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Book

The Global Film Market Transformation in the Post-Pandemic Era: Production, Distribution and Consumption

China Perspectives

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China Perspectives

THE GLOBAL FILM MARKET TRANSFORMATION IN THE POST-PANDEMIC ERA

PRODUCTION, DISTRIBUTION AND CONSUMPTION

Edited by

Qiao Li, David Wilson and Yanqiu Guan



THE GLOBAL FILM MARKET TRANSFORMATION IN THE POST-PANDEMIC ERA

This book reviews the development and performance of the global film industry during the COVID-19 pandemic and examines new trends in film production, distribution and consumption through a global lens.

The COVID-19 pandemic has had a substantial impact on the global film industry since the beginning of 2020. There has been significant transformation in terms of film production, distribution and consumption. Hollywood, like many national cinemas across the globe, has suffered the most significant impact at all levels: the interruption of new film productions, shutdowns of movie theatres in many countries and delays in the release of new films, among them. Many movies made for cinemas were forced to move from release in theatres to various streaming platforms, and nontraditional production companies continued to grow their market share. This book places the global film industry in a post-Pandemic context. It provides detailed analyses of specific systems of film production, distribution and consumption in national cinemas, as well as in Hollywood, while also engaging with the key theoretical and methodological questions from the film studies literature.

This volume is a critical reference for students and scholars of film studies and general readers who are interested in the new trends and transformation of the global film industry in a post-Pandemic era.

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Production, Distribution and Consumption

**Edited by Qiao Li, David Wilson
and Yanqiu Guan**



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Foreword

As China became the largest film market in the world in 2020–2021, the position and influence of Chinese cinema in the world film industry continued to grow. Deepening international exchanges and cooperation through Chinese-foreign humanities exchange programmes, further improving the professionalism and international popularity of Chinese film, and enhancing the international competitiveness of Chinese film have become important issues to meet the needs of exchanges and cooperation in the background of globalization. To promote cultural exchanges and industrial cooperation between Chinese and foreign cinemas, Qingdao Film Academy, in line with the concept of “sustainable development” of UNESCO and relying on the “Global Film Industry Research Center” initiated by UNESCO Creative Cities Network, has been committed to strengthening research projects on the Chinese and foreign film industry.

This book advocates the adoption of a theoretical research framework of industrial economics, based on authoritative global film industry big data, analyzing and interpreting trends in the development of China’s and the world’s film industry through a professional theoretical perspective. It takes stock of the hot spots, difficulties and focal points in the film industry, and builds a research system for film industry development through empirical research.

The Transformation in Global Film Production, Distribution and Consumption in the Post-Pandemic Era provides an in-depth analysis of the global film industry and hot issues from 2019 to 2021. It gives a comprehensive overview and inventory of the development status of the global film industry, summarizing its main characteristics and development trends, and focuses on the correlation between the global film market response and the prevention and control of the COVID-19 pandemic. *The global film industry index research report, 2021* collects the latest data collected from four major research target areas. This book also analyzes the film industry in China, North America, Latin America and other countries and regions. Articles from nine UNESCO Cities of Film, including Bradford (UK), Busan (South Korea), Bitola (North Macedonia) and Cannes (France), are included to introduce their development status.

Bin Lu

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1 The global film industry in 2020 during the COVID-19 pandemic

Xingzhen Niu

The global film market has been greatly impacted by the sudden outbreak of COVID-19. This report is an analysis of the development status of the global film industry in 2020 under the influence of the COVID-19 pandemic. First, based on the overall situation, taking North America; Europe, the Middle East, and Africa; Asia Pacific and Latin America as the four major regions for research, this report analyzes the scale and structure of the film industry as it relates to the global film entertainment market, film production and distribution, and box office as well as the home/mobile entertainment market. Second, through data analysis, this report analyzes the reasons for different results in different regions during the pandemic. The analysis reveals that countries with more developed film production have won more market share relying on local films and have weakened the market slide caused by the lack of Hollywood blockbusters. In addition, the pandemic has accelerated the development of online film viewing, which is increasing rapidly in China, the United States and other countries with a well-developed Internet infrastructure. Finally, this report also looks at the future of the global film industry. It is believed that in five years the global box office will return to its 2019 market size. At the same time, the pandemic is prompting audiences to turn rapidly to online viewing. Looking to the future, the global film industry must take the initiative to innovate and reform to explore practical development paths in film production, distribution and screening.

Like many other industries, in 2020, the global film industry suffered the strongest adverse impact ever in history. Being the public entertainment sector, almost all cinemas all over the world have been shut down under the influence of the COVID-19 pandemic. Due to the differences in the severity of the epidemic and control efforts in different countries, the losses suffered by their respective film industries are also different to various extents. The pandemic has in some ways changed the pattern of the international film industry. It is not only that the developed countries seize market share relying on the advantages of local films, but more importantly, it will promote the massive change of film consumption from theatres to online viewing.

1 Interpretation of global film industry data

1.1 Market size of global film entertainment

1.1.1 Revenue of global film entertainment market

The global movie entertainment market is composed of theatrical content as well as content released in the form of digital video and DVDs. The revenue comes from box office income, home/mobile entertainment market revenue (including revenues from the physical home entertainment market and digital home/mobile entertainment market). According to statistics from the Motion Picture Association (MPA), in 2020, the global film entertainment market revenue was US \$80.8 billion, down by 18 percent compared to 2019’s \$98.3 billion. Among them, box office, digital home/mobile entertainment and physical home entertainment accounted for 15 percent, 76 percent and 9 percent of the total, respectively. The revenue generated by the digital home/mobile entertainment market has grown rapidly in recent years, exceeding box office revenue for the first time in 2019, and occupying most of the market share in 2020 (see Figure 1.1). The growth of 31 percent in the digital home/mobile entertainment market partly offset the decline in the box office market caused by the COVID-19 pandemic.

1.1.2 Production and distribution volume of global films

According to statistics provided by The Numbers®, a total of 3345 films were released in 2020, a decrease of 16.33 percent compared with that in 2019 (3998 films) (see Figure 1.2). Among them, 2143 films were released in theatres and 1202 films

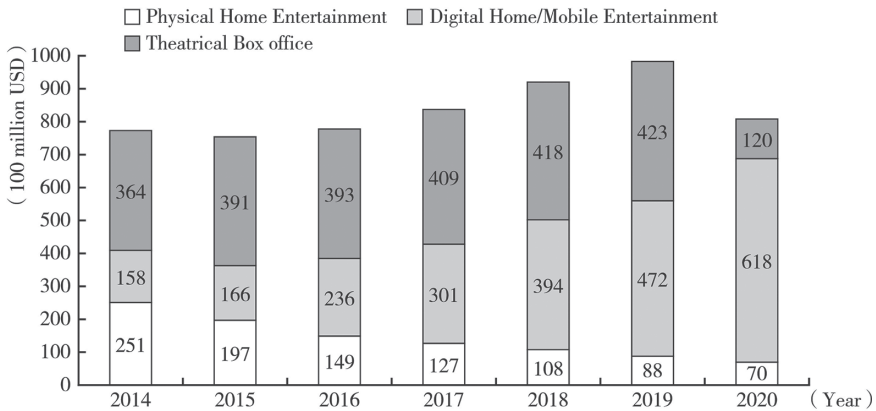


Figure 1.1 Global film entertainment market revenue from 2014–2020

Sources: Comscore, Digital Entertainment Group, Motion Picture Association

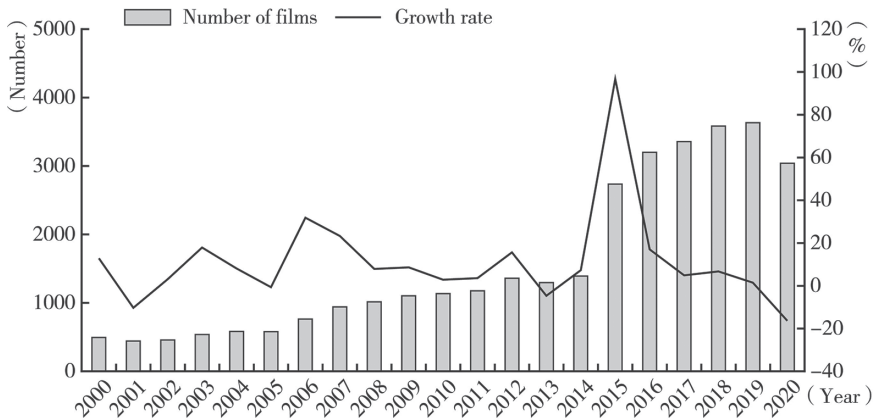


Figure 1.2 Number of films distributed globally in 2000–2020

Source: The Number®, 11 March, 2021

were released as direct-to-video (occupying 35.93 percent, a year-on-year increase of 20.05 percent). In terms of genre, there were 921 dramas, accounting for 27.53 percent; 706 documentaries, accounting for 21.11 percent; 442 were comedies, accounting for 13.21 percent; 275 were horror films, accounting for 8.22 percent; 264 thrillers/suspense, accounting for 7.89 percent; 212 were action films, accounting for 6.34 percent; 177 were adventures, accounting for 5.29 percent; 101 were concerts/performances, accounting for 3.02 percent; 88 were romantic comedies, accounting for 2.63 percent; 24 were musicals, accounting for 0.72 percent; 19 were black comedies, accounting for 0.57 percent; 11 were westerns, accounting for 0.33 percent; 6 were educational films, accounting for 0.18 percent; 73 were of other genres, accounting for 2.18 percent and, finally, 26 were of compound genres, accounting for 0.78 percent.

1.2 Global box office

1.2.1 Global box office: scale and growth rate

According to statistics from Comscore, a market research institution, global box office revenue in 2020 was US \$12 billion, down by 72% comparing to 2019's \$42.3 billion (see Figure 1.3).

1.2.2 Global box office: Regional structural change

From the perspective of different regions, North American box office revenue (including the United States and Canada) in 2020 was \$2.2 billion, down by 80 percent comparing to that in 2019, and the market share dropped to

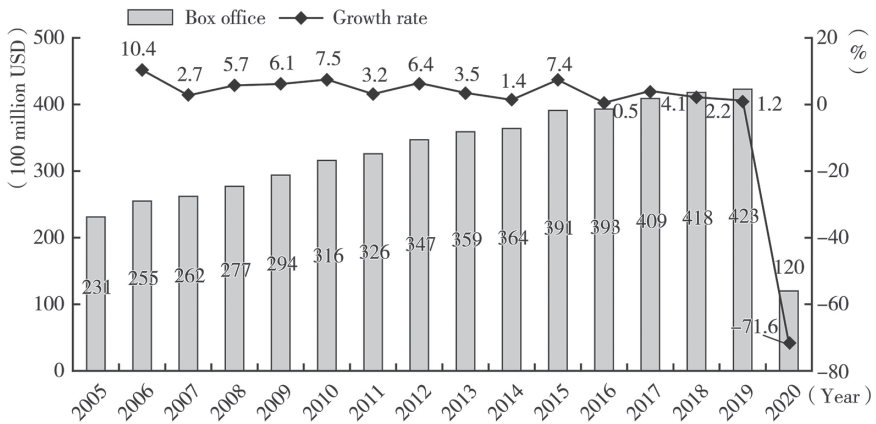


Figure 1.3 Global box office and growth rate in 2005–2020

Sources: Comscore, Motion Pictures Association

an unprecedented 18.3 percent. The total box office revenue of the other three regions (\$9.8 billion) decreased by 80 percent year on year, accounting for 81 percent of the global box office, an increase of 8 percent compared with that in 2019.

In 2020, the box office revenue in the Asia Pacific region (US \$6 billion) dropped by 66 percent compared with that in 2019, and the decline of China, South Korea, India and Japan all exceeded \$1 billion. In Europe, the Middle East and Africa, box office revenue decreased by 68 percent compared with that in 2019, mainly due to the influence of Britain and Ireland (75 percent decrease), France (69 percent decrease) and Germany (68 percent decrease). Affected by the 81 percent and 79 percent decrease in Mexico and Brazil, respectively, box office revenue in Latin America was 82 percent lower than in 2019 (see Figure 1.4).

1.2.3 Global box office: Structural change among countries/regions

In 2020, the global top 20 box office markets showed some changes compared with previous years. Denmark was listed for the first time, Sweden appeared in the list for the first time since 2014, and Hong Kong and Malaysia fell out of the top 20. China's box office revenue (US \$3 billion) surpassed that of North America for the first time in 2020, becoming the single market box office champion. The North American market followed China, with \$2.2 billion, while Japan ranked third in the world market with \$1.3 billion. The French market was \$500 million; South Korea, Britain, India and Germany gained \$400 million each; and Russia and Australia gained \$300 million each (see Table 1.1). Spain, the Netherlands, Mexico, Taiwan, Brazil, Indonesia, Denmark, the United Arab Emirates, Poland and Sweden also entered the top 20.

