Equity Film Financing:

Exploring a middle ground between Crowdfunding and Slate investment.

Master Thesis

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Preface

Writing this thesis has been a real challenge as I faced several difficulties along the way. I realize that only by overcoming those challenges it provided a sense of accomplishment. I am aware that I would not have come this far without the support of people around me, whom I would like to thank here. My family and friends have been a continuous base of support during my entire studies. Without them I would not have half the number of respondents for my survey. In particular, I want to thank July Zabala for her feedback and advice regarding financial aspects. Ira Casas for never getting tired of the countless revisions that I asked from her.

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Finally, I want to thank the respondents. Without whom, this research would not have been possible.

1. Introduction

One of the latest additions to film financing, known as crowdfunding, proves to work despite that it goes against the theory of capitalism. There are no monetary rewards when participating in crowd funding, yet people still participate and new ventures get launched. The current crowd funding models only allows for compensation in kind, which effectively make it more of a pre-sales arrangement than an actual investment. This concept is very useful for the development and sales of physical products, but when a film project is financed the options to rewards backers are limited to perks such as T-shirts, posters and a copy of the movie. Therefore the average amount donated by backers is constrained by the value they get in return and stretches only up to a certain amount goodwill. That said, more and more feature films find funding in this fashion everyday. During the time of this study two great examples manifested. The following movies have successfully acquired their budget entirely or partially through crowd funding. Rob Thomas his Veronica Mars movie project aimed for a $ 2 million dollar goal and obtained a $5 702 152 budget from 91 585 backers. Zach Braff launched his "Wish I was here" project with the same goal and obtained a $3 105 473 budget from 46 520 backers. Both of them used the Kickstarter platform and had a 31-day run time. Aside from financial assistance, filmmakers get several benefits out of crowdfunding. Their films have a better chance to be 'green lit' since not one or a few executives decide if they will provide funding but instead a massive collective of thousands of people. Currently, 39% of film and video projects in Kickstarter reach their goal (Kickstarter.com, 2013). There are 10 415 successfully funded projects and 15 666 projects that did not reach their goal in that particular category. This may indicate that the majority has failed to seek funding, but in fact this is a much higher percentage compared to the projects that are green lit by major film studios. Although no hard data is readily available, other researchers (Cones, 2008; De Vany, 2006) state that less than one percent of the movies pitched to the studios eventually get financed. Industry insiders and trade press confirm this slim chance of approval (Levison, 2009). Aside from that, crowdfunding does not diminish other forms of financing. It is simply an addition to the existing models.

Another advantage the filmmakers have is creative freedom. There is no studio head that interferes with creative decisions during the production. Lastly, all backers are automatically fans of their 'product' making them a powerful marketing tool.

Despite these recent success stories of crowdfunded projects, eventually this filmmaker's oasis might suddenly dry up. Scientific theories have a nasty habit of often proving to be right in the long run. Once the novelty of crowdfunding wears off, it is likely that people will become gradually less interested in this form of financing.

The fundamental problem with crowdfunding is that it is essentially a kind of charity and not a viable business model. As explained it has proven to work but only to some extent, because people are restricted in the amount of capital that they have at their disposal. Putting money into movies on a crowdfunding basis is a one-way street in which you can only spend your money once. But there is an alternative that solves this problem called "equity". Investing in film on an equity basis on the other hand, gives investors the opportunity to make a return on their investment. This is more viable than donating because they can use the proceedings of their investment again either on another investment or simply still spend it on something they otherwise would have. The essential difference between crowdfunding and equity is that crowdfunding is money raised as donations for non-monetary perks, while equity refers to invested capital from individuals or institutions hoping for financial returns.

There is another important difference between these two models that affect their long-term prospects. With the possibility of having a return on investment, investors are more likely to invest greater amounts, which lead to the possibility to amass larger sums of money. Film productions are very capital intense ventures with budgets that often reach over hundred million US dollars. Even small budget productions often cost several million dollars, up to $21 million USD is currently considered as small production budgets. This is a lot of

money for crowdfunding, but these are relatively common amounts in on the equity financing market.

A report by Colin Brown (2013) editorial director at Slated.com, a film financing social network site, shows the average donation at Kickstarter is $64 in range between $1 – $10 000. A very small amount compared to the average investment via Slated.com at $38 000 in a typical $25 000 - $250 000 range. As you can see there is a large gap between crowdfunding and equity financing of movies.

Present day US legislation stands in the way of closing this gap because selling equity of film projects is a cumbersome and costly process which makes it not worthwhile for amounts under $25 000. The JOBS act signed by Obama (2012) relaxed the rules on equity investment slightly to encourage crowdfunding initiatives on equity basis, but this is still limited to a $1 million US dollar point. The earlier crowdfunded film examples already indicated that this is not nearly enough for a minimum budget to produce a proper movie. Despite this still existing but mere juridical obstacle, this research looks ahead for when this issue is solved. The main question this study aims to answer is if Film Slate Equity could be a viable model to finance films in the future.

This specifically implies that Film Slate Equity would not be *the* only source of film financing, but a new addition to the current available options.

To answer this question I look at the willingness of individual investors and the general public. The advantage of film as an investment opportunity, is that it is every easy for people to understand the product they invest in and how it is supposed to make money. A challenge however that is also highlighted by Hofmann (2012) is that Hollywood accountants are very creative in their bookkeeping. This is a serious threat to investors because this could inflict heavy losses to the unaware and ignorant investor.

This study found through an experimental survey that tested appeal for budget size segments and investment time frames, that a medium budget size category and the a 3 year period were the most appealing configuration for a Film Slate Equity product. This result indicates that most respondents are

unaware of the fact that this preference provides opportunity to be exploited by prospect fund managers. Big budget movies and a 7 year period would be both more safe and profitable to invest in.

From this point forward I will first discuss the theoretical framework by defining the population then look at existing investment strategies and examine success factors of film productions. Based on these topics, I created what I call the Ouroboros concept, this combination forms the rationale for subject that will be tested by this study. Following that is an overview of the research questions that I drafted based on these theories. Subsequently, you will find a section dedicated to the methods that were used in this study. After which I present the results of the study and the evaluations thereof. Finishing off with the conclusion that consists of new significance found by this research, its limitations and recommendations for further studies.

2. Theoretical framework

I will start by taking a brief look at what previous studies have found regarding outside investments in the film industry and what aspects of it are attractive to investors. This should provide a clear picture of the current state of the landscape. That will be followed by a concise overview of economic theories that attempt to explain the financial model of the industry. This provides an informed basis to form an investment strategy on.

Investment opportunity

The 2011 theatrical statistics summary of the Motion Picture Association of America indicates a total revenue of $32.6 Billion USD from all box offices around the world. That alone signals a huge market that holds many investment opportunities, but the eventual revenue of the film industry is actually much larger. In the present climate a film only makes around 20% of its total earnings through theatrical release. The other 80% comes from post theatrical distribution; this includes DVD sales, Video on Demand, Pay TV, TV licenses etc. (Young, 2008b; Ferrari, 2006). This explains why industry insiders report that in the long run even movies that perform badly at the box office have a good chance to eventually make a profit.

Individual movies may have promising prospects they hold the potential of enormous profits from relative small investments. A good example is the film Napoleon Dynamite. It was produced for only $400 000 USD and had a revenue of $46 million USD worldwide (Young, 2008a). That is nowhere near the record of highest grossing film, but it is an incredible 5600% return on investment rate. Still these success stories should be considered incidental outliers, rather than the norm. More interesting is the fact that most movies have a really short life cycle compared to other financial products that is, it 'matures' rapidly (Song & Shankar, 2012). Where a typical business takes years or even decades to return the initial investment, a movie can already earn back its production costs in the opening weekend. As explained earlier, the majority of the revenues are still due after the theatrical release.

These interesting aspects have attracted many investors as well as researchers towards the film industry. The main concern that remains is that not all movies become blockbusters. For investors this obviously has financial consequences. For researchers this provided the fascinating problem to find out which variables can predict success (McKenzie, 2009; Ravid, 1999) and what the chances are for investments in this industry (Kuppuswamy & Baldwin, 2012). One of the most practical and appealing features of film funding is that everyone can understand what it is they are investing in. You do not need any formal training to make up your mind if a project is worth putting money into or not. In fact Finney (2008) states that this sort of formal training for new entrants does not exist. Moreover, research shows that insiders have as little understanding of the financial success as outsiders (Simonton, 2009). This is why studios always need to spread their capital resources over several projects. Many smaller movie studios have gone under because they put all their eggs in one basket.

The solution the industry has come up with is to make slates of movies to spread the risk. This limited the loss of each project as it balanced it out with profits from others. The one thing that made financing their productions even more safe for the studios was to let others pay the costs, and take a share in the potential profits. This form of financing is known as *slate financing or equity slate financing.* It became popular over the last decade as large corporations were looking for alternative investment vehicles. Investing in entire slates of big budget productions limited the risk and still predicted an annual return on investment around 30%. According to Benjamin Graham (1934), considered the father of value investing and mentor of Warren Buffett, this is a great rate.

Private capital

These attractive rates have drawn many different financiers to the film industry. Before the recent economic recession, all large banks in the US had hedge funds that funded major Hollywood productions (Morawetz, 2007). That said, many of them have taken a step back due to the financial crisis. Smaller productions on the other hand have seen progress towards creating a similar mechanism of central risk distribution in the form of crowdfunding. The most important

difference between the two is that crowdfunders do not become owners of the project. Backers, as crowdfunders are usually called, do not get a share of the profit but instead are rewarded with products or other non-monetary assets. This because selling equity is bound to strict regulations policed by the U.S. Securities and Exchange Commission (SEC). For small-scale projects meeting the requirements for public offerings is much too cumbersome and costly, which render it impossible to execute in practice. The JOBS act, the last year signed bill by the Obama administration, could change this to some extent. It loosens the regulations on crowdfunding initiatives and makes it possible for low budget productions to become investment vehicles for outsiders. But even low budget film productions would find themselves running into the boundaries of the JOBS act rather soon. The maximum project budget is limited to $1 million US Dollars (Barabas, 2012). It goes without saying that this only applies to the US and its citizens; outside of US territory other regulations apply. Still it is a major point of concern for the entire film industry because American media companies own global distribution channels.

Conglomerates

Major Hollywood studios are vertically integrated in major media conglomerates. (Young, 2008). For that reason all major distribution channels are controlled by the big players, this has raised incredibly high entry barrier for entrants to the industry. Critical debate has raised questions and concerns regarding the control of these few massive companies that control the entire industry, which dramatically limits the amount of films available to the general public. Advances in technology have diversified and created new ways of distribution. Digital cinema no longer requires hardcopies on actual celluloid film. The advantage is that movies can be shown from hard drives or disk format or even via online streaming, it takes out costs of printing and transportation. Printing typically costs over $1000 per copy. The only obstacle at the moment is that exhibitors have to cover a lot of costs to convert their analog cinemas to adapt the digital format. This currently is a major issue between exhibitors and distributors, since they do not agree who has to pay for the conversion. One of the most prominent advocators of this vision is Chris Anderson, who in 2004 published an article on

'the long tail'. His idea challenged the normal distribution of the stable paretian hypothesis. The academic world seems to be divided in in two camps, supporters of Anderson and supporters of Elberse. Elberse holds on to the pareto principle that Anderson predicts will change due to technological changes.

Economic theory

The current debate on how to evaluate an investment in the entertainment industry is related to changes in supply and demand. According to Anderson (2004) the entertainment industry has been disrupted by the introduction of the Internet. The pareto principle and the 'long tail' take the center stage in this debate. The first explains why there are only a few profitable best-selling products that dominate a market. The later explains that traditional costs (e.g. distribution and shelf space) that no longer apply in a virtual marketplace have enabled previously obscure niche products to become profitable.

The problem is that several studies have found different evidence, which leaves academics divided. Some researchers supply evidence that supports the idea of the 'long tail' and that it indeed has takes effect due to the advantages of online sales (Brynjolfsson et al., 2011; Jian et al., 2011; Lee et al., 2011). They emphasize the applicability for information goods, since they are intangible in nature and infinitely consumable. Yet research conducted by other academics provides statistical proof of the stable paretian hypothesis is still in place (DeVanny, 2006; Elberse, 2008). That states the exact opposite of what Anderson's following claims to be true. Other still remain in the middle as they found the pareto model to still be in place but evidence that pointed out a shift towards pure digital consumption, which signals towards the long tail (Schöpfel & Leduc, 2012).

2.1 Population – Individual Investors

Until now, the only outsiders who have been able to invest in Hollywood films made for commercial purposes are very resourceful parties. Hofmann (2012) researched external investment through co-financing Hollywood productions and identified two types of outside investors. These are professional financiers and slate investors. Both of them are institutional professional financiers who aim to obtain a satisfying return on their investments at reasonable levels of risk. The groups are distinguished based on the types of investment deals they strike with the Hollywood studios. The main characteristic of 'Financiers' is that they invest on a movie-by-movie basis, while 'Slate investors' (or simply Slates) invest in an entire group of movies. Hofmann (2012, p.46) states that these two parties provide virtually all outside capital for the American motion picture industry. As you can see these kinds of investment arrangements are not open to average people but only very wealthy individuals or capital rich institutions.

'Regular people' if you will, have only been able to make donations to independent movies especially due to crowd funding where these projects are becoming widely available. They can be considered as financiers who provide capital based on emotional and philanthropically motives, their rationale is drastically different since they ultimately want to see the motion picture become a reality. Whereas investors consider earning back the money they put into the project as their main objective.

Crowd funding is practical example of financing where backers do not take a share in the eventual profits. In the case of movies, crowd funding is a form of pre-selling as financiers basically buy a copy of the film before this is made. In addition there may be extra rewards for supporting the project with a lot of money. However, there is no monetary reward neither expected nor promised making it a form of lender financing as opposed to equity financing. Crowd funders prove that many small amounts combined can raise a large capital in a short time. A video game console called OUYA raised $8,596,474 from 63 416 backers in 1 month (Kickstarter.com, 2012). Coming back to film financing, other studies have scrutinized financing of independent cinema and found that these films are very unlikely to make a profit (Goettler & Leslie, 2005;

Palia, Ravid & Reisel, 2008). These transactions are not 'investments' since there is no expected return nor is any part ownership gained from donating money to the project. Backing such projects will not make you part owner or a shareholder because the models do not sell equity of the projects. Therefore these forms of financing will not be taken into consideration in this research. Instead I focus only on the financiering of major and mini-major Hollywood studio productions. Subsidiary studios of the major studios produce the mini-major productions. These productions are aimed to make money, whereas independent films are more often created for aesthetic reasons (Cones, 2008). This highlights the clear distinction between films made for profit and films made for the arts. The same contrast can be seen in the motivations for investors. Those who finance studio productions want to make a return on investment; these are the type of investors described earlier by Hofmann definitions (2012, p.84). Those who are referred to as "Auteur Financiers" are mainly interested in just seeing the films become realized because they focus on non-financial rewards (Zuckerman & Kim, 2003). This kind of financier is particularly involved in funding so-called art house films, which have considerable lower budget than studio productions. With this research, I will focus on so far neglected group of so-called "individual investors".

