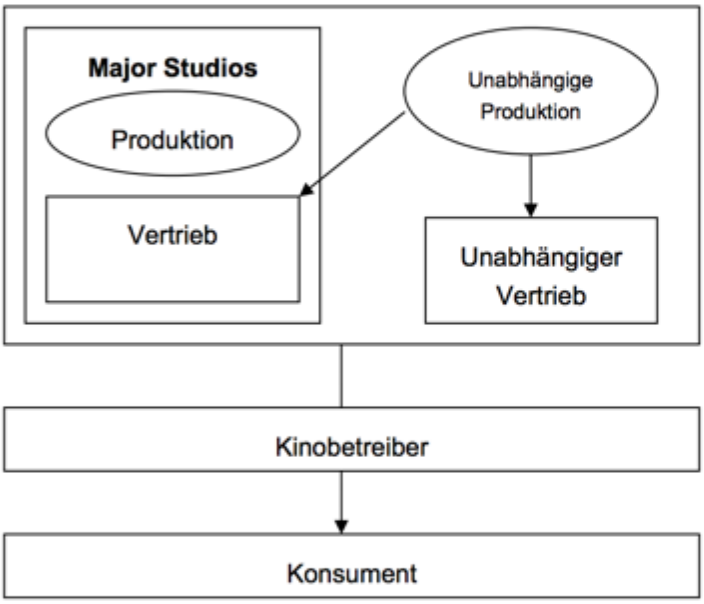


Figure 7: (Aschenbroich, 2005)

Figure 7 illustrates how a film is brought form the production company to the customer. It is either a major studio with both production and distribution in one place (typical for Hollywood) or an independent production company that enters into a licensing agreement with an independent distributor who then negotiates terms with the exhibitor to make it open to the public (Aschenbroich, 2005). After the production company finalizes the movie, it enters into a licensing agreement with either one of the big six major studios (at the moment: Warner Bros, Walt Disney, 20th Century Fox, Universal, Sony and Paramount) or with several smaller distributors (Aschenbroich, 2005). Distributors are in turn responsible for the advertising campaign, for determining the release data and furthermore, for licensing the motion picture to exhibitors, impacting the pricing model. The above mentioned “Big Six” are an exception to the rule, as they own both the production and distribution division and are therefore not obliged to enter into a licensing agreement with an independent distributor. The movie is then first distributed nationally before being spread globally in theatres (Paul, 2016). But before the movie is released, representatives of the distributer negotiate the lease terms with the exhibitors.

> "For a major Hollywood release, it's common for the studio to take as much as 70, 80 or even 90 percent of the first week's box office sales. In a typical exhibition contract, the studio's percentage goes down every week that the film remains in the theaters." (Roos, 2008)

So when looking back at Figure 5, one can see that these lease terms support studios to make immense profits in the first few weeks, whilst the exhibitors are left with the diminishing demand and decreasing revenues. At the end of the cinematic movie life cycle, the copies of the film are returned to the distributer and the lease agreement comes to an end. From there on, the movie is spread over a variety of mediums including DVD and Blue-ray, Streaming platforms and TV. Due to the immense capacities of the "Big Six", one can say that they rule as monopolists. Before allowing independent cinemas to display their films, they supply their crown jewels (i.e. major blockbusters) to their own linked cinema chains, which boosts their revenue while it deprives independent theatres from customers. Consumers want to see the new major motion pictures by the "Big Six" because marketing is done so well and in such an aggressive way, that most consumers are not even aware of small independent movies, which are displayed in independent theaters. Furthermore, these major studios postulate in their contracts with the exhibitors that their films should be shown for a "minimum exhibition period" of four weeks, which again hinders smaller movie productions to even be displayed in theaters due to the ever-present major box-office motion pictures (Farrow, 1994). This monopolist position of major studios and distributors hinders smaller cinematic production companies to actually be able to raise awareness for their films, which makes it difficult for them to turn out profitable in the end. This gives Hollywood companies the advantage to reduce their risk because of the certainty to flood the film market and outdo independent competitors due to their market power (Farrow, 1994). This market power does not align with the just behavior discussed in section 2 above. It hinders creative and talented newcomers with limited budgets and power to show their work and to delight the audience.