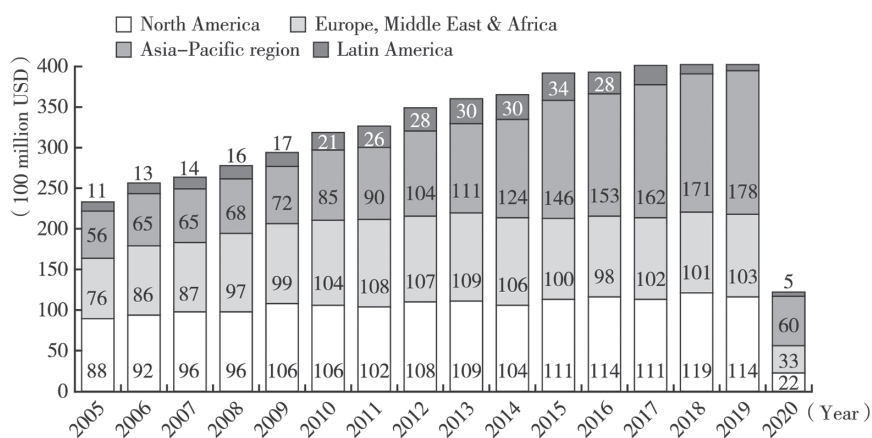


Figure 1.4 Regional structure of global box office in 2005–2020

Sources: Comscore, Motion Picture Association

Note: The difference between regional sums in 2006 and the sum in Figure 1.3 is due to rounding.

Table 1.1 Box office top ten in 2011–2020 (hundred million US dollars)

Country/region	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020	Total
North America	102	108	109	104	111	114	111	119	114	22	1014
China	20	27	36	48	68	66	79	90	93	30	557
Japan	23	24	24	20	18	20	20	20	24	13	206
Britain	17	17	17	17	19	17	16	17	16	4	157
France	20	17	16	18	14	16	15	16	16	5	153
India	14	14	15	17	16	19	16	15	16	4	146
Korea	11	13	14	16	15	15	16	16	16	4	136
Germany	13	13	13	13	13	11	12	10	12	4	114
Russia	12	12	14	12	8	7	10	9	9	3	96
Australia	11	12	11	10	9	9	9	9	9	3	92

Sources: Motion Pictures Association, Omida

1.3 Scale and structure of global home/mobile entertainment market

In 2020, the global home/mobile entertainment market reached \$68.8 billion, an increase of 23.08 percent over 2019 (see Figure 1.5). The digital home/mobile entertainment market is the driving force for its growth. Compared with 2019, the US digital home/mobile entertainment market grew by 33 percent to \$26.5 billion, and the international digital home/mobile entertainment market grew by 30 percent to \$35.3 billion (see Figure 1.6). Compared with 2019, the number of global subscribers to video websites, including Netflix and Disney+, increased by 26 percent (232 million people) to 1.1 billion people in 2020.

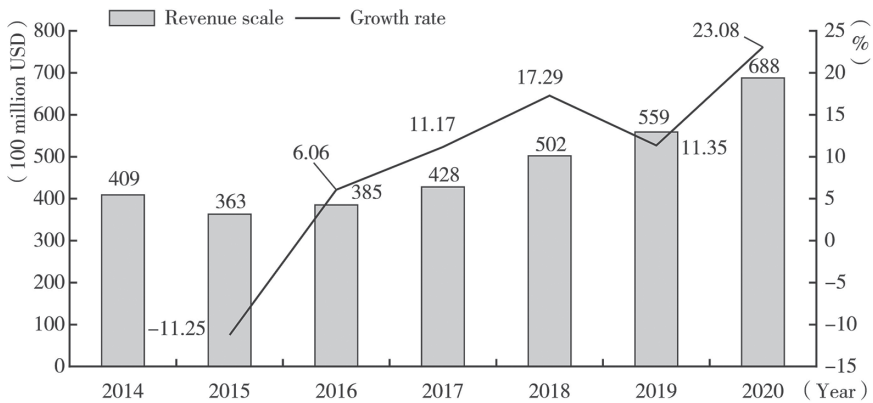


Figure 1.5 Revenue scale and growth rate of the global home/mobile entertainment market in 2014–2020

Sources: Comscore, Digital Entertainment Group, Motion Picture Association

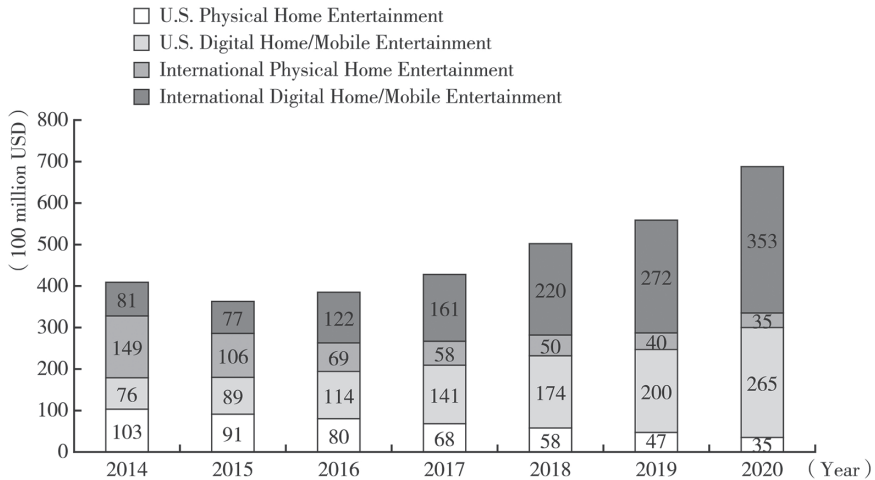


Figure 1.6 Revenue generated by the home/mobile entertainment market in 2014–2020

Sources: Comscore, Digital Entertainment Group, Motion Picture Association

2 The impact of COVID-19 on the global film industry

2.1 COVID-19 pandemic ravages the world

The COVID-19 outbreak started at the end of 2019, fully broke out in 2020 and spread to nearly 200 countries around the world, becoming the most serious public health event in modern society. This plague has the following characteristics.

First, the epidemic spread widely. As of January 3, 2021, there were 83.33 million confirmed cases and more than 1.83 million deaths worldwide. The pandemic was the worst in the United States, where the cumulative number of confirmed cases reached 1997 million, accounting for about one quarter of the global total. The number of confirmed cases in India, Brazil and Russia ranked second, third and fourth, respectively. In Britain, France, Italy, Spain, Germany and Colombia, confirmed cases have all exceeded one million, ranking in the top ten.

Second, the virus has mutated several times, and the variants have higher infectivity and transmission ability. Different types of variant viruses have appeared in the UK and South Africa, and the infectivity of the mutated viruses has been greatly enhanced, resulting in a sharp rise in the epidemic situation in the UK from November 2020. By the end of 2020, nearly 2.6 million people have been confirmed infected in the UK, and about 60 percent of them have been infected with new variants of the virus.

Third, the epidemic continues to recur and tends to be normalized and long-term. (At the time of writing this report, the global epidemic was still ongoing. China proposed “long-term measures to prevent and control the epidemic”). After peaking in the first half of 2020, a second wave was ushered in at the end of 2020. Epidemic prevention and control measures have become normal in all countries. Wearing masks and keeping social distance have become people’s lifestyle. Quarantine and city shutdown have become the routine means to deal with the epidemic situation in many regions.

Modern society has never experienced a worldwide precedent of closing national boundaries and economies. To prevent and control the epidemic, countries have been forced to implement quarantine and shutdowns. Cities with dense populations, such as New York, took the measure of city-wide shut down. Governments had to take prevention and control measures such as restricting the flow of people and closing crowded places to avoid collective activities. Facing the threat of the virus, the public spontaneously reduced outdoor activities, resulting in supply constraints and demand reduction, leading to a sharp recession of the world economy. The COVID-19 pandemic has caused an overall decline in the global economy, leading to negative GDP growth and increased unemployment rate in most countries. International trade recessed significantly, global financial markets experienced a sharp shock, and global debt increased rapidly. According to the *Economic Outlook Interim Report* issued by the Organisation for Economic Co-operation and Development in March 2021, the global economy declined by 3.4 percent in 2020. Also according to the *World Economic Outlook* issued by the International Monetary Fund in April 2021, it is estimated that the global economy shrank by 3.3 percent in 2020. The epidemic has seriously damaged the economic development of countries all over the world, leading to loss or weakening of people’s consumption power, even causing food shortages, soaring prices, livelihood risks, unemployment, public security and other social problems.

2.2 *Impact of the COVID-19 pandemic on world cinemas*

2.2.1 The COVID-19 pandemic has led to a decline in box office revenue around the world

The “black swan” event of COVID-19 has had a huge impact on the global film industry. As a result, the business process from production to distribution has been interrupted or rescheduled, and even theatres were closed. As a public entertainment business sector, the box office has suffered a heavy loss, and the entire film ecosystem has been affected. Multiple factors, including decreased film release, shutdown of cinemas, and the decrease in the audience’s consumption, affected box office revenue in 2020, which was only \$12 billion, approximately 28 percent of that in 2019 (\$42.3 billion).

2.2.2 The COVID-19 pandemic has increased the differentiation among markets

The pandemic has had an impact on the box office all over the world, but the duration and degree are different in each country and region. In many countries and regions, theatres had to be closed because of the prevention and control measures, and some experienced the closures more than once. Cinema shutdowns started at the beginning of 2020 around the world and by March almost all of them had been closed until after April. In the Asia Pacific region, theatres only reopened in July. These closures continued until the end of 2020: In Europe, the reopening started in June to July, until October to November, when they tended to be closed down again. In North America, theatres were mostly reopened in June and then closed again in November; In the Middle East, Africa and Latin America, the reopening started slowly in June, but theatres had not reopened completely by the end of the year.

In 2020, box office revenue fell in the four major regions: in North America, by 80 percent; in Europe, the Middle East and Africa, by 68 percent; in Asia Pacific, by 66 percent and in Latin America, by 82 percent. Among the major countries, Asia Pacific’s India, South Korea, China and Japan decreased by 77 percent, 75 percent, 68 percent and 44 percent, respectively. In Europe, Britain, France and Germany dropped by 75 percent, 69 percent and 68 percent, respectively. In Latin America, Mexico and Brazil dropped by 81 percent and 79 percent, respectively.

2.2.3 North America’s box office revenue decreased by \$9.2 billion or 80 percent

Due to the epidemic, the box office revenue for North America in 2020 was only \$2.2 billion, down by 80 percent compared to 2019’s \$11.4 billion. At the same time, the number of viewers or ticket sales (240 million tickets) decreased by 81 percent compared with 2019. Less than half (46 percent) of the North American population aged 2 or over (162 million) watched a movie at least once in 2020, down by 76 percent (268 million) compared with 2019. The average number of movie tickets purchased by these movie goers was 1.5, down from 4.6 in 2019. In

Table 1.2 Top ten films in North America in 2020

Rank	Film title	Distributor	Box office revenue (hundred million US dollars)	Rating	3D
1	<i>Bad Boys for Life</i>	Sony	2.06	R	No
2	<i>1917*</i>	Universal	1.58	R	No
3	<i>Sonic the Hedgehog</i>	Paramount	1.49	PG	No
4	<i>Jumanji: The Next Level**</i>	Sony	1.28	PG13	Yes
5	<i>Star Wars: The Rise of Skywalker**</i>	Disney	1.25	PG13	Yes
6	<i>Birds of Prey: And the Fantabulous Emancipation of One Harley Quinn</i>	WB	0.84	R	No
7	<i>Do little</i>	Universal	0.79	PG	No
8	<i>Little Women**</i>	Sony	0.71	PG	No
9	<i>The Invisible Man</i>	Universal	0.70	R	No
10	<i>The Call of the Wild</i>	20th Century Fox	0.62	PG	No

Sources: Comscore, Motion Pictures Association

Note: The statistical period is from January 1 to December 31, 2020. * refers to films screened in 2021; ** refers to the films screened in 2019.

terms of gender, age and race, Hispanic/Latino males between 12 and 17 years old preferred to watch movies compared with other groups. The number of films released throughout the year was 338, down by 66 percent compared to 2019. Many screening schedules were changed or delayed due to the epidemic. Due to the decrease in supply of films, the market share of top films became more concentrated. The top 25 films accounted for 75 percent of the total box office revenue, much higher than the 57 percent share in 2019. Because many films have been delayed in screening, ten of the top 25 films were released in 2019, and three of the top five films (*1917*, *Jumanji: The Next Level*, and *Star Wars: The Rise of Skywalker*) were all released in 2019 (see Table 1.2). The epidemic has also led to the popularity of R-rated films which are mainly meant for adult audiences. Among the top 25 films, nine were R-rated films, which in terms of number and proportion, was more than all other genres. The epidemic has also led to stoppages of many productions. In North America, the total number of film productions invested in was 447, which is 45 percent less than in 2019.

