

Digitalization of Film Industry in Film Release

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Abstract

With the gradual increase of demand for entertainment, the movie industry has developed rapidly in recent years, and the prospect of film industry has many possibilities. Now in the era of Internet, the digitalization of film industry in film release is a promising pathway for future development of the movie industry. Due to COVID-19 pandemics, the digitalization of film industry had the opportunity to expose to population. The work analyzed Five Force Model of film industry, compared the traditional movie theater and online platform, and discussed the possible future development for film industry. The results showed that the digitalization of film industry will be both beneficial for audiences and film producers.

Keywords

Online platform, Digitalization, Film industry.

1. Introduction

Films are important to modern life and the demand for them has steadily grown during these years. In China, the film industry has entered into a golden age, with box office revenue of RMB64 billion in 2019.[1] Traditionally, movie theaters played a significant role in the film industry. People like to watch movies in the cinema because of the great viewing conditions, such as surround sound and wide screens. Cinema provides a great atmosphere for audiences to enjoy movie effects and it is the most important means for film producers to realize sales and profits. [2] Recently, films make money not just through viewings in the cinema but also through digital media and other web-based distributions. In the case of Iron man 3, total box office income is 1215 million, of which the income from web distribution was 1026 million. In other words, film distribution has grown beyond the movie theaters and many other avenues are available for film companies, along with the development of online technology.

If video websites replace the movie theaters, would people prefer to stay home to watch the new release movies? Taking a movie called *Lost in Russia* as an example, in early 2020, because of the COVID-19 virus, this movie canceled the original arrangement at the cinema and was released on video websites in China, which caused widespread discussion. Many people opposed it, arguing that the free Internet premiere was an act of breaking the fundamental rules of the film industry. While others supported the idea because they believed that it was the end of an era, although accompanied by great resistance.[3] In this paper, we discussed how such a business mode can be made effective and successful with the help of modern digital technologies and modern digital distribution techniques. More specifically, we will use the five forces model to analyze China's film industry, with the main focus on movie producers.

2. Five Forces Model Analysis

2.1. Rivalry

At present, China's film industry is undergoing fierce competition. From 2010 to 2015, due to the policy support of the Chinese government, large amounts of investments poured into the film industry, which brought huge growth in the film industry and stronger competition. In 2016-2019, the dramatic change of mass aesthetic preferences requires a drastic promotion of the quality of the contents and connotation of the movies. Many filming companies failed to adjust the direction and got integrated or eliminated, even some internet companies have joined the competition in the film industry. In general, the film industry in China is becoming mature and the threshold for entry is gradually raised.

2.2. Bargaining power of buyers

Most cinemas joined a theater chain to acquire movies. The theater chain requires them to share their profits, or they have to pay annual fees. The cinemas then sell tickets to people, the main buyers of this industry. The purchase channel of each film is unique to the cinema companies, and the suppliers can easily implement forward combination or integration, so the film companies have strong bargaining power when promoting the film to the cinema companies. When movie theaters sell tickets to consumers, their bargaining power is weaker. This is because consumers tend to unite or integrate backward, and Chinese people are not very willing to pay for entertainment. As Figure 1 shows, the average ticket price for Chinese films has been stable (\$4.95- \$5.52) for nearly five years.



Figure 1. Average ticket price from 2014 to 2019

2.3. Bargaining power of suppliers

Suppliers are the film-making companies. Nowadays, Huayi Brothers, Enlight Media, China Film Group Corporation, Wanda Film, Bona Film Group Limited, Alibaba Pictures Group Limited, Heyi Pictures Ltd, IQIYI PICTURES are the main profitable film and studio companies, and their film box offices account for more than 50% of the Chinese film market, forming an oligopoly in many ways. The biggest bargaining power in the Chinese film industry is talents, including screenwriters, directors, and actors. These factors can decide a film company's position in one quarter or even a whole year, such as *Wolf Warriors II* in 2017, won the 5.68 billion yuan at the box office, which accounts for over 10% of the annual gross. The bargaining power among the great companies are strong. However, when the film made public, their bargaining power is

quite weak. People's awareness of intellectual property is not strong in China. High ticket price will prompt people leaving the cinema and watching the pirated films. It is an interesting phenomenon that bargaining power in both sides are quite weak, while the price of film tickets is in a subtle balance.