5. Revenue in the Film Industry

5.1 Movie-Theatre: Uniformity of Ticket Prices and Justness

Distributors and exhibitors want opposite things. While distributors prefer the highest price possible for a movie ticket as they receive most of the revenue (might even amount to 90 percent) exhibitors prefer lower prices for tickets in order to attract more customers and thus, increase prices for refreshments as they do not have to share the revenues generated through popcorn sale (McKenzie, 2010). This also explains why there are several discounts for tickets, e.g. student discount, but none for popcorn and co. Movie theaters depend on their costumers to consume as this is their most profitable revenue stream. As we already established, the revenue of movie tickets is shared between distributors and exhibitors, so what does the ticket cost then?

Average Cinema Ticket Price (US$)

Sources: National Association of Theatre Owners (Ticket price), Bureau of Labor Statistics (Consumer Price Index)

	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016
Average Ticket Price	$6.88	$7.18	$7.50	$7.89	$7.93	$7.96	$8.13	$8.17	$8.43	$8.65
% Change vs. Previous Year	5%	4%	4%	5%	1%	0%	2%	0%	3%	3%
CPI % Change vs. Previous Year	3%	4%	0%	2%	3%	2%	2%	2%	0%	1%

Figure 8: (Motion Picture Association of America, 2016)

Figure 8 illustrates the Average Ticket Price in the US and Canada, which means that in 2016 prices for a movie ticket moved around $8,65. Ever since the invention of cinemas, there is an unwillingness to introduce a flexible pricing scheme, which means that all over one country prices were and still are more or less uniform. Differences occur in terms of location, demographics and the equipment of the cinema. In terms of location, going to the movies in a city is more expensive due to higher rents then somewhere on the countryside. Regarding demographics there are several price discriminations third degree, as students, the elderly and further segments receive a discount. The last influence on a difference on the price is regarding the equipment. If the cinema offers movies on a large screen, such as Imax, and in 3D it will be more expensive than a simple 2D movie visit. So there are certain factors that lead to some minor differences in pricing but the uniformity is given. But why do we pay the same amount for a major and extremely extravagant production such as *Avengers: Infinity War* on the one hand and a small scale German production like “Keinohrhasen”, which cost €4,2 million in the making. Einav and Orbach try to find an explanation for this uneconomical behavior of cinema chains and found four possible causes for uniform prices.

(I) Perceived Fairness: Prices all over the industry are fairly the same because it would otherwise repel and antagonize customers. It would seem unjust if prices for tickets would strongly vary across the industry and this would therefore, backfire at the exhibitors making it seem as they would want to increase their own profit. The explanation for why it would seem unjust to switch from uniform prices to a flexible pricing scheme leads back to the concept of anchoring. Once we have an idea about a price for a movie visit in our head, we will always use it as a reference for future price increase or decreases. This is true in terms for the whole theater visit and the comparison between different movies. The price for one movie is the anchor for any other movie, no matter what genre. Meaning that if one movie is priced differently, it will seem unfair to us. Though price increases are highly rejected by customers, price decreases are more than welcome. The uniformity in prices is already modified by price discrimination third degree, which favors certain customer segments with discounts.

Regular movie-goers are used to the uniform pricing scheme and over the years this became the benchmark for fairness. Fairness is here perceived due to the regularity, which we already discussed in the first part of the paper. The habit and unknowing of other pricing models make us believe that uniform pricing for movie tickets is just. But is this actually pure justice? Consumers would probably perceive higher prices as just if the production costs are adequately higher. Good public relations could accompany such a transition for movie-goers to understand the difference in a multi-million-dollar production and a low-budget movie, which does not mean that the quality of the latter is lower.

(II) Uncertainty: Exhibitors cannot fully anticipate the demand for a certain movie and would need to adjust prices into its movie life cycle. The initial admission price would hence, have to be altered, which again would seem unjust. Raising prices would antagonize potential movie-goers, while decreasing prices would upset distributors due to the shared-revenue deal. The great uncertainty of the success of a motion picture makes it nearly impossible to calculate a modified flexible price.

This argument is made by advocates for uniform prices, but it also has to be noted here that the success of movies can be predicted as we established in section 4.1.1. In case of an involvement of film stars and famous directors, and marketing is done by vast distributors (therefore on a large scale basis), movie theaters can be sure that fans will want to see the movie one way or another.

(III) Agency Problem: As already mentioned before, distributors and exhibitors have an agreement which states that they share the revenues for each ticket sold. Bargaining these agreement terms can be tough and movie theaters often show films from several distributors. Therefore, it makes it easier to set one fix price as a flexible pricing scheme would make bargaining with the distributors even harder. The other point is that cinemas are not equally interested in adjusting prices as they worry more about the sale of refreshments, as they are to keep all the profits. The danger in introducing a flexible pricing scheme and repelling consumers is too high and does only slightly increase the exhibitors' profits.