2.2.4 European box office revenue reduced by €6.2 billion or 70.6 percent

The outbreak of COVID-19 led to the closure of European cinemas for several months. In 2020, total box office revenue in Europe was only €2.6 billion, a decrease of € 6.2 billion or 70.6 percent, compared with 2019's €8.8 billion. Revenue in European Union countries decreased by €4 billion or 69.0 percent. Due to the differences in severity of the epidemic and control efforts in different countries, the box office losses suffered by different countries differed. Denmark experienced

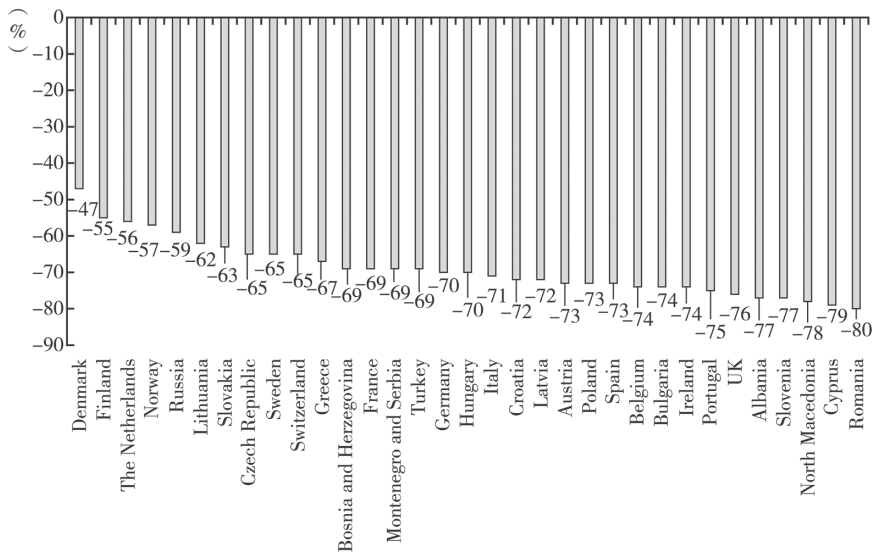


Figure 1.7 Decline in box office revenue in European countries in 2020

Source: The International Union of Cinemas

Note: Data for France are calculated in terms of movie-going attendance. Data for Montenegro and Serbia are compiled according to local industry practice.

the smallest drop, and Finland, the Netherlands, Norway, Russia and other countries also had relatively less loss. However, Romania, Cyprus, Northern Macedonia, Slovenia and Albania, among others, showed a larger decline. The UK suffered the most serious box office loss among European countries (see Figure 1.7).

Affected by the COVID-19 pandemic, the box office revenue in the UK in 2020 was £307 million, ranking sixth in the world, down by 75 percent compared to 2019's £1.254 billion. The number of viewers decreased from 176 million in 2019 to 44 million. British cinemas were closed twice in 2020, with no audience and no box office revenue throughout the second quarter (April to June), mainly due to the government's requirement of a shutdown in March. It was not until July that the ban was lifted. Theaters could reopen as long as new health and safety measures were implemented, including reducing the number of seats. Cinemas reopened gradually in England in early July, while the reopening in Scotland and Northern Ireland was in mid-July and in early August in Wales. As the epidemic returned in November, the British government required again that all cinemas were to be closed from November 5 until December 2, when they were allowed to reopen (except for areas where restrictions remained in place). During the period from March to December, monthly viewership decreased by 57.9 percent, 100 percent, 100 percent, 100 percent, 97.9 percent, 86.7 percent, 75.8 percent, 86.6 percent, 97.5 percent and 97.2 percent, respectively, compared with the same period in 2019 (see Figure 1.8).

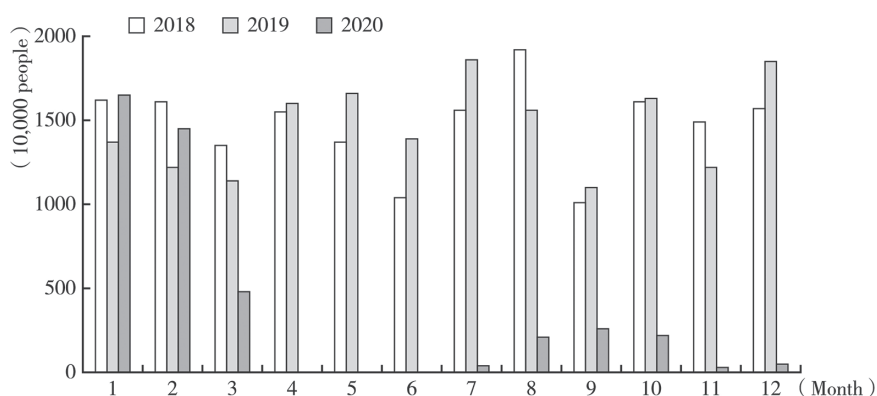


Figure 1.8 Viewer status in the UK for each month in 2018–2020

Sources: British Film Institute, Cinema Advertising Association, Comscore

In 2020, French cinemas were closed twice for a total of 162 days. Total box office revenue for this year was approximately US \$500 million, ranking 14th in the world. The number of film viewers for the whole year reached 65.1 million, about 30 percent of that in 2019. In the past ten years, more than 2 million people have watched at least 20 films a year, while in 2020, only three films, *Tenet*, *1917* and “*Sonic the Hedgehog*”, obtained more than 2 million viewers. The market share of French local films (44.9 percent) is higher than that of American films (40.8 percent) and films from other countries (14.3 percent). In 2019, the three types accounted for 34.8 percent, 55.7 percent and 9.6 percent, respectively. During the reopening period from June 22 to October 29, with no new American film released, the average screening period of films could be as long as 9 weeks, which was one week longer than the average screening period during 2015–2019. During this period, the market share of French local films doubled (from 33 percent in 2015–2019 to 60 percent in 2020), while the market share of American films decreased from 57 percent to 19 percent.

2.2.5 Asia Pacific region suffered fewer losses due to strong epidemic prevention

Compared with North America and Europe, epidemic prevention and control in the Asia Pacific region fared better, where the cinema shutdown was relatively brief, and the market recovery faster. Among the world’s major film markets, Japan experienced the smallest box office decline. Cinema shutdown across the country was only about 20 days; some cinemas in some regions were closed only for a short period. In 2020, the number of viewers in Japan was 106 million, about 54.5 percent of that in 2019 (194 million), a decrease of 45.5 percent compared to that in 2019. The box office revenue reached ¥143.285 billion, ranking third in the world, down by 45.1 percent compared with that in 2019 (¥261.180 billion).

In a few areas where strong prevention measures were taken, cinemas were not shut down at all. For example, owing to active business contacts and tourism exchanges having carried on with mainland China, Taiwan, by taking the effective measures of wearing masks, border control and compulsory quarantine in the early stages of the pandemic, had a record of 253 consecutive days (April 13 to December 21, 2020) without local infection. In early April, the Taiwan Cinema Union conducted a survey and pleaded with the government to order a two-month closure, receiving a result of 79 votes in support, 19 in opposition and 12 undecided. Although Taiwan's cinemas were not shut down, its box office revenue still plummeted by 80 percent because indoor activities were constrained to fewer than 100 people, and 1.5 meters' safe social distance was required. Many people were consciously avoiding unnecessary engagement, and the number of movie goers decreased sharply, leading cinema operations to a miserable condition. Until late April, after the "darkest period" with the lowest weekly viewers (about 45,000 people), Taiwan cinema audiences began to recover with an increase in the number of films released (see Figure 1.9). By the end of May, weekly viewers exceeded 100,000 people. In early July, starting from the summer vacation, weekly viewers exceeded 200,000 people, and by the end of July, the number of weekly viewers reached 820,000. The total annual box office revenue reached approximately NT \$5.159 billion, down by 49.38 percent compared with that in 2019.

Due to the COVID-19 pandemic, most cinemas across the country announced a suspension of reopening on January 23, 2020. The films originally scheduled to be released on January 25, such as *Leap*, *Detective Chinatown 3* and *The Rescue*, were withdrawn from the Spring Festival. With a series of prevention and control as well as medical treatment measures taken, the pandemic situation continued to improve, and the local spread of the epidemic was basically blocked. On July 16, the National Film Bureau issued the notice of "Orderly Promoting the Resumption of Cinema Opening under Normalized Epidemic Prevention and Control",

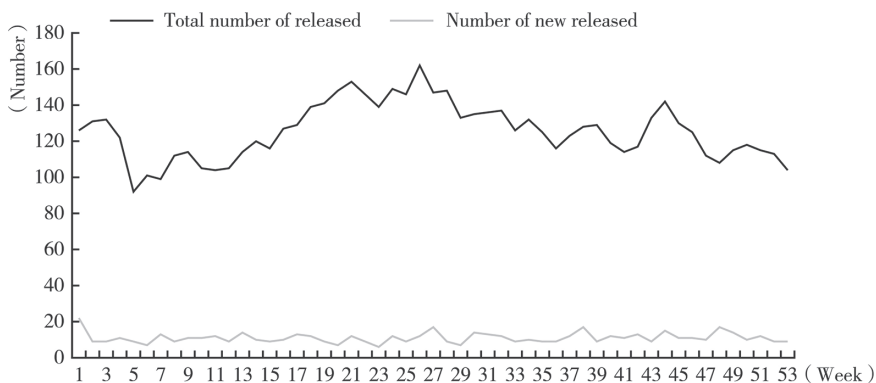


Figure 1.9 Number of films released in Taiwan in 2020

Sources: Film, Television and Pop Music Industry Bureau of Taiwan Ministry of Culture, Taiwan Economic Research Institute

allowing cinemas in low-risk areas to resume opening in an orderly manner on July 20. Since then, although the epidemic has been repeated in some places, the overall prevention and control measures were appropriate and effective. Chinese cinemas were finally able to resume business. From July to December, the year-on-year decrease was 96.2 percent, 56.6 percent, 24.8 percent, 24.6 percent, 46.1 percent and 8.6 percent, respectively. The total annual box office revenue reached RMB 20.417 billion, down by 68.2 percent comparing to RMB 64.266 billion in 2019, surpassing North America to be in the first position in the global film market.

2.2.6 Box office revenue in Latin American decreased by US \$2.3 billion or 82 percent

Latin America's box office revenue in 2020 was \$500 million, down by 82 percent from \$2.8 billion in 2019, which was the most serious decline. There were 115 films released in Mexico in 2020, gaining a revenue of \$170 million, ranking 14th in the world, down by 81 percent from \$1 billion in 2019. Hollywood's *Sonic the Hedgehog*, adapted from the game, was Mexico's annual box office champion, with an approximate box office income of \$18.44 million. Brazilian cinemas were closed for about seven months during the pandemic and were only reopened in October. In 2020, Brazil's total box office revenue was only \$139 million, ranking 16th in the world, down by 79.6 percent from \$680 million in 2019. Also in 2020, 221 films were released, down by 52.4 percent, and gaining 40.2 million viewers, down by 77 percent compared with 2019. The box office champion of the year, *My Mom is a Character 3* is Brazil's first local film to achieve box office champion in the last decade, gaining \$25.8 million. Thanks to the success of this film, the box office share of Brazil's local films has increased from 12 percent in 2019 to 22.7 percent in 2020, and the market share of viewers increased from 13.7 percent to 23.3 percent.

2.2.7 A new pattern in the global film industry is shaped by the pandemic

In the past years, Hollywood has occupied a large part of the global film market. However, the production and distribution schedule of Hollywood blockbusters were heavily impacted by the pandemic. According to a report by Comscore, there were 274 Hollywood films (including *007: No Time to Die*, *Top Gun: Maverick*, and *Fast & Furious 9*) originally scheduled for 2020 that had to be rescheduled to 2021. Owing to the large number of Hollywood films being rescheduled or changed to online screening, countries with rather developed production status, including China, Japan, South Korea, France, Germany, Spain, Russia, Brazil, among others, gained more market share for their local films in 2020.

