

From Incipience to Status Quo: Development from Theatre to Streaming

By Dan Xie

Author Biography

Dan Xie is a high school student from Vancouver, Canada, but at his core, a filmmaker and storyteller. He has spent several years developing his works: through projects such as short films and school media productions, and studying film theory and cinematic techniques. Dan is interested in how emerging technologies such as video streaming platforms are changing the game and creating new opportunities — or obliterating old ones — for filmmakers. Being at such a turning point in film history, he wants to dig deeper into the impact outside factors are making — hence the paper. In his free time, other than filmmaking, he loves leading his school's film club, collaborating on creative projects with friends, and engaging in all sorts of sports. Hoping to continue his craftsmanship at film and business school, Dan is excited to share his insights and eventually step foot in the world of film.

Abstract

This paper highlights the profound impact of streaming platforms on the profitability and distribution of mainstream films. Through digital innovations that have since transformed the entertainment industry, consumers have turned to video streaming services such as YouTube and Netflix, advancing accessible and affordable content instead of traditional theatrical releases. This transition, fueled by changes in consumer behaviour and accelerated by the COVID-19 pandemic, has reshaped the film industry's financial and cultural basis, with streaming platforms offering a viable and often preferable alternative to cinemas. Using a mixed-methods approach, the study analyses historical box office trends and industry professionals' opinions to investigate the rise of streaming and the oscillating state of theatres. While box office revenues remain volatile, especially for mid-budget and independent films, streaming continues to grow: hitting a projected global market value over \$184.3 billion by 2027. Insights from this research are crucial for future filmmakers, industry professionals, business leaders, and entrepreneurs to navigate the rapidly changing landscape of film distribution.

Keywords: Box office, streaming, revenue, industry, cinema, film, TV, OTT

Introduction

The history of film is deeply intertwined within the historical context and innovations of the 20th century, shaping societal norms and behaviours. Following World War I, America emerged as a dominant force in global finance, and this newfound economic power along with a significant surge in advertising for films spurred significant interest from many sources, notably stockbrokers and investors, in the flourishing and profitable film industry. From these investments, major Hollywood studios such as MGM, Paramount, Warner Bros., and Fox among many others rose to revolutionise it. The genesis of this sudden scrutiny towards such a concealed industry was the realisation that films were not merely entertainment, but also instruments of cultural influence, depicting lifestyles and behaviours that audiences eagerly emulated: the portrayal of heavy drinking and smoking on screen, for instance, played a significant role in shaping public perceptions of decency and gender roles (Michalek, 2014). Furthermore, women, in particular, were influenced by the glamorous images of Hollywood stars, leading to the creation of new beauty standards and trends, such as the widespread use of makeup.

The rapid expansion of “movie palaces” and cinemas across the United States transformed filmgoing into the nation’s premier leisure activity for young men and women (Michalek, 2014), and despite not being as prevalent, was soon found in most First and Second world countries.

However, as the rapid development of technology somehow sped up further through the middle of the century, cinemas were suddenly exposed to a new competitor in addition to physical media (Blu-ray, DVDs, etc.).

10 years after the invention of the Internet, Wax, or the Discovery of Television Among the Bees became the first film to be streamed on it in 1993, eventually leading to the start of the era of the streaming, or over-the-top (OTT) platforms: Youtube made its debut as the first of its kind in 2005, shortly followed by Netflix in 2007. Although cinemas have better screens and audio, the benefits of OTT platforms far outweigh those of cinemas: not only are they cheaper, more accessible, and have more options to choose from, they have become much more stable

in profitability and distribution. On the other hand, cinema box office performance has become more volatile, losing films and their investors money by chance (Kiruthika, 2024).

To all the future filmmakers and businessmen that want to work in the entertainment industry, or perhaps whoever will find this information useful, this research will provide a detailed breakdown, using current quotas, of the extent streaming platforms affect the profitability and distribution of mainstream films in comparison to theatres. There is a shift in culture towards OTT platforms; this research provides valuable insights into the evolving landscape of the entertainment industry, crucial to professionals for navigating the industry effectively. This information can help future industry leaders make informed decisions about content creation, distribution strategies, and financial planning in a market increasingly dominated by digital platforms due to technological innovations. Additionally, this research could benefit anyone interested in the economic dynamics of film distribution and the role of streaming in shaping the future of cinema. To these people, this paper examines the profound impact of video streaming platforms on the profitability and distribution of mainstream films, revealing how these digital innovations have reshaped the entertainment industry whilst challenging traditional box office dominance through consumer behaviour alteration.

