

# Turning Dimes into Dollars

BY RICK MARTINEZ

As the dirty picture evolved into “pornography,” then “adult entertainment,” the pornography industry became diverse and pervasive in our culture. Part of the reason for this, beyond its consumers’ desires and proclivities of its high-profile producers, lies in the business aspects of the industry and a concerted drive for legitimacy.

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*But those who want to be rich fall into temptation and are trapped by many senseless and harmful desires that plunge people into ruin and destruction. For the love of money is a root of all kinds of evil....*

1 Timothy 6:9-10a

As our culture turns secular in its guiding values, ‘entertainment’ products that consist primarily of disturbing, sexually explicit content are gaining legitimacy in the marketplace. Just as gambling became “gaming,” the dirty picture has become “pornography” and more recently evolved into “adult entertainment.”

“Agnostic or Anglican, it’s pretty hard to deny the complete cultural victory of pornography in America today,” notes cultural critic Read Mercer Schuchardt. Even Hugh Hefner, an old patriarch of today’s pornography industry, is disturbed about its cozy relationship with the new media technologies. “Everything, including sexual imagery, is out there now,” he worries in a *Salon* magazine interview, “and it’s kind of like Pandora’s box—you can’t close it anymore....”<sup>1</sup>

Why is pornography increasingly diverse and pervasive in our culture? Part of the answer, of course, lies in the desires of its consumers and proclivities of its high-profile producers. But I think we find another part of

the answer by looking at the business aspects of the industry.

There are so many pornography suppliers because the demand for pornographic content is strong and their business is lucrative. The demand is strong because its consumers want immediate gratification. Since this demand is “inelastic,” the pornography business is exceptionally profitable. (Demand for a product or service is defined as “inelastic” if consumers desire the product so much

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that they are relatively insensitive to changes in price. Smokers addicted to nicotine are another classic example of such inelasticity.) A certain sense of urgency, grounded in temptation, is a feature of most pornography purchasing decisions. As a result,

retail and online markups on pornographic products are fairly high. With record sales of more than \$10-12 billion in 2000, it is no wonder that the industry has grown to include many business sectors.<sup>2</sup>

#### **EXPANDING THE BUSINESS**

The pornography industry has become a major revenue producer by successfully marketing its products through traditional media outlets and new retail ventures in North America, and by expanding internationally through the Internet. We immediately think of its vast publications in traditional media—magazines, movies, videos, and the new “soft porn” cable television shows. Adding to the coffers of pornography peddlers are DVD collections of “classic” pornographic movies, comic books, and animated videos. More recently, Internet pornography has become a major source of revenue, bringing in an estimated \$3 billion annually from over 200,000 websites, with more than 23,000 of these dedicated to child pornography.<sup>3</sup>

Riding the trend of increasing public acceptance of their products, pornography distributors are experimenting with mainstream retail outlets. *Hustler* mogul Larry Flynt entered the novelty store niche by opening two glitzy ‘Hustler Hollywood’ stores, which sell pornographic books, magazines, comics, and videos, along with sex toys, gifts, clothing and of course, coffee. The venture aims to be a comfortable experience for couples and gift-seekers, and a far cry from those dark, secretive ‘XXX’ stores banned to outside the city limits.

Pornography distributors also are going global and using the Internet for international exchange of pornographic products. The size of this international trade is unclear because nations define and track pornography sales differently. However, because tolerance for pornographic content

has increased in the United States in the last decade and now resembles the more tolerant environments of Europe and some Asian and Latin American markets, the American producers have been emboldened to market their productions internationally. Since pornography producers and distributors in Europe often are public corporations, it is perhaps only a matter of time until American pornography producers seek greater legitimacy, and growth, through incorporation. In the meantime, they are seeking cultural, political, and legal legitimacy of the industry in other ways.

### **LEGITIMIZING THE INDUSTRY**

Though much of society has been a willing participant in the legitimization of pornography, key market players are guiding the process. Increased legitimacy is due to many factors, including lax social standards of decency, lobbying efforts, well-attended conferences and conventions, and the participation of large, mainstream corporations in its distribution.

When asked recently about changes in the “adult entertainment” industry, Playboy Enterprises founder Hugh Hefner noted that *Playboy* magazine is positively tame and old-fashioned by today’s standards of decency.<sup>4</sup>

How much have the standards changed? Back in 1971 *The Wall Street Journal* reported blandly, almost apologetically, Playboy Enterprises’ first public stock offering by a firm dedicated solely to producing pornographic products; yet in 1997 it trumpeted with a prominent front-page article the “entrepreneurial opportunities” of pornography on the Internet, as evidenced by the phenomenal financial success of pornography star Danni Ashe’s explicit website.<sup>5</sup> Even a conservative publication like *The Wall Street Journal* does not blush in touting the money to be made in Internet sex.

