

THE CHINESE FILMS IN THE GLOBAL MARKET: WHAT DETERMINES THE POPULARITY?

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Abstract: *The motion picture industry of China has grown fast over recent years. Given that Chinese films began to gain popularity globally, we address what determines box-office performance for Chinese movies. We treat the movie as an experiential good and hypothesize that Chinese films' box-office performance is affected by a set of characteristics-related variables embedded in each film. We construct our dataset based on 134 Chinese films released in America from 2000 to 2012, and conduct a regression analysis. The statistical results suggest that actor reputation, existence of foreign investment, adventure genre and online ratings in the local market increase the box office performance of Chinese films in the U.S.*

Key words: *box office performance, Chinese films, American market, movie marketing*

INTRODUCTION

Trying to preserve the distinct traditional culture, China has increased her presence in the global culture industries (Nye, 2005). In contrast to the manufactured goods that have entered international markets, China remained largely as an importer of foreign movies. However, as Chinese government began to promote cultural industry as an environmental-friendly alternative to manufacturing industry, China's movie production, previously as a tool for political propaganda, has experienced a drastic change in the structure and the business direction. While state-owned enterprises (SOEs) had responsible for movie production, the industry gradually allowed private as well as foreign ownership. As a result, profits emerged to be important and Chinese movies are trying to reach global market. Yet the movies are collective outcomes where culture, production techniques, and the creative talents are presented. While Western movies still occupy the high ranks on the global box-office performance list, Chinese movies are making a step forward to the global markets.

Due to varying and changing preferences of audience, a success of movie is hard to forecast, carrying a high level of risks with its production (De Vany & Walls,

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1996; Litman & Kohl, 1989). Some literature has found elements to affect box-office performance, for example, reputation of actors (Wyatt, 1991), reputation of director (Kerrigan, 2011; Kwak & Zhang, 2011), production budget (Chang & Ki, 2005; Wyatt, 1991), or genre (Litman, 1982; Sochay, 1994). Most research, however, is based on the United States, the largest production country. Therefore, it is questionable that those criteria still apply when people in the U.S. go to see the movie. We are fundamentally trying to address whether people behave similar between domestic and foreign movies. There is a large research group working on the China's movie industry but, to our good knowledge, no study has attempted to empirically examine the question empirically. Hence, our research contributes to deepening knowledge in cross-culture consumer behaviors.

This paper is organized as follows. We suggest hypotheses after a review of relevant literature. Next, we illustrate our methodology and present statistical results. We then conclude after discussing interpreted results.

LITERATURE REVIEW AND HYPOTHESES

Like commodities, films offer certain attractiveness to lead audience to a theater. The attractiveness represents value of a film, which can be decoupled into artistic and commercial characteristics (Reilly & Kerrigan, 2013). Generally, the value of a film is created by production crew, including a producer, a director, actors, screenwriters, as well as by the quality of contents, including genre, plot, original sound track, and so on.

At the same time, movie production has a unique value chain which can be divided into the pre-production, production and post-production stages (Eliashberg *et al.*, 2006). During the pre-production stage, a film company must select the most appropriate person for a work ("casting") because it makes up the fundamentals of a movie's quality. In addition to casting, recruitment of qualified production and a director is indispensable to value creation for a movie (DeFillippi & Arthur, 1998). The production of a film is project-based (DeFillippi & Arthur, 1998; Baker & Faulkner, 1991). As a superstar phenomenon claims that market size and revenues in realms such as arts, sports and letters of activity inclined to be sloped toward more talented people (Rosen, 1981), the production know-how for a film team is important. With different set of know-how, the film projects know how to manage audio or visual these resources and casts (DeFillippi & Arthur, 1998) and pave the way to produce high quality films.