China's box office revenue reached RMB 20.417 billion in 2020, of which, domestic films reached RMB 17.093 billion, accounting for 83.72 percent of the total; The annual production of feature films was 531, and the top ten box office films were all domestic. Thanks to the excellent performance of Chinese local films, there were four listed in the world's top ten, namely, *The Eight Hundred*, *My People, My Homeland*, *Legend of Deification* and *The Sacrifice* (see Table 1.3).

Table 1.3 Global top ten box office films in 2020

Ranking	Film title	Global box office revenue (US \$10,000)	North America box office revenue (US \$10,000)	Market share of North America (percent)	International box office revenue (US \$10,000)	International market share (percent)
1	<i>The Eight Hundred</i>	46,134	37	0.01	46,097	99.9
2	<i>Bad Boys for Life</i>	42,651	20,631	48.4	22,020	51.6
3	<i>My People, My Homeland</i>	42,238	0	0	42,238	100
4	<i>Tenet</i>	36,261	5,791	16.0	30,470	84.0
5	<i>Kimetsu no Yaiba the Movie: Mugen Train</i>	31,842	0	0	31,842	100
6	<i>Sonic the Hedgehog</i>	31,067	14,607	47.0	16,460	53.0
7	<i>Dolittle</i>	24,525	7,705	31.4	16,820	68.6
8	<i>Legend of Deification</i>	24,065	21	0.01	24,044	99.9
9	<i>Birds of Prey: And the Fantabulous Emancipation of One Harley Quinn</i>	20,186	8,416	41.7	11,770	58.3
10	<i>The Sacrifice</i>	16,105	0	0	16,105	100

Source: Box Office Mojo, as of December 31, 2020

Japan's box office revenue in 2020 was ¥143.285 billion, of which domestic films accounted for ¥109.276 billion, or 76.3 percent of the total; imported films accounted for ¥34.009 billion, or 23.7 percent. The animated film *Kimetsu no Yaiba the Movie: Mugen Train* released by Toho gained a total revenue of ¥36.55 billion. It was not only the box office champion in 2020, but also the champion of Japan's film history, replacing *Spirited Away*, released in 2001.

South Korea's total box office revenue in 2020 was approximately US \$467 million, a decrease of 63.6 percent compared with that in 2019. *The Man Standing Next*, produced by Showbox Entertainment, won the annual box office championship, with \$36.56 million. Among the top five box office films of the year, four were Korean local films (*The Man Standing Next*, *Deliver Us from Evil*, *Train to Busan 2*, and *Hitman: Agent Jun*). Among the top ten box office films of the year, eight were local films.

Due to an insufficient supply of new films in European cinemas, especially from major American studios, cinemas played an important role in promoting local films and European culture. The market share of local films in many countries has increased significantly, to a rare level. In 15 countries, the market share of local

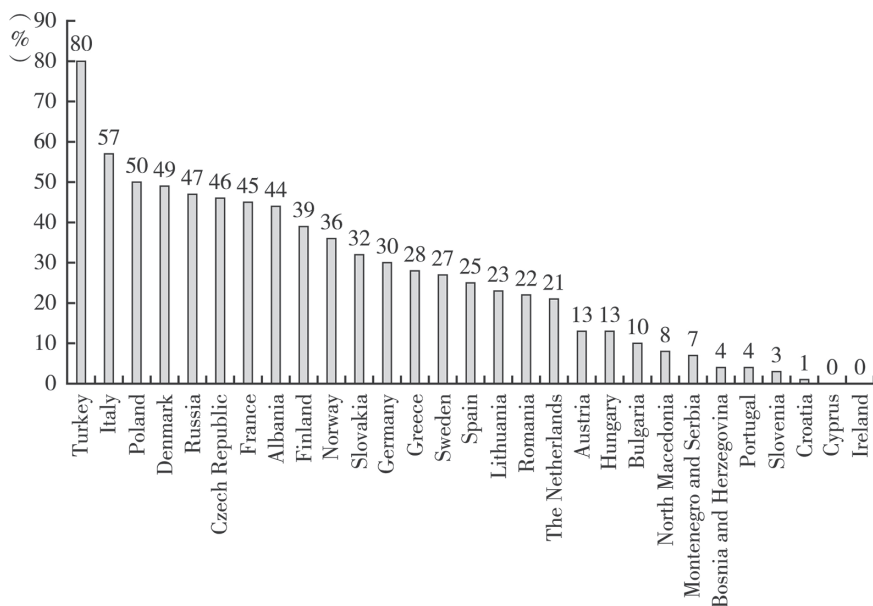


Figure 1.10 Market share of local films in European countries in 2020

Source: The International Union of Cinemas

Note: Data for Montenegro and Serbia are compiled according to local industry practice.

films exceeded 25 percent. Among them, Italy (57 percent), Poland (50 percent), Denmark (49 percent), Russia (47 percent), the Czech Republic (46 percent) and France (45 percent) have all achieved outstanding performance (see Figure 1.10).

According to the author’s statistics on box office champion films around the world based on Box Office Mojo, *Bad Boys for Life* was not only the box office champion of North America in 2020, but also in 28 countries and regions, including the United Arab Emirates. In addition, Hollywood blockbusters such as *Jumanji: The Next Level*, *1917*, *Tenet*, *Frozen 2*, *Dolittle* and *Sonic the Hedgehog* were also box office champions in many countries and regions. At the same time, local films were the box office champions in sixteen countries, including Russia, China, Japan, South Korea, India, Brazil, Italy, Poland, Czech Republic, Lithuania, Romania, Slovakia, Norway, Iceland, Turkey and Vietnam (see Table 1.4). Compared to 2019, the market for local films grew stronger.

2.3 The Covid-19 pandemic accelerates the development of online film viewing

2.3.1 Online distribution has been contributing continuously to the Chinese film industry

The epidemic has catalyzed the mobile internet’s penetration into all aspects of people’s lives. People are becoming active in all sorts of online activities, and on-line business is embracing its golden age. The digital economy is developing with

Table 1.4 Box office champion films in various countries in 2020

<i>Film title</i>	<i>Country of origin</i>	<i>Box office of countries/regions</i>
<i>Bad Boys for Life</i>	USA	Aruba, Austria, Bahrain, Belgium, Bulgaria, Cambodia, Central America, Croatia, Curaçao, Dominica, Egypt, Hungary, Iraq, Israel, Jamaica, Jordan, Kenya, Kuwait, Latvia, Lebanon, Nigeria, Oman, Qatar, Saudi Arabia, Slovenia, Switzerland, Tobago, Trinidad and UAE
<i>Jumanji: The Next Level</i>	USA	Australia, Bolivia, Colombia, Ecuador, Mongolia, New Zealand, Pakistan, Paraguay, Peru, South Africa
<i>1917</i>	USA	East Africa, Greece, Portugal, Spain, UK, the Netherlands
<i>Tenet</i>	USA	Estonia, France, Germany, Hong Kong (China) Taiwan (China)
<i>Frozen 2</i>	USA	Argentina, Denmark, Finland, Sweden
<i>Dolittle</i>	USA	Indonesia, Malaysia, Senegal, Venezuela
<i>Sonic the Hedgehog</i>	USA	Chile, Mexico, Panama
<i>Bombshell</i>	USA	Costa Rica, Honduras, Sri Lanka
<i>Son of Rich</i>	Russia	Russia/CIS, Serbia/Montenegro
<i>32 Malasana Street</i>	Spain	Nicaraguan, El Salvador
<i>Mulan</i>	USA	Thailand, Singapore
<i>The Eight Hundred</i>	China	China
<i>Kimetsu no Yaiba the Movie: Mugen Train</i>	Japan	Japan
<i>The Man Standing Next</i>	South Korea	South Korea
<i>Tanhaji: The Unsung Warrior</i>	India	India
<i>My Mom Is a Character 3</i>	Brazil	Brazil
<i>Tolo Tolo</i>	Italy	Italy
<i>Psy 3: W imie zasad</i>	Poland	Poland
<i>Caught in the Net</i>	Czech	Czech
<i>Perfect Date</i>	Lithuania	Lithuania
<i>Miami Beach</i>	Romania	Romania
<i>Scum</i>	Slovakia	Slovakia
<i>Asphalt Burning</i>	Norway	Norway
<i>The Last Fishing Trip</i>	Iceland	Iceland
<i>Batyste Fleuriel</i>	Turkey	Turkey
<i>Tiêc trắng máu</i>	Vietnam	Vietnam
<i>The Heist of the Century</i>	Argentina	Uruguay
<i>Last Christmas</i>	USA	Albania
<i>Bloodshot</i>	USA	Ethiopia
<i>Star Wars: The Rise of Skywalker</i>	USA	The Philippines
<i>Antebellum</i>	USA	Laos
<i>The Invisible Man</i>	USA	Macedonia
<i>Knives Out</i>	USA	Bangladesh
<i>The Gentlemen</i>	USA	Ukraine
<i>I Still Believe</i>	USA	The West Indies
<i>After We Collided</i>	USA	The Middle East

Source: Statistics are drawn from Box Office Mojo, as of December 31, 2020

Note: CIS = Commonwealth of Independent States; UAE = United Arab Emirates; UK = United Kingdom; USA = United States.

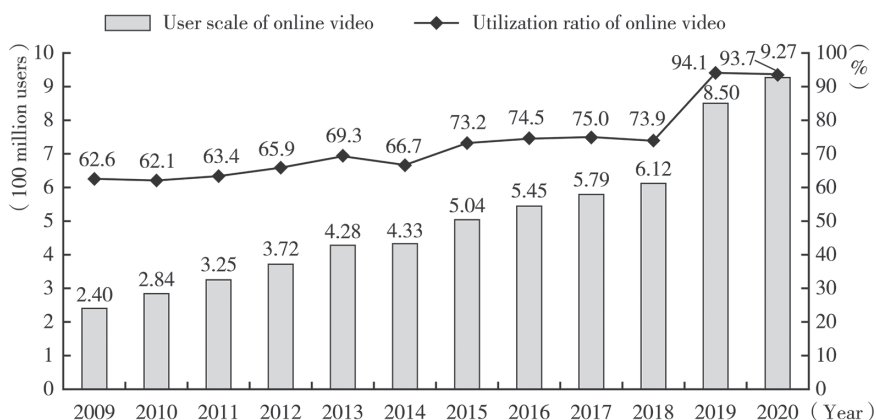


Figure 1.11 User scale and utilization rate of online video in China from 2009 to 2020

Source: China Internet Network Information Center

Note: Affected by the COVID-19 pandemic, the data survey for 2019 was completed in March 2020; the growth rate is calculated from the original data. Any differences are caused by rounding of the numbers.

a good trend. In December 2020, the scale of internet users in China was 989 million, and the internet penetration rate was 70.4 percent. The number of online video users (including short videos) reached 927 million, accounting for 93.7 percent of total internet users (see Figure 1.11). In 2020, the quality of online video programming content improved rapidly. The business models of various platforms have been gradually maturing with the integration of long and short video content. With the support of high-quality content, video websites intended to increase subscription prices and optimize business models. In November 2020, IQIYI adjusted the monthly subscription fee from RMB 15 to RMB 19. In 2020, IQIYI’s business revenue reached RMB 29.7 billion, with a year-on-year increase of 2 percent. By the end of the year, the number of subscription members reached 101.7 million.

The contribution of online distribution to the Chinese film industry has been continuously improving. According to the annual report of “China’s On-line Film Industry” in 2020 issued by the “On-line Film Committee of China Film Association”, there were 1089 new films released nationwide in 2020, among which, 305 were released in theatres and 784 were released online. The number of films released online accounted for 72 percent of the total number, which was significantly higher than that in 2019. Among the new films released online, 769 participated in the profit sharing. Among them, 79 obtained income of RMB 10 million, an increase of 41 films compared with 2019. Films with the profit sharing of RMB 10 million totaled a revenue of RMB 1.39 billion, a year-on-year increase of 125 percent. The *Thousand Faces of Dunjia* ranked first in annual revenue, with RMB 56.41 million. Fantasy action as well as monster films such as *Mojin: Mysterious Treasure*, *The Enchanting Phantom*, *The Snake King* and *The Shark* were well received by the market.

