Added Value, Stars, and Talent

Adam Brandenburger
In the early days of cinema, leading actors and actresses were known by the name of the company they worked for:

Florence Lawrence and Mary Pickford were the “Biograph Girls”

In 1909, Carl Laemmle** launched his own production company (later Universal)

To compete with the established companies (which operated as a cartel), Laemmle hired Lawrence and Pickford away and promoted them as “stars”

By 1913 introductory credits routinely appeared on the screen

*This and following five slides draw heavily from Movies and Money, by David Puttnam, (Vintage Books, 2000), which is highly recommended reading

**His son, Carl Laemmle Jr., produced Dracula (1931) and Frankenstein (1931)
With the arrival of talkies, Paramount opened a studio in Paris to make local-language versions of its films.

By the early 1930s, it was producing a film in up to twelve languages.

But audiences didn’t like films that featured unknown actors and actresses rather than their favorite stars.

(The answer was dubbing and subtitling)
With the growth of the business, the studios were able to take back control

They realized that stars were created not born

They had thousands of aspiring actors and actresses to choose from, and put those they chose under multi-year contracts

This was the heyday of the studio system --- in the 1930s and early 1940s --- when directors and writers were also put under contract

Picture: Wikimedia Commons
If you are interested:

- *The Bad and the Beautiful*  
  --Vincente Minnelli, 1952

- *Barton Fink*  
  --The Coen Brothers, 1991
But the established stars realized they had enormous power. They negotiated new contracts or renegotiated existing ones:

- In 1950, the agent Lew Wasserman (MCA) helped Jimmy Stewart negotiate a percentage deal (and no salary) on a western called *Winchester 73*. Stewart became the highest-paid star, and similar deals for other stars followed.

- Marilyn Monroe was signed to Twentieth Century-Fox indefinitely for $50,000 a picture.

- In 1954, she went on strike and was suspended for contract violation.

The studio caved and gave her a better deal.

The studios saw the rise of TV in the 1950s as a serious competitive threat

- Jack Warner decreed that no TV set be shown in any of his movies
- MGM banned the use of the word “television” in their scripts
- They responded by introducing Cinerama and CinemaScope

Wasserman realized that TV was a fresh venue for his clients and also saw that it was a potential partner --- in fact, customer --- for the studios

While the studios hesitated to supply the TV networks, he started buying up film libraries

Finally, in 1962, MCA bought Universal

The Show Goes On --- Or Not?

For *Mission: Impossible III*, Tom Cruise asked for more than his usual 20% of the “first-dollar gross” (gross box-office revenue from the first day of release)

Paramount responded that just to break even, it would need the movie to bring in $500 million, and put the movie on hold

Cruise and the studio came to a compromise

In 2006, Paramount ended its 14-year relationship with Cruise

References: “Sweetheart Star Deals Go Sour,” by Kate Kelly and Merissa Marr, wsj.com, 01/13/06; and “Fired or Quit, Tom Cruise Parts Ways With Studio,” by David Halbfinger and Geraldine Fabrikant, *The New York Times*, 08/23/06
“It’s the writing, stupid”

--Dick Wolf, creator and exec. producer of *Law & Order*

“Dick Wolf never comments about casting changes during the season”

--Neil Schubert, spokesman for Universal Studios

*Quoted in “TV on the Cheap,” by James Surowiecki, *The New Yorker*, 03/04/02; **quoted in “Sources: Orbach Leaving Law & Order,” *Road Runner News*, 03/27/04; this slide draws on “How Much is a TV Star Really Worth?” by Robert Schlaff, unpublished, Stern School of Business, 2004
Added Value of Steve Jobs

The Steve Jobs Economy

A back-of-the-envelope assessment of how much the ailing CEO has been worth to Apple and to the tech industry overall

by Duff McDonald and Julia Dennis

When Apple CEO Steve Jobs announced that he would be taking a six-month leave of absence for health reasons, the ensuing hand-wringing and handwringing and foot-stomping all centered around one basic question: What is the value of Jobs to Apple Inc.? Jobs' condition has everyone from stockholders to consumers wondering whether the company can continue to bring out revolutionary products like the iMac, iPod, and iPhone without his creativity, vision, and leadership. We can't look into the future, but we can try to assign a number to the value that has already been produced by the company's co-founder. Not only has he been worth a great deal to Apple since he returned from exile in 1997, he has meant a lot to other companies as well, including Apple's direct competitors. It's enough to make you wish that he had been running the whole darn show these past 12 years, because in the Steve Jobs economy, there is no such thing as a recession.
Added Value of Steve Jobs cont’d

The Expanding Ecosystem

More than 4,000 accessories for iPods and iPhones are now on the market, everything from earbud speakers to designer paper holders doubling as iPod stands. Accessory sales are already $6 billion a year, though Apple is said to demand up to 30 percent from many of its retail partners in fees and royalties. Annual sales of iPhone applications (for which Apple’s cut is closer to 30 percent) are at $175 million, making it a total value for non-Apple companies $4.9 billion. Figure in the roughly $3 billion a year AT&T earns from its deal as the exclusive iPhone carrier (we’re redacting Apple for only new AT&T customers) and the total is $6.9 billion. Then give Jobs his 30 percent cut.

The Big Apple Itself

No company has relied so much on a personality cult as much as Apple has with Steve Jobs. “Apple might well have been of business by mid-1998 if he hadn’t come back,” says Jason Snell, editorial director of Macworld, an independent trade magazine. “So he’s surely could take credit for every single dollar.” People are the key, Apple has begun to spread the love—new chief operating officer COO, industrial-design chief Jonathan I., and head of worldwide product marketing Phil Schiller. Our industry authorities give Jobs 90 percent of the credit. In the past 12 months, sales were $35 billion.

The Competitors

One fringe benefit of Apple’s innovations is that they spur the competition to play catch-up. (Microsoft Zone, anyone?) Jobs took MP3 technology mainstream, so he deserves credit for a slice of the $4.5 billion his competitors bring in annually. Last year, Amazon reportedly made $35 million from MP3 downloads alone. Would anyone have bothered downloading a single cut without iTunes or the iPod? The same goes for the $64 billion smartphone market. Without the iPhone, there would be no BlackBerry Storm phone or Google Android smartphone. We’ll give Jobs 10 percent of the credit for the $10.8 billion in revenue generated by competition.

Bottom Line

The most recent estimate of Jobs’ personal net worth was $5.7 billion. But he means much more than that to Apple, its partners, and its competitors. On an annual basis, Jobs is the $30.8 billion man.

Steve Jobs’ Total Annual Value

$30.8 billion
When an off-screen Preminger asked, “Do you want to be an actress?” Jean [Seberg], with an affecting clarity and directness, answered: “Very badly.” “Why haven’t you worn a cross?” Preminger inquired. “My family is too poor to afford one,” Jean replied, bowing her head. But after Preminger responded with a doubtful “Really?” she giggled. “Because I knew the other girls would be wearing them,” she admitted. *