Different from other commodities and services, movie consumers are not given a chance to know the quality of a movie until it is released. Therefore, good promotions are necessary for the increase of box-office performance. Advertising, poster or movie preview strongly influence audience choices (Wyatt & Badger, 1984), which means that the post production is an important stage of marketing for

a movie company (Eliashberg *et al.*, 2006). Word-of-mouth is another way to increase awareness about a movie, leading to more box-office sales (Liu, 2006). Before audience purchases cinema tickets, they tend to access information about the current movies and advancement of information and telecommunication (IT) technology has made it common for audience to use online movie ratings for selection of a movie.

Due to the subjective characteristics of a film, it is hard to quantify its contents (Kwak & Zhang, 2011). Nevertheless, most of all, reputation of production crew signals that a film is worthwhile watching. Popular names in actors (actress), directors, producers, or writers make audience recognize the movie, which lower psychic distance between an imported movie and audience. Certain production crew members invoke certain mystique or remind of particular types of products (Levin *et al.*, 1997). The existence of an identifiable professional signals guaranteed quality to the audience delivering a “trustable brand name” for a movie as a product (Levin *et al.*, 1997). Throughout promotion, movies try to gain attentions with a particular emphasis on reputation of director or actors (Kerrigan, 2011).

The box-office performance of movies such as *Hero*, *Life of Pi*, or *House of Flying Daggers* shows that the influence of Chinese director became strong during the decade. Directors such as Yimou Zhang, Ang Lee or Kaige Chen have built global reputation and become a promotional focus. A famous director mobilizes a strong advertising effect incomparable to any element of movie because movie is a kind of experiential goods and people tend to select a movie with an assumption famous directors would skillfully create a content to excite sympathy from the audience’s experience (Kerrigan, 2011). Further, word-of-mouth is an important channel for information flows among audience as a tool of judgment over the quality of experience goods (Bone, 1995; Swanson & Kelly, 2001). Eliashberg *et al.* (2006) suggests that word-of-mouth is more credible than advertisement and generates the strongest effect on the audience regarding director with a reputation. Accordingly, we hypothesize that, regarding Chinese movies, if the director is more reputable, the overseas box-office performance increases.

H1: Reputation of the director increases overseas box-office performance for Chinese movies.

In accordance with Prag & Casavant (1994), a movie may attract attentions if celebrities feature in it. An actor is a core ingredient for a movie and reputation of actors or actresses reasonably signals differentiated aspects from other movies (Levin *et al.*, 1997). Moviegoers have been reported to regard the quality of a movie based on identification of the movie’s celebrities (Linton & Petrovich, 1988).

In practice, casting considers filmography or positioning of main actors to fit the tastes of a particular set of audiences. For example, a romance movie would hire actors favored by the target audience. Further, an increasing number of Chinese actors have obtained popularity outside of China, a movie planning overseas release

tends to consider casting globally famous actors. Prior research has found no significant relationship between actors' reputation and box-office performance was found (Litman, 1983) but recent literature has demonstrated the presence of celeb power in box-office performance (De Vany & Walls, 1996; Neelamegham & Chintagunta, 1999). Therefore, we hypothesized as below:

H2: Reputation of the main actor increases overseas box-office performance for Chinese movies.

While certain actors and directors themselves can be linked to anticipation of mise-en-scene over the movie, an auteurs belief is confirmed by collaboration between particular actors and directors (Reilly & Kerrigan, 2011). Further, the combination does not only stand for unique artistic color, making the movie differentiated from others, but also represents a production company's network resources (Bagella & Becchetti, 1999). Positive externalities generated from interactions among talented people are supposed to continue. Hence, audience has a good reason for paying for a ticket.

Also, some directors prefer working with their favorite actors and vice versa. Due to the friendly relationship, specific combinations tend to lead to bursting potentials. In Hollywood, the cooperation between talented director and actor becomes more common. For example, there is a list of top ten golden pairs of director and actor, including David Fincher and Brad Pitt in the works of *Fight Club*, *Seven*, and *Inglorious Basters*. Since the golden pairs raise interests among people, they are better positioned for good box-office performances. Hence, we suggested that collaboration between a director and an actor increases box-office performance of Chinese movies.