Research Question

How have streaming platforms affected the profitability of mainstream films in comparison to theatres?

Literature Review

The rapid development, evolution of technology, along with the change in consumer habits, has brought a sea change into the outlook of the film industry concerning the shift from traditional theatre viewings to over-the-top streaming platforms. The literature review discusses the various existing research works and perspectives on the impact of streaming platforms, thus providing context for this shifting consumer preference and what it means for the future of the industry.

Streaming Platforms on the Rise

It wasn't until the 21st century that streaming platforms became both new and dominant in the way people consumed media. In a sense, the concept of streaming itself was still somewhat new. Starting in the mid-2000s, platforms such as YouTube pioneered the charge (Iqbal, 2024). According to the article from Business of Apps, YouTube quickly took off by amassing millions of views daily and showed the monetary value streaming had within the market.

While subscription models have radically changed how audiences consume media, it is the convenience of on-demand content that allows such streaming platforms to be an attractive option in the face of viewers who do not necessarily go out to the cinema. This rapid growth in devices and the internet has only accelerated this shift, enabling consumers to tap into an almost limitless library of content from anywhere, at any time. In 2019, the global video streaming market was valued at \$42.6 billion and is projected to reach \$184.3 billion by 2027, growing at a CAGR of 18.3% from 2019 to 2026 (Allied Market Research, 2019).

Impact on Theatrical Releases

Streaming platforms have had much implication for theatrical releases, challenging the traditional model of film distribution. The Statista reports indicate that while global box office revenues have posted spells of growth, their recent eruption into the streaming services has created a milieu of volatility and competition hitherto absent (Statistica Insight Team, 2024). As such, stiff competition has emerged for the box office, always a monopoly for film revenues, with the OTT platforms offering greater accessibility at cheaper rates to viewers.

This trend was further catalysed by the COVID-19 pandemic, wherein cinemas were either shut down or forced to operate on restricted modes due to lockdowns and social distancing, thereby forcing a surge in subscriptions for streaming. Research reveals that the pandemic further accelerated the shift towards the OTT platforms, with many films that would have usually seen theatrical releases being directly released onto streaming services (Mohan et al., 2021). This has meant a revision of the "theatrical window" — the time period reserved exclusively for the release of a film to theatres before availing it on other platforms.

Changes in Consumer Behaviour & Culture

The 1970s marked an important pivot in the film industry, with movies becoming far more experimental and scandalous, actually targeting the then-growing share of viewers seeking diversity and daring content (Hellerman, 2023). This was a cultural shift that would set in place the kind of personalised and diverse content that streaming platforms would then capitalise on — from the blockbuster hits all the way down to indie films.

Screen Slate states that on early days of streaming, especially with regard to the experimental film "Wax, or the Discovery of Television Among the Bees," shows how the internet was the first medium on which film distribution used to take place, a hint toward what would turn into a major cultural shift in the next decades with the emergence of this platform known as streaming. Not only have the streaming platforms changed the way in which films were consumed, but they also mediated the kind of films that were made, with algorithms bringing about content creation to match viewer preferences (Screen Slate, 2023).

Economic Implications and Future Directions

The economic implication of streaming platforms on the film industry is ambivalent. Whereas on one hand, streaming let content creation get democratised, thus allowing a far greater diversity of stories to reach the audience, on the other, streaming ultimately resulted in a consolidation of power in a small number of large platforms that now have an immense amount of clout regarding what gets created and where. A study on the global OTT revenue puts into light the financial power of these platforms, which are expected to rise to \$150 billion by 2024, way ahead of traditional box office revenues in many regions (Stoll, 2023).

Forcibly, this shift has meant that theatres have to focus on those aspects of the cinema-going experience that cannot be replicated at home: the communal aspect of watching a film in a theatre, the quality advantage, and the event-like nature of a theatrical release. However, for the future of cinema, a

proper balance between embracing new technologies and preserving the traditional cinematic experience would be required, according to GudSho (2024).

