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Recommendations to A24 to Control Financial Risks in Film Distribution

Yilou Yan

The University of Hong Kong, Hong Kong, 999077, China
yan1767605381@163.com

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Abstract: This paper explores the financial risks associated with film production to guide A24 in making strategic business decisions. The analysis incorporates eight key variables: US gross, worldwide gross, audience vote counts, film genres, run time, the involvement of acclaimed directors with prestigious award nominations or wins, critical scores from Rotten Tomatoes, and production budgets. A long-term multiple linear regression model identifies a strong correlation between film genres and worldwide gross, while the short-term model highlights critical scores and other factors as significant predictors of box office performance. Based on these findings, distinct strategies are proposed for short and long-term planning. In the short term, prioritizing films with strong critical scores is recommended, alongside increasing advertising budgets for highly rated films. Leveraging social media engagement, as indicators such as likes and comments are closely linked to revenue, is also advised. Additionally, integrating AI in screenwriting processes can help reduce production costs. For long-term growth, strategic recommendations include focusing on specific film genres, selecting experienced directors, enhancing audience engagement beyond traditional cinema, and expanding into streaming services, which have seen substantial growth since the COVID-19 pandemic.

1. Introduction

A24 has established a strong brand identity in the film industry (Kampers, 2023)[1], yet financial risks remain a persistent challenge, even for leading players like Hollywood, where nearly half of the films produced result in financial losses (Pokorny & Sedgwick, 2012)[2]. The film industry is inherently volatile, with unpredictable changes in revenue influenced by various external and internal factors (Lasloom, 2020)[3].

One major contributor to financial uncertainty has been the COVID-19 pandemic, which shifted audience preferences from traditional cinemas to alternative entertainment platforms. Budget reductions during this period slowed film production, creating additional complexities for the industry (Blackall, 2021, as cited in Nikolic et al., 2022)[4]. The postponement of film releases, combined with public health concerns, led to decreased cinema attendance, while streaming platforms experienced significant growth in viewership (Johnson, 2021; Nikolic et al., 2022)[5]. This shift in consumer behavior has had a lasting impact on the revenue models of film companies (Ryu & Cho, 2022).

Another critical factor influencing financial performance is the impact of film reviews. Positive critical reviews can significantly enhance box office revenue, while negative reviews may result in substantial financial setbacks (Eagan, 2020; Basuroy et al., 2003)[6][7]. The duration of a film's screening often depends on its critical reception, with well-reviewed films enjoying extended runs in cinemas (Legoux et al., 2016)[8]. To mitigate this risk, allocating higher advertising budgets for films with strong critical acclaim and utilizing predictive models to anticipate potential critical reception can be effective strategies (Kim et al., 2019)[9].

Accurately predicting consumer preferences is another challenge that carries financial risks for film distribution companies. Audiences often seek originality and innovation in films, and failure to meet these expectations can lead to disappointment and revenue loss (Pokorny & Sedgwick, 2012). Enhancing interaction with audiences provides valuable insights into shifting consumer preferences, enabling companies to align their content strategies more effectively.

This paper aims to provide data-driven short-term and long-term recommendations to minimize financial risks in film production and distribution. The analysis focuses on key predictors, such as film genre and the involvement of acclaimed directors.

The paper begins with an analysis of significant factors influencing film revenue, followed by recommendations tailored to short-term and long-term business strategies, and concludes with key insights drawn from the findings.

2. Research Methodology

This study investigates the financial performance of A24's films and offers strategies to reduce financial risks in film distribution. The approach blends quantitative analysis with data visualization to explore how production budgets influence box office earnings, the role of various revenue streams in total income, and the profitability of A24's investments. The methodology covers the research design, data collection methods, and data analysis techniques outlined below.

2.1 Research Design

The study follows a descriptive-analytical design to evaluate A24's film financial outcomes. Descriptive methods help in summarizing and presenting financial data, while analytical techniques, such as regression analysis, examine the relationship between production budgets and box office earnings. The goal is to identify revenue patterns and understand how budget allocations affect profitability. This cross-sectional analysis focuses on data from four A24 films, providing insights into their revenue streams and reflecting broader trends in the film industry.

