

Entertainment Industry Economics

A Guide for Financial Analysis

(Fifth Edition)

娱乐产业经济学

——财务分析指南（第五版）

Harold L. Vogel



清华大学出版社
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作 者: [美] Harold L. Vogel

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总 序

麦克卢汉所预言的地球村,当年人们还半信半疑,如今却几乎成了一个不争的现实。通信卫星、互联网、电子信号以及现代化的交通运输工具,已经将地球联结为一个巨大的网络,环环相扣、息息相关。中国走向世界或者世界走向中国已经不再是一种期待,中国已经立足于世界,世界已经包容着中国。正是在这样一种全球化的时代,中国的新闻传播教育也进入了一个新时期。在未来的世界中,信息就是力量,获得信息和传播信息都将成为衡量一个国家和民族在世界上的地位和影响的重要标志。中国和关于中国的信息传播,其质量和数量都是中国世界形象和世界作用的一个象征。因而,为了适应这种全球化发展趋势,中国未来的新一代新闻与传播人才,必然将越来越需要一种世界性的传播视野、国际性的传播能力和全球性的传播意识。

正是基于这样的认识,与清华大学建设“综合性、研究型、开放式”的世界一流大学的规划相适应,清华大学新闻与传播学院在建院初始就计划一方面陆续在校内开设部分新闻学、传播学英语课程和中英文双语课程,另一方面将陆续编辑出版与课程相适应的英文原版系列教材,以培养学生的国际传播和国际交流的素质和能力。

这套英文原版教材包括新闻学、传播学、媒介研究和应用等方面的内容,主要集中在新闻学、电子(广播电影电视)传播、新闻媒体传播以及媒介经营管理四个方面。这也是目前清华大学在广泛考察了国内外新闻与传播教育的状况、结合传媒发展实际后,所规划的四个重点研究方向和培养方向。在学院的教学规划中,多数新闻与传播的主干课程都将配备英文原版教材作为主要教材、辅助教材或者教学参考书。

这套经过认真挑选的英文教材,都是欧美国家正在使用的主流教材,多数已经多次再版,具有一定的权威性或代表性,而我们选择的则是这些教材的最新版本。近年来,国内出版了一些翻译的国外新闻学、传播学教材,但是质量参差不齐,有的教材的选择不够适宜,更重要的是翻译质量难以保证,而且由于经过了一次中英文的转换之后,原文的表达和意义往往都不同程度地受到一些损害甚至歪曲。所以,我们和清华大学出版社合作,决定直接将英文原版引进出版,一方面让具有英语

阅读能力的学生、读者能够直接阅读和理解英文原文的内容；同时，也让学生将英语学习与专业学习相结合，起到一石二鸟的作用；当然，这样也可以避免目前一些外文教材由于中文翻译出现的错误和疏漏而引起的误导。实际上，直接阅读英文原版专业教材，也许本来就应该成为适应全球化趋势的新一代新闻与传播人才的基本学习能力之一。

中国的新闻传播教育与当前传媒发展的规模和速度相比，应该说还远远不能适应。新闻学与传播学的知识、方法、观念、体系等都面临着重大的更新。在这种情况下，这套英文原版教材的引进对于中国新闻与传播教育的发展也许会起到一定的推动作用。这些教材由于与中国国情不同，也由于作者的立场、观点、方法和知识结构的不同，在某些方面可能会引起不同的评价和看法，所以，我们希望读者能够有一种清醒的反思性的阅读意识，像鲁迅先生所说的那样，有一种“拿来主义”的胸怀和立场，从这些教材中吸取那些能够给我们带来健康的滋养和启发的资源，去其糟粕。其实，任何书都不可尽信，经典也不例外。所以，这套英文原版教材仅仅是为新闻与传播教育提供了一种新的改革实验，绝不是移植来的洋教条。中国的新闻与传播教育的根基依然在中国本土这片独特的土地上。

本套教材将陆续出版，热诚地希望国内外的专家学者能够向我们推荐更多的英文原版教材。

谢谢关心和支持本套教材编辑出版的清华大学出版社的有关人员及国内外同行。

清华·新闻与传播系列教材·英文原版系列编委会

2002年4月

Entertainment Industry Economics

A Guide for Financial Analysis – Fifth Edition

Each year Americans spend at least 120 billion hours and more than \$200 billion on legal forms of entertainment. And globally, total spending amounts to an estimated half a trillion dollars. In this newly revised book, Harold Vogel, formerly senior entertainment industry analyst at Merrill Lynch, examines the business economics of the major entertainment enterprises: movies and television programming, music, broadcasting, cable television, casino gambling and wagering, sports, performing arts, theme parks, and toys. The fifth edition adds a key chapter on the Internet and integrates international dimensions of the broadcasting, cable, film, and music industries in particular. The result is a comprehensive, up-to-date reference guide to the economics, financing, production, and marketing of entertainment-related goods and services in the United States and overseas.