This literature review portrays how streaming platforms have ravaged mainstream films both in terms of profitability and distribution. While it cannot be denied that through streaming it is now much easier to access content than ever, also changing consumer behaviour, the problem that has arisen from this for traditional theatres comes as pertains to profitability and competitiveness. In that direction, the film industry stands at a crossroads between convenience to stream versus cultural and experiential value in theatres. As technology continues to evolve, strategies for the distribution of films will evolve, with streaming likely playing an increasingly central role in the future of the industry.

Methodology

In this study, a mixed-methods approach was used, combining both quantitative and qualitative research methods to provide a comprehensive understanding of the topic. The methodology is divided into two main parts: data collection and data analysis.

1. Data

Quantitative data was gathered from primarily two sources: industry reports and streaming platform analytics. The study focuses on data from 1930 to present day to capture trends in film profitability and distribution, and box office revenues and film distribution patterns were extracted from databases such as Statista and Numbers. Additionally, reports from major studios and streaming services were analysed to assess the impact of global health events that influenced people's decision-making about whether they go to the cinema or use a streaming platform. Qualitative data was collected through six articles and opinion pieces of industry professionals and those that work around it, including filmmakers, distributors, or entertainment journalists. Examples of authors are Hellerman, Kiruthika, and Mohan et al., and some of the others have been cited above in the Literature Review section. Through purposive sampling, different biases have been neutralised by looking through the lens of all parties.

2. Analysis

The quantitative data was analysed using statistics through the years and by different sources to identify patterns and correlations between streaming platform and film profitability. Looking at credibility, relevance, and information age, data is crafted into figures through different sources relatively similar in information. Qualitative data from the sources were analysed using thematic analysis.

This study's findings are subject to certain limitations: I chose the most complete set of numbers to go with and worked other numbers in with this set as much as I could; going back in history to find statistics has proven to be difficult. Moreover, early numbers are relatively unstable, making it hard to find obvious trends.

Findings & Discussion

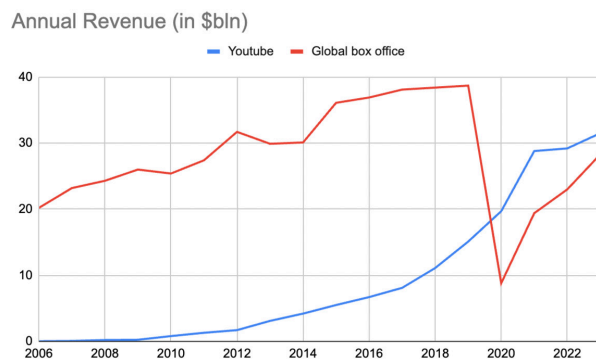
Starting in the '30s, trends of slow but inevitable growth of film production and revenue show that the film industry was facing struggles but overcoming the Great Depression. Films were played at movie palaces, a wondrous new attraction that many, especially Americans, took a fondness to. The '40s were slower, the World War having an effect on funding and safety. The industry took a turn in the '50s, experimenting with a machine-like way of filmmaking, cranking out movies that were very similar in plot that all killed it at the box office, but lacked the creativity and honour that many directors and filmmakers value so much in the status quo. It also had competition in TV, which grew exponentially following its creation, allowing consumers to stay home. Therefore, the film industry did not grow as much (from \$100m - \$200m in annual revenue), despite its relative success across box offices ("Movie production", 2024). This trend continued into the '60s, where the industry was still in a slump; broken in the 70's by the loosening of regulations, films flourished, becoming edgier, riskier, and more controversial, sparking consumer interest in such eccentric and artistic forms of storytelling. For example, films such as *The Godfather* and *Taxi Driver* explored the worlds of underground organised crime, whereas *Star Wars* started a cultural revolution through its stunning visual effects. This growth in the industry can be shown through the proliferation of annual revenue, which

started at around \$700m but rapidly increased to an astonishing \$2.8b in 1980; \$1b was hit in 1973, and \$2b in 1977.