(IV) Unstable Demand: Lower prices are often perceived as lower quality. In terms of the movie industry and theaters this would mean that customers would not want to see cheaper movies as they could misperceive them as being of less quality. This again would be a huge step back for low-budget production and would only benefit major studios.

This argument is a contradiction to the first one about *perceived fairness*. The first argument believes that higher prices would scare customers away while this argument states that higher prices would mean that only those movies would find customers due to the idea of higher quality in higher prices.

(Einav & Orbach, 2001)

5.2 Movie-Theatre: Other Forms of Pricing

All of the above stated arguments in favor for uniform prices are worth considering but only now, cinema chains are starting to test alternative pricing models as they recognize the possible economic gain coming along.

A startup situated in Berlin focuses on intelligent pricing and offers their service among others to movie theaters. *Smart Pricer* "uses innovative data science techniques to understand demand and optimize prices" (Smart Pricer). This company is aware of the trade-off between raising prices, which could decrease demand and therefore revenue, while lowering prices would cause problems with the distributors. *Smart Pricer* argues that a dynamic pricing model would benefit movie theaters as it always adapts prices to the current market situation. They can do this due to the online sale of movie tickets.

Figure 9: (Smart Pricer)

In the Figure above we can see what *Smart Pricer* wants to achieve for exhibitors. By adjusting prices, a movie ticket would be cheaper in off-peak times, making it more attractive for price sensitive customers to go to the movies during these times. This would drive revenues and all of this could happen by incentivizing customers to buy their tickets via the cinemas online channel, which in turn helps the cinema to collect and analyze valuable data.

Already well-known theater chains use this new form of pricing. Among them Odeon, UCI Kinowelt, Cineplex and Pathé. What does this mean for the customer? If the customer wants a better seat for a cheaper price, he or she has to book in advance. As the algorithm of *Smart Pricer* adjusts prices due to demand and supply, booking earlier will secure a better price if demand is predicted to go up. This pricing model can be compared to the airline industry. An algorithm adjusts in real time demand and supply and this determines the prices for the seats. If this new pricing model will be taken on by consumers is still to be decided. UCI only implemented *Smart Pricer's* software at the beginning of this year. The software is said to reward customers when booking earlier and make distributors and exhibitors content as online revenue increases and therefore overall revenue (Film Journal, 2018). There is a lot of controversy around the introduction of smart prices and whether this is just for the end-user. Some argue that this will revive the cinema industry as right now, the demand for going to the movies is declining due to better prices and high quality offers from VoD platforms. Movie theaters have to think disruptive in order to attract customers again and testing new pricing models is the right way to get there. In the end, would it not make sense to pay more for a major blockbuster and less for an independent indie film? It could incentivize moviegoers to see the latter in theaters, because a lower price could persuade them to enjoy the whole cinema experience instead of streaming the movie a couple of weeks later at home.

Beside the software offered by *Smart Pricer,* other startups try to rise in the movie-theatre business. *MoviePass*, a startup situated in New York and founded by Mitch Lowe, allows subscribers on a $9,99 basis a month to see one movie of their choice in a theatre of their choice *per day* (MoviePass, 2018). Given the fact that a normal ticket costs about $8-9 just to see one film in the US, this business model seems highly unrealistic. Although *MoviePass* can account for about two million subscribers it is still highly unprofitable and needs any monetary help it can get from its investors to keep floating. Its biggest competitor *Sinemia*, founded in Turkey in 2014, offers a similar model in which subscribers can either pay $4,99 for one movie or $14,99 for three movies a month (Teodorczuk, 2018). The CEO of *Sinemia* is positive that his business model is more sustainable and profitable than *MoviePass*, but one way or another it will be interesting to see how this will further revolutionize the cinema industry. What we can be sure about is that price sensitive customers will love the subscription alternative because the price is very low and the customer has no restriction in his choice of movie and theatre.

Since the rise of VoD platforms such as Netflix or Amazon Video, movie theatres have to be creative and especially disruptive if they want to remain a serious competitor. It became more than easy for movie fans to stream at home for a fraction of the price which they would have to pay for a movie ticket and in the economy in which we are living today, the lowest price (almost always) wins.