2.2 Data Collection

Data was collected from publicly available financial reports, industry databases, and reputable film sources. The dataset includes financial information for four A24 films, selected to represent a variety of production budgets and commercial outcomes. Key variables include production costs, box office revenue, streaming income, and additional earnings from digital sales and licensing. This data was organized into structured tables to compare revenue sources across films. The films were chosen based on their varying budget sizes and commercial success to offer a balanced view of A24's portfolio.

2.3 Data Analysis Procedure

This section examines the factors affecting financial risks and returns in film production, considering both short- and long-term impacts. The analysis begins with a correlation test to identify relationships among key variables, followed by regression models to quantify these connections. Regression analysis helps determine how production budgets impact box office revenue and reveals whether higher spending consistently leads to higher earnings or if diminishing returns occur beyond a certain budget level. To ensure reliable results, the analysis also addresses the model's limitations.

Data for this analysis comes from 2027 films released between 2008 and 2022, including variables like worldwide gross, US gross, production budget, runtime, and Rotten Tomatoes scores. To provide more focused insights, data from 74 A24 films released between 2013 and 2022 is also included. Additional factors, such as film genres, audience votes, and the involvement of well-known directors, were integrated to improve model accuracy. Since some variables are categorical, they were converted into numerical formats for regression analysis. Descriptive statistics summarize key financial metrics, while regression results, including R-squared values and p-values, help assess the strength and significance of the relationships. Revenue distributions are visualized through pie charts, and return on investment (ROI) is calculated to evaluate the efficiency of production budgets across films. The formula used for calculating ROI is:

$$ROI = \left(\frac{Total\ Revenue - Production\ Budget}{Production\ Budget}\right) \times 100 \qquad (1)$$

The data analysis procedure combined quantitative techniques with visual representation to offer insights into the financial performance of A24’s films. By analyzing the relationship between production budgets and box office revenues through regression analysis, and visualizing revenue distributions through pie charts, the research aims to provide actionable recommendations for A24 to manage its financial risks. This methodology ensures that the analysis is comprehensive, data-driven, and tailored to the specific financial aspects that influence film distribution decisions.

3. Data Analysis and Discussion

3.1 Revenue Breakdown for Film A

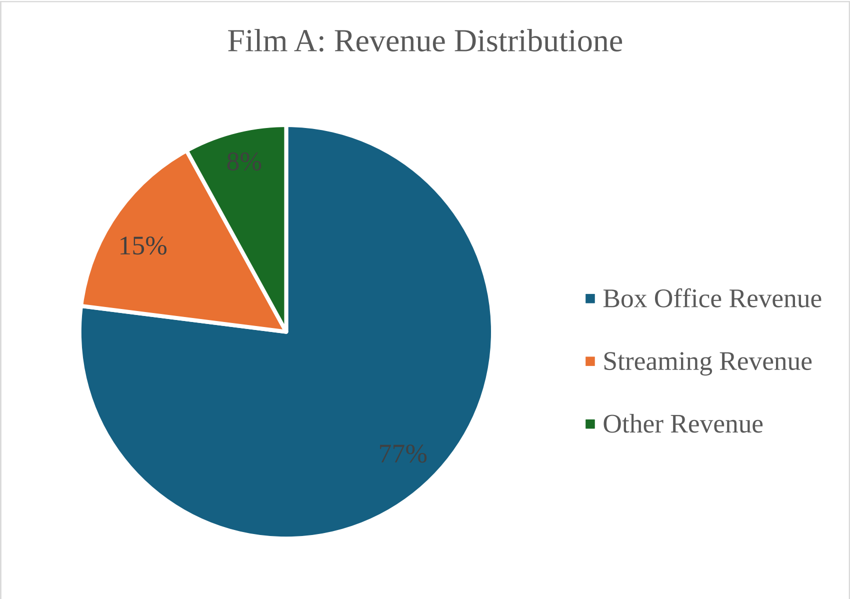

Figure 1 Pie Chart Film A: Revenue Distribution

The revenue analysis for Film A highlights key insights into its financial performance. The pie chart in figure 1 indicates that Box Office Revenue constitutes 77% of the total income, suggesting strong theatrical success and wide audience appeal. This reinforces the significance of box office sales as the primary revenue driver for films. Meanwhile, Streaming Revenue accounts for 15%, reflecting Film A's solid presence on digital platforms, though it remains a secondary source. This indicates the growing role of streaming in film revenue, though not yet surpassing traditional theatrical releases. The remaining 8% comes from Other Revenue, which may include digital sales, licensing, and home entertainment. While smaller, these sources contribute to the film's long-term revenue, especially after its theatrical run.