Definition of Individual Investor

The kind of people that are neglected by current film financing models are best described by the following definition by De Bondt (1998): "small individual investors who manage their own equity portfolios". These investors have either a stock account at their bank or have an account at an online broker. They invest their own money in common stocks and other financial products, this can be anything from a few hundred to a few hundred thousand euros or dollars. To be perfectly clear, I do not mean professionals who manage portfolios of others, I consider these 'institutional investors'. A key characteristic is that the main purpose to invest for these individuals is to realize a profit, rather than any non-financial incentives. I do include individuals such as day traders that have trading as their primary source of income. These semi-professionals are still individual investors, as they do not manage funds of anyone else besides their own.

This population has been analyzed by numerous studies in the past but never in relation to film financing. These sort of investors have particularity been examined in the field of behavioral economics (Barber et al., 2009; Kaniel, Saar & Titman, 2008; Lease, Lewellen & Schlarbaum, 2012; Nicolosi, Peng & Zhu, 2009). Such studies often attempted to explain the common mistakes these investors make and other flawed strategies they use on the stock markets. These studies highlight the individual investor's urgent need of a financial product that offers risk aversion and stable return on investment. One study had access to all trading information of Taiwan found that individual investors had an average loss of 3.8% on an annual basis. Their total losses accumulated to $ 6.6 Billion. Remember that this research only covered Taiwan; on a global scale, the amount individuals investors lose every year must be astonishing.

The stock accounts individual investors have at their bank or broker would be perfect to function as a platform to buy the (yet to be made) film equity product that I propose. For now, I will call it Film Slate Equity (FSE). The only substantial difference between buying FSE and shares of a company for example, is that FSE is (part of) a primary market whereas common stocks are traded on a secondary market. FSE is not designed for further trade among traders; instead it is more like a company making its IPO (initial public offering), or a deposit, or angel investment. The money is locked away once the investment is made; in fact it is gone right away and will not come back. What will return over time is a pro-rate share of the profits that are generated by the products made from the initial investment. These proceedings will gradually be paid out to the FSE shareholders, as revenues from the motion pictures will be earned.

Individual investors have as far as I could find, not yet been taken into consideration by researchers in relations to film financing. There is a simple and practical reason to explain this gap. Individual investors have never had and still do not have the opportunity to invest in motion pictures made for commercial purposes on a large scale, which are as described earlier, predominantly studio productions. That includes both equity or debt investments in films that are made for commercial purposes. Independent productions, with small budgets or made for other reasons than profit may be more easily accessible to partake in as

an investor. In fact, investors may be welcomed, since these productions usually seek funding but have very poor financial prospects (Hofmann, 2012).

Complexities when defining these groups

It is quite difficult to define the kinds of investors that I am interested in because I am investigating an activity in which someone could engage, rather than a specific kind of person. Theoretically anyone could fall in the individual investor category, even those that in other situations are classified as a different type of investor. To illustrate this point, if Warren Buffet who when practicing his profession would be an institutional investor suddenly decides to use his private money to invest he can be considered an individual investor. But since he is a wealthy individual he might go directly to a Hollywood studio and make a deal or fund an artistic film, in that case he would be a professional financier or author financier respectively. In theory, you could create specific segments but in practice investors could belong to multiple classifications.

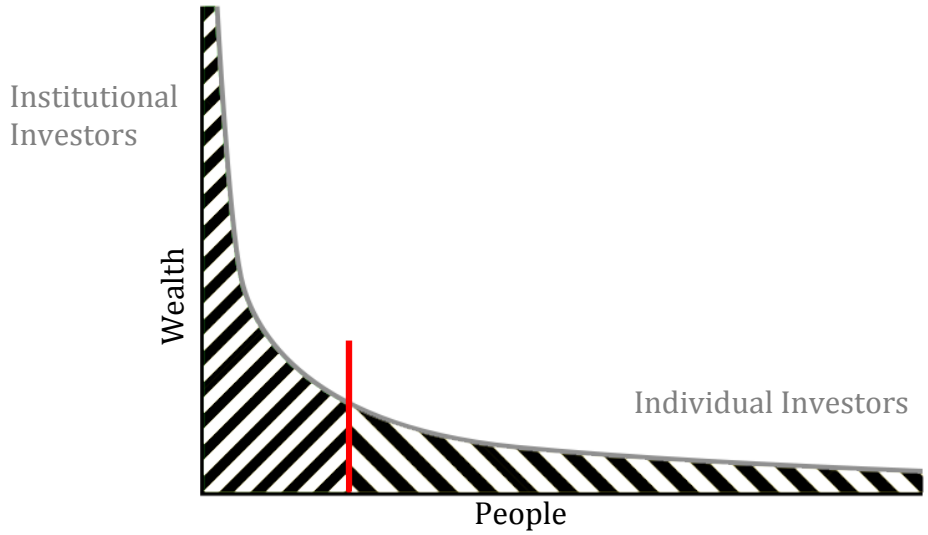

Figure 1. *Stable distribution of investors*

2.2 Investment strategy

The Hollywood studios have proven to be open to outside investors (Goettler & Leslie, 2005; Hofmann, 2012). The trade press confirms this notion as it often reports on business deals that take place between the studios and parties outside of the motion picture industry (Cones, 2008; Levison, 2010). In fact, the Studios do not just welcome investors, but they continuously rely on outside financing to keep their business cycle running.

As I already pointed out the uncertainty that is inherent to investing in film, it is of great importance for investors to manage risk. This is necessary in order to prevent excessive losses. At the same time, investors also have to strategize to maximize their profits. In nature's wildlife it is common knowledge that there is safety in numbers. This fact is even true when financing movies; the advantage of a large number of investors is spreading the risk (Cones, 2008, p.40). There is a generally held perception that slates of movies are considered safer investments than cherry picking individual projects, because the outcome of each movie is so sporadic (Goldsmith, 2007).

The most important difference between films (or other media products) and 'normal' products is that films are so-called single creation products (Picard, 2005). These products have a high chance to fail but when they succeed the profits are so large that they cover the losses. Therefore 'hit strategies are used to manage failure by creating diverse portfolios. In film, these are usually referred to as slates. Anyone investing in motion pictures or other single creation media products must understand this strategy. The producers are not sure at all of success, thus it is highly advisable to adapt this risk spreading method. It will increase the overall chance of earning instead of losing money. Hand picking projects is not advisable. What should be noted though is that studios want to keep some projects for themselves.

This brings us to what Hofmann (2012) described as the Agency (the studios) – Principal (investors) problem. The issues he identified, is that studios exclude outside investors from their most promising projects. The studios keep the almost certain winners for themselves by not allowing outside investors to

co-finance these projects, while they seek outside capital to finance their less promising productions.

Earlier, I briefly mentioned that Hofmann (2012) identified two groups of outside investors that currently operate in the motion picture industry. This is a useful way for us to look at the current state of the field.

When comparing these two groups against each other, Hofmann (2012) found that the financiers who select individual projects have more experience than slate investors. Financiers may have improved their investment strategies as such that he found no difference in their performance when compared to studio exclusive projects. On the other hand, Slate investors who finance entire slates are found to successfully avoid projects that failed. This makes them even more risk averse than the studios despite that the slate investors have the lowest ROI on average. In fact, slate movies did significantly worse with an average of 18.8% lower returns on investment. The studios turned out to have the highest ROI. When comparing the overall performance of co-financed films versus the studio exclusive financed films, Hofmann (2012, p.98) found that co-financed film yields a profitability ratio that is 19,5% lower than studio financed projects. Hofmann explained these as Agency-Principal issues; financiers seem to have solved them while slates are still harmed by them.

A more prudent approach to negotiations with the studios could solve these issues. Investors have to be more frugal even when they have enough money and even if this is difficult when funds seem to be in abundance. The fact remains that the studios depend on outside capital to finance their business. At the end of his analysis, Hofmann (2012) already mentions to have some evidence that this situation is starting to improve and the studios become fairer in sharing their profits.

Hofmann (2012) suggests that the best practice for investors is to copy the studios as much as possible. His findings pointed out that studios have the highest mean when comparing ROIs. Surprisingly though the studios did not have the highest percentage of profitable projects. In absolute numbers, the

studios had more losing films in their portfolio, but their winners are so profitable that the average ROI is still highest.

Studios and dirty tricks

Hofmann (2012) noticed that studios take advantage of the ignorance and inexperience of new investors. The financiers were entrants to the co-financing business at the beginning of his sample period. The slate investors arrived in the last two years of his sample, making them the most novice co-financing partners. Despite the initial abuse by the studios, Hofmann (2012) found that both financiers and slate investors have gained experience and managed to improve the deals they make with studios. Therefore, I suggest it would be best if the FSE initiator would partner up with either one of these established outside investors. In terms of strategy, slate investors seem the best suited for collaboration to match the need of individual investors since their key requirement is to have a risk adverse product. By letting the slate investors negotiate with the studios about the investment deal, abuse of their (individual investors) inexperience will be avoided. To explain the process flow of how FSE investment would take place please consider the following illustration. The individual investors buys the FSE financial product, FSE pools all money from the many individuals into one large sum that is used to purchase a pro-rate share of the slate investor's portfolio. The slate investor finances a percentage of (preferably all) the studio's productions. If studios do not want investors to become stockholders of all their projects, the alternative would be to issue a kind of bonds, loans or some other form of debt financing. These investment vehicles a fixed interest on them and will be paid back over time (Cones, 2008, p.149). The fixed interest rate limits the potential gain for investors but in turn, it is much more secure, as the studios will have the obligation to pay back this debt before taking any profits themselves.

A new incentive structure proposed by Hofmann (2012, p.103) suggests that Prints and Advertising (P&A) budget is shared pro rata between studio and financiers. Prints stands for the costs for duplicating the master copy of a film that will then be sent to theaters while advertisement includes all costs to promote the film. The latter is very expensive and usually takes up half of the budget. Aside from the high price, there is also a finite amount of available

advertising slots. For these two reasons, studios put the productions they finance on their own first because they don't have to share the profits from these. Even when outside investors are involved in a production, the P&A costs are usually paid for in it's entirely by the studios.

My solution for the agency-principal issues that Hofmann pointed out before is that financing should cover the entire production pro-rate and not just cut down into segments. It has been common practice ever since to finance film productions according to the same stages of the production progress. The three main stages are pre-production, production and post-production. However, each one of these can be broken down further into even smaller segments that are all financed separately and often also from different sources (Cones, 2008). Tying all costs together and sharing them proportionally among all financing parties involved, will eliminate all motivations for the studios to favor one project over another. Leveling the playing field in this manner makes it fairer towards the studios and for investors; it enables them to claim a split of the "internal revenues". This stands for the sum of all revenues that are generated by the movie through all channels.

Difference of opinion with Hofmann

At the interpretation of the results on ROI of big budget productions (N=220), Hofmann (2012, p.124) makes the statement that, "Slate investors even outperform the studios". This only means that the slates have less unprofitable productions in their portfolio than the studios. He continues his argument by pointing out a testimony of De Vany and Walls, who suggest that risk is actually *desirable* because of the extreme variances that raise the total average revenues and profits:

> De Vany and Walls suggest that film producers might be dependent on outliers at the right hand side of the ROI distribution in order to generate sustainable profits: 'The probability that a movie will reach an extreme outcomes associated with extremums dominate total and average revenues and profits. So, risk not only is avoidable, it is desirable. One wants to choose movies that have a large upside variance.' Against

this background, the idea of slate investors and also financers pursuing a strategy that is grounded on deliberate risk avoidance appears to be even less plausible.

What this comes down to is that the studios take more risk but are also rewarded higher for it. On some grounds I disagree with this line of reasoning. Certainly it is true that the studios have the most profitable portfolio, there is no point to argue about this because the numbers prove this is a fact. However, saying that risk is desirable and that studios take more risk than the slates is in my opinion a complete misinterpretation of reality. The fact that studios have diversified portfolios of movies is the ultimate proof that they try to minimize risk. On top of that allowing outside investors such as the financiers and slates is further evidence that the studios strategically eliminate risk as much as possible. Therefore, it is wrong to state that slate investors are more risk adverse than the studios, which results in a lower ROI for them. The truth is that the studios do not allow co-financing with outside investors on all of their productions. To that extent, I agree with the idea Hofmann (2012) declares: "if possible, investors should strive to become co-financiers of projects bearing similar characteristics as the films that studios produced by themselves in the past" (p.125), which I am sure the outside investors would like to do if the studios would give them the chance. This only signifies that outside investors must become more strict and dominant towards the studios. They have the money, thus should exercise their power as a united base of investors. Having many different investing parties involved complicates the issue. Some investors may take whatever the studios offer them, thereby weakening the bargaining position of not just themselves but all other investors as well. It would be difficult for each individual investor to make a stance against the studios, however the FSE product essentially unites all these individual investors as a collective. The FSE manager practically creates a hedge fund and will therefore have bundled the voices and capital of all these individual investors. This gives substantial power to negotiating the terms of financial deals. It remains a fact that the studios continuously need outside capital, hence the justification of this investigation.

Yet still, at times the FSE management could occasionally decide not to invest if their demands are not met.

Another point I disagree with Hofmann (2012) is his statement on p.59 regarding Financiers vs. Slate Investors. He states that financiers have a better chance on profits due to their superior experience and expertise, as they know which projects to pick, while slate investors don't and might get saddled with the 'losers', or in other words unprofitable projects. It does not make sense to say this because slate investors and studios theoretically use the same strategy. His findings also prove that the studios have the most profitable portfolios of them all. In Hofmann's analysis, the studios partake in the entire population of movies. In other words, all movies combined make up the portfolio of the studios and he proves that this is most profitable. It may be obvious that the slate should be comprised of projects with good potential but this is a matter of negotiation to make the right deal, not related to the model itself. Ideally, the slate investors should demand that they become shareholders in all movies, if the studios still want their money to finance future projects. This should be possible because they ultimately hold the power since they provide the money.

I also object to how Hofmann (2012) phrases some of his findings. E.g. "… financiers… were forced to share the Co-financed budget with slates in some cases." (p.108, 7.2 Consequences for financiers). He makes it seem as if financiers could not spend all their money. This is not true since total of movie budgets has actually decreased and thus, it would be possible to make more movies.