5.3 Video: Prices in the Film Industry Regarding the Transition from VHS to DVD/Blu-ray and VoD Platforms

The revenue generated trough ticket prices might be the first critical revenue stream and the most important indicator of the overall success of the movie, but by far not the most profitable. After the movie had been displayed in the cinemas and its life cycle comes to an end, new revenue streams are being accessed. With the implementation of VHS in the late 1980s and therefore, the new possibility for end-consumers to watch movies at home, the film industry constantly created new business models and revenue streams to exploit the market. At first, studios where highly skeptical and worried that they could lose revenue with the implementation of the video home market. But studios realized early enough that this transition just added an immensely valuable new revenue stream, which gave rise to DVD retail sales and rental shops. About four-firths of a movies revenue comes from the following major sources: home video, network, satellite and cable television, international distribution, the Internet, and mobile devices (Young, Gong, & Van der Stade, 2010). As already established earlier, the "first-copy costs" for movies are extremely high, whereas reproducing the film is priced in relation to production costs with barely nothing. Therefore, this new rise of VHS, which was replaced by DVDs in the late 1990s, gave studios and distributors a new cash cow, which only cost them little in the making (Sherwin, 2010). With these changes occurring at the turn of the millennium, the distribution sequence of movies became the following. Firstly, the film was released to movie theatres (preferably first to those which are linked to the studios) and then, nearly six months after the official box opening weekend the film was sold on DVD and made available to households on a large scale basis (Lehmann & Weinberg, 2000).

Home video: With the innovation of VHS and the high initial price of $100,00, studios offered their films more to video rentals rather than end-consumers as they could simply not afford them (Young, Gong, & Van der Stade, 2010). Over time, tapes became more affordable and the sale directly to consumers further increased the revenue of the studios. The revenue made with the home video market exceeded the one of the movie theatres already in 1986 (Young, Gong, & Van der Stade, 2010). VHS was then replaced by DVD and the sales for DVDs skyrocketed. The sales for DVDs to the end-consumer reached its peak in 2008 with a turnover of $16.2 billion and in the rental market of $7.5 billion (Young, Gong, & Van der Stade, 2010). For consumers it became a status symbol to own a DVD player and as many DVDs as possible, which explains why the revenue for home videos had outnumbered the ones of movie ticket sales since the introduction of the VHS (Lehmann & Weinberg, 2000). DVDs as a medium to give end-consumers access to films also led to a new form of production. Instead of producing a movie for the big screen, especially smaller productions were and still are able to spread their work in a cheap but profitable way all around the world. With just one exception. DVDs are restricted according to the region for which the use is approved. This tool is supposed to protect copyright and the film distribution rights, which plainly means: the profit of the studios and distributors (Silva, 2018). These so called *region codes* help distributors to restrict international distribution without their consent and their profit maximization. For consumers this is not the fairest deal, as they are restricted to their region in order to watch the film.

But before buying a VHS or DVD was affordable, video rental stores such as *Blockbuster* emerged. They started of with buying video cassettes for a price of about $60-80 and rented them to customers for $3-4 (Veen & Venugopal, 2005). But due to high initial price of a film copy they were only able to afford a couple of tapes from newly released blockbusters, which left many customers empty handed when looking for a specific new movie in the rental stores. Hence, *Blockbuster* entered into a revenue sharing deal with the studios, which meant the following: The video rental store only had to pay $8 for one tape and could therefore provide the customers with more film copies of a recent major hit. The revenue it made with renting these films had to be shared in half with the studios. Not only did rentals increase by 75 percent, but Blockbuster was able to increase its market share by 6 percent (Veen & Venugopal, 2005). This sharing arrangement meant a win-win in revenues for all parties concerned and in turn gave the customers more freedom of choice.

But, regarding everything in our digital age, the rise of DVDs did not last very long. After its peak in 2008, sales for DVDs dropped in 9 percent in 2009 (Young, Gong, & Van der Stade, 2010). Now, DVDs are more and more replaced by VoD platforms and online-streaming access to movies. Although customers were already able to rent DVDs for a reasonable price in video rental stores, now they are granted access to a vast library of content via VoD platforms on a subscription basis of already

€7,99 a month. Netflix, the pioneer in both the rental and online-streaming business, changed the industry. As already established in section 4.1.1, Netflix and other companies in this business are able to analyze the viewing behavior of their customers and can therefore determine in a cheap and cost-efficient way what their subscribers want to see. Kevin Spacey, main protagonist and executive producer of the award-winning TV show *House of Cards*, gave the keynote at the Edinburgh Television Festival in 2013, in which he supported the business model of Netflix to give the customers what they want. When he and his team were scouting for a network to finance and broadcast *House of Cards* Netflix was the only network who did not want a very costly pilot in order to analyze the consumer reaction. They just checked their data and knew right away (Telegraph, 2013). By being able to run data and then see if a potential market is given, Netflix and co. have the ability to produce more cost-effectively than other networks that shoot hundreds of pilots for which hundreds of dollars need to be spend, just to rule most of them out in the aftermath because they realize that no one wants to watch the show. By giving the customer what he or she wants for a reasonable price, people are actually willing to pay and this could also reduce piracy in the film industry (Telegraph, 2013). The success of VoD platforms is unstoppable and these platforms start to more and more produce their own content, which makes it for distributors challenging again to turn their business model around and bargain deals with Netflix and co. to have their movies displayed while earning their “fair” share.

