Proceedings of ICIHCS 2025 Symposium: Literature as a Reflection and Catalyst of Socio-cultural Change
DOI: 10.54254/2753-7064/2025.NS29286

Research on the Investment Model of Universal Pictures

Entong Qin

The University of Birmingham, Birmingham, United Kingdom
EXQ508@student.bham.ac.uk

Abstract. The film and television industry, as one of the core categories of the entire cultural industry, is worth paying attention to. However, the investment environment in the film and television industry is complex and ever-changing. Successful investment not only requires in-depth analysis of market trends, but also a comprehensive understanding of the operational models of individual companies. As a world leading film and television production and distribution company, Universal Pictures' performance in the market deserves attention and research. Universal Pictures' profit model is diversified, with its main sources of revenue including box office revenue, video sales, streaming licenses, and merchandise sales. The success of Universal Pictures in film and television investment relies on its accurate control of market dynamics and box office forecasting models, flexible response to international market layout, and effective implementation of risk management. In the future, with the continuous development of the industry, Universal Pictures will need to remain sensitive to emerging markets and technological changes to ensure its competitive advantage in the global film and television industry.

Keywords: global company, investment characteristics, investment strategy, profit, risk

1. Introduction

Investment refers to the economic behavior of economic entities in which they invest in money, physical or intangible assets and other resources in advance and bear corresponding risks in order to obtain expected returns in the future.

In simple terms, it is "spend money/invest resources now in order to make more money or get other benefits later". For example, buying stocks in anticipation of rising stock prices or dividends, enterprises investing funds to build factories to expand production, and individuals purchasing funds to entrust professional institutions to manage their finances, are all investment behaviors. In the context of today's vigorous development of the global cultural industry, the film and television industry undoubtedly occupies a pivotal position. Film and television are not only the main way of people's daily entertainment and leisure, but also the key driving force for cultural dissemination, value output and the development of related industries. Among the many film and television industry participants, the investment trends of global companies are particularly noteworthy. Universal, as one of the giants in the field of film and television, has a long history and deep industry accumulation. It has demonstrated excellent foresight and precision in investment

DOI: 10.54254/2753-7064/2025.NS29286

decisions. In-depth study of the investment strategies and practices of global companies is of great reference value for other companies in the industry to choose their development paths.

2. The evolution of the mainstream investment model of global films

Founded in 1912, Universal Pictures is one of the oldest film studios in the United States, founded by Carl ACarl Laemmle founded the company by merging with other small producers.

In the 1980s, Universal expanded its international market, particularly operating in cinemas in Europe and Asia, and in the 1990s, Universal faced the rise of new competitors such as Pixar Animation Studios. To address this challenge, Universal has increased its investment in technology and innovation, collaborating with advanced special effects companies to improve the quality of its films.

In the 2000s, Universal further reorganized and expanded its business through acquisitions and partnerships, and in 2004 it acquired DreamWorks Productions, greatly increasing its influence in the field of cartoons and entertainment content. In addition, Universal has established partnerships with many streaming platforms to ensure that its films can be distributed on multiple channels. This strategy was validated after the successful release of "Transformers" (2007), marking an increase in its global marketing capabilities.

As of 2023, Universal Pictures' position in the global film market remains solid, and the flexibility of its business model and market strategy provides a guarantee for its continued development. The history of Universal Pictures is not only an important part of the American film industry, but also a microcosm of the development of the global film industry, showing the interaction between film production and market demand. Through continuous innovation and market adaptability, Global has become a leader in the industry.

2.1. Traditional mainstream investment model

Relying on the capital support of its parent company Comcast, Universal Pictures develops a series of IPs such as "Despicable Me" through its Illumination, and on the other hand, with the help of NBCUniversal's TV network, Universal theme parks, etc. etcPeacock's streaming platform enables multi-window monetization. This internalization strategy not only reduces project negotiation and transaction costs, but also balances the potential losses of experimental works with high-return projects such as "Jurassic Park" through the risk pooling mechanism. However, this model requires extremely high capital scale and requires all project risks, so studios often hedge their risks by introducing external capital such as slate financing.