During the epidemic, many film producers adopted the online distribution mode as their priority, and continued to explore this mode despite controversy. The release of *Lost in Russia*, which was originally scheduled for theatres around the Spring Festival, was announced instead to take place on the internet platform Byte Dance after it was withdrawn from cinemas. The number of views within the first three days exceeded 600 million. Following this, *Enter the Fat Dragon* went online in IQIYI and Tencent, *The Winners* went online with Byte Dance and *Looking for Lucky* was released on Youku. Two art films also were distributed online, *Spring Tide* and *Dwelling in the Fuchun Mountains*, as pay per view offerings. After the cinemas resumed operation, *Mr. Miao* was released in theatres on July 31 and went online on August 7, leaving almost no lag time between the releases.

With theatres closed in the first half of the year and gradually recovering in the second half, the online broadcast volume of Chinese films increased significantly in 2020, and the market share of online distribution was further enhanced. The effective accumulated whole film viewing in 2020 reached 52.8 billion times, of which, 11.2 billion viewing times went to online films, with a year-on-year growth of 30 percent, increased to 21 percent. Among the new releases of online films in 2020, the effective viewing reached 7.6 billion times, a year-on-year growth of 59 percent, showing a huge market potential.

2.3.2 *Online movie viewing is heating up rapidly in the United States*

With the poor performance of in-theatre releases, Hollywood started embracing streaming media aggressively. Many film producers turned to online distribution and released films on streaming media platforms. After the outbreak of the epidemic in North America in March, Universal Pictures took the lead in making changes by broadcasting its new films online simultaneously with release in theatres. The animated movie *Trolls World Tour* was launched on Amazon Prime Video at the price of \$19.99 on demand, and on the very day of release, it made a record for streaming movie for both premiers and first week views. It eventually had cumulative paid views of more than 5 million on the network platform, and the revenue from digital rentals exceeded \$100 million.

Since then, other Hollywood studios have followed suit and adopted the mode of premium video on demand (PVOD) to officially distribute films that were already being shown in theatres and new releases. *Tenet* was originally scheduled for release in the summer of 2020 and was expected to save the market; however, its final box office revenue in North America was only \$57.91 million, far lower than expected. This result further drove Hollywood studios to turn to direct online streaming. Disney released *Mulan* and other films through the Disney+ platform. The on-demand price of *Mulan*, which was released on September 4, was \$29.99, far higher than the average ticket price in North American theatres in 2019 (\$9.16). Films such as *Hamilton* and *Soul* went directly online, while films such as *Raya and the Last Dragon* and *Wonder Woman 1984* were released simultaneously in theatres and streaming media in December 2020. Later, Warner Bros. further

announced the cancellation of the 30-day window, which is to say, all new films released in theatres would be broadcast in 4K HDR formats on HBO Max™ for one month. Right after this announcement, on December 3, AMC, the largest US entertainment holding company, declined 15.97 percent on the stock market.

Establishing the Disney+ streaming media platform was a strategic move of Walt Disney Studios Motion Pictures (hereinafter referred to as “Disney”). The advance planning and launch of Disney+ in November 2019 was perfect timing for 2020. Faced with the disruptive impact of huge technological changes in the entertainment and media industries, Robert Iger, then chairman and CEO of Disney, announced three strategies at the investor conference in April 2019: focusing on high-quality content, embracing technology and achieving global growth. Disney has acquired Pixar, Marvel, Lucas Pictures and 21st Century Fox for a total of more than \$86.6 billion. Disney cultivated Marvel Universe deeply, continued with the Star Wars series and created super IPs (Intellectual Property, referring to blockbusters here). It invested in BAMTech and acquired controlling rights, and launched ESPN+ and Disney+ direct-to-consumer (DTC)/over-the-top (OTT) video streaming in 2018 and 2019 using platform and streaming media technology. It also obtained the controlling rights to Hulu to spread content directly to end users in an advanced way relying on its own technology platform. It took the lead in the landing of Shanghai Disneyland. It also acquired Hotstar, the largest streaming media service platform in India.

After launching Disneyland+ in 2019, a sharp increase in user numbers occurred in 2020. By the end of 2020, subscribers totaled more than 86 million, far more than expected. Under the demonstration effect of Disney, other Hollywood studios also speeded up the construction of online platforms. Warner Bros. launched HBO Max in May and, by December 2020, the number of subscribers reached 12.6 million. NBC Universal launched its online platform Peacock in July, and Universal Pictures reached agreements with AMC, Cinemark and Cineplex, that its films would be available online for pay-on-demand service as soon as 17 days after they are released in theatres. Profits from the revenue would be shared with the cinema lines. This distribution strategy balances the interests of both online video-on-demand (VOD) platforms and cinema lines, and has been well accepted by the industry. Viacom CBS, the parent company of Paramount Pictures, also announced the launch of the streaming media service Paramount+, which integrated the content of its CBS all-access platform launched in 2014. The new service was launched in the United States, Canada and Latin America in March 2021.

Online video content viewing in the United States maintained an upward trend in 2020, reaching a volume of 265.9 billion views/transactions, an increase of 32 percent compared with that in 2019. The number of movie views/transactions was 21.3 billion, an increase of 45 percent compared with that in 2019 (see Table 1.5). At present, more than 135 online service providers offer movies and TV content to American consumers. Relatively new films such as *Frozen 2* and *Moana* are popular among viewers. Among the top ten films listed according to length of

Table 1.5 Online views and transaction volume in the United States from 2016–2020

<i>Specification</i>	<i>2016</i>	<i>2017</i>	<i>2018</i>	<i>2019</i>	<i>2020</i>
View times and transaction volume of films (× a hundred million)	97	104	118	147	213
View times and transaction volume of TV content (× a hundred million)	789	1,197	1,518	1,867	2,446
Total (× a hundred million)	886	1,301	1,636	2,014	2,659

Source: Motion Picture Association, Omida

Table 1.6 Top ten films for online screening

<i>Ranking</i>	<i>Film title</i>	<i>Year of release</i>	<i>Streaming video-on-demand provider</i>	<i>Viewing time (hundred million minutes)</i>
1	<i>Frozen 2</i>	2019	Disney+	149.24
2	<i>Moana</i>	2016	Disney+	105.07
3	<i>The Secret Life of Pets 2</i>	2019	Netflix	91.23
4	<i>Onward</i>	2020	Disney+	83.67
5	<i>The Grinch</i>	2018	Netflix	61.80
6	<i>Hamilton</i>	2020	Disney+	61.32
7	<i>Spenser Confidential</i>	2020	Netflix	53.74
8	<i>Aladdin</i>	2019	Disney+	51.72
9	<i>Toy Story 4</i>	2019	Disney+	44.16
10	<i>Zootopia</i>	2016	Disney+	44.00

Sources: Motion Picture Association, Nielsen Media Research.

viewing time, only three were new releases in 2020, namely, *Onward*, *Hamilton* and *Spenser Confidential* (see Table 1.6).

Most American families have both pay TV and online subscription services. In 2020, the number of online subscribers in the United States increased to 308.6 million, an increase of 32 percent compared with that in 2019. In 2020, about 80 percent of American adults watched movies and TV programs through traditional TV services as well as online subscription services. Fifty-four percent of US adults watch films through streaming sales (EST) or video on demand (VOD), exceeding the 49 percent in 2019. Among these viewers, 59 percent paid to watch new releases or films not released in theatres through PVOD services.

As stated by the MPA, in 2020, more than 85 percent of American children (2–17 years old) have watched films and TV dramas on mobile devices, similar to the number in 2019. Twenty percent of children watched TV dramas on mobile devices every day, slightly lower than the proportion watching films and TV dramas a few times a week (28 percent). Meanwhile, 59 percent of adults watch films on mobile devices, similar to the number in 2019. Comparing the two groups, adults are a lot less likely to watch films via mobile devices. Only 9 percent of adults watch films every day, 14 percent watch films several times a week, and 9 percent only once a week, which are all lower than comparable figures for children (see Figure 1.12).

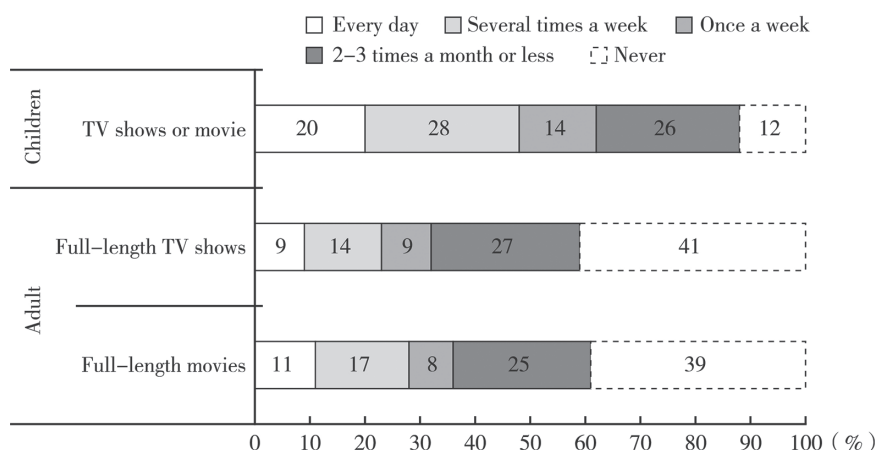


Figure 1.12 The frequency of online viewing on mobile devices among Americans

Source: Motion Picture Association

3 Outlook on the future development of the global film industry

3.1 Global economic recovery is still in a state of great uncertainty

The global economy entered a recession owing to the outbreak of COVID-19 and is expected to recover after the pandemic ends. The global economic situation in 2021 was decided by trends in the pandemic to a great extent. Although continuous promotion of vaccines has boosted people’s mood, the emergence of variants of the virus and the increasing number of deaths have caused concern. In April 2021, the world remained shrouded in the shadow of the pandemic, but economic activity had been restored to some degree, and economic growth was expected to rebound significantly. There were three main reasons for the rebound: first, the prevention and control capabilities in various countries have improved, with more appropriate strategies. Meanwhile, the production and preparation of prevention and control materials have been more adequate. Therefore, the control measures have helped to reduce the damage. Second, both the people and enterprises have a better understanding of the virus, and the sense of self-protection is enhanced. Therefore, more space is available for economic activities during the pandemic. Third, the emergence of vaccines will curb the spread of the virus and accelerate the recovery of economic activities. The global economic recovery and rebound in growth in 2021 depended on some key factors, including the development trend of the virus, the efficiency of policies supporting the development and distribution of vaccines to speed up the recovery, the strength and effectiveness of national fiscal and monetary policies and the stability of global financial markets.

The World Bank was optimistic about the global economic situation in 2021. They predicted that the global economy would grow by 4.0 percent in 2021, driven

by two major factors: the widespread vaccination and the recovery of investment. The United States was expected to grow by 3.5 percent and China by 7.9 percent. The International Monetary Fund predicted that the growth rates of global gross domestic product in 2021 and 2022 would be 6.0 percent and 4.4 percent, respectively. Such high growth rates have rarely been seen, and reflect the increasing expectation of economy restoration following the rapid popularization of vaccines.

3.2 *The global film industry will maintain rapid rebound*

3.2.1 The global box office revenue is expected to return to the market size in 2019 after five years

Entering into 2021, with the progress in vaccinations globally, the pandemic was expected to come to an end gradually. People have demand for films, and box office performance is expected to recover strongly. Taking China as an example, the box office revenue of the Spring Festival slot in 2021 (from New Year's Eve on February 11 to the sixth day of the first month on February 17) reached RMB 7.822 billion, which is a new record after RMB 5.905 billion in 2019. The growth rate was 32.47 percent. At the same time, it created a number of world records in the global market, such as the highest box office receipts in a single day and highest box office receipts in a single weekend.

In PWC's report "The Global Entertainment and Media Industry Outlook: 2020–2024", released in October 2020, it was expected that the global revenue from theatres (including cinema advertising) would rebound rapidly from 2020 to 2024, reaching US \$39.9 billion in 2024, but still lower than \$45.1 billion in 2019. Compared with the compound annual growth rate (26.7 percent) of global theatre revenue from 2020 to 2024, China's theatre revenue will rebound rapidly by 37.4 percent, reaching \$8.061 billion in 2024, and will remain the second largest film market in the world (lower than \$10.041 billion in the United States). The author is more optimistic to predict that the global box office revenue will gradually recover at a compound annual growth rate of about 30 percent from 2020 to 2025, and expects a return to the market scale of 2019 by 2025.