6. Just Wages in the Film Industry

6.1 2007/08 Writers Guild of America Strike

While already talking about a fair share: It is no big news that major studios and distributors are greedy and prefer to keep their profits to themselves. They try to perceive their audience in tricking them into paying a higher price than probably necessary but in turn do not pay their creative counterparts adequately. Looking back in time, about ten years ago, the Writer’s Guild of America West (WGAW) went on a strike due to the increased unjustness in profit allotment between them – the creative masterminds of the studios – and the AMPTP (Alliance of Motion Picture and Television Producers). Basically; the writers against the producers as David Macaray puts it (Macaray, 2013). The strike went on for 100 days and was initiated due to the new forms of digital distribution of movies and thus, the creation of an additional revenue stream for producers of which screenwriters did not see a dime. The 12.000 writers went on a strike to receive a share of the revenues made by DVD sales and online-content, which can be either downloaded or streamed. Every three years the WGAW negotiates a new contract with the AMPTP, but in 2007 negotiations turned into a dead end. Writers receive so called residuals for every time their show is broadcasted on TV or a DVD is sold, but they were granted no residuals whatsoever for the vast digital distribution of the online-streaming market (Macaray, 2013). This was not the first strike of the WGAW. The guild organized strikes before concerning the lack of profit contribution from the immense earnings received through the sales and rentals of DVDs in the wake of home-video distribution. But either the efficiency of the guild or the power of the producers should be questioned as only last year the WGAW was on the verge of their next strike. It is an everlasting clash of these two guilds with one guild being in a favorable position due to better connections, money and power.

6.2 Gender Inequality in Regard to Payment

2018 will be a very interesting year due to the implementation of dynamic pricing models in various cinema chains and the tension of an uncertain strike by the WGAW. But 2017 was an even more attention-grabbing year in Hollywood in regard to the revelation of sexual harassments and the gender payment gap. The Weinstein scandal and the resulting #metoo campaign brought about momentous changes – also in regard to the vast discrepancy in payment between male and female actors. One of the first eye-opener in terms of unequal payment in Hollywood occurred in 2014 when *Sony Pictures* was hacked by the hacker group “Guardians of Peace” allegedly funded by the North Korean Government as a form of protest against the movie *The Interview,* a satire in which Kim Jong-un is supposed to be assassinated. Beside the information leaked about *The Interview*, documents and email protocols about the payment negotiations for the female actors in *American Hustle* led to the ongoing discussion about payment inequality in Hollywood. Female Oscar-winning Star Jennifer Lawrence and five-time Oscar-nominee Amy Adams received 2 percent less payment than her male co-workers Jeremy Renner, Christian Bale and Bradley Cooper (Needham, 2014). Both women stated that they were not even infuriated at Sony but more upset about their personal negotiating methods and those of their agents. Actors pay their agencies to negotiate on their behalf and if the actor – male or female – is not content with the contract, he or she can either walk away and hope for the studios to come running after them with a better offer or they take the offer on the table, even if it means receiving less. Another even more shocking example occurred this year when the movie *All the Money in the World* had to be reshoot after Kevin Spacey had to be replaced due to the allegations of several cases of sexual harassment. The main characters Michelle Williams, who is a four-time Oscar-nominee and Mark Wahlberg who was nominated two times, received such a vast discrepancy in payment that it is even difficult to believe. While Wahlberg received $1.5 million **only** for the reshoot, Williams received believe it or not - $1.000 (Convery, 2018). She got paid less then 1 percent of what Wahlberg earned in only reshooting several scenes of this movie. Both Wahlberg and Williams are represented by the same agency and it is the talent agents job to negotiate the best terms possible for their actors. So how is it possible then that Williams only received such a tiny fraction of Wahlberg's salary? One can argue that Wahlberg's negotiation position was slightly better due to his standing in Hollywood as the highest paid actor. Or that Williams was willing to do the reshoot to boost her career for barely nothing due to her lack of major blockbusters recently. There are several explanations for this, but none justify this massive discrepancy. After the information about the payment on the reshoot were exposed, Wahlberg (maybe unwillingly) donated all of the $1.5 million to the *Time's Up* defense initiative (The Guardian, 2018). Who is responsible for letting these unjust payment gaps occur? The agency and talent agents or the actors themselves? It seems that female actors are more easily replaceable and hence, do not have the same bargaining power and have to think twice before just walking away.