2.3 Movie success factors

When making an investment, it is essential to understand how and why the entity you invest in earns a profit. If you have no idea of this, you are not investing but merely speculating or even gambling. Therefore I will review what other researches have found in an attempt to understand the factors that determine success of motion pictures and the subsequent returns on investment that were gained from this success.

It turns out that financial success for a movie is extremely hard to predict if possible at all. You can identify patterns among specific aspects that profitable movies have in common, but it remains very difficult to construct successful films. The main point is that there are no golden rules that will guarantee profits when making a film (De Vany, 2006; Levison, 2010). That said, it is possible to observe the revenues of movies and compare these against the productions costs. This is one of the things Hofmann (2012) did in his extensive analysis that included all Hollywood productions (N=880) that were released between January 1, 2003 and December 31, 2007. He found quality to be the predominant factor related to ROI. I made a brief summary based of Hofmann's findings, to get an understanding of the most significant variables related to quality. He determined 'quality' on three separate independent variables, namely Oscar nominations, metadata from critics and ratings from Tribune (Hofmann, 2012, p.96). Distinguished directors and renowned writers were found to have a positive effect on the quality of a movie, while famous talent (actors/actresses) did not increase the quality of a movie (Hofmann, 2012, p.98). Based on this, it was concluded that fame of directors and writers were the most significant predictors for the ROI of a motion picture (Hofmann, 2012, p.87). Another factor that influences the profitability of a movie is the MPAA (Motion Picture Association of America) rating. Movies that had obtained an R rating were found to be significantly less profitable at an average of 30 percent. All other classifications showed no significant difference. Even so, family oriented films, animations in particular, signified to be the most profitable as they did exceptionally well.

To sum it up, all these factors contribute to the quality of a film. The quality aspect causes an increase in sales; these in turn determine the return on investment that will be made. The problem with this however is that quality is gradually established while production is happening. This makes it is impossible to withdraw funds as these are spent before the quality is constructed.

There is one factor that is unrelated to quality but found to cause a positive effect on the ROI that is variable of sequels and franchise. The preconceived perception of a movie that viewers have with a film, based on association with previous experienced movies of the same franchise, causes an increase of sales (Hofmann, 2012; Ravid, 1999). To that extent, it is surprising that the old adage 'successful past performance does not guarantee successful future performance' proves not to be quite as true for movies as it is for other investments.

When analyzing movies according to the size of their budgets, you can see that small budget films have incredible ROI potential. As they can become blockbusters that earn just as much as bigger budget films do. When they do, the low initial costs and very high revenues create an extraordinary high return on investment. The problem with low budget films leads us back to the quality aspect. The lack of money causes production value to usually be much lower than the big budget films. As explained earlier, quality is positively related to the financial success and this is where it becomes problematic. This causes the average small budget film to statistically have the largest chance to fail, in terms of not even earning back the money that was spent on producing the film with a return on investment smaller than 1. The chance of not reaching the break-even point becomes smaller as budgets go up. But even so, failure should not matter as long as the winners cover for the losers. In fact, this is an inherent property of the motion picture industry (Picard, 2005). Hofmann (2012) found big budget films (>$70M) have higher means in terms of ROI. Thus, across the line these are the more profitable to invest in. If you consider the long term and spreading of available funds, big budget productions clearly should be focused on when returns are desired from investing in film.

Even when all favorable conditions are in place and a film has great prospects, it is still a highly risky business with no guarantees at all. Ultimately it is up to the audiences around the world to decide what a movie is worth. They have the power. They are the only true determining variable and the audience perception has a 100% causal relationship to the financial success of a movie. The problem is that this one can only be measured after the film has been completed. At that point, all investments have already been spent on the production and there is no turning back. Thus, audience reception is rather useless and cannot be used as a predicting factor. Therefore it is smarter to spread the risk, no matter how sure you feel, it will always be best to invest in an entire slate of films rather than separate movies (Porter, 1996).

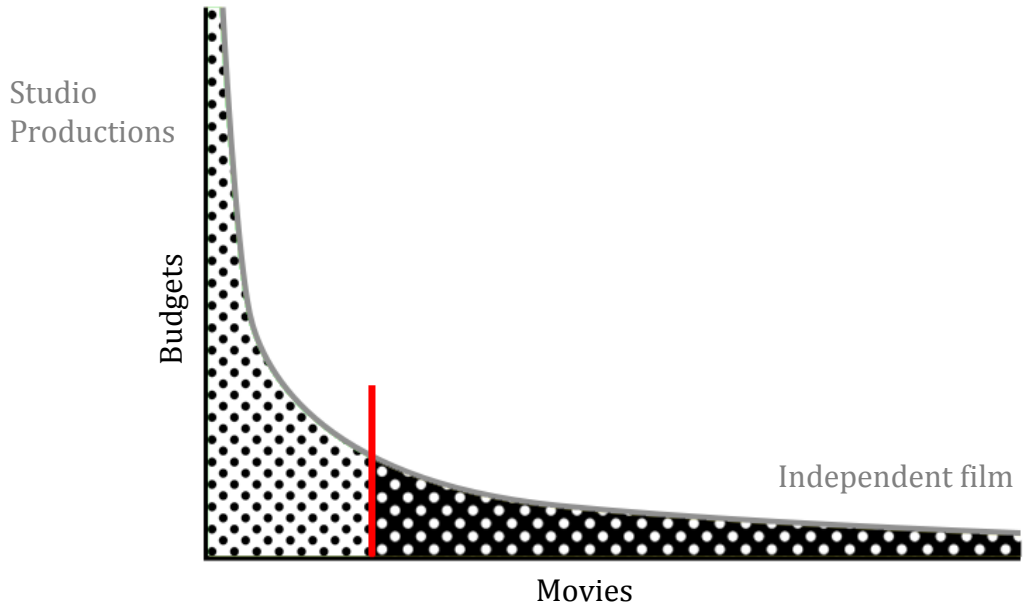

Figure 2. *Stable distribution of films*

2.4 Ouroboros concept

Coming back to the ongoing debate surrounding the stable paretian hypothesis. I propose the following idea that combines the best of the pareto principle and the 'long tail', in what I would like to call the 'Ouroboros concept'. The Ouroboros concept synthesizes the vision by Elberse (2008) to use a 'hit' strategy on the stable paretian hypothesis with Anderson's (2008) long tail. It takes the best of both theories to become something even better.

The Ouroboros is an old symbol depicting a snake eating its tail. I thought this is a suitable metaphor to express the concept I have in mind regarding the pareto principle. A snake has a big head and very long tail; in fact you could say that it is only a head and a tail just like the curve of the Stable paretian Hypothesis. The only twist I would like to add is that the Ouroboros is usually described to devour its own tail, whereas I suggest thinking of it as the Tail feeding the Head. This is more constructive than the Head eating the Tail, which would be rather destructive.

The Ouroboros in theory

The Ouroboros concept is meant to visualize the flow of money from investors towards an investment vehicle and the proceeding earnings that flow back from the initial investment. The tail of the Ouroboros stands for the entire line of investors, which is relatively thin because each investor only provides a small portion of the capital that is raised. Together they supply to the investment vehicle, which is represented as the head. This is where all the capital will literally go *in*, this is not the end of the line but instead only the beginning. As the money gradually flows back from the head all the way down to the tail, the virtuous cycle is complete and ready to start over again. This flow describes the concept of 'eternal return' (on investment), which is strikingly appropriate for investors as well as the original meaning of the Ouroboros symbol.

Given that I am talking about film financing in this version of the Ouroboros concept, the head represents the film projects and the tail represents the investors. Research clearly shows that aiming for the blockbusters is still the way to go, but when it comes to attracting investors to finance these big budget projects a different strategy could be used. Many scholars agree that there is

safety in numbers (Brynjolfsson, Hu & Simester, 2011;Ferrari & Rudd, 2008; Jiang, Jerath & Srinivasan, 2011), the statistics prove that risk spreading strategies are the way to go because on average this reaps the highest return on investment (Khindanova, Rachev & Schwartz, 2001; Lee, J., Lee & Shin, 2011; Schöpfel & Leduc, 2012). On top of that, it is easier to raise large sums of money if a mass of people chip in a relatively small amount, than to have a few spend a large amount of capital. This is the fundamental principle of stock markets. The world's largest corporations are all listed on stock markets and thus based on equity financing. This proves that the systems not only works but also practically is the most feasible model to establish and maintain expensive endeavors.

The Ouroboros in practice, FSE business model of motion pictures

In the sections on movie success and investment strategy, I already pointed out what the best practice would be according to the statistics, when the goal is to make money in the film industry. Elberse (2008) responded to the notion of the long tail with a research that proved that mainstream products are still more profitable than niche products. Hofmann (2012) showed similar results in his analysis of the motion picture industry. Thus, the conclusion I draw is that there should be a focus on big budget productions when investing in film productions. Therefore, I will aim at the "Head" of the Stable paretian Hypothesis with the productions that are to be invested in.

The head that I describe should consist of big budget films, meaning budget sizes of $70M and above. These are found to have the highest ROI mean. As you can see in the table below, the return on investment is highest with bigger budgets. Another important factor is the chance that the ROI is less than 1 is overall highest with low budget productions and decreases with bigger budgets.

Production Budget		Obs.	%	Return On Investment			
				Mean	Std. Dev.	Mean / Std. Dev.	% < 1
Low (< $20M)	Slate Co-financed	7	11.29	1.58	1.09	1.45	28.57
	Other Films	55	88.71	1.75	1.56	1.12	43.64
	Total	62	100	1.73	1.51	1.15	41.94
Medium ($21M - $65M)	Slate Co-financed	28	27.72	1.85	1.31	1.41	28.57
	Other Films	73	72.28	1.98	1.13	1.75	20.55
	Total	101	100	1.95	1.18	1.65	22.77
High (> $70M)	Slate Co-financed	21	36.84	1.95	0.56	3.48	0
	Other Films	36	63.16	3.16	1.69	1.87	8.33
	Total	57	100	2.71	1.5	1.81	5.26

Table 1. *Distribution of slate funded films by project size* (Hofmann, 2012, p.123)

Therefore, it is best to focus on blockbusters as Elberse suggests. The main problem right now is that investing in film is only available for high profile investors with many capital resources at their disposal. Studios show that there are open to outside investors of all kinds, history proves this and quotes from studio executives confirm this. It is essential to find out and one of the most important questions of this research:

Are individual investors willing to invest in motion picture slates?

Investors

Attracting investors however, is a very different story. Cones (2008) explained that the money needed to finance these projects comes from various sources. Historically there have been many types of financing that came and went. The bottom-line is that it really does not matter where the money comes from; the only important factor is that Hollywood is in a constant need of outside funding. If you look at the most recent trends of outside investors, you see two main types defined by Hofmann (2012), namely the financiers and slate investors. It is clear that both these parties of investors belong to the "Head" of the entire investors spectrum. These are very wealthy people that for obvious reasons are not as easily found nor approached. Only big players, very rich individuals, banks, hedge funds and the like invest in movies right now. Although they have a lot, they could also lose much. The average person does not have the chance to invest in movies at the moment. Each one might not have that much, but combined they have more than enough.

In this regard, Anderson's idea is not completely wrong as there clearly is potential. In fact, it has already been proven, not in the *sales* of these products, but in the financing thereof or in other words in the sales of their equity. Initiatives on crowd funding platforms such as Kickstarter.com are the living proof of this. Projects that would otherwise never have been realized are currently successfully launched. This is explained by the fact that very few individuals are willing to spend any large amount (relatively risk a lot), but many people are willing to spend a little bit (relatively risking very little). Furthermore, there are not so many extraordinary affluent people, but there are many wealthy enough people.

The Ouroboros idea is to take the 'Tail' of the investors and use this to 'feed' (read finance) the 'Head' of movies. As you can see by tying these two together I create an ideal situation.

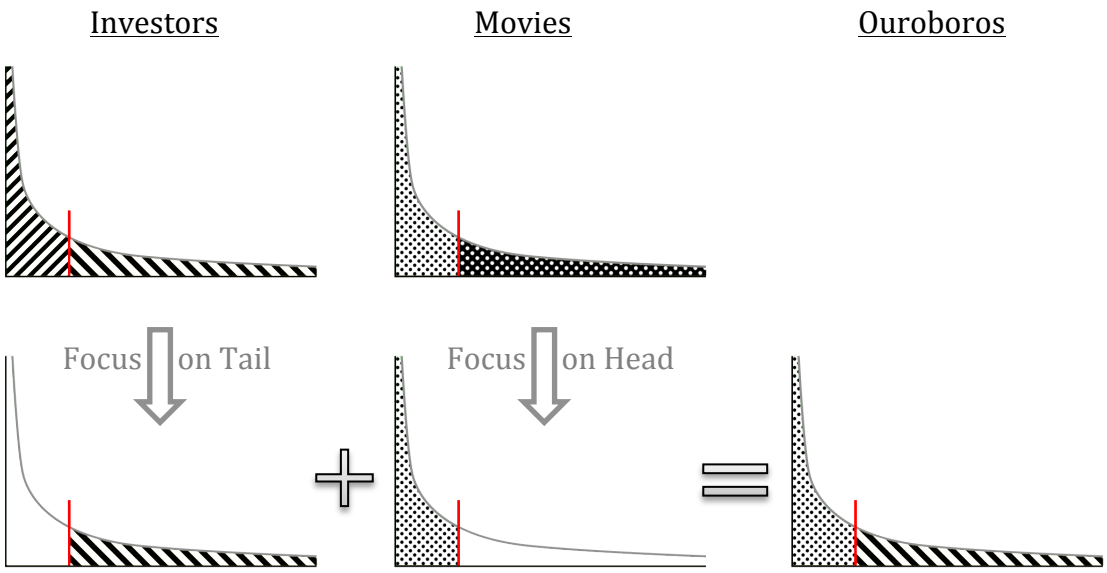

Figure 3. *Combining focus of paretian hypothesis and long tail*

This depiction shows the flow of capital, which forms the business model of the FSE product. FSE is the where investors and slate financing meet, by doing so the product combines supply and demand. The transaction represent the investment in the Head of movies, this will lead to yield a profit that returns to the 'Tail' of investors. If you follow the money through this process you can see it go full circle. This is why I found the Ouroboros to be an adequate analogy.