2.4. Threats of substitutes product

With the rapid development of the Internet, traditional cinema is threatened by other forms of entertainment performed on online platforms, such as short videos, TV series, etc. On the consumer side, there are increasing customers choosing online entertainment. In 2019, the short video industry had 857 million users and created a 60 billion RMB market.[3] Those substitutes are cheaper than watching movies in offline cinemas. Besides, given that free times of modern consumers are more fragmented and valuable, customers will be prone to choose online platforms. The switching cost is nearly zero. Thus, the threats of substitutes are strong.

2.5. Threats of new entrants

In the movie industry, barriers to entry are relatively high since investing movies requires a large number of capitals. Films produced by studios have relatively high variabilities. In producing films, possessing sufficient capitals and controlling channels of publishing are the two most important factors. In such conditions, many internet companies which have characteristics of abundant capitals and possess huge user bases to begin joining the movie industry. The trend of online entertainment companies entering the movie industry is developing.

3. Comparative Analysis

Some differences exist between the tradition movie theaters and online platforms. Firstly, the scale. Movie theaters can only show films to a limited audience because of limited capacities. However, they have the ability to reach far greater audiences by streaming. For online platforms, the streaming can provide more flexibility, as they can watch per their individual convenience. There is no restraint of the number of the seats, and people can watch the movies anywhere. Besides, not all movies can be watched in a cinema and some movies can be released on the cinemas in a very short time. As for the watching on the website, there is no these limits.

Another difference is related to money. Because of Chinese policy and market, many cinemas do not have their own properties, so they have to rent the space. In addition to the rent, the daily maintenance of the cinema and the upgrade of equipment also require a lot of money. However, these costs do not exist in the new mode. Spectators sit on their own sofas, using their own home space, which not only can reduce the division of the movie theaters by movie companies, but also will reduce the price of the tickets. Of course, online screening has its disadvantages for traditional theaters, such as anonymity and fake personas, plagiarism and copyright, and privacy concerns.

Compared with traditional ways, watching movies online has many advantages from the in-use information aspects. The first advantage is that movie companies can get feedback in time. Feedback not only can let this movie better but also plays an important role in the next movie. However, feedback collection from the cinema is always slow and indirect, such as the box offices. Movie companies need to spend much energy and money to collect that information from different social platforms. The new mode can deal with this problem easily. On online platform, people can watch the movies online while write their reviews at the same time. These reviews and scores are very useful.

Another advantage is that watching movies online can help the audiences exchange their information better. Normally, movie theaters will not reveal bad feedback to people who have not seen the movies. Therefore, people cannot get an object review for this new release movie.

However, the new online mode will not do this. The exchange of this information will not only happen before watching the movie, but people can also exchange their feelings with strangers while watching the movie online, which is the bullet screen. It allows comments from viewers in specific time in the video to fly across the screen like bullets. The emergence of bullet screens breaks the boundaries of time and space. Users can transfer their feelings in real time and understand the views of others. It enhances the real-time interaction between users and greatly activate the platform atmosphere. Research shows that the use cycle of bullet screen is over 3 months, longer than that of traditional comments, while people send traditional comments only in one month after video being released.[4]

In China, the use of bullet screens derives roughly from three needs, self-expression demand, environmental needs and the need for self-satisfaction. The demand for self-expression only accounts for less than 50%,[5] which indicates that the quality of bullet screen content is uneven. Not all of this makes economic sense, and is valid information. We should filter it properly and keep the valuable ones. The analysis can reflect the public's preference for video.[6]

4. Future Development

Online releasing movies model can be cooperating with large internet companies. Under the fierce competition in the internet entertainment market, developing a new app will face lots of obstacles. Cooperating with well-developed online platforms seems more practical. Secondly, for online platforms, they can benefit by promoting their apps based on publishing movies. Providing access to new films will be an excellent advertisement and attract new users. The advertisement could be wide-spread by cooperating with well-developed online platforms, which provides millions of views and clicks.

5. Conclusion

With the advancement of science and technology, people's demand for spiritual-cultural enjoyment is obviously increasing. The film industry has become the main source of cultural consumption. For the majority of people, work and study occupy most of their time, and the behavior of going to movie theaters has gradually become time-consuming. Thus, more and more films have adopted the digital projection mode. If digital screening becomes common in the future, the platforms can benefit a lot, including raise revenue by inserting advertisements with the filmmakers. Moreover, for audiences, they can watch the most updated film while staying at home. Therefore, the trend of digital screening is certainly a rational and beneficial choice.

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