H3: Iterative collaboration between the main actor and the director increases overseas box-office performance for Chinese movies.

In order to attain commercial goal, co-production is usually regarded as a kind of resource allocation arranged by the market (Yin & He, 2008). It brings resources together to create a greater market value (Parvatiyar & Sheth, 1995). Investments are the financial resources, based on which production team spends to build a stronger brand, in order to guarantee consumers what brand promises will be kept (Klein & Leffler, 1981). Since a movie needs massive capital investments, the inflow of foreign investments does not only help improve the quality of a movie but also enables the marketing agency for the movie to expand the overseas distribution channels (Park & Jung, 2009).

Wyatt (1991) also argues that movies created by international collaboration tend to integrate diverse cultural colors because people from different cultural backgrounds make them. At the same time, those movies are often encompassed by different film-making ethics and principles. Therefore, internationally co-produced films have a competitive edge of securing more finances and talents. As a result, co-production with foreign companies increases the likelihood of winning

an award. Especially participation of foreign co-producers is beneficial to Chinese film production agencies which dig the elements for attracting audience in local market and control marketing cost (Peng, 2011). Thus, when a Chinese movie obtains foreign investments, it will be easier to show good box-office performance overseas.

H4a: Attracting foreign investment in the production increases overseas box-office performance for Chinese movies.

Like foreign investors, a movie can adopt various approaches to appeal to foreign audience, signaling the product quality (Erdem *et al.*, 2006). Casting foreign celebrities may enhance impression and, thus, shorten cultural distance (Rosen, 1981). The fact that non-Chinese celebrities feature in Chinese movies demonstrates that the quality of the movie is good enough for the non-Chinese celebrities to collaborate. Sometimes non-Chinese celebrities upfront on the promotion helps ease unfriendly attitude toward foreign (Chinese) movies, if any. Based on the notion, we propose that participation of non-Chinese celebrities may increase box-office performance of Chinese movies.

H4b: Attracting non-Chinese actors in production increases overseas box-office performance for Chinese movies.

Genre has been suggested as a determinant for box-office performance of a movie (Anast, 1967; Reddy *et al.*, 1998). Depending on genres, storytelling, background music, costume, technical effects are differentiated. There exists country preference over specifically beloved genres, although the preference tends to change over time (Kwak & Zhang, 2011). For example, Chinese consumers like action movies and Korean audience favors drama (Park & Jung, 2009). Using the Hofstede (1980), the variation is partially explained as that people in male-oriented countries like action movies while people in female-oriented countries do romance movies (Erdem *et al.*, 2006).

According to Prag and Casavant (1994), action and comedy genres tend to attract more audience because these genres communicate with audience more easily, without requiring reading beyond the lines. Also, certain countries have reputation for specific genres for a movie. The global success of Hong Kong martial arts films, Bollywood song-and-dance romantic dramas, or Korean New Wave thrillers, indicates that in genres there possibly exists a country of origin (COO) effect as a foreign movie (Reilly & Kerrigan, 2011). Thus, we examine whether genre effects are found in box-office performance of Chinese movies, given that some genres are easier to understand even if a language problem is present.

H5: Genre affects overseas box-office performance for Chinese movies.

In introduction to new products or services, word-of-mouth may play particularly important roles because awareness must be built and consumers need information when deciding whether to purchase a product or not which they do not know very well (Mahajan *et al.*, 1984). Customers are accustomed to purchase of those products

with which they are satisfied and in telling others about particularly agreeable products and (Richins, 1983). Word of mouth, hence, emerges of great importance specifically for promotion of new products or services.

The movie industry has provided a research setting for word of mouth (Elberse & Eliashberg, 2003; Lehmann & Weinberg, 2000). Prior research demonstrates that given that hundreds of new movies are released each year, word of mouth has strongly influenced on audiences' movie selection (Bayus, 1985; Neelamegham & Chintagunta, 1999).