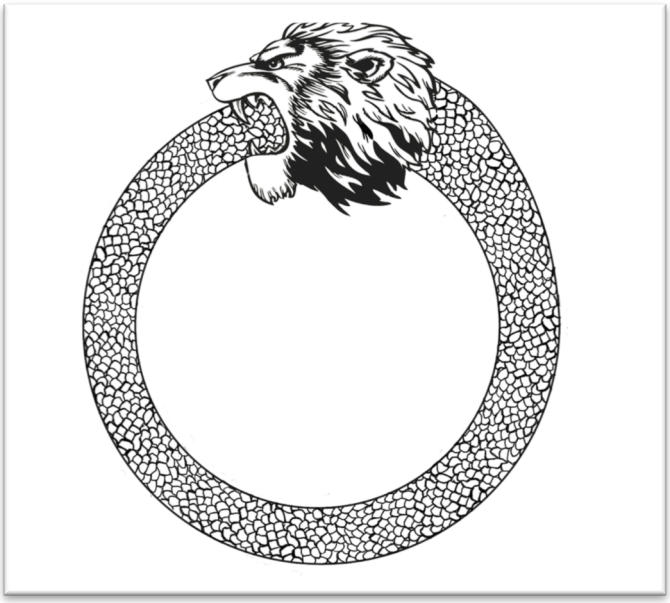

Figure 4. *The constructed Ouroboros*

3. Research questions

The main research question this master thesis will address is:

What configuration of Film Slate Equity appeals to prospective investors?

In an attempt to answer this question I will seek answers for the following sub questions.

What percentage of the sample indicated to consider investing in Film Slate Equity?

This should give some general insight on the attractiveness of the concept. I do not expect to draw a great deal of conclusions based on this answer, but it should at least be the first thing to find out before anything else. If the response is extremely negative then it may indicate that there is a problem with the overall idea of Film Slate Equity. In case the outcome is extremely positive, which would be unrealistic, I will be very skeptical about other results and consider it an indication that there is a sampling problem.

Which budget size did the respondents favor most?

The answer to this question will first of all indicate if there is a significant difference when presenting various budget sizes to prospective investors. If that is the case then it will be useful to know which budget category they prefer. Aside from that the question will also exhibit how respondents evaluate a potential Return on Investment that is presented to them. Expected ROI ratios are tied to the budget category.

Which investment period did the respondents prefer?

An important topic because it will have implications on the profit that both investors as well as fund managers will be able to generate from the revenue.

How do different personality types evaluate Film Slate Equity?

Assessment of risky decisions has been found to correlate with personality traits. Understanding what kind of individuals are more interested in Film Slate Equity will stipulate how respondents appraise the overall investment opportunity.

4. Methods

In this chapter I will elaborate on the research protocols that I used to answer the research questions and why I chose these in particular. I used the research by Hofmann (2012) as a basis for to create as realistic as possible scenarios. His data set can be found in his research published as 'Co-financing Hollywood Film Productions with Outside Investors'. Using the results of his research was the most logical method that I could think of to fabricate my experiment. The foremost reason to choose an experimental method for this study is the necessity to control all variables that respondents got exposed to in order to pinpoint specific causes according to the scientific method. Restricting the number of factors enabled me to test exact variables and assign meaning to their effects, which forms the basis for finding causation through empirical research. I wanted to test the independent variables budget size and time frame, to measure their effect on the dependent variables that gauge how people react to the proposed scenario. Additionally, the experimental method allows replication of this study. This improves the value of this study because even when not enough respondents are reached, other researchers can use the general design for their own research or to validate the results of my study. Furthermore, it is possible to modify this research to test other hypothesis by including different variables. For instance, if a researcher would change movies into video games, it is possible to do so and even compare it with the findings of this study. Another advantage is that the experiment yields quantitative data, which allows direct analysis through statistical tests. This limits the errors that could be made by me if I were to quantify qualitative data by coding.

The findings by Hofmann (2012) provided me with the most reliable data that I could obtain on co-financed Hollywood film productions in slate arrangements. This was preferable over general statistics of all movies, because my research is particularly interested in the films that the studios open up for slate investors. Aside from that, it is also exceptionally hard to obtain statistical data regarding the return on investment ratio of Hollywood productions. On top of that, even if I had access to such information I would not have had enough time to process all of it into usable figures to base the scenarios on. Therefore, I would have to have used the results of another research project either way.

I conducted a quantitative analysis to find out how individual investors would react when they are presented with different investment opportunities. For this purpose I created an experiment type survey with six different scenarios. There were two variables, the first was the budget size of movies that were in the slate and the second was the time frame in which the investment would take place.

There were three different budget size categories:

- Small, consisting of movies up to $21 million USD
- Medium, consisting of movies between $21 million USD - $65 million USD
- Big, consisting of movies of at least $70 million USD

There were two investment periods:

- 3 years
- 7 years

Based on this I created the following setup of six scenarios, with the corresponding return on investment data taken from Hofmann's research:

Scenario	Budget size	Time frame	Total capital	ROI	Std. Dev.	ROI < 1
1a	up to $21M	3 Years	$250M	1.58	1.09	28.57%
1b	up to $21M	7 Years	$250M	1.58	1.09	28.57%
2a	$21M - $65M	3 Years	$250M	1.85	1.31	28.57%
2b	$21M - $65M	7 Years	$250M	1.85	1.31	28.57%
3a	at least $70M	3 Years	$250M	1.95	0.56	0%
3b	at least $70M	7 Years	$250M	1.95	0.56	0%

Table 2. *Scenario overview*

Respondents were presented with one of the six scenarios. After which they were asked 28 questions in total, three of these regarding their specific scenario. Respondents had no knowledge of any of the other scenarios while answering the questions. The point being here was to find out if the respondents would react differently when they were presented with these varying figures. By doing so I attempted to find out what slate configuration investors find most attractive in terms of budget size category and which timeframe they prefer.

In addition I added an element to observe the 'personality type' of all respondents. This was meant to measure if film slate equity is considered more attractive by risk prone or risk adverse investors. I based this test on two of the 'big five' personality traits, namely the level of Openness to experience and Extraversion. These two traits were found to be significant predictors for risk taking behavior (Durand, Newby & Sanghani, 2008; Lauriola & Levin, 2001). Risk prone investors who scored high on extraversion were found to be inclined to short term investments and investors that are open to experience tend to participate in long term investments (Mayfield, Perdue & Wooten, 2008). The big five is a standard psychology test that is commonly used in social studies, therefore I used this as a basis for my own adaptation of it.

You can find the questionnaire in appendix A, which gives enough detailed information to literally re-create an exact copy of the survey that I performed.

Implementation

I had constructed a plan for testing where I aimed to create a targeted non-probability sample consisting of only individual investors. The overall aim was to contact large groups of individual investors through brokers and banks that had them as costumers, specific interest groups on Facebook, Twitter, private investment forums & websites, and through my personal network. Unfortunately all my attempts were futile. Due to a very low response rate of individual investors, I eventually decided to add everyone with an interest to participate. The rational behind this was that although people may not invest right now or are actively investing their capital, they might consider doing so when if they were given the chance to buy Film Slate Equity. After that I made an effort to email to as many people as possible. I tried to snowball the survey by having other people who filled it out forward the link to the survey in any way they could. This mostly happened by forwarding my email or sharing my link on Facebook. During this process I noticed that many people did not respond when I sent them the link of the survey via email with an explanatory letter. When instead I posted the link on their Facebook page and simply wrote 'Thanks' they suddenly reacted and some even shared the link with their friends. I found this

very surprising and think it might be a useful topic to study because so much research depends on gathering data through online surveys.

Initial plan for Testing

I had created the conceptual model of the test. At that moment I would show the questions to my peers and supervisor to see if they are valid and reliable. I discussed with them if they are appropriate, necessary and sufficient. The first draft of the questionnaire consisted of two variables regarding the slate of movies. These were three categories of budget sizes and two different time frames. From these I generated six different scenarios that would be tested in the experiment. It was optional to change the number of movies in the slate as well, but this additional variable might increase the sample size too much. I then created the template with two variables and discuss the feasibility of the experiment with my supervisor.

Once agreed on the template and the number of variables that would be analyzed, I created a concept of the eventual experiment on Qualtrics. Before the real experiment would take place I conducted a pilot test to find out if the questionnaire is comprehensible and measuring what I wanted to measure. To do this I used twelve respondents (who fit the initially intended sample, individual investor) to fill out the questionnaire. I measured the amount of time it took them to complete the questionnaire. After which I asked their feedback. By interviewing them I aimed to find out if any improvements can be made so that the entire questionnaire would be easy to understand and that respondents would have sufficient information to answer the questions. At this stage I also contacted numerous investment institutions and other platforms that I mentioned earlier, but none of them was willing to co-operate. I had hoped that at least one of them would have done so and put me in contact with a large number of individual investors. That would have been ideal since their clients are exactly the kind of people I aimed to have in my sample.

The next step was to revise the questionnaire template by using the feedback from the interviews. I ran the improved version by my supervisor for

approval. Once it was considered adequate I was able to make the final version of the questionnaire. I improved the test I had created on Qualtrics twice before sending it out. The most challenging aspect was to provide sufficient information while keeping the time to complete the survey relatively short. Early comments by pre-testers suggested explaining the scenarios in more detail. Additionally they found the personality type questions very boring and complained that I kept asking the same thing over again. In the next version I extended the explanatory part of the scenarios and added an image to show the flow of capital throughout the process, so that respondents would get a better understanding of the system. I streamlined the personality questions by presenting them in a different manner that took less clicks to complete and I also reduced the number of questions. When testing the improved survey again I found that the scenario explanation had become too lengthy. Therefore I reduced it again while trying to maintain the added information that was lacking in the first version. At this point another flaw was discovered. I had presented a different number of movies and different total budgets in each scenario according to the budget size category of the movies that would be invested in. Initially I thought it would be best to calculate these according to the total budget size of the slate, meaning that Film Slate Equity investors would have a similar share of the total slate in all three scenarios. However, this was problematic for the reliability of the experiment because presenting the respondents with these differences adds another variable that would influence their decisions. Although the variables were all linked together, it would be impossible to measure which variable would then cause any effects that might become apparent. Therefore it was necessary to make this all the same. The final version had scenarios that consisted of 15 film productions and a total capital that would be raised of $300 Million USD. This removed the unwanted indifferences between the scenarios while still depicting a realistic setting.

Original plan for Recruitment

I determine that the experiment needed around 350 respondents in order to test all six scenarios against each other. The sample would be selected by non-probability purposive sampling because I needed the very specific population of

individual investors. After three weeks I stated that I tried everything that I was capable of doing to gather respondents for the survey. Although I was not satisfied with the amount of responses yet, I decided that it was time to start processing the data and analyze the results. After consulting with my supervisor I closed down the online questionnaire. We agreed that it was acceptable to test the variables separate by splitting it into 3 groups based on budget and 2 groups based on time period. With only 145 respondents this was better than test 6 groups. I proceeded by preparing the data set in SPSS to run the necessary tests.

5. Results

The online survey has been filled out by 145 responses in total (2 partially completed), of which 56 female and 87 male. All respondents were at least 18 years old; the median age category is 26-34 years. There were 18 people who work in financial services or related profession. Regarding the level of education, the majority had a bachelor's degree (n=51), followed by a 4-year college degree (n=33) and master's degree (n=27). These three combined made up 77% of the total population. The mode income range is $0 - $25,000, this caused by the large number of relatively young people who are mostly still studying. The median income range is $25,001 - $50,000. 55 people had no prior investment experience; the other 90 respondents had 5 to 10 years of investment experience on average. Half of the respondents (n=75) were active investors (51%), the majority typically invests between $1,000 - $4,999 and makes less than 100 transactions. The last part indicates that the sample consisted for a substantial part of individual investors, who I was specifically looking for, yet I had hoped to find more of them. There are not many institutional investors and only a hand full of respondents engage in day trading.

The scenarios shown were randomly assigned to the respondents, although the program evenly distributed the survey the groups are slightly uneven due dropouts.

Scenario	Frequency	Percent
1a	27	18.6
1b	21	14.5
2a	25	17.2
2b	23	15.9
3a	28	19.3
3b	21	14.5
Total	145	100.0

Budget	#	Percent
Small	48	33.1
Medium	48	33.1
Big	49	33.8
Total	145	100.0

Period	#	Percent
3 Year	80	55.2
7 Year	65	44.8
Total	145	100.0

Table 3. *Scenario distribution*

5.1 Univariate data

In this section I will describe the overall results to all questions except for the scenario specific questions, those will be scrutinized separately in the next section. This part will function as a benchmark to compare the outcomes of further results against. A detailed report of the survey results can be found under appendix B.

Table 4 shows that a small majority is relatively positive towards investing in Film Slate Equity. A slightly larger group thinks the film industry, as a whole is a good sector for investments. Most respondents considered the slate to consist of a good amount of movies.

Question	Strongly Disagree		Neutral		Strongly Agree	N	M	SD
Score:	1	2	3	4	5			
Would like to invest in Film Slate Equity	9	30	38	67	5	149	3.19	1
Thinks movies in general are a good investment	6	31	41	60	11	149	3.26	1
Likes the number of movies (15) in the slate	3	22	51	68	5	149	3.34	0.84

Table 4. *General appeal*

Given the response to these questions it is perhaps slightly surprising that the majority said that it is not very likely that they would add film slate equity to their financial portfolio. When asked the question 42% found it unlikely, 31% stated it was likely and 27% were undecided. This indicates that although the general response to Film Slate Equity was positive, the majority still would not invest in it. Yet again, only 30% of the people stated they would not invest any amount of money in FSE. I am not sure what to make of this, but clearly a considerable portion of the respondents was inconsistent in their answers. A possible explanation is that some respondents considered the survey to advocate Film Slate Equity, which generated social desirability to answer positively towards the question if they 'would like to invest' more than if they 'would add it to their own portfolio'.

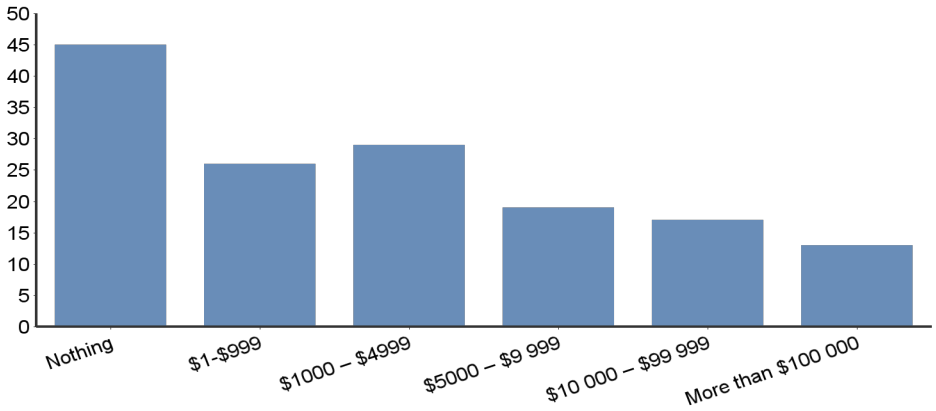

Figure 5. *Amount considered investing in FSE*

The rest of the respondents that stated they would invest, was quite evenly divided over all ranges. The median was $1000 - $4999. Although I have to say I am very skeptical of these figures, because the income levels of the respondents did not correspond for these statements to be believable.