The explosion of pornographic content in our culture coincides with relaxed standards of decency seen in television, movies, music, and print. In order to find a replacement for their wildly popular and sexually-suggestive show “Friends,” NBC purchased the rights to a BBC sitcom entitled “Coupling.” The British show’s producer noted that, “NBC said ‘Friends’ was coming to an end and they saw ‘Coupling’ as ‘Friends’ with sex.... They were very enthusiastic about the show and said they didn’t want to tone it down.”<sup>6</sup> In other words, the gap between outright pornography and the sexual content permeating mainstream media productions has narrowed considerably as entertainment providers sense their viewers’ increasing appetite, or demand, for nudity and explicit material.

The greatest threat to the continued growth of the pornography industry is an activist government that seeks to curtail the production and consumption of pornographic material. *Hustler* magazine founder Larry Flint leads the industry’s legal and political skirmishes with the government.

Flint has taken significant financial, legal, and personal risks over the last four decades, invoking free speech arguments against federal and state anti-pornography efforts. His recent ally in the lobbying and legal process

is the Free Speech Coalition (FSC), a self-described “adult entertainment trade association.” Flint and the FSC have worked hard to legitimize the industry, arguing that pornography is protected free speech and its production is financially significant in the economy of California.

No legitimate industry would be complete these days without an annual convention to promote its products and services. Las Vegas hosts several smaller porn conventions each year, but the largest is the “Erotica” convention in Los Angeles with over 20,000 attendees in 2002. As in other industry conventions, products are sold, meetings held, speeches made, innovations disseminated, and new alliances formed by networking of industry players. Because they are held in popular public arenas, receive relatively benign media attention, and portray the industry as simply another business within a diverse marketplace, these annual conventions are helping to legitimize pornography and portray it as adult entertainment.

The most important piece of the legitimization puzzle for the pornography industry is its burgeoning alliance with Corporate America. The fact has not been lost on corporate executives that pornographic products generate cash flows that are difficult to trace. The largest corporate beneficiary of pornography sales is AT&T’s Broadband and Cable company, which carries the profitable HOT network and generates cash through pay-per-view shows and video-on-demand. The content providers charge very low permission fees for these broadcasts, and AT&T exploits this market imperfection. Naturally, AT&T has not publicized these transactions, and the millions of dollars that AT&T nets from these sales are not identified by name in its annual report. Another major corporate purveyor of pornographic content is General Motors, through its Hughes subsidiary’s Direct-TV. Major hotel corporations, such as Hilton, Westin, and Marriott, take 10% off the top from all pornographic movie rentals in their hotel rooms through agreements with providers LodgeNet and OnCommand. The hotels have no costs, since the providers supply them with all wiring, programming, and software. It is estimated that eighty percent of all movie rentals in hotel rooms are of a pornographic nature. Naturally, hotels are hesitant to dispense with this cash cow.<sup>7</sup>

Web darling Yahoo is the largest clearinghouse of information on pornographic websites, categorizing thousands of sites and, until recently, operating an online store for pornography and sex products. Its decision to become a major seller of pornography products was clearly money-driven, notes *The Los Angeles Times*, “reflecting the desperation of Internet companies to find new sources of revenue amid a slowing economy. It also underscores a long-standing truism about porn and the Net—sex sells.” Furthermore, Yahoo’s online store “essentially gives a virtual Good Housekeeping seal of approval to porn, by virtue of both Yahoo’s size and its long-standing corporate mantra that its service is more than a digital white pages.” Larry Lux, president of Playboy.com, agrees: “Clearly, having a

Yahoo in this space furthers the trend of mainstream acceptance of adult content.”<sup>8</sup> Pornography’s alliance with big business reflects the increasing sophistication of the business model driving the industry’s production.

### **BUSINESS MODEL**

As pornographic enterprises become more profitable, they gather more business allies and increase their legitimacy, staying power, and influence on our lives. A sophisticated business model is emerging with the entrance of well-educated business graduates, the employment of a network model similar to that of Hollywood, leading edge technology, and increased marketing of the industry’s “stars.”

The most important factor in porn’s new business model is the arrival of highly educated business people from the nation’s top business schools. They are drawn by large amounts of cash to be attained quickly with minimal investment and low risk, and have no moral qualms about *how* their money is made. Their training is bringing to the pornography industry a more global outlook, and the use of joint ventures, strategic alliances (e.g. Vivid Entertainment and Playboy), and other strategic tools aimed at increasing the efficiency and profitability of operations.

After the “big studio” era came to a close in Hollywood in the 1960’s, the larger entertainment industry reorganized into networks of firms based on the various competencies at which each firm excels. Pornographers adopted this networking model, with small firms contracting with one another to develop the explicit content that is then sold to a network of small distributors. Most companies have fewer than ten employees.

Freelance actors go to job sites for short periods of time, where a photographer or camera operator works with the actors to generate the images called for by a director. Then other small firms reproduce the explicit content in its various media forms. Another small firm, typically a middleman with a cell phone, brokers the final product to distributors, such as video stores, magazine publishers, and Internet site operators. These firms also tend to be small and operate on small budgets.