During production, two keywords typify a film's engagement with the marketplace and they are marketability and playability. Marketability indicates attractiveness of a film to its target audience; playability implies how well the audience will reply to the film that they commit to watch (Reilly & Kerrigan, 2011). Online rating shows audience expectations for a film and thus it represents playability. Because of foreignness in the contents, it is likely that overseas audience should rely on some information on the marketability and playability. In that regard, how much Chinese audience liked the movie or how local audience in the U.S. react to the movie may have a good reason to be an important selection criterion.

H6: Word-of-mouth increases overseas box-office performance for Chinese movies.

RESEARCH METHODS

Data Collection

The population of this study is the Chinese films released in the United States. Next to Hong Kong or Taiwan, the U.S. has been the top destination for Chinese films. We therefore select Chinese films in the U.S. as our research setting. Major databases include China Film Yearbook and two online movie databases—IMDB (www.imdb.com) and Box Office Mojo (www.boxofficemojo.com). The window of analysis was chosen between 2000 and 2012 because the number of Chinese films began to increase in America from 2000 (China Film Yearbook, 2012). Overall, our dataset consists of 178 Chinese films released in the U.S. market. After dropping 44 films due to the missing values, a finalized set of 134 films are used for analysis.

Variables

Dependent Variable. Box-office performance of Chinese films released in the U.S. (*performance*), measured in millions USD, is used as a dependent variable.

Independent Variable. The number of award-winning or award-nomination has been regarded as a proxy of the reputation of directors or actors (or actresses) that signals the quality of a film (Reddy *et al.*, 1998). Therefore, we count the total number of award-winning and award-nomination events in every major international film

festival for directors (*director*) and main actors or actress (*actor*) per each film. In addition, we consider the frequency of cooperation experience between a director and main actors (*collaboration*). The artistic color of a film is often characterized by the pairing work between a director and a specific actor, for example, Leos Carax with Denis Lavant or Tim Burton with Johnny Depp. Combination of a director and the persona grata strongly attracts audience who like the particular atmosphere of the movie (Lim, 2006). We thus measure the collaboration with the number of events.

We also considered cultural distance-related aspects. If a film has successfully received funding from foreign investors, it signals that a film may be worthwhile watching, or at least reflects the fact that foreign investors regard the film excellent with synopsis or casting plan. Therefore, we consider this aspect, coding 1 if foreign investors invested in the film and 0 otherwise (*foreign investment*). Similarly, if foreign actors participated in the film, we coded it giving a value of 1 and 0 otherwise (*foreign actor*).

Regarding the genre effects, we divide films into six different genres, treating them as categorical variables. The genres were *action*, *comedy*, *drama*, *adventure*, *documentary*, and *horror*, for which we follow categorization provided by IMDB. Finally, people as a social group can be influenced by others opinion. Rating is an important source of information to be trustworthy and generates word-of-mouth effects. We include both *international rating* and *domestic (Chinese) rating*. Information for international rating was available at IMDB, which spread between 0 and 10, and information for Chinese rating was provided by Movie Douban (www.douban.com), of which ratings range between 0 and 10.

Control Variable. Production budgets are crucial to lead to high box-office performance. Large budgets usually mean high promotion efforts, high qualities for production technologies, or blockbuster effects. We thus control production budget (*budget*). Also, a sequel movie always attracts attentions from audience because only a successful film can produce a sequel. In fact, distributors and producers know that making a sequel film is a good way to increase popularity (Pragand Casavant, 1994). Alternatively, a film may be an adaptation from existing publication. Because both sequel and adaptation borrow popularity of the existing work for attracting audience, we included them, labeling as *sequel*, and treated as a dummy variable. If a film is made as a sequel or is adapted from a novel, we code it as a value of 1 and 0 otherwise. We summarize the definitions for variables in Table 1.