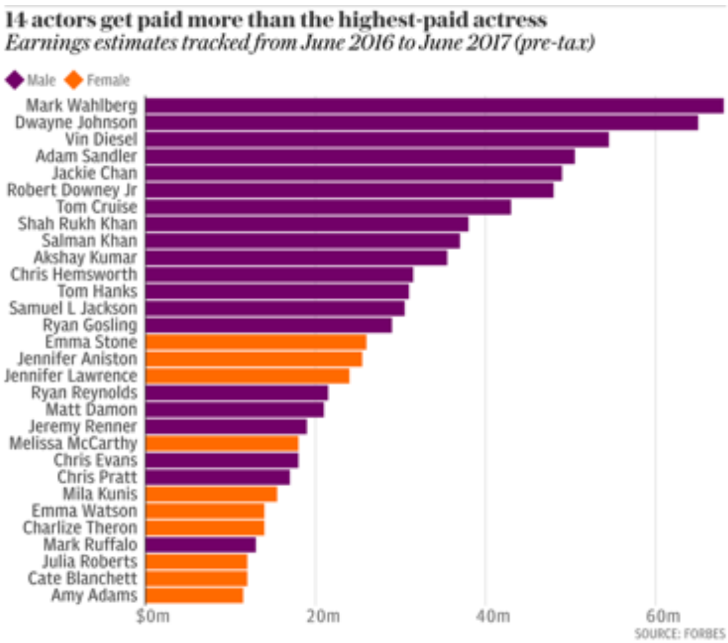


Figure 10: (Singh & Kirk , 2017)

The list above shows the highest-paid actors in the industry at the moment, including both male and female actors. The discrepancy in payment can be seen here very clearly. Emma Stone, as the highest paid female actor only holds the 15^{th} position, whereas Wahlberg resides on the poll position with a three times higher income. In this figure only 30 percent female actors are represented.

What needs to change in order for women to be treated equally in the film business and be paid a just wage? First of all, story plots have to become more diverse. In most films, men play the lead role whereas women often are only present as the wife, the mother or lover. In 2014 only 12 percent of female protagonists could be seen in top-grossing movies (Lang, 2015). Switching from this male dominance to a more balanced allocation of lead roles would support a balance of payment in the film industry as it would strengthen the bargaining power of actresses. Secondly, it might be the job of the agencies to negotiate more equal terms. Actors pay these agencies for a specific reason and apparently they are not doing everything they can. And last, women should be more confident to walk away if the contract does not seem just to them. This is easier said than done but if this would amount to a collective action and to maybe a slight form of movement, women could manage together an equal treatment for their work.

7. Conclusion

To conclude, the question whether prices for end-users and service providers in the film industry are just is more than difficult to answer. In terms of uniform prices for movie tickets, this question might now be on the verge of truly being answered, depending on how customers take on the flexible pricing model. Due to the changes happening in the cinema industry and the implementation of dynamic pricing in some theatres we will see in the short future which pricing model movie-goers will prefer. But what we learned from this paper is that there is no definite answer to the concept of justice and therefore, just prices due to its subjective approach. Each and everyone of us perceives justice and just prices in a different way and this makes a broad statement nearly impossible. The whole movie industry is in turmoil at the moment and due to campaigns like *Time`s Up*, innovative start-ups such as *Smart Pricer* and strikes organized by guilds in favor for writers or directors, there could actually come about positive change for the first time in the history of Hollywood and the film industry worldwide. Stakeholders in the film-making process fight for their fair share of the profits against studios and distributors – they fight for a just distribution, a concept already Aristotle was aware of through the notion of his distributive justice. Equality is now an important keyword in the industry and as we saw in the first part of the paper, for Aristotle and Aquinas this was one of their core messages which they wanted to convey. Equality in society and therefore, in a particular industry will hopefully bring along justice in the long term. We are still far away from this to happen any time soon, but the important part is that awareness is raised and people start to use their voice to fight for their rights – to fight for justice and just prices.

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