Annual Income	Bar	Responses	%
$0 - $25,000		61.00	44.20%
$25,001 - $50,000		23.00	16.67%
$50,001 - $75,000		15.00	10.87%
$75,001 - $100,000		9.00	6.52%
$100,001 - $125,000		13.00	9.42%
$125,001 - $150,000		9.00	6.52%
$150,001 - $175,000		4.00	2.90%
$175,001 - $200,000		2.00	1.45%
$200,001+		2.00	1.45%

Table 5. *Income levels of respondents*

If I were naïve enough to believe these responses, then it would mean that several people were willing to invest multiple yearly incomes in film slate equity. I find it highly unlikely that anyone would invest his or her yearly income or a great portion thereof in any financial product, let alone this high risk and unproven investment product. I consider this as more evidence that many respondents were filling out a relatively high amount because they thought this was expected of them. Another possible explanation is that many respondents did not take it seriously. Yet again, the respondents spent almost 2 minutes to read the scenarios on average and almost 10 minutes to complete the questions. In addition, 22 respondents left detailed remarks and 52 people wanted to be informed about the results of this study. Considering these figures and that the

most respondents provided detailed personal information indicates that a considerable majority gave earnest response to the questionnaire.

On a question that let people chose between all budget categories of movies, the dominant preference to invest in are medium sized budgets (39%), second best was big budget (33%), small budget (18%), indie film (5%) and 30% of the people would not prefer to invest in any particular budget size. These numbers may not be surprising knowing that larger budgets have a higher return on investment, but the respondents were only presented with information on one budget category depending on the scenario they received. They had no overview of all budget categories unless they would have done their own research outside the survey, but I consider that change negligible. If that were the case then the big budget category would probably be liked most since that has the highest return on investment and lowest rate of unprofitable projects.

5.2 Subgroup comparisons

I performed a number of ANOVAs to test groups of respondents against each other based on independent variables. Originally I had planned to compare the difference in answers per group divided by the six scenarios. However, due to a lower response rate than I had aimed for, I had to settle for comparing the scenario per variable in two different phases. Meaning that I first compared the groups according to the different budget sizes of the scenarios, these are groups 1, 2 and 3. After that I compared the groups segregated by the proposed timeframe of the scenarios, these are groups A versus B.

Test 1 - dependent variable: budget size movies in slate (scenario 1,2,3)

I asked two questions specifically related to the scenario that was presented to the respondents. These were:

1. If they liked the proposed budget size of which the slate was composed.

2. If they considered the potential Return on Investment ratio of this film category attractive.

Table 1 shows the three budget size categories and the ROI ratios that are attached to these. As you can see these two variables are tied together.

I grouped responses according to the presented scenario, these were: small ($<21M), medium ($21M - $65M) and big ($>70M). I compared these groups based on their answers to the two questions with an analysis of variance.

ANOVA: compare dependent variables: question invest in the slate (Q8.2 Q8.3 Q8.4) against independent variable: budget (scenarios 1, 2, 3).

The test revealed that there was almost a statistically significant difference between groups as determined by one-way ANOVA, $F(2,142) = 0.691$, $p = .0503$.

Although the data approached statistical significance it just came short of proving the existence of a relation between the groups, a Tukey post-hoc test revealed that the groups presented with the small and medium budget scenarios

responded more similar than those presented with the big budget scenario. Responses towards small budget were indifferent (51% yes to invest), slightly positive to medium budget (55% yes to invest) and even more towards big budget (61% yes to invest).

Test 2 - dependent variable: projected ROI of movies in slate (scenario 123) ANOVA: compare dependent variables: question like the ROI (Q8.7 Q8.8 Q8.9) against independent variable: budget (scenarios 1, 2, 3).

When comparing the same groups based on the scenario they were presented with by the expected Return On Investment of the movie category in their slate, the results were similar. But this time statistical significance was found between the groups, the one-way ANOVA ($F(2,142) = 0.929$, $p = .0397$). The result of the Tukey post-hoc test showed that when comparing the mean difference between the groups small vs medium ($p= .783$) and medium vs big ($p= .769$) were more similar than small vs big ($p= .363$). This is surprising because the ROI per budget category was most different for the small budget category at 1.58, while the ROI of medium at 1.85 and big at 1.95.

ANCOVA on test 1 and test 2, adding financial pro as a factor

When adding the factor "Financial professional" to test 1 and test 2 by performing an ANCOVA, the results were also insignificant test 1($p= .455$) and test 2 ($p= .326$). This shows that it also does not matter if someone works in the financial sector. His or her stance towards Film Slate Equity in terms of investing based on budget size and ROI will be equal to someone not working in the financial sector.

The conclusion of these two tests is that there is a good chance that it matters what budget category you propose to potential investors. More people were enthusiastic in the group as the budgets become larger; the difference in their reaction was almost significant. It came very close to statistical significance at $p = .0503$, but could not yet be proven. That said, what does matter is the expected Return on Investment that is presented. Investors are more likely to react positively to projected returns on investment. Based on the figures from Hofmann's research bigger budgets go hand in hand with higher returns on

investment.

Test 3 – Multivariate analysis of variance: Testing all dependent variables against independent variables, groups divided by budget size (scenarios 1 2 3)

The test revealed that there were three independent variables with significant correlations to one or more dependent variables. These are:

- Age, $F(1,142)=2.99$, $p= .004$
- Typical transaction amount, $F(1,142)=5.28$, $p < .0005$
- Transactions per year, $F(1,142)=2.43$, $p= .018$

The between subjects test revealed that Age (Q10.3) is a significant predictor for three dependent variables. The first is the amount that people consider to invest in Film Slate Equity, $F(2,142)=10.12$, $p= .002$. The second is the preference towards a budget size when they can choose any, $F(2,142)=19.44$, $p< .0005$. The third is the chance that a person would invest in Film Slate Equity if that were possible $F(2,142)=6.92$, $p = .010$.

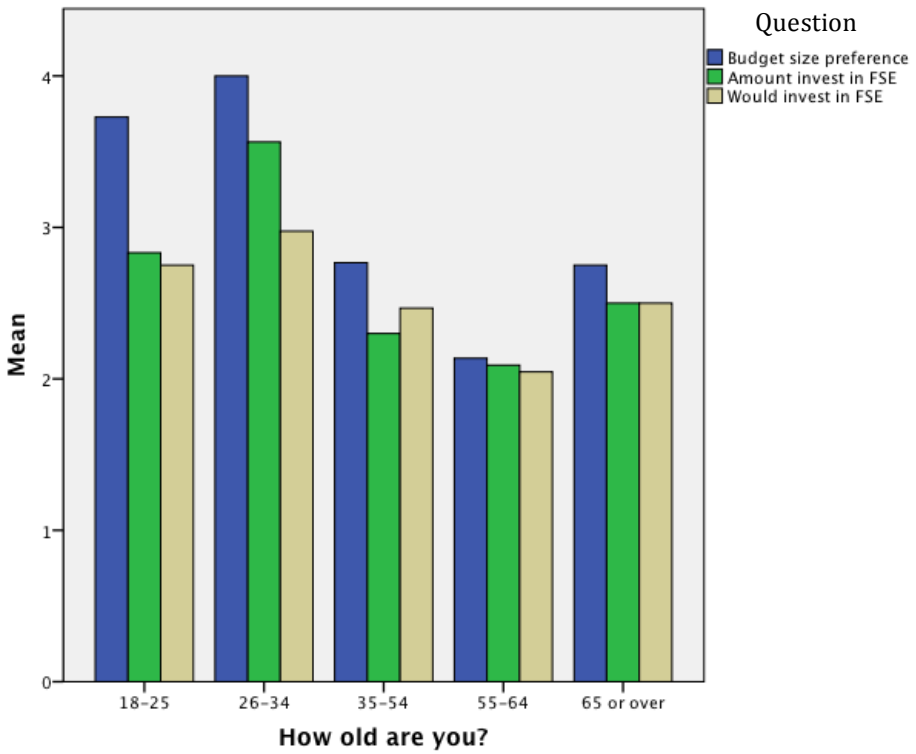

Figure 6. *Response means per age category*

The between subjects test revealed that investing activity based on the amounts that people typically invest per transaction (Q10.4) is another

significant predictor for the same three variables. The amount people would invest in Film Slate Equity, $F(2,142)=27.51$, $p<.0005$. The budget size preference, $F(2,142)=5.44$, $p= .021$. And the chance that they would invest in Film Slate Equity, $F(2,142)=10.61$, $p= .001$.

The between subjects test revealed that investing activity based on the number of transactions investors make per year (Q10.5) is a significant predictor for the general appeal of film slate equity, $F(2,142)=4.18$, $p= .043$).

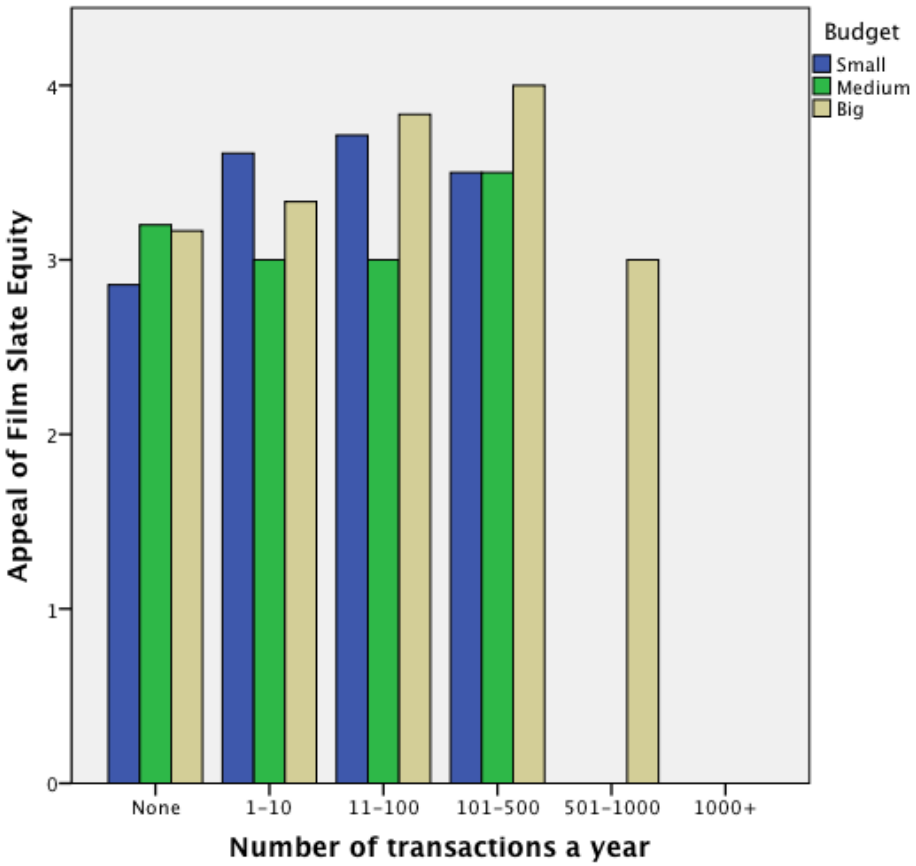

Figure 7. *Film Slate Equity appeal to active investors*

This concludes that people between 26 and 34 are slightly positive about Film Slate Equity, while people between 55-64 are very unlikely to invest such product. Investment activity in terms of the amount per transaction and the number of transactions were also related to the choices that people made. Although it is apparent that there is a relation, it would require a qualitative approach to fully uncover the reason for this pattern. A possible explanation might be found in the difference between generations, the baby boomers

generation might be more conservative in general or feel less comfortable investing in relatively uncharted areas. While a younger generation may feel more comfortable investing in an industry that they are relatively familiar with and whose products they are likely to consume on a regular basis. Another possible explanation could be the stage of life that the respondents are in. It would make sense that people close to their retirement do not feel much for a risky investment opportunity such as Film Slate Equity. They are at a point where their hard earned savings have to carry them forward for the remaining of their days. Younger people on the other hand might be willing to take a gamble, knowing that they still have many years of working ahead of them. With that in mind, any extra cash earned without much effort may be quite appealing to them.

Test 4 – MANOVA: checking all dependent variables against independent variables, groups divided by time period (scenarios A B)

Obviously this test is quite similar to test 3, except that this time the partitioning was established by time period instead of budget category. The test revealed that the same three independent variables had significant correlations to one or more dependent variables as in the previous test.

Significant predictors for correlation were:

- Age, $F(1,142)= 2.86$, $p= .006$
- Typical transaction amount, $F(1,142)= 5{,}38$, $p< .0005$
- Transactions per year, $F(1,142)= 2.24$, $p= .028$

The between subjects test revealed very similar results now that groups were compared according to the scenarios A & B as when they were divided based on scenarios 1, 2 & 3. Because only the *F* and *p* values were slightly different I found it more practical to display these results in the following table.

Source	Dependent Variable	Type III Sum of Squares	df	Mean Square	F	Sig.	Noncent. Parameter	Observed Power[i]
Age	Amount invest in FSE	20.170	1	20.170	9.733	.002	9.733	.872
Age	Budget size preference	32.830	1	32.830	18.430	.000	18.430	.989
Age	Would invest	8.561	1	8.561	6.996	.009	6.996	.747
Investor activity - Amount	Amount invest in FSE	55.165	1	55.165	26.620	.000	26.620	.999
Investor activity - Amount	Budget size preference	10.888	1	10.888	6.112	.015	6.112	.689
Investor activity - Amount	Would invest	15.120	1	15.120	12.354	.001	12.354	.937
Investor activity - Number	Like FSE in general	3.192	1	3.192	3.799	.053	3.799	.490

Table 6. *Significant effects of time period*

Looking at the results of only the significant dependent variables it comes to show that the people who were given the 3-year investment scenario were inclined to invest a larger amount. They also preferred to invest in larger budget sized movies than the 7-year group. The 7-year period had more respondents that would invest in Film Slate Equity and add it to their portfolio if possible.

	Period	Mean	Std. Deviation	N
Would invest in FSE	3 Year	3.19	1.039	79
	7 Year	3.31	.889	64
	Total	3.24	.973	143
Amount invest in FSE	3 Year	2.85	1.833	79
	7 Year	2.73	1.394	64
	Total	2.80	1.647	143
Budget size preference	3 Year	3.10	1.614	79
	7 Year	3.61	1.329	64
	Total	3.33	1.509	143
Add FSE to portfolio	3 Year	2.43	1.247	79
	7 Year	2.89	1.071	64
	Total	2.64	1.190	143

Table 7. *Descriptive Statistics Responses by Scenario A & B*

Test 5 – Independent-samples t-test, dependent variable: Time period

I asked one specific question regarding the proposed timeframe that the scenario presented to the respondents. This was: Do you find the proposed investment period, either 3 or 7 years, an attractive time frame. Responses could answer yes scored as 1 or no scored as 2. I grouped responses according to the presented scenario, these were: 3 year or 7 year investment period. I compared these groups with a t-test.