RESULTS

Table 2 provides a correlation matrix among the variables. All variables are moderately correlated. Given the moderate correlations, we conducted ordinary least square (OLS) regression.

Table 1
Measurements of Variables

<i>Variables</i>	<i>Measurement</i>
<i>Dependent Variable</i>	
Performance	The box office performance of a Chinese film released in the U.S., measured in million USD
<i>Independent Variable</i>	
Director	The number of award-won or nominated times in major film festivals
Actor	The number of award-won or nominated times in major film festivals
Collaboration	The times of cooperation between director and actor
Foreign investment	Coded as 1=existence of foreign investment, 0=not
Foreign actors	Coded as 1=existence of foreign actor cast, 0=not
Genre	Coded as action=0, drama=1, comedy=2, adventure=3, documentary=4, and horror=5
International Rating	Ratings on IMDB
Chinese Ratings	Ratings on Douban
<i>Control Variable</i>	
Budget	Production costs
Sequel	Coded as 1=sequel, 0=not

The regression results are presented in Table 3. In Table 3, the coefficient on *director* is positive and statistically significant ($p < 0.1$), supporting H1. The result suggests that American audience, when selecting Chinese movies, tend to make the choice based on reputation of directors. Those directors popular among American audience tend to be of largely three types. One group is the auteurism directors, which are renowned in the niche or indie movie market, the second group is the Chinese-style blockbuster producers, such as Yimou Zhang. The third group originates from the Hong Kong show-biz industry who well understands the taste of Western audience.

Similarly, the coefficient on *actor* is positively and significant ($p < 0.05$), supporting H2. The result suggests that reputation of an actor leads to an increase in box-office performance of Chinese films. Due to advancement of the information technology and the globalization wave, the American audience has been increasingly informed of the main Chinese actors, for example, Jackie Chan or Ziyi Zhang. It seems that compared with director, main actor is perceived by audience to be a brand name and is a good selling point for film promotion in America.

The number of cooperation between director and actor does not turn out to be associated with box-office performance, rejecting H3. From the statistical results,

Table 2
Correlation Matrix

	1	2	3	4	5	6	7	8	9	10	11
1. Performance	1										
2. Director	.232**	1									
3. Actor	.458**	.149	1								
4. Collaboration	.081	.189*	.309**	1							
5. Foreign investment	.266**	.177*	.215*	.052	1						
6. Foreign actors	.204*	-.049	.212*	.014	.363**	1					
7. International rating	.084	.278**	.138	.118	.071	-.267**	1				
8. Chinese rating	.011	.159	-.042	.059	.065	-.229**	.636**	1			
9. Genre	-.110	-.040	-.175	.078	-.168	-.060	-.145	.023	1		
10. Budget	.509**	.091	.367**	.135	.154	.303**	-.203*	-.109	-.193*	1	
11. Sequel	.061	.034	.151	.284**	.071	-.018	.059	.079	-.066	.244*	1

1: Box office performance, 2: Director, 3: Actor, 4: Cooperation between director and actor, 5: Capital inflow, 6: Foreign actor cast, 7: International rating, 8: Chinese rating, 9: Genre drama, 14: Production budget, 15: Sequel

*. Correlation is significant at the 0.01 level (two-tailed test)