The book brings together valuable data from a wide variety of sources to provide a detailed analysis of changes over time of each of the industry segments discussed. After a general introduction to the economic factors affecting leisure and entertainment, the book considers each major segment separately, providing a brief historical overview and a systematic discussion of the production, distribution, and financial accounting procedures. Periodic examples illustrate the actual methods used by the businesses. The book's usefulness as a reference is further enhanced by the glossary and appendices of the fifth edition.

Investors, executives, lawyers, arts administrators, accountants, M.B.A.s, journalists, and general readers will find that *Entertainment Industry Economics* provides a strong foundation for understanding how the various entertainment industries operate, and how entertainment relates to the economy as a whole. The book is unique in taking a fully integrated approach to the business of entertainment.

Harold L. Vogel was ranked as top entertainment industry analyst for a record ten years by *Institutional Investor* magazine and was senior entertainment industry analyst at Merrill Lynch & Co. for seventeen years. A chartered financial analyst and member of the New York Society of Security Analysts, Mr. Vogel formerly served on the New York State Governor's Motion Picture and Television Advisory Board, and is also the author of *Travel Industry Economics: A Guide for Financial Analysis*, published by Cambridge University Press in 2001. He frequently writes and speaks on investment topics related to leisure, entertainment, and travel, serves as adjunct professor of media economics at Columbia University's Graduate School of Business, and is the author of the novel *Short Three Thousand* (2000). Mr. Vogel currently works as an independent investment manager and venture capitalist in New York City.

Preface

en-ter-tain-ment – the act of diverting, amusing, or causing someone's time to pass agreeably; something that diverts, amuses, or occupies the attention agreeably.

in-dus-try – a department or branch of a craft, art, business, or manufacture: a division of productive or profit-making labor; especially one that employs a large personnel and capital; a group of productive or profit-making enterprises or organizations that have a similar technological structure of production and that produce or supply technically substitutable goods, services, or sources of income.

ec-o-nom-ics – a social science that studies the production, distribution, and consumption of commodities; considerations of cost and return.

Webster's Third New Unabridged International Dictionary, G. & C. Merriam Company, Springfield, Massachusetts, 1967.

Each year Americans cumulatively spend at least 120 billion hours and more than \$200 billion on legal forms of entertainment. And globally, total spending amounts to an estimated half a trillion dollars. So we might begin by asking: What is entertainment, why is there so much interest in it, and what do its many forms have in common?

At the most fundamental level, anything that stimulates, encourages, or otherwise generates a condition of pleasurable diversion could be called entertainment. The French word, *divertissement*, perhaps best captures this essence.

But entertainment can be much more than a mere diversion. It is something that is so universally interesting and appealing because, when it does what it is intended to do, it moves you emotionally. As the Latin root verb *tenere* suggests, it grabs you: It touches your soul.

Although life is full of constraints and disciplines, responsibilities and chores, and a host of things disagreeable, entertainment, in contrast, encompasses activities that people enjoy and look forward to doing, hearing, or seeing. This is the basis of the demand for – or the consumption of – entertainment products and services; this is the primary attribute shared by the many distinct topics – from cinema to sports, from theme parks to theater – that are discussed in the pages that follow.

Entertainment – the cause – is thus obversely defined through its effect: a satisfied and happy psychological state. Yet, somehow, it matters not whether the effect is achieved through active or passive means. Playing the piano can be just as pleasurable as playing the stereo.

Entertainment indeed means so many different things to so many people that a manageable analysis requires sharper boundaries to be drawn. Such boundaries are here established by classifying entertainment activities into industry segments, that is, enterprises or organizations of significant size that have similar technological structures of production and that produce or supply goods, services, or sources of income that are substitutable.

Classification along those lines facilitates contiguous discussion of entertainment *software*, as we might more generically label films, records, and video games, and of *hardware* – the physical appurtenances and equipment on which or in which software, the instruction sets, are executed. Such classification also allows us to more easily trace the effects of technological developments in this field.

In fact, so accustomed are we now to continuous improvements in the performance of entertainment hardware and software that we have trouble remembering that early in the twentieth century, moving pictures and music recordings were novelties, radio was regarded as a modern-day miracle, and television was a laboratory curiosity. Simple transistors and lasers had yet to be invented and electronic computers and earth-orbiting communications satellites were still in the realm of science fiction.