Period	N	Mean	Std. Dev.
3 Year	80	1.25	.44
7 Year	65	1.55	.50

Table 8. *Descriptive statistics scenario A & B*

Levene's Test for Equality of Variances	F	Sig.	t	df	Sig. (2-tailed)	Mean Difference	Std. Error Difference
Equal variances assumed	18.512	.000	-3.904	143	.000	-.30385	.07783
Equal variances not assumed			-3.848	127.758	.000	-.30385	.07896

Table 9. *Comparison of time periods 3 and 7 years*

The T-test indicated that there is a statistical significant difference between the two groups that were offered a respective 3 year and 7 year investment period ($p < .0005$). Time period proved to be an important factor. The 3 year period was considered attractive by most, while the 7 year period was considered unattractive by a small majority.

It became evident that many people did not like the 7 year investment period. The 3 year period on the other hand was considered a good timespan by most respondents. This means that respondents clearly favored a shorter time frame of the Film Slate Equity product. The conclusion I draw from this is that fund managers who would offer Film Slate Equity as a financial product can earn from this in two ways. The first is that he is likely to get more investors to partake in the fund if he or she offers a 3 year investment period. The second is slightly worrisome because it means people willingly accept that they receive less dividends of their investment as they hold the right to receive this for a

shorter time period. In fact, it seems that they actually prefer this to a longer time period which can obviously only increase and never decrease the total return on investment.

I can think of a few reasons that could explain this. First, it could be that my explanation of the scenario was vague and that people did not fully understand. Second, perhaps the respondents did not read the scenario carefully as I clearly stated: "… during this period Film Slate Equity will pay out the profits to all shareholders as dividends on an annual basis." It could be that they forgot about this or did not take the time to really think about what this implies. It means that the proceedings of the projects that were funded will be paid out every year, the more years you are entitled to receive dividend the more you will earn. The third explanation is that people could have made the wrong assumption, namely that the slate will equally distribute start of financing productions over the investment period. This is not the case, I did state the number of projects that will be financed and I kept the number of projects the same in all scenarios.

It is not logical that people would prefer to receive a share of the profits for three years rather than seven years, since the movies will be made at a rate regardless of the investment period. It does not mean you will get more money in a shorter time period, instead it can only become more the longer you have rights to the revenues. In reality the production rate will be defined by the production capacity of the studio. Smaller budget films can be manufactured at a much higher pace than big budget films, thus it could be so that it is practically not possible to create 15 big budget movies within 3 years. Let alone collecting the revenues of the films made later in the Film Slate Equity lifespan. Lower budget productions could be more easily made in time and also leave time to collect the majority of the expected profits, which usually takes place in the first 18 months after the premiere (clearly visualized in the scenarios). Due to the experiment setting it was necessary to maintain the same number of movies in the slate for all scenarios. This could not be changed in any way otherwise it would be a factor that might unintentionally influence the decisions.

As you can see there is never an advantage for the investor to choose a shorter lifespan. I cannot prove what causes people to decide in this way, my survey was not designed to find evidence for this occurrence. Reason for that is because I had not expected the 3 year period to be more popular because as I said it is less advantageous than the 7 year period under all circumstances. At most I thought there would be no significant difference between the two, because either groups were unaware of the alternative offer. I do acknowledge that I probably failed to clearly communicate that revenues from the financed projects would come back to investors on an annual basis. Despite that it is important that the results are still valid due to the experimental method. Respondents were only shown one of the two timeframes without knowing there was an alternative. When asked if they considered that timeframe attractive, they could only choose either yes or no. They were never asked to choose between 3 or 7 years nor were they ever informed about the possibility of the other timeframe that was presented to them.

Test 6– *Linear regression analysis on the 'big five' personality trait score*

I conducted regression analysis based on the level of "Extraversion" and Openness to new experiences" scores, these are two of the 'big five' personality traits. I compared these values with the question if people would invest in Film Slate Equity, to uncover if there is a relation between risk taking behavior and willingness to invest in Film Slate Equity. To accomplish this I computed two new variables from the 10 'big five' question, these were the sum of 5 questions that measured the Extraversion and Openness score. The purpose was to find out if there are any relations between personality type and the appeal of Film Slate Equity or the amount that people said they would invest in Film Slate Equity.

Variable 1*: Would like to invest in Film Slate Equity*

The regression indicated the 'risk level' based on the scores of Openness and Extraversion explain if people like to invest in Film Slate Equity for 7,8% (R^2= .078). This positive correlation is statistically significant (p= .003). I conclude from this that risk prone persons are fonder of Film Slate Equity than risk adverse people.

Trait	*B*	*SE B*	*β*
Openness	.066	.033	.167
Extraversion	.052	.022	.193
Constant	.975	.703	

Table 10. *Traits on dependent variable: would invest in FSE*

Variable 2: *amount of investment*

The regression revealed that the amount, which people are willing to invest, in FSE could be explained for 5% by they level of openness and extraversion (R^2= .050). Although this is a low number, the ANOVA indicates that it is significant (p= .026).

Trait	*B*	*SE B*	*β*
Openness	.055	.057	.081
Extraversion	.088	.038	.194
Constant	.130	1.216	

Table 11. *Traits on dependent variable: amount to invest in FSE*

I believe that I can explain why this regression seems weak yet relevant. The question asking about the amount that respondents would invest in FSE, was presented in brackets. A major determining factor to their answer is of course the capital that people have at their disposal. This makes it very complex to analyze and make any generalizations about the data. It does hint however, that risk prone investors are more likely to invest larger amounts. To me this seems a very reasonable explanation.

In addition to the previous two tests I also ran the scores on both Extraversion and Openness against the other variables but concluded that risk score had no relation to:

- ROI attractiveness
- Chance of investment in FSE
- Budget size preference
- Proposed period (3 or 7 year) attractive
- Proposed budget size (small, medium, big) attractive
- Regard of the number of movies in the slate (15)

- Regard for movies in general as investment opportunity

Additional remarks

The tests on the personality scores indicated that risk prone persons were slightly more eager to participate in FSE. However, I must say this division is a bit arbitrary because the scores on the big five-personality test that I based this on were relatively homogeneous. Meaning that the differences in personality type were not that great and therefore the sample may not have been diverse enough to truly compare risk prone against risk adverse personalities.

Another subgroup comparison was advised to me by an investment banker to make additional comparisons based on risk taking behavior in investments. To once more compare risk adverse versus risk prone investors, but this time based on the financial products they invest in. I created two groups by assigning values to the financial products that the respondents invested in, a high score indicated risk and a low score indicated safety. The products that raised this score are: stocks, futures, option, forex and speeders. The products that lowered the score are: bonds, mutual funds, exchange traded funds and warrants. Although this provided a satisfactory classification between the two types of investors, I was not able to find any significant differences between them in their assessment of any aspects of the neither scenarios nor affection towards Film Slate Equity.

This lead me to further investigate and compare investors versus non-investors based on their investment experience. Again I could find no difference, but the result was very important nonetheless. I used this to see which people are actually interested. Which to my surprise might actually have lead to a more valuable finding. Perhaps my initial assumption to aim for individual investors was wrong. It could be that film is so obvious that even people with no prior investment experience are equally interested in partaking as those who already invest their money in financial products.

I also did not find any significant difference in answers regarding Film Slate Equity, when I compared financial professionals (n=18) with the other respondents (n=127). Both groups were slightly optimistic towards Film Slate Equity as well as the proposed budget sizes. They were similarly divided when it

came down to the proposed time frames, as the 3 year period was favored over the 7 year period by both. The only difference between these groups was that, as could be expected, experience in investing and amounts that they invested.

6. Evaluation

Connecting the theory and operationalization of this study, I set out to explore if there are possibilities to realize what I named the Ouroboros concept. The idea based on both the stable paretian hypothesis *and* the long tail, is to have a large quantity of individual investors finance the most capital demanding investments. Investments would be relatively small amounts, much lower than existing co-finance agreements yet larger than typical crowdfunding pledges. The highest budget productions had been proven to be the most profitable investments.

However, since this is a very general concept I had to decide on a workable approach to inductively test the concept. I examined if the Ouroboros concept would work in reality by asking people what category of movies they would be willing to invest in, if they are willing to do so in the first place. I have done this by creating an experiment setting, in which the respondents were given one scenario that presents them with an investment proposition. In theory, the big budget movies provide the most profitable and safest investment opportunity. The research by Hofmann (2012) found a correlation between budget size and return on investment. The return on investment ratio was positively related to budget size. If respondents reacted more positively towards the big budget and gradually respond less interested in the medium and small budget sized productions, then I would conclude that there are grounds to believe that the Ouroboros concept might actually work in practice. Such a conclusion could not only be applicable to the film industry but could also be extended to other cultural product industries in the larger entertainment landscape, because these are essentially quite similar. Perhaps in other industries, the concept where small investments finance the pinnacle projects would work as well, better or worse. This could be scrutinized by another study.

7. Conclusion

The sample showed a sizable positive reaction to film slate equity, this suggests that there might be a market for Film Slate Equity as investment product. Yet the most valuable finding of this study is in my consideration the reaction that people had towards the investment period. I was quite surprised to discover a strong preference for the 3 year investment period and a substantial aversion for the 7 year period. This is interesting because it is an impediment to profit and could be used as a way to exploit investors by Film Slate Equity fund management.

Other significant factors were age and investment activity. The sample indicated that respondents in their twenties were relatively enthusiastic about Film Slate Equity, while respondents close to retirement were most pessimistic about the idea of investing in film. I do not have enough information to make statements that explain this in more detail, but it is safe to say that this may be problematic for Film Slate Equity to work. This because people tend to have more money at their disposal as they get closer to their retirement age. Although Film Slate Equity specifically accommodates funding on an individual investor level, it is obvious that $2000 is a lot more money for someone who just started his or her career than someone who is about to end it.

Continuing in that direction the majority who said to consider investing in Film Slate Equity, stated they would do so with less than $10 000 (61%), of which two thirds (43%) would only invest up to $5 000. Clearly this is far under the current available investment opportunity in studio productions offered to individual investors is the Senior Film Fund, which start around € 50 000 (Ingeniousmedia.co.uk, n.d.). These two investment possibilities are not exactly the same; the currently available options are senior debt financing which has significantly different prospects, as the rights to claim money are different from equity owners. But those differences aside, the Senior Film Fund is the closest current existing form of investment to what Film Slate Equity would be. If film equity investment would become as easy and low barrier as online crowdfunding, then film financing would be a realistic opportunity for individual investors level of participation. In turn that would mean for filmmakers that this

whole division of prospect financiers has true potential to become a new source of funding.

There was no preference towards any budget size to be found on based on the experiment. It did not matter which scenario people were presented with to make their decision to invest in Film Slate Equity. However, when asked which budget size they would prefer to invest in if given the chance, most people would select a slate consisting of medium budget sized films. Since this is a quantitative research I cannot provide evidence to say why most people choice this particular budget size, but I suspect a goldilocks effect. Meaning that people consider taking the middle choice as a 'safe route' just because they don not know enough about it. On the other hand, the Return On Investment that was depicted to the respondents clearly did matter. The ROI is different for each budget size category and reactions were gradually more positive as the ROI became higher.

Based on these two findings it became apparent that people do not base their investment decision on the budget size of films in the slate, but do care about the projected ROI. This proved that people without extensive knowledge on the film industry are in fact very capable of making the 'right' investment decision. That by itself is quite promising for Film Slate Equity as a product, because it indicates that 'ordinary people' are capable of valuating these investment propositions in a correct manner. Another result from the survey was that regular people and financial professional are equally interested or uninterested in Film Slate Equity.

An adaptation of the Big Five Personality test revealed that the sample was made up of respondents that scored high on the Openness to new experiences score and were also fairly Extraverted. Despite the slightly biased sample, it still confirmed that risk prone individuals are indeed more likely to participate with a Film Slate Equity initiative. This was already expected based on previous research towards investors their monetary allocation behavior and personal characteristics (Mayfield, Perdue, & Wooten, 2008). Evidently this does not exclusively apply to Film Slate Equity, but risk taking is an important factor if someone was to find financiers for such a product. For Film Slate Equity, this

could somewhat pinpoint the type of investors that might be interested in Film Slate Equity.

Before this research, I assumed that crowdfunders and individual investors were two very distinct groups with opposite interests. I thought the prior were only interested in films being made so that they could watch it and did not care about any other kind of reward for their support, whereas the later only cared about the financial upside and not about the product itself. Therefore I figured Film Slate Equity would only be appreciated by Individual Investors and not by crowdfunders or other people. However, after conducting this research I am convinced that being an individual investor or not is not a significant factor to determine if someone is interested in Film Slate Equity. It does not matter if you have extensive investing experience or none at all. What matters most is the proposed time frame and to some extends the return on investment that is projected.

7.1 New significance

From these conclusions I have come up with a number of possible implications.

1. *Studios can use a new source to finance their projects*

Currently there are some companies that already allow private investment in major Hollywood productions. But the entrance barrier starting at around 50 000 euros is rather high and far beyond the investment range of typical individual investors. The results of the survey corroborate that such amounts are much more than most people are able or willing to invest. Furthermore, many people are not even aware that financing Hollywood productions (to some extent) is currently possible.

2. *Film makers could break away from the studio*

Crowdfunding has popularized financing cultural products to the masses, but for small amounts. If this were combined with equity, then Film Slate Equity would become a reality. This could cause a shift in power, as the studios will have less control over the industry. It would be interesting to look at this on a

macro scale to find out what effect that has on the media conglomerates who own the Hollywood studios.

3. *Filling the gap between investing and crowdfunding*

Stock markets, financial products and investment vehicles are often found to be very confusing or too complex to understand. Movies on the contrary are much easier to assess, which makes investing in it more comprehensive. Crowdfunding initiatives have proven to work and showed that there is a considerable market for micro financing. If it is possible to add a potential return on investment to these transactions, then more people might start investing in something. Obviously this is the main point that this study attempted to address.

4. *The entertainment landscape may change*

This research found that most people would fund medium sized production budgets, if more of these film productions will be able to find financing it would shift the current proportions of the film industry. It would most definitely be an interesting development to examine further in the light of the paretian hypothesis and the Long tail. Especially since one predicts a status quo of blockbusters while the other promises a growth of niche products, yet both neglect the mid section.

