

Does innovation and portfolio diversification lead to higher sales? A study using big data from Hollywood

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A common innovation strategy is to venture into product categories or markets that are new to the company. A good example from the creative industries is the release of a country album by R&B artist Beyonce. This paper seeks to address empirically, using big data from Hollywood, whether (1) studios that release new movies that are more distinct from their past movie releases and (2) studios that have more diverse movie portfolios can expect better box-office performance. The data, comprising 20 years of weekly box office sales, 2803 movie projects, 94 studio producers, and more than 200 control variables about movies' advertising, critics, seasonality and movie characteristics, show that the degree of distinctiveness of a new movie release is negatively related to its box-office sales, while the degree of the diversification of a studio's movie portfolio does not have a significant impact. We discuss the implications of these findings for the role of innovation in the movie industry.

Keywords: movie industry, big data, innovation

Track: innovation management & new product development