These fruits of applied technology have nevertheless spawned new art forms and vistas of human expression and have brought to millions of people around the world, at virtually the flick of a switch, a much more varied and higher-quality mix of entertainment than has ever before been imagined feasible.

Little or none of this, however, has happened because of *ars gratia artis* (art for art's sake) – in itself a noble but ineffectual stimulus for technological development. Rather, it is the presence of *economic forces* – profit motives, if you will – that are always behind the scenes, regulating the flows and rates of implementation. Those are the forces that shape the relative popularity and growth patterns of competing, usually interdependent, entertainment activities and products. And those are the forces that ultimately make available to the masses what was previously affordable only by upper-income classes.

It is therefore somewhat surprising to find that most serious examinations of the economics of entertainment are desultorily scattered among various

pamphlets, trade publications and journals, stockbrokers' reports, and incidental chapters in books on other topics. The widely available popular magazines and newspapers, biographies, histories, and technical manuals do not generally provide in-depth treatments of the subject.

This book, then, is a direct outgrowth of my search for a single comprehensive source. It attempts to present information in a style accessible and interesting to general readers. It can also be used as a text for graduate or advanced undergraduate students in applied media economics and management/administration courses in film, music, communications, publishing, professional sports, performing arts, and hotel-casino operations. And it should prove to be a handy reference for executives, financial analysts and investors, agents and legal advisors, accountants, economists, and journalists. To that end, extensive supplementary data are presented in Appendix C.

The selected topics have been chosen on the basis of industry size measured in terms of consumer spending and employment, length of time in existence as a distinct subset, and availability of reliable data. In a larger sense, however, topics have been selected with the aim of providing no more and no less than would be required by a "compleat" entertainment industry investor. Thus, inevitably, the perspectives are those of an investment analyst, portfolio manager, and economist.

Whereas this decision-oriented background leads naturally to an approach that is more practical and factual than highly theoretical, it nevertheless assumes some familiarity with the language of economics and finance. For the assistance of readers without fluency in those areas, a glossary has been appended.

This fifth edition has been further revised and broadened and differs from its predecessors by the inclusion of new sections on industrial structure, asset valuation methods, and comparative price trends as well as expanded coverage of the Internet.

I am especially grateful to Elizabeth Maguire, former editor at Cambridge University Press, for her early interest and confidence in this project. Thanks are also owed to Cambridge's Rhona Johnson and production editor Michael Gnat, who worked on the first edition, to Matthew N. Hendryx, who worked on the second, and to Scott Parris for the third, fourth, and fifth.

I am further indebted to those writers who earlier cut a path through the statistical forests and made the task of exposition easier than it would otherwise have been. Particularly noteworthy are the books of John Owen on demand for leisure, Paul Baumgarten and Donald Farber on the contractual aspects of filmmaking (first edition; and second with Mark Fleischer), David Leedy on movie industry accounting, David Baskerville and Sidney Shemel/M. William Krasilovsky on the music business, John Scarne and Bill Friedman on the gaming field, Gerald W. Scully on sports, and William Baumol/William Bowen on the performing arts. Extensive film industry commentaries and data collections by A. D. Murphy of *Variety* (and later

The Hollywood Reporter and the University of Southern California) were important additional sources.

My thanks also extend to the following present and former senior industry executives who generously took time from their busy schedules to review and advise on sections of the first edition draft. They and their company affiliations, as of that time, were: Michael L. Bagnall (The Walt Disney Company), Jeffrey Barbakow (Merrill Lynch), J. Garrett Blowers (CBS Inc.), Erroll M. Cook (Arthur Young & Co.), Michael E. Garstin (Orion Pictures Corp.), Kenneth F. Gorman (Viacom), Harold M. Haas (MCA Inc.), Howard J. Klein (Caesars New Jersey), Donald B. Romans (Bally Mfg.), and James R. Wolford (The Walt Disney Company). Greatly appreciated, too, was the comprehensive critique provided by my sister, Gloria. Acknowledgments for data in the second edition are also owed to Arnold W. Messer (Columbia Pictures Entertainment) and Angela B. Gerken (Viacom).

Although every possible precaution against error has been taken, for any mistakes that may inadvertently remain, the responsibility is, of course, mine alone.

I've been most gratified by the success of the previous editions and, as before, my hope and expectation is that this work will provide valuable insights and a thoroughly enjoyable adventure.

Now, on with the show.

New York City

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