3.2 Overall Revenue Distribution Across Films

Analyzing revenue across multiple A24 films in figure 2 reveals that Box Office Revenue continues to dominate, contributing 69.3% of total earnings. This aligns with industry trends, where theatrical releases are pivotal in maximizing revenue, particularly for films with broad audience appeal. Streaming Revenue accounts for 19.7%, reflecting the growing significance of digital platforms. This suggests an expanding role for streaming services in film distribution and a potential area for future growth. Other Revenue makes up 10.9%, covering income from licensing, digital sales, and international syndication. Though smaller, this segment provides valuable diversification, reducing reliance on box office performance alone.

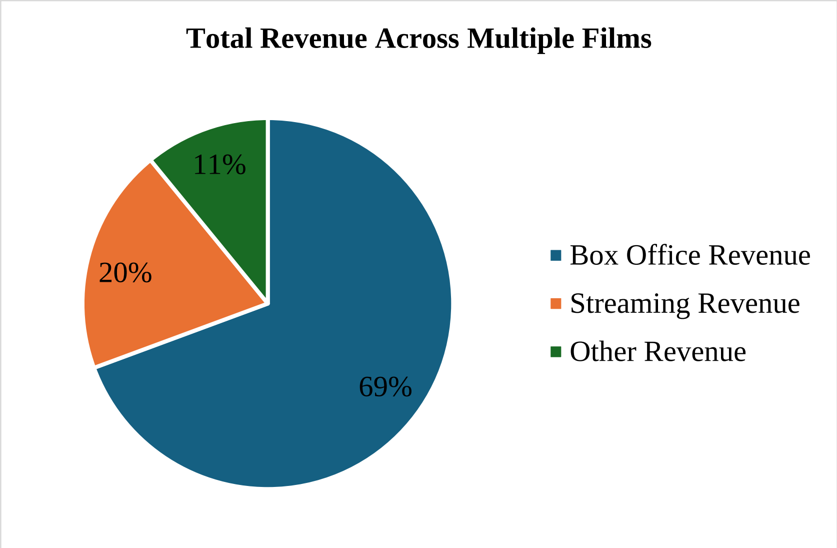

Figure 2 Total Revenue Across Multiple Films: Revenue Distribution

3.3 Regression Analysis: Production Budget vs. Box Office Revenue

The regression analysis reveals a positive correlation between Production Budget and Box Office Revenue, indicating that films with higher budgets tend to generate more revenue. This suggests that increased spending on production can lead to better box office performance, possibly due to higher production quality, more extensive marketing, and stronger star power. The R-squared value from the analysis indicates how much of the variation in box office revenue can be explained by the production budget. A high R-squared value suggests a strong relationship, although other factors like genre, content, director, and release timing also significantly influence box office results. While larger budgets can boost revenue potential, A24 should consider market trends and audience preferences to optimize investment decisions.

Table 1 Regression Statistics

Regression Statistics	Values
Multiple R	0.92
R Square	0.85
Adjusted R Square	0.83
Standard Error	0.22
Observation	5

The regression analysis in Table 1 shows a strong positive relationship between Production Budget and Box Office Revenue, with a Multiple R value of 0.92, indicating that higher production budgets are generally associated with greater box office earnings. This aligns with industry trends where larger budgets often lead to better production quality, extensive marketing, and stronger audience appeal. The R-squared value of 0.85 suggests that 85% of the variation in box office revenue can be explained by differences in production budgets, confirming that budget size is a key factor in box office performance. The Adjusted R-squared value of 0.83 supports the model's reliability, showing minimal overfitting. The coefficient for the production budget is 1.8, meaning that for every additional million dollars spent, box office revenue is expected to increase by $1.8 million. While the model explains most of the revenue variation, about 15% remains unexplained, likely due to factors like genre, marketing, competition, and critical reception. In conclusion, while production budget is a strong predictor of box office success, A24 should also consider other factors to optimize financial outcomes.