5. *Film Slate Equity might fail*

Provided that Film Slate Equity or a similar product at some point is available, there is a very large chance that it is unsuccessful. Numerous factors threaten this concept from thriving; one for instance is if it were not executed with integrity. I already found at least one method to exploit the investors, or the fund management could engage in some 'creative accounting' like the Hollywood studios do. If this happens and people find out, it ruins the name of Film Slate Equity and the concept in general would probably be doomed. In the end, it cannot be expected that it is easy to establish a friendship between David and Goliath.

7.2 Limitations

In this section I will address the general limitations of my research, the data that I gathered and analysis thereof. The first and foremost limitation of this research is that I was aiming for a sample of at least 350 respondents. I failed to get this amount of respondents that I wanted. I am under the impression that people were put off by the amount of text in the scenario description or not appealed by the subject in general. This had its toll on the response rate, yet it also had its function by repelling uninterested people that would not have taken the survey seriously. I experimented with less text heavy scenarios during the pilot test stage, but my conclusion was that the scenario was not clear enough and respondents did not have a sufficient basis to answer all questions. Even now, some respondents still asked for additional information regarding the proposed investment opportunity.

Secondly, I was unable to have a sample consisting only of individual investors as I had originally planned. It was unfortunate that all my attempts to reach individual investors were hardly successful. Half of the sample eventually consisted of individual investors, the other half were people with no prior investing experience. The upside of this limitation is that I had another criteria to test against. Comparing individual investors with non-investors did not lead to any significant difference in appreciation of Film Slate Equity, which turned out to be an important finding.

Thirdly, a hypothetical question 'what if' was raised since FSE does not exist. It is likely that if Film Slate Equity were an actual investment product, some respondents who said they would participate with a certain amount would not really do it even if they think so now.

Fourthly, the possibility that some degree of reactivity exists in the data set is inherent to social studies. I do not exclude that some respondents may have felt the need to be overly positive, whether subconscious or intended. I say this because some people told me they did not fill out the questionnaire for the reason that they were not interested in investing in general. On one hand, this helped by excluding non-investors from the sample. However, it would have preferred to have their reactions as well, as it also helps to know the opinion of

respondents were not interested. The survey provided the opportunity to respond in any way people wanted since I tried to make it as objective as possible. Based on this I suspect that filling out the survey already made people biased towards investing in film. Still, there could also have been those who wished to express their dissatisfaction by responding exceptionally negative. Either way the final data set holds a fairly balanced amount of positive and negative responses.

Finally, this study tested feasibility of a film slate equity product. This is a form of equity finance in which investors become part owners of the productions they invest in. There are several other options to finance film productions however, such as debt financing. This exists in many different forms namely, Pre-sales, negative pickup, gap financing which are much less risky than equity financing because mezzanine or senior debt has the right to the revenue before equity partners or even junior debt. Therefore, these forms of film financing could be better suited to the needs of individual investors. This study was not able to test which form of film financing individual investors would favor most.

7.3 Recommendations for future research

Aside from the occasional call from more research in previous sections, I have some further suggestions that might be investigated.

It could be useful to perform another experiment as this one was intended, but with more respondents. This was the greatest failure of this study and it would be best to test the findings on a larger sample before using them for further purposes. As of now the planned setup of testing six scenarios could not take place due to the small sample size, as well as having a sample consisting only of individual investors. I advice to collaborate with a bank or broker before doing anything else, to make sure they cooperate before hand.

Replicating this study but changing the product from film in other cultural products in the entertainment industry could provide useful new insights. I specifically recommend performing a similar study but aimed at the video games industry. Movies and video games have a lot of common characteristics in terms of production and distribution. The blockbuster titles in both industries are capital intense operations, whereas books and music are much cheaper. In recent years the video game sector has already outgrown the film sector to become the largest part of the greater entertainment industry and it is still expanding at the time of writing.

Change from slate into an individual project based offer. This could be tested against the results of this study. I specifically choose for slate arrangements because this spreads the risk considerably, making it more suitable for inexperienced outsiders to participate. However, it would be interesting to find out if people would actually prefer to hand pick each project they want to help finance. Some respondents of this research remarked in the comments section at the end of the survey that they would only invest if they had more information on the films that they were to participate in.

Another area that could be explored is using other financial products as a basis behind the Ouroboros concept. Senior debt in the form of gap financing has great potential, or otherwise some kind of mezzanine financing. Although these are more complex to understand, they might provide much safer investment

opportunities for individual investors. I specifically choose equity, because giving money in return for part ownership seemed the most simplistic model to test. Eventually even this proved to be rather difficult to explain.

Finally, it could be investigated if Film Slate Equity could work without any studio involvement. Meaning direct contact between investors and filmmakers. Without doubt the studios will always be the first to take a large share of the profit and are a constant burden to investors in the film industry. If it is possible to cut them out of the chain, it may be much more realistic to establish a viable business model. The solution can probably be found by exploring alternative distribution systems, because the studios control over the existing networks is currently their last stronghold.

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Appendices

Appendix A – Online Questionnaire

The Film Slate Equity Survey

Q1.1 Welcome, my name is Olaf Jacobson. I am currently working on my master thesis in the Media & Business program at the Erasmus University in Rotterdam, the Netherlands. Thank you for participating in this research on Film Slate Equity.

This is a new financial product that allows individual investors to purchase shares of a slate, which is a portfolio of Hollywood studio produced movies. The aim of this research is to find out if there is a demand for such a financial product, and if so, how the product should be configured to meet the needs of investors.

Please consider the scenario as if it were presented to you as a real opportunity to invest in.

The survey takes about 10-15 minutes to complete.

Overview of all scenarios

Scenario	Budget size	Time frame	Total capital	ROI	Std. Dev.	ROI < 1
1a	up to $21M	3 Years	$250M	1.58	1.09	28.57%
1b	up to $21M	7 Years	$250M	1.58	1.09	28.57%
2a	$21M - $65M	3 Years	$250M	1.85	1.31	28.57%
2b	$21M - $65M	7 Years	$250M	1.85	1.31	28.57%
3a	at least $70M	3 Years	$250M	1.95	0.56	0%
3b	at least $70M	7 Years	$250M	1.95	0.56	0%

Table A1, scenario overview

Template text (scenario 1a)

Q2.1 You receive the following investment proposition:

Your broker presents you with the possibility to buy shares of a "Film Slate Equity" fund, which will partially finance a slate of Hollywood studio productions. A 'slate' simply means a group of movies. The studio that develops the movie is Warner Bros. Pictures. All movies made with this money have a budget size up to **$21M**, which is considered a **small budget production**.

*Return on investment**

The 2006-2007 figures of such co-financed films show a **return on investment** of 1.58 on average (ROI of 1 is break even), with a standard deviation of 1.09. The percentage of these films that did not reach break even was 28,57%. These results obtained in the past are no guarantee for future results. This figure shows

the ROI of the films, overhead costs of the studio and fund management will still be deducted from the revenue.

Time frame

When you decide to invest in Film Slate Equity, you make a deposit that cannot be withdrawn nor traded while the product is active. The lifetime of Film Slate Equity is 3 years, during this period Film Slate Equity will pay out the profits to all shareholders as **dividends on an annual basis.**

Total film slate

The slate will consist of **15 movie productions**. The total amount of capital raised through Film Slate Equity is **$300 million USD**. The rest of the capital is provided by other sources, Warner Bros. Pictures manages this process. These other sources have an equal right to the proceedings as shareholders of Film Slate Equity.

Genres

The studio executives will decide the type of movies that will be made. They will choose the projects based on their own expertise and contemporary market trends, but a variety of all popular genres will be present in the slate.

Practical matters

Before the 3-year time frame begins, there will be a lead time (of maximum 6 months) to accumulate all funds. Once this is done the investment period will start. If the goal is not reached all funds will be returned to the investors. Film Slate Equity will finance multiple projects. All productions will start and also be released at different points in time. Financing can take place at any of the three production phases, thus does not have to be from the start of pre-production. The illustration** below shows a typical life cycle of motion pictures. You can see the typical breakdown of costs and profits during each phase. However, production time may vary per project. The lion's share of revenues on the other hand is predominantly made during the first 18 months after the initial release.

*Based on a research by Hofmann, K.H. (2012) Co-Financing Hollywood Film Productions with Outside Investors. Springer.
** Based on a research by Ferrari, M. J., &Rudd, A. (2008). Investing in movies. Journal of Asset Management, 9(1),22-40.

Q2.2 Summary of the Film Slate Equity fund

Fund information			Movie category information			
Time frame	Films	Total capital	Budget size	ROI	Std. Dev.	ROI < 1
3 Years	15	$300M	up to $21M	1.58	1.09	28.57%

Q2.3 Film life cycle: Expenditures and Revenues against Time

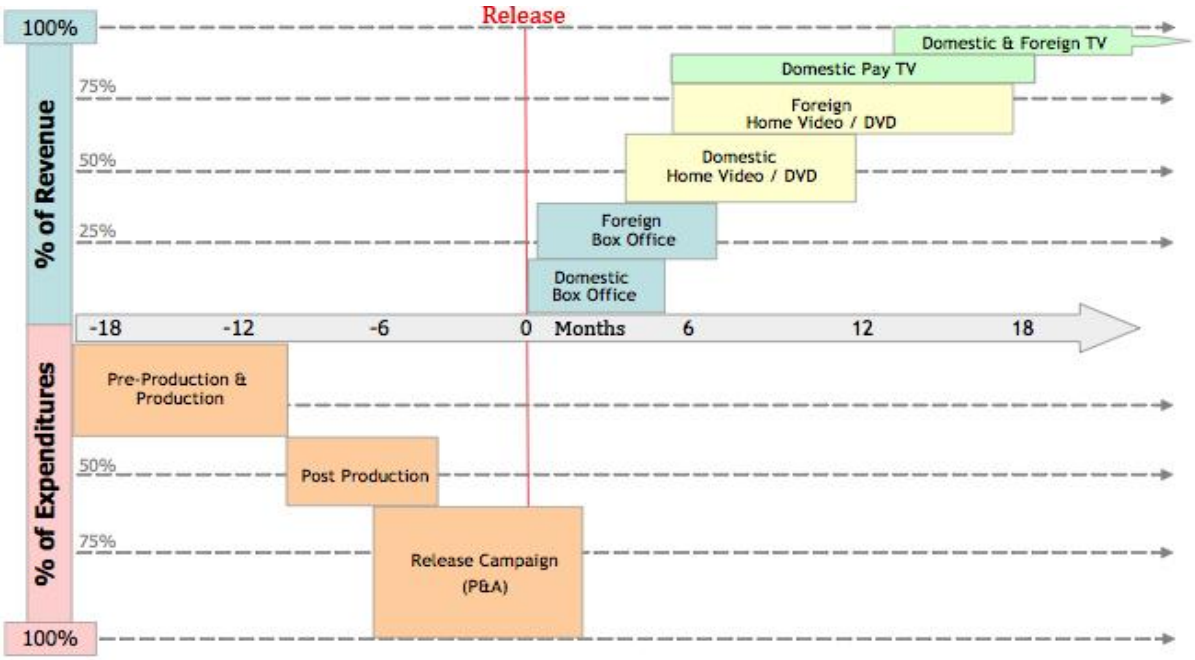

Figure A1, Typical film lifecycle

[**Note:** Scenarios 1b, 2a, 2b, 3a & 3b making up Q3 to Q7 are not shown here, they are exactly the same as Scenario 1a except for the details depicted in the overview table]

Q8.1 Based on the given scenario, please give your opinion on the following statements [You can go back to the first page without losing progress]

	Strongly Disagree (1)	Disagree (2)	Neither Agree nor Disagree (3)	Agree (4)	Strongly Agree (5)
I would like to invest in Film Slate Equity (1)	❍	❍	❍	❍	❍
I think movies in general are a good investment (2)	❍	❍	❍	❍	❍
I like the number of movies (15) in the slate (3)	❍	❍	❍	❍	❍

Answer If Scenario 1a Is Displayed Or Scenario 1b Is Displayed

Q8.2 The slate is composed of movies with a small budget size (up to $21M), would you invest in this slate?

- ❍ Yes (1)
- ❍ No (2)

Answer If Scenario 2a Is Displayed Or Scenario 2b Is Displayed

Q8.3 The slate is composed of movies with a medium budget size ($21M - $65M), would you invest in this slate?

- ❍ Yes (1)
- ❍ No (2)

Answer If Scenario 3a Is Displayed Or Scenario 3b Is Displayed

Q8.4 The slate is composed of movies with a big budget size (at least $70M), would you invest in this slate?

- ❍ Yes (1)
- ❍ No (2)

Answer If Scenario 1a Is Displayed Or Scenario 2a Is Displayed Or Scenario 3a Is Displayed

Q8.5 Do you find the proposed 3 year investment period an attractive time frame?

- ❍ Yes (5)
- ❍ No (6)

Answer If Scenario 1b Is Displayed Or Scenario 2b Is Displayed Or Scenario 3b Is Displayed

Q8.6 Do you find the proposed 7 year investment period an attractive time frame?

- ❍ Yes (5)
- ❍ No (6)

Answer If Scenario 1a Is Displayed Or Scenario 1b Is Displayed

Q8.7 Do you consider the potential Return On Investment ratio of 1.58 (meaning a 58% profit) attractive?

- ❍ Yes (1)
- ❍ No (2)

Answer If Scenario 2a Is Displayed Or Scenario 2b Is Displayed

Q8.8 Do you consider the potential Return On Investment ratio of 1.85 (meaning a 85% profit) attractive?

- ❍ Yes (1)
- ❍ No (2)

Answer If Scenario 3a Is Displayed Or Scenario 3b Is Displayed

Q8.9 Do you consider the potential Return On Investment ratio of 1.95 (meaning a 95% profit) attractive?

- ❍ Yes (1)
- ❍ No (2)

Q8.10 How much would you invest in Film Slate Equity

- ❍ Nothing (1)
- ❍ $1-$999 (2)
- ❍ $1000 – $4999 (3)
- ❍ $5000 – $9 999 (4)
- ❍ $10 000 – $99 999 (5)
- ❍ More than $100 000 (6)

Q8.11 I would prefer to invest in movies with a budget size of

- ❍ None (1)
- ❍ Indie film ((2)
- ❍ Small (< $21 Million) (3)
- ❍ Medium ($21-$65 Million) (4)
- ❍ Big (>$70 Million) (5)

Q8.12 Generalization of movie categories by budget size:

Indie film - primarily made for aesthetic reasons rather than profit, produced without involvement of a major studio

Small (<$21M) - Not always released in theaters outside of the US, but do usually have a name actor/actress involved

Medium ($21M - $65M) - Released in most theaters around the world, starring well-known actors

Big (>$70M) - Blockbusters, usually contain a lot of special effects and very famous actors/actresses and directors are involved in the production

Q8.13 Chances you will invest in Film Slate Equity

	Very Unlikely (1)	Unlikely (2)	Undecided (3)	Likely (4)	Very Likely (5)
How likely is it that you would diversify your portfolio with Film Slate Equity? (1)	❍	❍	❍	❍	❍

Answer If Do you find the proposed 3 year investment period&nb... Disagree Is Selected Or Do you find the proposed 7 year investment period&nb... Disagree Is Selected

Q8.14 What investment period in years would you then consider attractive?