3.2.2 The epidemic urges viewers to turn to online viewing

The epidemic has destroyed the audience's film-watching habits, which were fostered by the film industry over a long period of time. At the same time, it has accelerated and magnified continuous changes in the audience's online film-watching behavior. Audiences are moving from cinemas to online viewing on OTT video platforms such as Netflix and Tencent. In 2020, during the quarantine and shut-down period, when cinemas were closed down, audiences turned to watching films online. This action has proved to be practical and well accepted. PWC predicts that after surpassing theatre income in 2022, OTT video will continue to flourish. It is also expected that the compound growth rate of global OTT video revenue will be 10.40 percent, and the global OTT revenue will reach \$86.8 billion in 2024. In

particular, the revenue from subscribed video on demand (SVOD) will grow at a compound growth rate of 14.5 percent in the next five years, reaching \$75.1 billion in 2024, doubling the global box office revenue. China's OTT market is maturing. It is estimated that the compound growth rate will reach 12.20 percent from 2020 to 2024, faster than the global growth, and the revenue will reach \$16.1 billion by 2024. Subscribed VOD is an important driving force for the rapid growth of China's VOD market, with a compound growth rate of 12.41 percent from 2020 to 2024, while the compound growth rate of pay per view will only be 8.26 percent.

We must realize that the impact of the COVID-19 pandemic on the film industry is long term and far reaching. Within recent years, Netflix, Amazon, Apple and other information technology giants have entered the field of streaming media, trying to reconstruct the consumption mode and market pattern of films. Facing the disruptive impact of technological reform on the entertainment and media industry, Disney, Warner Media and other film and television entertainment groups launched streaming media services relying on their own network platforms to distribute films directly to end users globally.

3.2.3 An effective development path for the film industry in the global new norm of the pandemic

In conclusion, it is obvious that the current production and distribution mode of the film industry has been unsustainable in the environment of technological change and continuous epidemic prevention and control. Looking to the future, the global film industry must take the initiative to innovate and reform to actively explore a practical development path.

First, from the perspective of production, promoting virtual studio systems needs to be greatly encouraged. Traditional production studios are based mainly on real scene construction and camera shooting, a production mode that is labor-intensive. Virtual photography is a new technology of Hollywood industrialized production. A virtual studio is composed of a variety of technologies, including preview technology, motion capture and expression capture, virtual shooting system, real-time rendering technology, game engine, interaction and feedback tools, etc. Especially for animation, science fiction and other types of films that focus on spectacle designs, a virtual studio combines live shooting with computer-generated imagery and virtual scenes in real time. With the help of virtual reality, artificial intelligence, cloud computing and other technologies, it realizes the cloud and multi-person collaboration of film production and provides a real-time visual interactive feedback mechanism for filmmakers, at the same time increasing work efficiency and saving on costs. It also effectively reduces the potential danger of virus transmission.

Second, from the perspective of distribution, the traditional pattern of having theatres at the core should be reformed. Instead, new distribution modes should be established by integrating multiple channels, including cinema, audio-visual products, TV channels, internet as well as other channels. A variety of distribution modes emerged during the pandemic, including skipping theatre release to

distribute directly online through streaming media; and canceling the theatre window period, releasing online and offline simultaneously. More distribution channels should be explored by the film industry. With the wide application of streaming media, virtual reality and other high-tech, online distribution modes, taking families and individuals as the core should be further explored.

Third, from the perspective of film screening, internet platforms should be taken as the center to integrate the vast quantity of content and establish a distribution system to provide content for global audiences. With the continuous development of 5G and ultra high definition technology, the streaming service characterized by digital format + network transmission + multiple terminals is promoting films to a more broadened scale of families and individuals. The film industry should adhere to the business philosophy of “one source, multi-purpose” to introduce high-quality film works via internet platforms through various channels, such as cinemas, HDTV, computers, mobile phones, tablet computers, VR and other terminals with adaptable versions, so as to better serve viewers with different needs around the world.

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2 The global film industry index research report, 2021

Zhengshan Liu

This research aims to comprehensively evaluate the development status of the global film industry and compare the development level of the film industry in major regions and countries. Continued from previous research, this report has deepened research and divided the global film industry into three dimensions: an overall index of the global film industry calculated from 2005 to 2020; a regional film industry index from 2005 to 2019 (the film industry index calculated from the following four regions: North America; Europe, the Middle East and Africa; Asia-Pacific and Latin America); and a film industry index of individual countries (different countries and regions), calculated for 24 countries from 2011 to 2019. Compared with previous research, the index system of this report is more solid and the research result is more comprehensive and reliable.

The film industry index is a comprehensive index system that reflects the state of development of the film industry in a country or region in a given period of time by applying a dimensionless and weighting method to calculate multi-dimension indexes that reflect the film industry status. This report quotes the complex ecosystem model and index and indicator system of the global film industry from *The Global Film Industry Index Research Report, 2020* and divides the global film industry index into the three dimensions described earlier: 1. the overall index of the global film industry; 2. the regional film industry index; and 3. the film industry index for individual countries (countries and regions). This approach more vividly reflects the state of development and trends in the global film industry.

It is worth mentioning that *The Global Film Industry Index Research Report, 2020* mainly relied on the data from the United Nations Educational, Scientific and Cultural Organization (UNESCO) and the World Bank. As of 18 February, 2021, however, the UNESCO's film data had not been renewed and the latest data was for 2017. Therefore, in addition to data from UNESCO, this report has also collected film industry data from the International Union of Cinemas (UNIC), box-officemojo.com, and film data released from the official websites of more than 20 countries, including the United States, the United Kingdom, France, Japan, Korea, Mexico, Chile, Argentina, and South Africa, among others. As for population, gross domestic product, gross national income and other data were collected from the databases and forecast values of the World Bank and the International Monetary Fund (IMF).

1 Overall global film industry index and its analysis

Because what the global film industry comprehensive index evaluates is the comprehensive development status of the global film industry and the global data is very different from the data of individual countries, some indicators in the 2020 *The Global Film Industry Index Research Report* have been deleted from the current report. Indicators of all levels and the method of determining the weight of indicators have not changed. The results are shown in Table 2.1.

According to relevant data, we have calculated the overall index of the global film industry from 2005 to 2020 and the result is shown in Figure 2.1.

It can be seen from Figure 2.1 that because of the impact of COVID-19, the global film industry was severely hit and the overall index of global film industry had a negative growth of 57.13 percent compared with the previous year and showed an “elephant curve”. The drop in the global film box office of 80.56 percent negative growth compared with the previous year was even more dramatic.

Table 2.1 The comprehensive index and indicator system of the global film industry

First-level indicator (weight)	Second-level indicator (weight)
Foundation and environment (22.5%)	Number of screens per capita (55%) Gross domestic product (GDP) per capita (45%)
Industry scale (30%)	Film output (45%) Overall film box office (55%)
Industry benefit (30%)	Box office per screen (50%) Film input-output ratio (50%)
Industry contribution (17.5%)	Contribution rate of box office revenue to GDP (100%)

Source: Bin Liu, Xingzhen Niu, and Zhengshan Liu, 2020, *Report on Development of Global Film Industry (2020)*, Social Sciences Academic Press (CHINA).

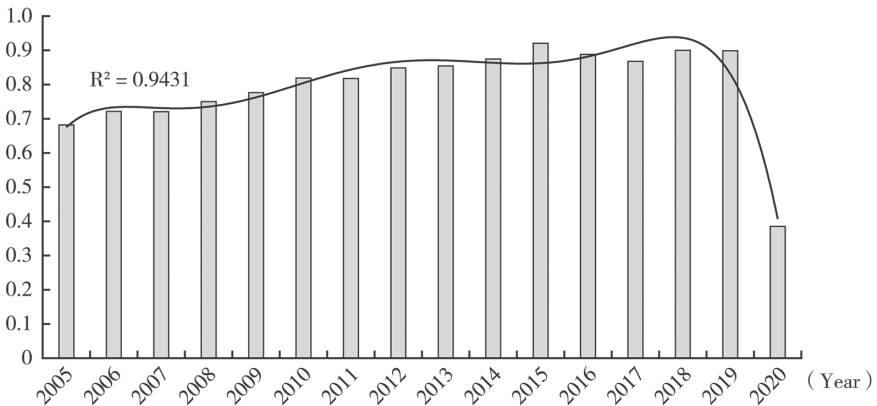


Figure 2.1 Total global film industry index (2005–2020)

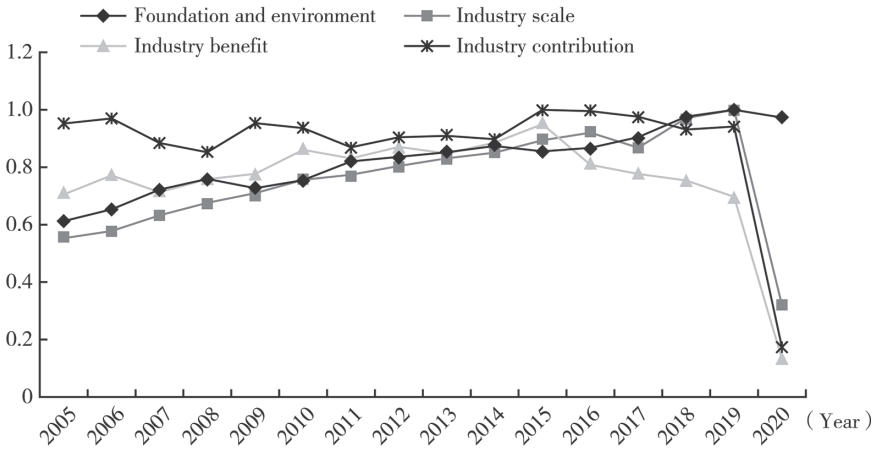


Figure 2.2 Global film industry indicators (2005–2020)

However, from the viewpoint of the comprehensive development trend of the global film industry, the film industry in 2020 was in a downward trend even without the impact of COVID-19. In fact, from 2005, the global film industry was developing wavily and reached its phased summit in 2015. The comprehensive index of the global film industry has maintained a downward trend since then. Compared with 2015, the growth rate of the comprehensive index in 2019 was -0.236 percent.

It can be seen from Figure 2.2 that if the year 2020 is excluded, the foundation and environment indicator grew stably among the indicators of the global film industry, which shows that all relevant parties were still optimistic about the films released in traditional cinema chains, and the incremental growth of the global film industry or the long-term capacity for development were relatively stable. The film industry scale indicator has risen continuously since 2005, except for 2020. However, the film industry benefit and contribution indicators have both declined continuously since 2015. The film industry benefit declined faster, which manifests a considerable degree of crisis in the global film industry.

2 Regional film industry index and its analysis

Generally, the regional film industry comprehensive index of the world complies with the indicator system of the global film industry comprehensive index and its weight stays the same. When dividing the major regions of the world, we take reference to the methods of the Motion Picture Association of America, which divides the world into four regions, namely North America; Europe, the Middle East and Africa; Asia Pacific and Latin America. It is worth mentioning that because of data limitation, this report has calculated the regional film industry index from 2005 to 2019 and data are as of 2019.

2.1 Analysis of the state of development of four major regional film industry comprehensive indexes

The analysis adopted in this report is the analysis of the development of a comprehensive film industry index by region, namely the comparison with itself, which only reflects the change of the index of each region over time.

2.1.1 The comprehensive film industry index of North America (2005–2019)

It can be seen from Figure 2.3 that the film industry comprehensive index for the North America region was in the business cycle of declining before 2008 and had been on the rise since 2008. One of the major reasons was that American films face the global market and the continuous increase in the size of film markets, including Asia Pacific and other regions, contributed to the development of the film industry in the United States and all of North America. However, the film industry comprehensive index of the North America region had shown a slight declining tendency and it takes more observation to conclude whether it was a cyclical turning point.

Figure 2.4 shows that the developing trend of the indexes for film industry foundation and environment, film industry scale and film industry benefit in the North America region were consistent with each other, which shows that the North American film industry was the most prosperous and was at the “high-quality development” stage. The declining tendency of the film industry contribution indicator was probably related to a change in the of landscape of film industry development. With the rise of new media since 2009, new forms of films and new ways of playing cinema chain films had been continuously emerging and it was hard for the box office contribution from traditional cinema chain films to reflect the real contribution of the entire film industry.