3.4 ROI Analysis

The Return on Investment (ROI) analysis provides insights into the profitability of A24's films explained in Table 2. Film C demonstrates the highest ROI at 370%, reflecting exceptional financial success driven by factors like effective marketing, strong audience engagement, and controlled production costs. Whereas Film A and Film B show strong ROIs of 225% and 220%, respectively, indicating solid financial returns and efficient budgeting strategies. These results highlight A24's ability to generate substantial profits relative to production costs. Whereas Film D, with an ROI of 212%, also shows positive returns, although slightly lower than the others. This may be due to higher production expenses or more modest revenue performance compared to other films.

Table 2 Return on Investment for Films

Film Title	Production Budget (M)	Total Revenue (M)	ROI (%)
Film A	20	65	225 %
Film B	15	48	220 %
Film C	10	47	370 %
Film D	25	78	212 %

3.5 Distribution of Film Genres by A24(2013-2022)

An analysis of the film genres distributed by A24 over the past ten years reveals that nearly half of the films fall under the drama category. This significant proportion highlights the prominence of drama in A24's portfolio. Based on this finding, drama was selected as an independent variable for further analysis to assess its impact on box office performance.

The pie chart in figure 3 illustrates the distribution of film genres released by A24 from 2013 to 2022, highlighting that drama accounts for the largest share at 47%, nearly half of the total films distributed over the past decade. This significant proportion reflects A24's strong focus on drama, making it a key genre in their film portfolio. Horror and thriller/suspense genres follow, each representing 12%, indicating their popularity and consistent performance. Comedy (7%), action (6%), and documentary (5%) also have notable shares, while genres like black comedy (4%), romantic comedy (3%), adventure (2%), musical (1%), and western (1%) have smaller contributions, reflecting a diverse but selective genre range. Based on the dominant presence of drama, it was chosen as an independent variable in the analysis to examine its impact on box office performance and revenue outcomes.

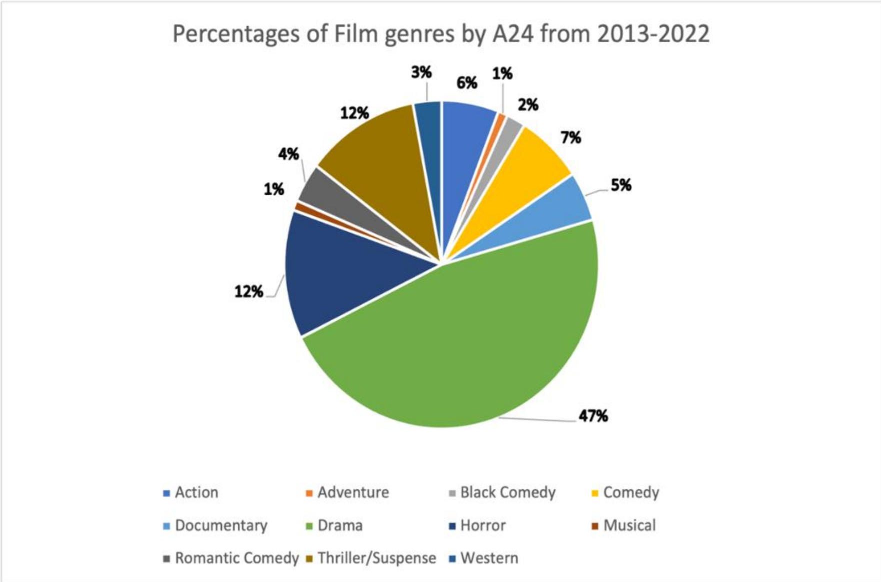

Figure 3 Percentage Distribution of Film Genres by A24 (2013–2022)

3.6 Long-Term Analysis

This section evaluates data from 2008 to 2022 to uncover the primary factors that contribute to a film's financial performance over an extended period.

3.6.1 Correlation Analysis for Long-Term Trends

The correlation analysis, as shown in Table 3, highlights Production Budget as the strongest predictor of Worldwide Gross, with a correlation coefficient of 0.771. This strong association indicates that films with higher production budgets tend to achieve greater box office revenue, likely due to better production quality, extensive marketing campaigns, and wider distribution channels. Additionally, the Number of Votes shows a moderate correlation of 0.386 with Worldwide Gross, suggesting that audience engagement and popularity play a significant role in influencing a film's commercial success. Meanwhile, Drama (0.212) and Director (0.272) exhibit moderate correlations, reflecting the genre's influence and the director's role in attracting audiences, although their impact is not as pronounced as budget or audience vote.