As a result, producers and developers of pornographic content have not benefited from the economies of scale, or the cost savings that come to larger organizations. Given the “artistic” nature of the product and the fact that players in this industry have had to hide in the shadows of more legitimate commerce, this is not surprising. What is perhaps somewhat surprising is that consolidation has been so slow to materialize. This is likely to change as large, legitimate corporations continue to build a presence in the pornography industry.

Pornography entrepreneurs have encouraged technological innovations. Much of the development and explosion of VCRs, for instance, can be traced to both the supply and demand sides of the pornography industry. Pornography producers wanted to move their content from the film reels

in 'XXX' movie houses to a more accessible medium, so they provided opportunities for engineers to develop VCR technology for their specific needs. The allure of at-home viewing of explicit material played no small role in VCR sales in the 1980's. Recently, pornography website producers have spurred the development of technology to satisfy the appetite for a more "realistic" web sexual encounter. Internet pornography distributors

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are pioneering real-time video and audio through advances that eventually will be available in mainstream venues.<sup>9</sup> This innovation is not surprising, because hundreds of experienced dot-com technicians and engineers flocked to the profitable online pornography businesses after the dot-com crash of 2000.

Naturally, any business or industry thrives on the marketing of its product or services.

While the great majority of pornographic actors remain anonymous and marginalized, technological advances of the last decade have led to the development of some marketable "talent." Internet, video, and DVD productions are developing recurring characters and popular actors. ABC's *Nightline* recently chronicled the astounding popularity of male pornography actor Ron Jeremy, who can't walk the streets of any major city without being hounded by fans.<sup>10</sup> Vivid Entertainment markets its popular star Jenna Jamison through dolls in her image, including a talking version.

## **CONCLUSION**

Undoubtedly, participants in the pornography industry—be they anonymous actors, global stars, Harvard-trained business people, small production companies, large Internet firms, major corporations, or middleman brokers and distributors—are drawn to the flame fueled by large amounts of relatively easy cash. They are trapped by "senseless and harmful desires," but more importantly, they are entrapping others. Collectively they disperse what Schuchardt calls an "adolescent fantasy of false desire and technological gratification, a legacy which amounts to our generation's toxic dump."<sup>11</sup>

As the industry's profits continue to grow, it is likely that its lobbying efforts will seek out and find new political and cultural allies. The quest

for the legitimacy that is the most important source of sustenance for any industry will then be complete for pornography. Its toxic mess of distorted desire, no longer contained to a few business sectors, increasingly will seep through to other businesses such as hotels, mainstream publishing, television networks, entertainment venues, and the Internet.

As Christians who oppose pornography and its detrimental effects on society and culture, we would do well to resist vigorously all attempts at legitimization by the pornography industry and its advocates, however benign they may seem. So myriad and subtle will be these attempts, they will require of us the thoughtful wisdom of serpents and innocence of doves that Jesus commended to his first disciples (Matthew 10:16).

#### NOTES

1 Quoted in Read Mercer Schuchardt, "Play Boy! The Cultural Victory of Hugh Hefner," *re:generation quarterly* 7:3 (Fall 2001), online at [regenerator.com/7.3/schuchardt.html](http://regenerator.com/7.3/schuchardt.html).

2 Compare this to the robust Christian retail industry, which also had a record setting year in 2000 at just over \$4 billion. It is astounding that these two very different industries are booming at the same time in our culture.

3 The Federal Bureau of Investigation (FBI) estimates are available online at ([www.safexplorer.com/dangers/index.asp](http://www.safexplorer.com/dangers/index.asp)).

4 "Too Much Sex?" episode of CBS News' *48 Hours* (online at [www.cbsnews.com/stories/2000/05/22/48hours/main198124.shtml](http://www.cbsnews.com/stories/2000/05/22/48hours/main198124.shtml)).

5 Frederick S. Lane III, *Obscene Profits: The Entrepreneurs of Pornography in the Cyber Age* (New York: Routledge, 2000), xiii-xiv.

6 CNN Online (2002). "Report: NBC Finds Next 'Friends'" (online at [www.cnn.com/2002/SHOWBIZ/TV/06/18/bbc.nbc.deal.ap/index.html](http://www.cnn.com/2002/SHOWBIZ/TV/06/18/bbc.nbc.deal.ap/index.html)).

7 ABC News' *Nightline* (March 25, 2002). *Nightline* observes that a notable exception is Omni hotels, which took a \$4 million annual hit recently by removing all pornographic movies from its television offerings. The decision was based on moral grounds.

8 P.J. Huffstutter, "Yahoo's search for profit leads to pornography," *The Los Angeles Times* (Wednesday, April 11, 2001), A1. Only days after this article was published, Yahoo scuttled almost two years of effort, negotiations, and planning to become a major player in the online pornography industry. It dropped all direct online sales of sex-related products from its shopping sites.

9 "Internet's Dirty Little Secret," CBSNews.com (1999) (online at [www.cbsnews.com/stories/1999/02/08/eveningnews/printable32030.shtml](http://www.cbsnews.com/stories/1999/02/08/eveningnews/printable32030.shtml)).

10 ABC News' *Nightline* (March 25, 2002).

11 Schuchardt, "Play Boy!"



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