**. Correlation is significant at the 0.05 level (two-tailed test)

Table 3
Regression Result

<i>Variable</i>	<i>Model 1</i>	<i>Model 2</i>	<i>Model 3</i>	<i>Model 4</i>
Director	0.113* (0.063)	0.108* (0.064)	0.106 (0.066)	0.166* (0.092)
Actor	0.167** (0.073)	0.160** (0.074)	0.160** (0.074)	0.259** (0.104)
Collaboration				-0.770 (0.602)
Foreign investment		3.060* (4.126)	3.231* (4.355)	7.499** (5.942)
Foreign actors			-0.602 (4.637)	1.477 (6.428)
International rating	5.710* (3.050)	5.793* (3.061)	5.790* (3.079)	3.088* (4.162)
Chinese rating	-0.163 (2.497)	-0.235 (2.506)	-0.289 (2.555)	0.920 (3.470)
Drama	1.132 (6.824)	2.1010 (6.967)	2.055 (7.018)	-0.620 (9.563)
Comedy	-7.587* (4.577)	-7.363* (4.600)	-7.388 (4.632)	-12.021 (6.525)
Adventure	20.042** (14.212)	19.615* (14.263)	19.966* (14.603)	14.266*** (20.154)
Horror	9.960 (18.762)	8.355 (18.938)	8.069 (19.181)	1.197 (0.398)
Budget	0.495*** (0.077)	0.492*** (0.077)	0.494*** (0.079)	0.398*** (0.108)
Sequel	-10.419** (4.000)	-9.951** (4.060)	-9.934** (4.087)	-2.077 (5.723)
N	134	134	134	134
AdjustedR ²	0.529	0.516	0.420	0.372
F statistics	10.320***	9.784***	9.314***	9.199***

Standard errors in parentheses; *p<0.1, **p<0.05, ***p<0.01

we infer that the popular Chinese movies may be an auteurism film or actor-driven action blockbuster. We think that Chinese commercial movies have a short history in China, and an interest group for golden pair of famous Chinese director and actor has not yet formed in China. In this regard, the cooperation between a director and an actor appears to rarely matter for sales of box-office tickets.

Both H4a and H4b predict relationships between foreign participation in the production and the box-office performance. The amount of foreign investments is positively related to box-office performance ($\beta = 7.499$, $p < 0.05$). Therefore, H4a is supported. The result shows the attraction of foreign investment signals that the

film is qualified and worthy of paying for a ticket. Regarding the participation of foreign production crew and cast, however, the regression result does not demonstrate significance of coefficient, rejecting H4b. We suppose that the foreign participants may not be famous enough to attract American audiences.

The coefficient on the adventure genre is positive and significant ($\beta = 14.266$, $p < 0.01$), supporting H5. The adventure genre makes the biggest impact on box office performance. H6 tests word-of-mouth effects for signaling a movie's attractiveness. As Table 3 illustrates, international ratings are positively related to box-office performance ($\beta = 3.088$, $p < 0.1$) but Chinese ratings are not significantly related to box-office performance. This means that the opinions of foreign audiences are more important determinant for American audience to purchase a box-office ticket. Hypothesis 6 is thus supported.

CONCLUSION

This study has investigated which elements led to box office performance of Chinese films released in America. Although there are several approaches, such as resource-based view, we adopt signaling theory for our research. Since our analytical unit is a film, we have identified several factors at the film level and proposed their relationships with box office performance. We have examined the hypotheses with 134 Chinese movies released in the U.S.

We have noted the director's reputation and actor's reputation as an important signal for a quality of a movie. Because reputation as a selling point has been discussed in the film marketing, we have also assumed that two types of reputation should be related to box-office performance overseas. The reputation of a director is expected to influence foreign audience for selection of Chinese movies. Our findings have suggested that American audience rests on both director reputation and actor reputation when watching Chinese movies in a theater. Also, it seems that an increasing number of Chinese actors and actresses gain popularity and emerge to be the center of a movie. Our research shows that, in order to generate revenue in the U.S. (the largest overseas movie market), Chinese movies need cast international actors to increase the acceptability of Chinese movies in foreign markets, to transcend national boundaries, and to promote more positive responses. In pursuit of the goal, participation of foreign actors is expected to serve as a promotional focus. However, we have only found that the foreign investment as a determinant to box-office performance, not confirming the effect of foreign actors.

It seems that the American audience accepts China's adventure movie with the lowest resistance. Perhaps such acceptance is the legacy of show-biz industry in Hong Kong. Finally, we have found that high international rating increases box-office performance of Chinese movies but domestic rating does not relate to global box-office performance.

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