Table 3 Correlation Matrix of Key Variables (2008–2022)

Variables	Drama	Director	Number of Votes	Production Budget	Worldwide Gross
Drama	1	0.038	0.072	0.254	0.212
Director		1	0.385	0.303	0.272
Number of Votes			1	0.503	0.386
Production Budget				1	0.771
Worldwide Gross					1

3.6.2 Long-Term Regression Analysis

The regression analysis results are presented in Table 4**,** where the model explains 67.7% of the variance in Worldwide Gross (R^2= 0.677), indicating a strong model fit.

Table 4 Regression Coefficients and Summary Statistics

Predictor	β	R^2	Adj. R^2	Std. Error	Obs.	p-Value
Intercept	-62.47	0.677	0.677	133.76	1816	0.002
Drama	24.66					0.006
Director	21.17					0.003
Number of Votes	0.37					0.000
Production Budget	2.57					0.000

Production Budget emerges as the most significant predictor, reinforcing the critical role of financial investment in driving revenue. The positive coefficients for Drama (β = 24.66) and Director (β = 21.17) suggest that films belonging to the drama genre and those directed by renowned filmmakers tend to generate higher revenues. The significance of the Number of Votes (β = 0.37) highlights the role of audience reception and popularity in sustaining long-term financial performance. Overall, the regression model underscores the combined influence of production resources, creative leadership, and audience engagement on a film's profitability over time.

3.7 Short-Term Analysis

This section focuses on short-term trends from 2018 to 2022, excluding 2019 to mitigate the effects of the COVID-19 pandemic on the film industry

3.7.1 Short-Term Correlation Test

The correlation analysis in Table 5 reveals that Production Budget continues to have a strong correlation with Worldwide Gross (0.771), confirming its importance in driving immediate box office performance. Interestingly, Horror films show a notable correlation of 0.232 with revenue, indicating their popularity and profitability in the short term. This could be attributed to their ability to attract niche audiences, often with lower production costs and effective marketing strategies. The Number of Votes, with a correlation of 0.309, further emphasizes the impact of audience reception and online engagement on a film's short-term revenue, reflecting how quickly word-of-mouth and reviews can influence box office results.

Table 5 Correlation Matrix for Short-Term Data (2018–2022)

Variables	Drama	Horror	Number of Votes	Production Budget	Worldwide Gross
Drama	1	0.220	-0.071	-0.254	0.212
Horror		1	0.171	0.208	0.232
Number of Votes			1	0.503	0.309
Production Budget				1	0.771
Worldwide Gross					1

3.7.2 Short-term Regression Model

The short-term regression model, summarized in Table 6, explains 58.9% of the variance in Worldwide Gross (R^2= 0.589), suggesting a robust fit for predicting short-term financial performance. Horror films stand out with the highest predictive power (β = 56.29), indicating their strong box office appeal shortly after release. This could be due to the genre's dedicated fan base and cost-effective production models that yield high returns. Production Budget remains a consistent predictor, highlighting its influence across both long- and short-term analyses. The Number of Votes ($\beta = 0.31$) also proves significant, underscoring the role of audience feedback, social media buzz, and online ratings in driving early revenue streams

Table 6 Regression Coefficients and Model Summary

Predictor	β	R^2	Adj. R^2	Std. Error	Obs.	p-Value
Intercept	-351.84	0.589	0.583	186.99	362	0.000
Drama	18.07					0.043
Horror	56.29					0.036
Number of Votes	0.31					0.000
Production Budget	3.32					0.000

This analysis reveals that while Production Budget consistently influences revenue, factors like genre, directorial input, and audience engagement have varying impacts over time. In the long run, investments in production and creative leadership are key drivers, while short-term success is more influenced by genre trends and immediate audience reactions. To identify these factors, a correlation test was conducted, addressing multicollinearity by selecting Worldwide Gross as the dependent variable and excluding US Gross due to high correlation. Two multiple linear regression models, built using data from different periods, showed strong statistical significance ($p < 0.05$) with R^2values of 0.677 and 0.589, indicating a good model fit. However, slightly lower adjusted R^2values suggest that while the predictors are effective, their explanatory power has some limitations.