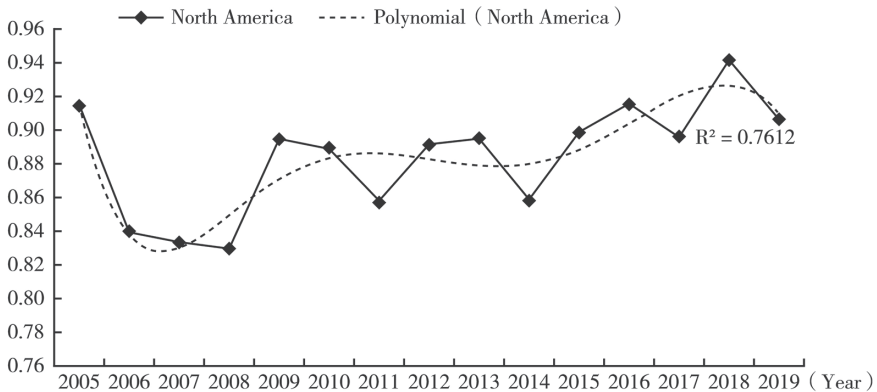


Figure 2.3 North American regional film industry composite index (2005–2019)

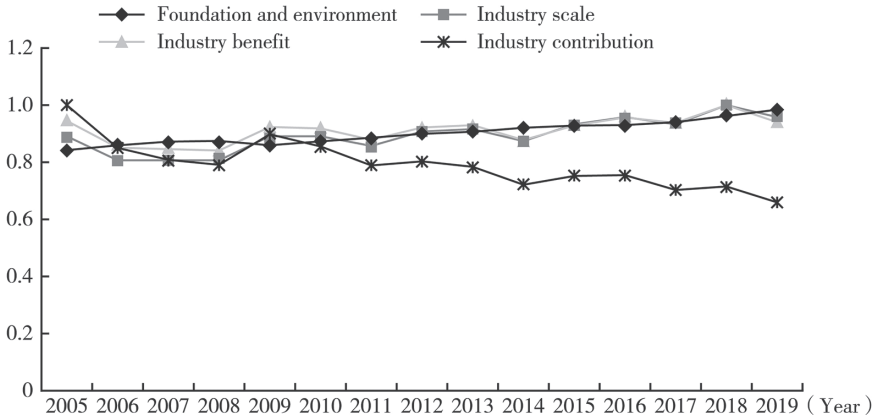


Figure 2.4 North American film industry subindexes (2005–2019)

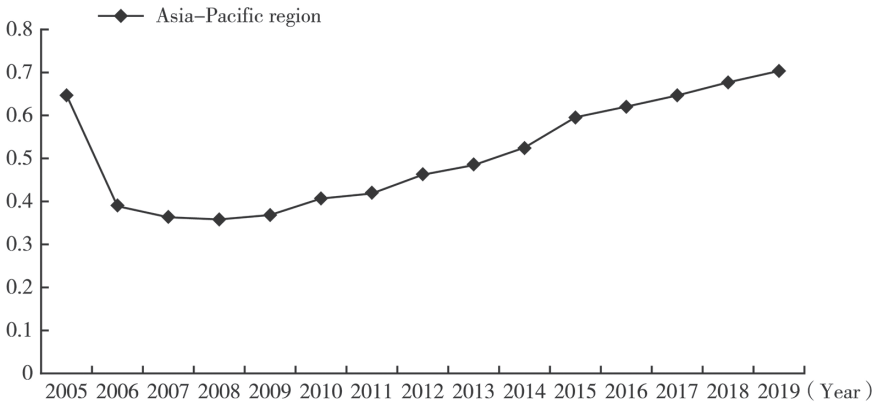


Figure 2.5 Asia-Pacific film industry composite index (2005–2019)

2.1.2 The comprehensive film industry index of the Asia-Pacific region (2005–2019)

It can be seen from Figure 2.5 that, different from the mature market of the North American region, the film industry comprehensive index of the Asia-Pacific region had been on a continuous rise since 2008, with a long-tail “V” curve. To a great extent, this was because of the dramatic increase of the film industry in China, India, Thailand and Vietnam, etc., and the steady development of the film industry in Japan, Korea and other countries also contributed to the prosperity.

It can be seen from the subindexes of Figure 2.6 that the foundation and environment indicator of film industry development in the Asia-Pacific region maintained its increase, which directly promoted the continuous increase in the film industry scale.

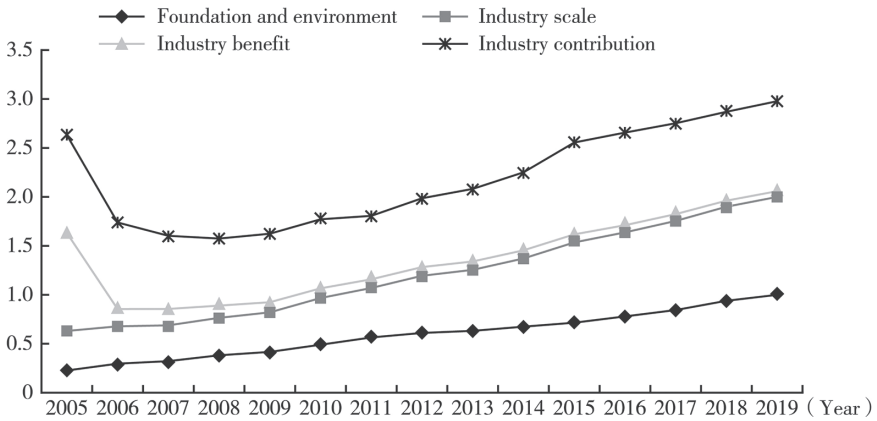


Figure 2.6 Asia-Pacific film industry subindexes (2005–2019)

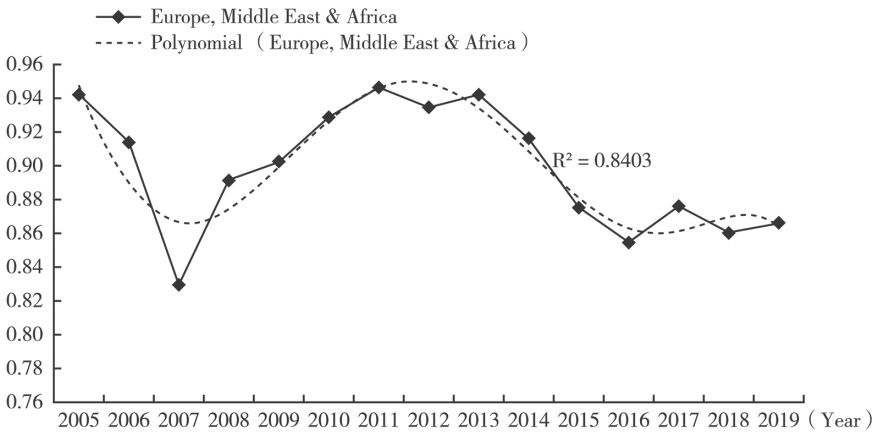


Figure 2.7 Europe, the Middle East and Africa film industry composite index (2005–2019)

Moreover, it is worth mentioning that both the film industry benefit indicator and the film industry contribution indicator in the Asia-Pacific region maintained their upward trend since 2008. Comprehensively driven by all indicators, the Asia-Pacific region had become a significant growth point and developing engine of the global film industry.

2.1.3 The comprehensive film industry index of Europe, the Middle East and Africa (2005–2019)

It can be seen from Figure 2.7 that the comprehensive film industry index of Europe, the Middle East and Africa showed a distinctive trend of cyclical fluctuations, with a development phase every 4 to 5 years. It dropped to its lowest point in 2007

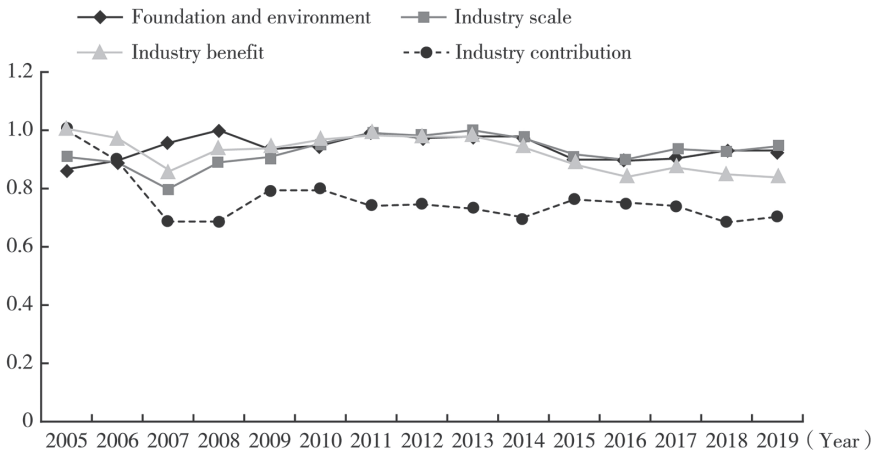


Figure 2.8 Europe, the Middle East and Africa film industry subindexes (2005–2019)

and reached a peak in 2011. It has risen continuously since the new low point in 2016 (the year 2020 is an “unexpected” impact).

We can see from Figure 2.8 that, unlike the comprehensive index, the film industry indicator indexes of Europe, the Middle East and Africa did not show dramatic cyclical fluctuations but mild cyclical fluctuations, and its tendency was relatively consistent with the comprehensive index. Because this region covers a wide area and film industry development status of every detailed film region was quite different with each other, it needs further observation to grasp the specific logic.

2.1.4 The comprehensive film industry index of Latin America (2005–2019)

It can be seen from Figure 2.9 that the development trend of the comprehensive film industry index in the Latin America region was relatively steady. Although it declined somewhat in 2018 and 2019, it is still in a high position. Considering the political and economic status of the Latin America region, being able to maintain a steady trend in the comprehensive film industry index in this region was far from easy.

It can be seen from Figure 2.10 that the film industry foundation and environment indicator in the Latin America region has maintained a rising trend. Although the film industry indicators for scale and contribution have declined slightly in recent years, their performances were prominent in general. What deserves our attention, however, is the decline in the film industry benefit indicator in recent years.

2.2 Comparative analysis of the four major regional comprehensive film industry indexes

The analysis adopted in this research is a comparison and ranking among the regions, from which we can find the change in ranking over time.

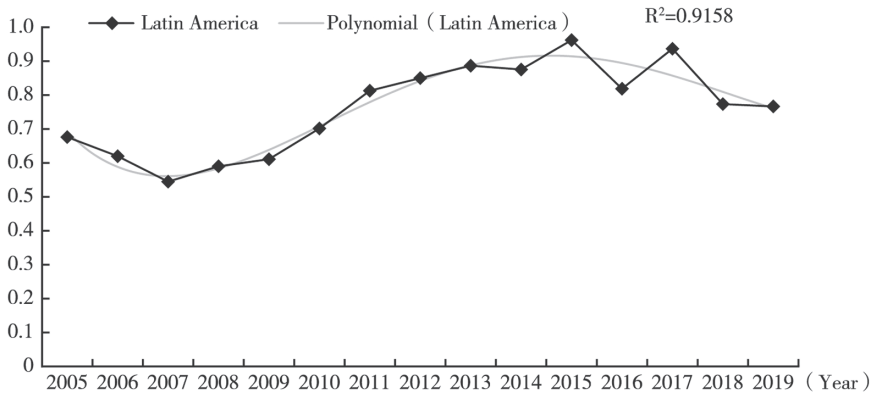


Figure 2.9 Latin American film industry composite index (2005–2019)

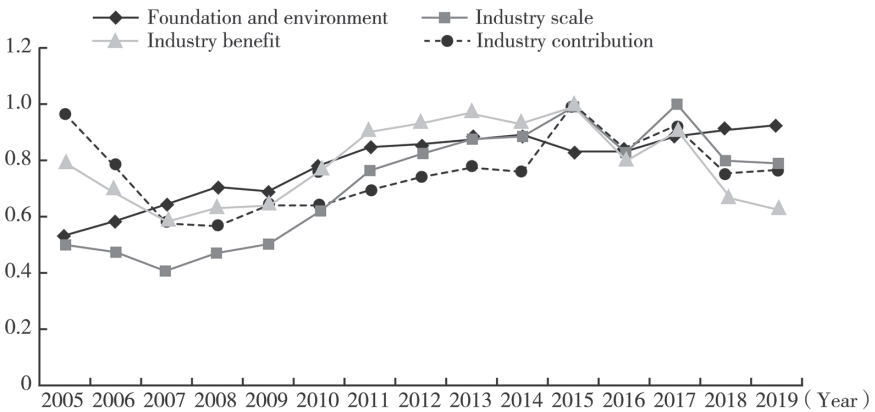


Figure 2.10 Latin American film industry subindexes (2005–2019)

It can be seen from Figure 2.11 that North America ranked first among the four major regions from 2005 to 2019. Although the Latin America region made progress throughout the period, it remained in last place among the four regions. The ranking of Europe, the Middle East and Africa fluctuated from time to time and its ranking was lower than the Asia-Pacific region from 2005 to 2008 and again from 2012 to 2019, which shows that the Asia-Pacific region had steadily occupied the second place among the four regions since 2012.