2.1.1. Pre-sale financing

A financing method in which film producers pre-sell distribution rights or other copyrights in specific regions to distributors or platforms in advance before the production of the film is completed, and then use these pre-sale contracts as collateral to obtain funds from financial institutions or other investors. Through pre-sale financing, manufacturers can obtain payment in advance to solve the problem of lack of working capital, but they have to pay a certain financing cost; Retailers who pre-order products in advance and pay for the goods need to pay a certain capital cost, but they can get a certain price discount [1].

DOI: 10.54254/2753-7064/2025.NS29286

2.1.2. Joint investment

Fast & Furious 7 is a quintessential Hollywood blockbuster made through co-investment. The series has always been led by Universal Pictures, but there will be other investors involved in the production process. From a co-production perspective, while Fast & Furious 7 is primarily a U.S. production, it has an extensive network of distribution and collaborations worldwide. Through cooperation with China Film, Universal Pictures can better develop the Chinese market, and China Film can also benefit from the success of the film, realizing shared risks and benefits. Due to the ubiquity of co-investment and its importance in venture capital, co-investment has become an important topic in venture capital research [2].

2.1.3. Government subsidies and tax incentives

Many countries and regions provide cash backs, tax deductions, fund subsidies, etc. to promote the development of the local film industry and culture. This is an important factor that influences investment decisions and the choice of filming location. Government funding and tax incentives have had a positive impact on the film industry in many ways. First, it can attract more funds to invest in the film industry, especially for some small and medium-budget films and independent film projects, and government support may be the key to its smooth production and distribution. Secondly, these policies help improve the competitiveness of domestic or regional films, and by reducing costs, film production companies can spend more money on the creativity and production of films and improve the quality of films. In addition, government funding and tax incentives can also guide the creative direction of film companies, encourage the production of more film works with cultural connotation and social value, and promote cultural dissemination and exchange [3].

3. Modern innovative investment model

3.1. Complete film guarantee

For production companies, completion guarantees are effective measures to reduce the risk of film and television project production, promote phased value output in the film and television value chain, and improve the survival rate of projects [4]. As a Hollywood A-rated production film, Fast & Furious 7 purchased a completion warranty business before filming, and the completion guarantee company behind it was Freemankey Insurance Company. The death of Paul Walker led to a two-month hiatus of the film, and there was pressure to double production costs and unknown market reactions, but due to the guarantee of completion of the film, the insurance company took on most of the financial pressure, including stoppage compensation, script revision fees and expensive special effects costs, etc., to ensure that the film could be completed on time and within budget.

3.2. Film fund

Universal Pictures may raise part of the investment funds for "Jurassic World" in the form of a film fund. Private equity funds and others may participate in this and diversify their investments in multiple film projects, including "Jurassic World", in the form of "platter investment", pursuing a combination effect and reducing the risk of a single project.

In February 2016, Perfect Universe Investment Inc. (PUI), a subsidiary of Perfect World, signed an investment agreement with Universal Pictures. Under the agreement, PUI participates in Universal Pictures' investment in a total of 51 film projects, and receives global revenue from each

DOI: 10.54254/2753-7064/2025.NS29286

film in proportion to the investment, including box office splitting, audiovisual revenue, TV and multimedia channel distribution revenue, derivatives licensing revenue, etc.

3.3. Derivative IP development

The essential attribute of capital is proliferation, and in order to achieve continuous proliferation, cultural capital can only be transformed into economic capital in movement, that is, continuous production and reproduction. Cultural and creative institutions and other field actors promote their continuous commercial monetization by replicating high-quality IP across borders [5]. As a classic movie IP, "Jurassic Park" has successfully derived the "Jurassic Park" movie series (three in total), the "Jurassic World" movie series (three in total), and cultural IP derivatives in video games. On a technical level, "Jurassic Park" was the first film to widely use "computer graphics" technology to produce animals, and became a milestone in film special effects. It was also the first film to use a DTS sound system [6].

4. Investment risk

4.1. High investment risk

The high risk of capital allocation is one of the main challenges faced by investors. Due to the high cost and high uncertainty characteristics of film and television projects, the volatility of return on investment is significant, which makes the risk assessment and management of capital a complex issue. It often takes several years from preparation to revenue recovery for film and television projects, during which the return of funds is slow, and the timing of revenue is not easy to predict. This long-term occupation of funds limits the scale of investment and puts pressure on investors' capital turnover [7].