In 1972, Home Box Office (HBO) was launched, signifying the first standalone subscription-based pay-TV. This breakthrough had many filmmakers worried about a possible shift in dynamic in the industry from film to TV. They were right, but this was not the decade that it would happen. Although HBO eventually grew an empire under its brand, its pay-TV was not the reason why, at least in the '70s. Although it had good differentiation through its innovation, TVs were expensive; therefore, not everyone could afford them. Another reason was less about underperformance on the part of HBO, but more to do with the, again, artistic upheaval that sparked the industry.

Throughout the '80s and '90s, film continued to flourish and grow at a steady but fast rate, gaining an average of around half a billion dollars in annual revenue each year ("Movie production", 2024). However, in 2005, the first streaming app, Youtube, was introduced to the world. In its testing stages, it was garnering a lot of views, enough for the company to officially launch it in November. Gathering 2 million views every day from beta, it quickly emerged as an innovation that could change media consumption immediately, with the rise of user-generated content. With 25+ million views a day in just January of 2006, Google, seeing an opportunity, bought Youtube for \$1.65b. In just 5 years, Youtube alone broke \$1b in annual revenue, hitting \$1.3b.

Figure 1
Annual Revenue Comparison of Youtube & the global box office (in \$bln) from 2006-2023.



Note. The graph shows the annual revenue difference between Youtube & the global box office (in \$bln) from 2006-2023. Own work.

This started the revolution of streaming platforms: Netflix switched to streaming subscriptions in 2007, followed by Amazon Prime Video, Hulu, and many more, as people started seeing the purchase of Youtube as an indication of a profitable market. In 2010, the video streaming industry hit \$6.3b in annual revenue, four years after its launch. In 2018, despite hitting the highest annual revenue it's ever been, the box office levelled with streaming services at around \$38b, a mere 13 years after launch. The difference is that the box office was growing at a CAGR of around 1%, whereas the video streaming industry was growing at 18.3%.

Video streaming quickly overtook the box office due to its convenience, accessibility, and evolving consumer preferences. The on-demand access that is on streaming appeals to modern viewers who prefer instant gratification and personalised content experiences. Furthermore, streaming services often provide a vast library of content at a lower cost than regularly attending theatres, making them a more economical option for many consumers. The direct-to-consumer distribution that streaming has also allows them to bypass traditional theatre releases and reach a global audience instantly.

This shift in consumer behaviour has led to a decline in box office revenues, particularly for mid-budget and independent films that now debut more often on streaming services rather than in theatres. The immediate availability of movies on streaming has also shortened the theatrical window, making studios reconsider traditional release strategies that have worked so well previously alongside distribution methods. As a result, major studios are increasingly investing in direct-to-streaming releases, allowing exclusive, high quality content to bypass theatres altogether.

Consequently, the influence of video streaming has driven theatres to focus on blockbuster films and enhanced viewing experiences to attract audiences, one of the main reasons consumers still go to theatres, demonstrating a significant shift in the film distribution landscape. For many, going to the theatre is a social event, an opportunity to spend

time with friends or family and share the excitement of a new release. Additionally, theatres offer a break from the distractions of home, allowing viewers to fully engage with the film without interruptions. The sense of anticipation and exclusivity of seeing a movie on its opening weekend can also be a draw, as can the nostalgia and tradition of going to the cinema. In essence, the theatre experience offers a level of engagement, atmosphere, and communal enjoyment that continues to appeal to many moviegoers despite the rise of video streaming.

Conclusion

If changes in consumption habits brought about by modern technology and social mores are charted, it will be found that the film industry, over the past 100 years, evolved from a point where it was purely a novelty to becoming today an integral part of popular entertainment. And then came streaming: spectacular conveniences, improved access, and a personal viewing experience that no cinema can ever hope to emulate. Coupled with a rise in online streaming services, the result has been a blow to box office revenues, particularly for smaller films, as audiences continue to turn toward streaming services for more flexible and affordable options. Yet, even as this shift continues to occur, the residual magic in the world of the theatre — complete with its immersive atmosphere, social element, and collective aspect of cinema-going — continues to appeal, especially in the case of blockbuster films. The industry, in its development process, needs to find a proper balance between increasingly employing new technologies and preserving the cultural experience of cinemas. This work profiles strategies for future leaders to make informed decisions regarding their success within the landscape of ever-changing entertainment.

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