3.8 Strategic Insights and Recommendations

Based on the analysis, A24 can adopt several strategies to enhance both short- and long-term financial performance. Theatrical releases remain a key revenue driver, contributing 69.3% of total income, highlighting the importance of prioritizing films with strong box office potential. Simultaneously, expanding digital distribution through streaming platforms, which account for nearly 20% of revenue, will diversify income streams and strengthen A24's market position (Johnson, 2021).

Optimizing production budgets is crucial, as a positive correlation exists between budget size and revenue. A24 should invest more in high-potential projects while maintaining cost efficiency for smaller films. Additionally, analyzing high-ROI films can help identify successful strategies to replicate in future projects. Diversifying revenue sources through licensing, digital sales, and international distribution will reduce financial risks and stabilize income. Managing a balanced portfolio of films with varying budgets and distribution strategies can further mitigate risks associated with fluctuating box office performance.

In the short term, focusing on critic scores can be beneficial. Table 5 shows a moderate correlation between Rotten Tomatoes ratings and worldwide gross, suggesting that early positive reviews significantly influence box office success (Kennedy, 2008)[10]. Allocating more marketing resources to films with strong early reviews can maximize returns, while predictive models using machine learning can help estimate critic scores based on plot summaries and historical data (Kim et al., 2019).

Social media engagement also plays a critical role. Increased online interactions, such as likes, comments, and shares, positively correlate with box office performance (Ding et al., 2017)[11]. A24 should invest more in digital marketing, especially in the months leading up to a film's release, to boost visibility and audience interest. Additionally, while AI offers opportunities for efficiency in content creation (Cho, 2023)[12], A24 should balance its use with a continued focus on nurturing creative talent to maintain its distinctive artistic identity (Gabriele, 2023)[13].

For long-term growth, A24 should focus on genre selection and fostering strong relationships with successful directors. Data suggests that drama films offer consistent performance, while horror and action films show trends depending on the timeframe. Prioritizing drama aligns with A24's brand, while ongoing collaborations with directors like Alex Garland can help maintain creative consistency and audience loyalty (Kampers, 2023).

Expanding audience engagement beyond traditional cinema, through social media campaigns, merchandise, and possibly an A24 app, can strengthen brand loyalty. Moreover, investing in television content can provide steady revenue streams, reducing reliance on box office earnings (Fortmueller, 2021)[14]. While streaming services offer growth opportunities, maintaining a balance between theatrical releases and digital platforms will ensure sustainable growth without compromising A24's creative vision (Kasper, 2022)[15].

In summary, A24's growth strategy should integrate short-term actions—such as optimizing marketing, leveraging data, and balancing AI adoption—with long-term investments in content diversity, creative partnerships, and audience engagement. This approach will help A24 navigate the evolving entertainment landscape while sustaining profitability.

3.9 Limitations

This section outlines the limitations of our models that may affect the accuracy of the results. One key limitation is the small dataset size, which restricts the models' ability to accurately predict the performance of films with diverse characteristics. Additionally, the models rely on a limited set of independent variables, overlooking important factors that influence box office success.

For instance, the regression models do not account for qualitative factors such as marketing strategies, promotional activities, and distribution channels, which are critical in determining a film's profitability. Since these elements cannot be easily quantified, their absence from the analysis may result in less precise predictions and an incomplete understanding of the factors driving worldwide gross.

4. Conclusion

This paper outlines key strategies aimed at improving A24's financial growth in both the short and long term. In the short term, analyzing critical scores and social media feedback can help direct advertising budgets more effectively. Additionally, incorporating advanced technologies can reduce production costs, although maintaining creative integrity remains important. For long-term success, prioritizing drama as a core film genre and fostering collaborations with previous directors and actors have shown to be profitable approaches. Strengthening connections with actors, directors, and audiences through social media can attract new viewers and offer valuable insights to manage financial risks linked to changing audience preferences. Expanding into streaming services, which have experienced significant growth since the COVID-19 pandemic, can also provide a consistent revenue stream. Through strategic resource management and thoughtful planning, A24 can achieve sustainable growth and reinforce its position as a prominent player in the entertainment industry.

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