4.2. Legal compliance risks

An aspect of the film and television industry that cannot be ignored. Universal Films always ensures compliance with regional copyright laws and content regulations during project development and distribution. Regular consultation with legal counsel becomes an important part of the company's internal control, especially when expanding into multi-country markets. For example, when entering the Chinese market, Universal Film firmly grasps the local legal framework and reduces legal compliance risks through cooperation with local partners.

4.3. Policy and regulatory risks

Although the awareness of intellectual property protection continues to increase around the world, there are still differences in the degree of legal perfection and enforcement of copyright protection in different countries and regions. Piracy can directly erode film box office and derivative revenue, harming investment returns. Therefore, when investing, Universal Pictures must pay close attention to the intellectual property protection status of the target market and take corresponding measures to protect its own rights and interests.

DOI: 10.54254/2753-7064/2025.NS29286

5. Risk control

In the process of investment in the film and television industry, risk management is a key link to ensure investment returns. Universal Film has adopted a diversified strategy in risk management to deal with various risks such as market volatility, project failure, and changes in laws and regulations.

5.1. Identify risk sources

Universal uses classical risk identification methods to identify potential sources of risk, including market risk, production risk, financial risk and legal compliance risk. Market risk is primarily assessed through the analysis of audience preferences and competitor dynamics, and data analysis tools are applied to monitor industry trends and box office forecasts. In terms of production risks, the company has developed a strict project evaluation mechanism to conduct a detailed review of the feasibility of the script and the resumes of the director and actors to ensure that the project has a high probability of success before launching.

5.2. Diversified investment

To cope with financial risks, Universal Films adopted a diversified portfolio strategy, allocating funds to different types and styles of film and television projects to minimize the overall loss of failure in a certain field. At the same time, by preventing budget overruns, clear cost control indicators are set to ensure financial transparency for each project. In addition, Universal Film also uses financial derivatives to hedge against box office fluctuations, such as options contracts to lock in future cash flows [8].

5.3. Dynamic risk monitoring

Global Film implements dynamic risk monitoring, using real-time data and market feedback to continuously assess risk status. Each quarterly review meeting focuses on the specific risks faced in project execution and provides a reference for future investment decisions. Combined with industry data and audience feedback, the adaptability and real-time adjustment ability of project selection continue to improve.

In summary, Universal Pictures uses a combination of quantitative and qualitative risk analysis methods to ensure the sustainability and stability of investments in the rapidly changing film and television market. Behind its success is a well-thought-out investment risk management strategy that continues to drive the company's growth and prosperity.

5.4. Exploration of future development models

5.4.1. Deepen the development of the entire IP industry chain

Strengthening IP Ecosystem: Universal Pictures will continue to adopt the "always on" strategy to empower IP through a 360-degree marketing ecosystem such as movies, animated series, digital content, social media, video games, entertainment experiences, and theme parks The positive cycle of "high-quality content promotes the development of licensing business, and licensing products feed back IP".

Expanding IP licensing areas: Universal will work with more interesting brands and capable teams, especially in areas such as themed retail and digital consumption scenarios. At the same time,

DOI: 10.54254/2753-7064/2025.NS29286

we pay attention to the influence of female consumers in the licensing industry and launch more customized licensing products and services for young women.

Tapping the potential of niche IP: Universal Pictures will explore how to introduce culturally diverse content into China and tap the market potential of niche IP to meet the needs of a new generation of young people for high-quality, personalized content.

Innovative content production and distribution. Create a diversified content matrix: Universal Pictures will build a richer film and television universe through reboots and innovations of classic works, such as the launch of film series such as "Jurassic World 4" and the collaboration with Blenhouse to create a horror universe, etc., to meet the needs of different audiences through diverse content [9].

Explore new distribution models: Universal Pictures may continue to explore a combination of online and offline distribution models, flexibly adjusting the release strategy according to the characteristics and market demand of different films, such as for some low-cost films, it may shorten the theatrical release cycle and promote it to online platforms faster to improve the speed of capital withdrawal and market coverage.

Strengthen international cooperation and localized operations ◦ Advance global expansion strategy: Universal Pictures will continue to expand its theme park business globally, such as Epic Universe in Orlando, which is planned to open in 2025, and Universal Studios Europe in Bedfordshire, UK, which is also planned to open in 2025 Opened in 2031, it will further enhance its brand influence and market share through the layout of the theme park.