Investment time frame of (1)

Answer If Do you consider the potential Return On Investment ratio ... No Is Selected Or Do you consider the potential Return On Investment ratio ... No Is Selected Or Do you consider the potential Return On Investment ratio ... No Is Selected

Q8.15 What Return On Investment ratio would you instead consider attractive?

Return On Investment of (1)

Q8.16 Timing

First Click (1)
Last Click (2)
Page Submit (3)
Click Count (4)

Q9.1 A few questions regarding your personality

	Strongly Disagree (1)	Disagree (2)	Neither Agree nor Disagree (3)	Agree (4)	Strongly Agree (5)
I value aesthetic experiences. (1)	❍	❍	❍	❍	❍
I have a vivid imagination. (2)	❍	❍	❍	❍	❍
I am quick to understand things. (3)	❍	❍	❍	❍	❍
I spend time reflecting on things. (4)	❍	❍	❍	❍	❍
I am full of ideas. (5)	❍	❍	❍	❍	❍

Q9.2 And a few more questions regarding your personality

	Strongly Disagree (1)	Disagree (2)	Neither Agree nor Disagree (3)	Agree (4)	Strongly Agree (5)
I generate a lot of enthusiasm. (1)	❍	❍	❍	❍	❍
I start conversations. (2)	❍	❍	❍	❍	❍
I feel comfortable around people. (3)	❍	❍	❍	❍	❍
I am talkative. (4)	❍	❍	❍	❍	❍
I am not shy. (5)	❍	❍	❍	❍	❍

Q10.1 Almost finished. This is the last part, I will just ask you for some general demographic information. Under no circumstances will your information be used for anything else than this research.

Q10.2 What is your gender?

❍ Female (1)
❍ Male (2)

Q10.3 How old are you?

❍ Under 13 (1)
❍ 13-17 (2)
❍ 18-25 (3)
❍ 26-34 (4)
❍ 35-54 (5)
❍ 55-64 (6)
❍ 65 or over (7) _____

Q10.4 How much do you typically invest per transaction?

- ❍ I do not invest (1)
- ❍ $1 - $999 (2)
- ❍ $1,000 - $4,999 (3)
- ❍ $5,000 - $9,999 (4)
- ❍ $10,000 - $49,999 (5)
- ❍ $50,000 - $99,999 (6)
- ❍ Over $100,000 (7)

Q10.5 How many number of transactions do you make on an annual basis?

- ❍ None (1)
- ❍ 1-10 (2)
- ❍ 11-100 (3)
- ❍ 101-500 (4)
- ❍ 501-1000 (5)
- ❍ More than 1000 (6)

Q10.6 What kind of financial products do you currently invest in or have done so in the past? (Multiple answers possible)

- ❑ Stocks (1)
- ❑ Bonds (2)
- ❑ Futures (3)
- ❑ Options (4)
- ❑ Forex (5)
- ❑ Mutual funds (6)
- ❑ Exchange-traded funds (7)
- ❑ Warrants (8)
- ❑ Speeders (9)
- ❑ Others (10) _____
- ❑ I do not invest in any financial products (11)

Q10.7 Years of investment experience

- ❍ None (1)
- ❍ Less than 1 Year (2)
- ❍ 1-5 Years (3)
- ❍ 5-10 Years (4)
- ❍ 10-25 Years (5)
- ❍ More than 25 Years (6)

Q10.8 What is your annual salary in U.S. dollars?

- ❍ $0 - $25,000 (1)
- ❍ $25,001 - $50,000 (2)
- ❍ $50,001 - $75,000 (3)
- ❍ $75,001 - $100,000 (4)
- ❍ $100,001 - $125,000 (5)
- ❍ $125,001 - $150,000 (6)
- ❍ $150,001 - $175,000 (7)
- ❍ $175,001 - $200,000 (8)
- ❍ $200,001+ (9)

Q10.9 What is the highest level of education you have completed?

- ❍ Less than High School (1)
- ❍ High School / GED (2)
- ❍ Some College (3)
- ❍ 2-year College Degree (4)
- ❍ 4-year College Degree (5)
- ❍ Bachelors Degree (6)
- ❍ Masters Degree (7)
- ❍ Doctoral Degree (8)
- ❍ Professional Degree (JD, MD) (9)

Q10.10 Do you work in financial services or a related profession?

- ❍ Yes (1)
- ❍ No (2)

Q10.11 Timing

First Click (1)
Last Click (2)
Page Submit (3)
Click Count (4)

Q11.1 That's it! Thank you for your participation in this research, it is very much appreciated. Please enter your email address below if you wish to be informed about the results of this study. This is NOT required.

Q11.2 I would like to be informed about the results of this study

- ❍ Yes (1)
- ❍ No (2)

Q11.3 Your email address to receive the results of this study

Q11.4 If you would like to invest in Film State Equity when this will be possible, please leave your contact details

Name (1)
Address (2)
Address 2 (3)
City (4)
State (5)
Postal Code (6)
Country (7)

Q11.5 If you have any comments or remarks, feel free to state them here

Appendix B – Raw dataset FSE Survey Responses

1. Based on the given scenario, please give your opinion on the following statements [You can go back to the first page without losing progress]

#	Question	Strongly Disagree	Disagree	Neither Agree nor Disagree	Agree	Strongly Agree	Total Responses	Mean
1	I would like to invest in Film Slate Equity	✔ 9	✔ 30	✔ 38	✔ 67	✔ 5	149	3.19
2	I think movies in general are a good investment	✔ 6	✔ 31	✔ 41	✔ 60	✔ 11	149	3.26
3	I like the number of movies (15) in the slate	✔ 3	✔ 22	✔ 51	✔ 68	✔ 5	149	3.34

2. How much would you invest in Film Slate Equity

#	Answer		Response	%
1	✔ Nothing		45	30%
2	✔ $1-$999		26	17%
3	✔ $1000 – $4999		29	19%
4	✔ $5000 – $9 999		19	13%
5	✔ $10 000 – $99 999		17	11%
6	✔ More than $100 000		13	9%
	Total		149	100%

3. The slate is composed of movies with a small budget size (up to $21M), would you invest in this slate?

#	Answer		Response	%
1	✔ Yes		26	51%
2	✔ No		25	49%
	Total		51	100%

4. I would prefer to invest in movies with a budget size of

#	Answer		Response	%
1	✔ None		35	23%
2	✔ Indie film (		8	5%
3	✔ Small (< $21 Million)		21	14%
4	✔ Medium ($21-$65 Million)		46	31%
5	✔ Big (>$70 Million)		39	26%
	Total		149	100%

5. Do you consider the potential Return On Investment ratio of 1.58 (meaning a 58% profit) attractive?

#	Answer		Response	%
1	✔ Yes		42	82%
2	✔ No		9	18%
	Total		51	100%

6. Chances you will invest in Film Slate Equity

#	Question	Very Unlikely	Unlikely	Undecided	Likely	Very Likely	Total Responses	Mean
1	How likely is it that you would diversify your portfolio with Film Slate Equity?	✔ 40	✔ 24	✔ 40	✔ 44	✔ 1	149	2.61

7. Timing

#	Answer	Average Value	Standard Deviation
1	First Click	12.51	20.30
2	Last Click	166.20	544.03
3	Page Submit	118.36	371.43
4	Click Count	3.33	5.14

8. What is your gender?

#	Answer		Response	%
1	✔ Female		56	39%
2	✔ Male		87	61%
	Total		143	100%

9. How old are you?

#	Answer		Response	%
1	✔ Under 13		0	0%
2	✔ 13-17		0	0%
3	✔ 18-25		48	34%
4	✔ 26-34		39	27%
5	✔ 35-54		30	21%
6	✔ 55-64		22	15%
7	✔ 65 or over		4	3%
	Total		143	100%

10. How much do you typically invest per transaction?

#	Answer		Response	%
1	✔ I do not invest		70	49%
2	✔ $1 - $999		17	12%
3	✔ $1,000 - $4,999		29	20%
4	✔ $5,000 - $9,999		12	8%
5	✔ $10,000 - $49,999		13	9%
6	✔ $50,000 - $99,999		1	1%
7	✔ Over $100,000		1	1%
	Total		143	100%

11. How many number of transactions do you make on an annual basis?

#	Answer		Response	%
1	✔ None		65	45%
2	✔ 1-10		51	36%
3	✔ 11-100		20	14%
4	✔ 101-500		6	4%
5	✔ 501-1000		1	1%
6	✔ More than 1000		0	0%
	Total		143	100%

12. What kind of financial products do you currently invest in or have done so in the past? (Multiple answers possible)

#	Answer		Response	%
1	✔ Stocks		70	49%
2	✔ Bonds		38	27%
3	✔ Futures		7	5%
4	✔ Options		15	10%
5	✔ Forex		5	3%
6	✔ Mutual funds		52	36%
7	✔ Exchange-traded funds		4	3%
8	✔ Warrants		3	2%
9	✔ Speeders		9	6%
10	✔ Others		8	6%
11	✔ I do not invest in any financial products		52	36%

Others
retirement fund, life insurance
Special Deposit Account
Index funds
Deviraten
RESP
investment funds

13. Years of investment experience

#	Answer		Response	%
1	✔ None		55	38%
2	✔ Less than 1 Year		10	7%
3	✔ 1-5 Years		29	20%
4	✔ 5-10 Years		19	13%
5	✔ 10-25 Years		26	18%
6	✔ More than 25 Years		4	3%
	Total		143	100%

14. What is your annual salary in U.S. dollars?

#	Answer		Response	%
1	✔ $0 - $25,000		61	44%
2	✔ $25,001 - $50,000		23	17%
3	✔ $50,001 - $75,000		15	11%
4	✔ $75,001 - $100,000		9	7%
5	✔ $100,001 - $125,000		13	9%
6	✔ $125,001 - $150,000		9	7%
7	✔ $150,001 - $175,000		4	3%
8	✔ $175,001 - $200,000		2	1%
9	✔ $200,001+		2	1%
	Total		138	100%

15. What is the highest level of education you have completed?

#	Answer		Response	%
1	✔ Less than High School		0	0%
2	✔ High School / GED		7	5%
3	✔ Some College		8	6%
4	✔ 2-year College Degree		9	6%
5	✔ 4-year College Degree		33	23%
6	✔ Bachelors Degree		51	36%
7	✔ Masters Degree		27	19%
8	✔ Doctoral Degree		8	6%
9	✔ Professional Degree (JD, MD)		0	0%
	Total		143	100%

16. Do you work in financial services or a related profession?

#	Answer		Response	%
1	✔ Yes		18	13%
2	✔ No		125	87%
	Total		143	100%

17. Timing

#	Answer	Average Value	Standard Deviation
1	First Click	8.00	16.13
2	Last Click	86.24	53.65
3	Page Submit	84.09	56.57
4	Click Count	12.48	2.89

18. I would like to be informed about the results of this study

#	Answer		Response	%
1	✔ Yes		52	39%
2	✔ No		81	61%
	Total		133	100%

19. Your email address to receive the results of this study

Statistic	Value
Total Responses	51

20. If you have any comments or remarks, feel free to state them here

Statistic	Value
Total Responses	22

21. If you would like to invest in Film State Equity when this will be possible, please leave your contact details

Statistic	Value
Total Responses	18

28. The slate is composed of movies with a medium budget size ($21M - $65M), would you invest in this slate?

#	Answer		Response	%
1	✔ Yes		29	55%
2	✔ No		24	45%
	Total		53	100%

29. The slate is composed of movies with a big budget size (at least $70M), would you invest in this slate?

#	Answer		Response	%
1	✔ Yes		31	61%
2	✔ No		20	39%
	Total		51	100%

30. Do you find the proposed 3 year investment period an attractive time frame?

#	Answer		Response	%
5	✔ Yes		62	74%
6	✔ No		22	26%
	Total		84	100%

31. Do you find the proposed 7 year investment period an attractive time frame?

#	Answer		Response	%
5	✔ Yes		30	44%
6	✔ No		38	56%
	Total		68	100%

32. Do you consider the potential Return On Investment ratio of 1.85 (meaning a 85% profit) attractive?

#	Answer		Response	%
1	✔ Yes		47	89%
2	✔ No		6	11%
	Total		53	100%

33. Do you consider the potential Return On Investment ratio of 1.95 (meaning a 95% profit) attractive?

#	Answer		Response	%
1	✔ Yes		48	94%
2	✔ No		3	6%
	Total		51	100%

34. What investment period in years would you then consider attractive?

Statistic	Value
Total Responses	0

35. What Return On Investment ratio would you instead consider attractive?

Return On Investment of
2,5
1
2
2.0
2.50
2
5.0
25
1.8
1.99

36. A few questions regarding your personality

#	Question	Strongly Disagree	Disagree	Neither Agree nor Disagree	Agree	Strongly Agree	Total Responses	Mean
1	I value aesthetic experiences.	✔ 0	✔ 4	✔ 22	✔ 89	✔ 30	145	4.00
2	I have a vivid imagination.	✔ 1	✔ 7	✔ 20	✔ 73	✔ 44	145	4.05
3	I am quick to understand things.	✔ 0	✔ 3	✔ 30	✔ 85	✔ 27	145	3.94
4	I spend time reflecting on things.	✔ 1	✔ 4	✔ 11	✔ 81	✔ 48	145	4.18
5	I am full of ideas.	✔ 1	✔ 10	✔ 29	✔ 69	✔ 36	145	3.89

37. And a few more questions regarding your personality

#	Question	Strongly Disagree	Disagree	Neither Agree nor Disagree	Agree	Strongly Agree	Total Responses	Mean
1	I generate a lot of enthusiasm.	✔ 1	✔ 12	✔ 41	✔ 71	✔ 20	145	3.67
2	I start conversations.	✔ 3	✔ 23	✔ 34	✔ 67	✔ 18	145	3.51
3	I feel comfortable around people.	✔ 2	✔ 10	✔ 32	✔ 81	✔ 20	145	3.74
4	I am talkative.	✔ 2	✔ 22	✔ 44	✔ 56	✔ 21	145	3.50
5	I am not shy.	✔ 2	✔ 19	✔ 32	✔ 74	✔ 18	145	3.60

The full data set is digitally available upon request;
please contact omrjacobson@gmail.com if you are interested.