

# MARKETING COLLOQUIA

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**Where:** 741 JMHH

**When:** 12:00 PM to 1:20 PM

## **IMITATION VS. INNOVATION: PRODUCT SIMILARITY NETWORK IN THE MOTION PICTURE INDUSTRY**

**ABSTRACT:** This paper studies product entry when firms learn about a potential product from the market performance of previous similar products. Focusing on the U.S. motion picture industry, we construct a network capturing the similarity amongst the movies released in the last decades. We develop a model of how the network evolves. Risk-averse firms make investment choices on candidate products that arrive over time and can be either novel or similar to various previous products. By estimating the model and conducting counter-factual experiments, we demonstrate that learning matters and provide insights on the innovation vs. imitation tradeoff. In particular, we find that one firm benefits substantially from the learning of the other firms. We find that big-budget movies benefit more from imitation, but small-budget movies favor novelty. This leads to interesting market dynamics that cannot be produced by a model without learning.