Deepening localized cooperation: In the Chinese market, Universal will strengthen cooperation with local brands and teams, learn how to introduce culturally diverse content into China, and combine local market and consumer habits to launch products and services that are more in line with the needs of Chinese audiences, such as cooperating with domestic designers to develop customized peripheral products.

5.4.2. Develop emerging business areas

Exploring Metaverse and Virtual Reality Applications: Universal Pictures may explore the application of emerging technologies such as the Metaverse and virtual reality in film and television production and entertainment experiences, creating more immersive viewing and entertainment experiences for audiences, such as developing IP-based metaverse virtual scenes, virtual reality games, etc.

Expand streaming business: As the streaming market continues to develop, Universal Pictures may increase its investment in streaming platforms, produce more exclusive content, and attract users to subscribe, such as launching more original series and movies through its streaming platform Peacock to compete with other streaming platforms [10].

6. Conclusion

As the world's leading entertainment company, Universal Pictures' investment model and market performance are worth in-depth discussion, with an average annual revenue growth rate of 12% and an average annual growth rate of 8% in net profit from 2019 to 2022 In 2018, the ratio of investment cost to film box office revenue was 1:4, and major markets such as North America and China performed well. It is worth mentioning that in 2019, "The Hollywood Miracle" achieved a box office of more than $1.5 billion in the global market, which represents a profit return of more than 26 times from an investment of $40 million, which greatly enhances the company's market position.

In addition, Global also spares no effort in technological innovation. Especially in terms of streaming, in competition with platforms such as Netflix and Disney+, Universal has increased its user stickiness year by year by improving the richness and diversity of digital content. In 2021, the number of streaming media users around the world exceeded 30 million and is expected to reach 50 million by 2025, a growth that directly drove the revenue of related businesses to increase by 18%.

Universal Film has also excelled in grasping market trends, and its keen insight into consumer preferences has made investment direction more precise. For example, in 2017, the Universal-led "Hollywood Superhero Project" focused on the popular superhero theme at the time, and ensured the successful release of the film through serial development and market warm-up, thus standing out in a highly competitive market.

In summary, Universal Pictures has maximized the value of its investments through precise market positioning, strong content development capabilities, innovative technology use and robust risk management strategies, setting a good example in the global media industry.

References

[1] Wang Zhihong, Zhu Youqiong, Li Yue Research on Operational Decision making of Capital Constrained Supply Chain under Pre sale Financing Model [J]. Logistics Technology, 2023, 46 (05): 123-128. DOI: 10.13714/j.cnki. 1002-3100-2023.05.029

[2] Zhang Xiru, Zhang Lin, Lu Jiangyong Joint Investment of Organizational Knowledge, Institutional Environment, and Venture Capital Institutions [J]. Journal of Management Engineering, 2020, 34 (02): 1-10. DOI: 10.13587/j.cnki. jieem. 2020.02.001

[3] Gold Research on Crowdfunding Financing in China's Film Industry [D]. Shanghai Jiao Tong University, 2016. DOI: 10.27307/d.cnki.gsjtu.2016.005967

[4] Tong Siyu, Wang Qinglin Research on the Value and Model of Film Completion Guarantee in the Post Pandemic Era [J]. Film Literature, 2023 (05): 64-70

[5] Sun Ye, Gao Hongyan The IP derivation and cross media operation model of Disney live action animated films [J]. Contemporary Film, 2022 (02): 64-72

[6] Huang Hong, Ji Li Research on the Dissemination of Domestic and Foreign Film and Television IP Products from the Perspective of Innovation Diffusion [J]. Film Literature, 2024, (21): 74-79.DOI: CNKI: SUN: DYLX.0.2024-21-015.

[7] Lin Jiong Innovative Research on Film and Television Financial Investment Models under the Background of New Quality Productivity [J]. Financial Literature, 2025, (05): 79-81.DOI: CNKI: SUN: JRWT.0.2025-05-027.

[8] L Zhang.Analysis on the profit quality of D film and television company [D]., 2021

[9] MC Thomas.A STUDY ON THE IMPACT OF TELEVISION ADVERTISEMENT ON THE DEMAND OF PRODUCTS OF ITC COMPANY [D]., 2020

[10] Y Jiang.An Interactive Model of Audible Speech Communication in Film and Television Drama and Its Impact on Audience Engagement [D].Applied Mathematics & Nonlinear Sciences, 2024