Analyzing the subindexes, we can find the advantages, disadvantages and developing trend of each region. Figure 2.12, the film industry foundation and environment index, shows that the film industry foundation and environment index for North America was always at a high position and it was much higher than the other three regions. The ranking of the film industry foundation and environment index for Europe, the Middle East and Africa fell somewhat, while the Asia-Pacific and Latin America regions rose.

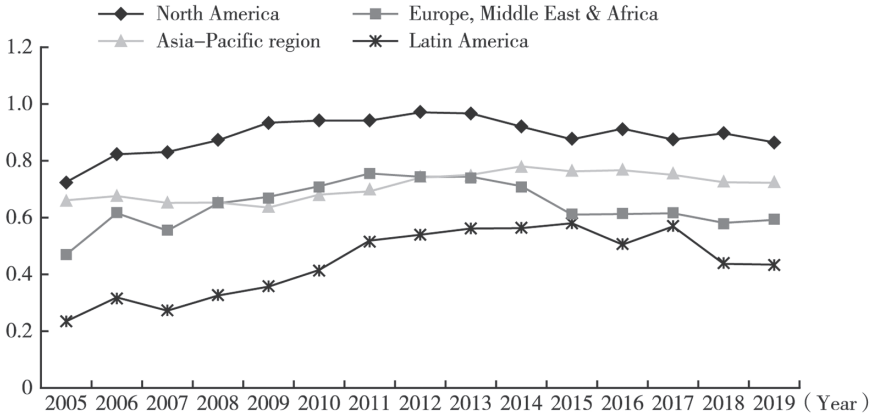


Figure 2.11 Trends in the ranking of the global film industry composite index for the four regions (2005–2019)

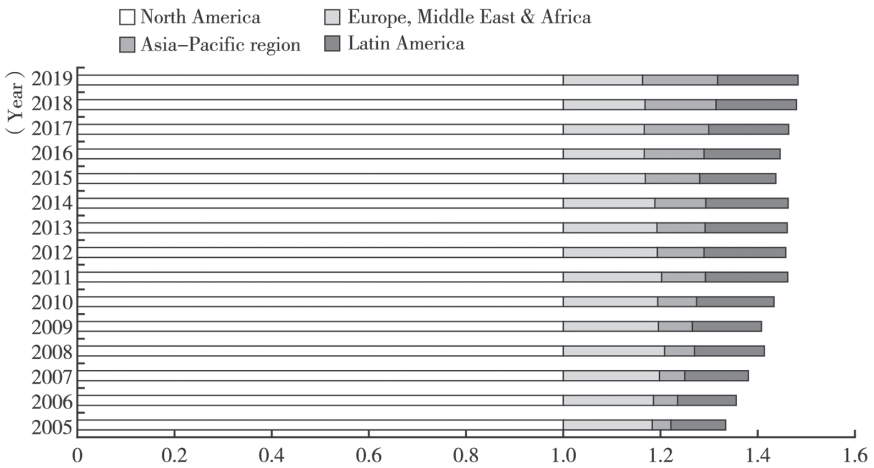


Figure 2.12 Comparison of the film industry foundation and environment index for the four global regions (2005–2019)

As for the film industry scale index, Figure 2.13 shows that the Asia-Pacific region gradually surpassed North America, which consists only of the United States and Canada, and had become the biggest region in the global film industry since 2013. The ranking of the film industry scale for the other two regions (Latin America and Europe, the Middle East and Africa) was relatively stable.

It can be seen from Figure 2.14 that the film industry benefit index of North America ranked first among the four major regions in the recent five years; Europe, the Middle East and Africa ranked second; Asia-Pacific was third and Latin America was last.

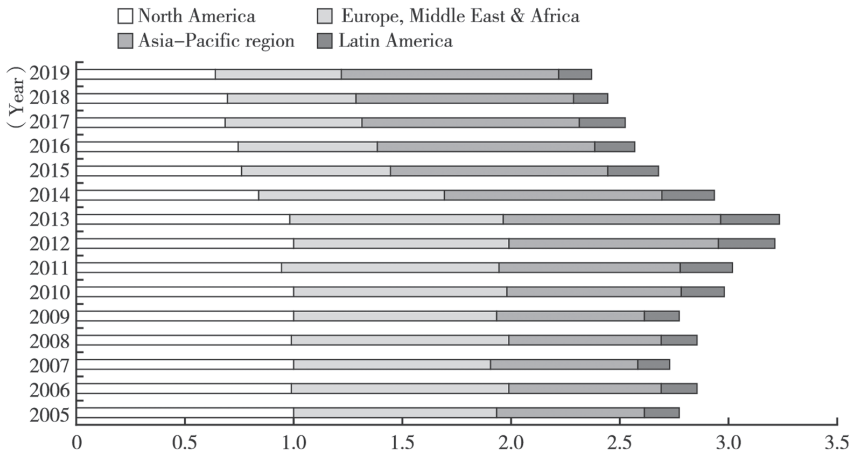


Figure 2.13 Comparison of the global film industry size index for the four major regions (2005–2019)

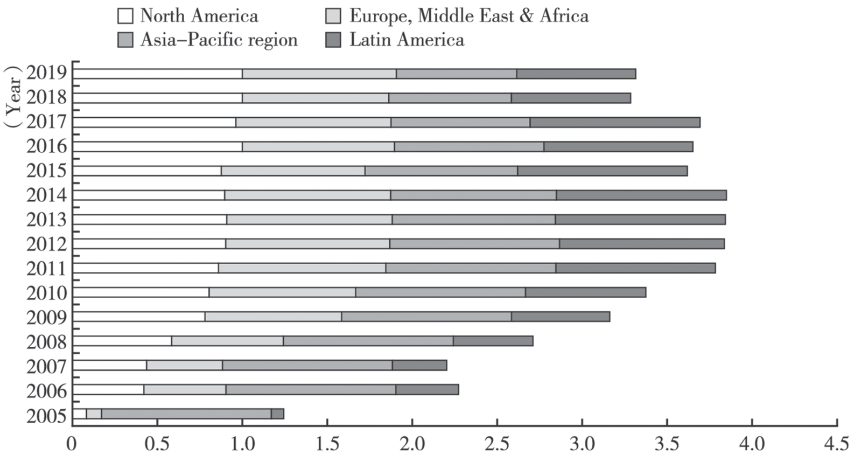


Figure 2.14 Comparison of film industry efficiency indexes for the four major global regions (2005–2019)

Figure 2.15 reflects the film industry contribution index. It shows that the film industry contribution index of North America ranked in first place before 2015; however, the film industry contribution index of the Asia-Pacific region surpassed that of North America and ranked in first place after 2015.

3 Film industry index by country and analysis

Twenty-four countries were selected after evaluating the data collected from 100 countries and regions from 2011 to 2019 and taking reference to the UNESCO, World Bank and IMF, as well as the websites of relevant countries and regions.

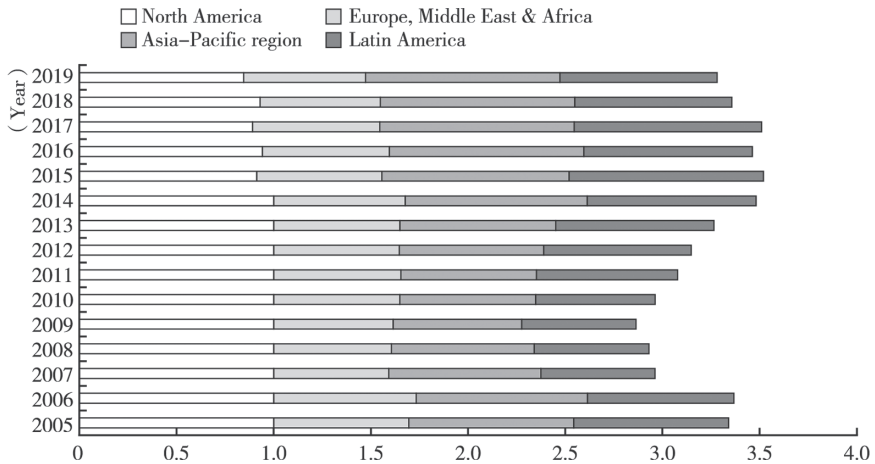


Figure 2.15 Comparison of the film industry contribution index for the four global regions (2005–2019)

Utilizing the index framework and its calculation method introduced previously, the author calculated the film industry comprehensive index and subindexes for the 24 countries (unless otherwise specified, the data for China does not include data for Hong Kong, Macao and Taiwan).

3.1 Analysis of the film industry comprehensive index of each country

Table 2.2 shows the calculation result of film industry comprehensive index of the 24 countries.

It can be seen from Table 2.2 that the United States ranked first in the film industry comprehensive index, and China jumped from the 12th place in 2011 to the second place in 2017. In *The Global Film Industry Index Research Report, 2020*, China ranked 17th. Some countries (the Netherlands, Sweden, Malta, among others) whose rankings were higher than China were excluded from this report because of the lack of data.

The hierarchical clustering method was adopted to collectively analyze the comprehensive index value of 2017. Based on the index, the countries were divided into three classes. The United States was in the first class; Australia, South Korea, United Kingdom, Japan, France and China were in the second class and the other countries in the study belonged to the third class. The conclusion from *The Global Film Industry Index Research Report, 2020*, that China was in the second class of global film industry comprehensive power remained the same in the current study, and China has a long way to go to catch up with the United States even though its film industry comprehensive index ranked second in 2017.

The comprehensive index value for 2019 was also analyzed by applying the hierarchical clustering method. The United States and China were in the first class. Japan, New Zealand, Australia, France, South Korea, the United Kingdom, Germany,

Table 2.2 Ranking of the 24 countries by film industry comprehensive index (2011–2019)

	2011	2012	2013	2014	2015	2016	2017	2018	2019
Argentina	23	23	23	23	23	23	22	22	22
Australia	2	2	2	2	2	2	3	3	6
Brazil	21	21	21	19	19	19	19	17	17
Chile	18	17	17	17	17	17	18	21	21
China	12	11	9	4	3	3	2	2	2
Colombia	20	20	20	20	18	18	20	20	20
Germany	9	8	8	9	9	8	9	8	9
Egypt	24	24	24	24	24	24	24	24	24
Spain	8	9	11	11	10	10	11	10	11
France	3	4	5	5	6	6	7	12	5
United Kingdom	4	3	3	6	4	5	5	6	8
India	13	13	13	13	14	16	17	14	15
Italy	11	10	12	12	11	11	13	11	12
Japan	6	5	4	3	5	4	6	5	3
South Korea	17	18	19	18	20	20	4	7	7
Mexico	14	14	14	14	12	12	12	13	13
Malaysia	15	15	15	16	16	15	15	15	16
New Zealand	7	7	7	7	8	7	8	4	4
Peru	16	16	16	15	15	13	16	18	18
Russia	10	12	10	10	13	14	14	16	14
Singapore	5	6	6	8	7	9	10	9	10
Thailand	19	19	18	21	21	21	21	19	19
United States	1	1	1	1	1	1	1	1	1
South Africa	22	22	22	22	22	22	23	23	23

Singapore, Spain, Italy and Mexico were in the second class and the other countries belonged to the third class. From 2018, the film industry comprehensive power of China had improved greatly and ranked in the first class. However, given that this report contains only 24 countries, the calculated results may be biased, and we look forward to expanding and improving the data with more countries in the future.

3.2 Film industry subindexes by country and analysis

The film industry subindexes for individual countries include the film industry foundation and environment subindex, film industry scale subindex, film industry benefit subindex and film industry contribution subindex. Table 2.3 shows the ranking of the 24 countries according to the film industry foundation and environment subindex.

It can be seen from Table 2.3 that the top ten in 2017 were the United States, Australia, New Zealand, France, France, Germany, the United Kingdom, Singapore, Italy and Japan. The top ten in 2019 were the United States, Australia, France, New Zealand, Singapore, the United Kingdom, Germany, Spain, Italy and South Korea. Although the ranking of some countries had changed slightly, the film industry development foundation of the 2017 top ten countries was solid and stayed steadily in the forefront.

Table 2.3 Ranking of the 24 countries by film industry foundation and environment subindex (2011–2019)

	2011	2012	2013	2014	2015	2016	2017	2018	2019
Argentina	15	16	16	16	15	17	17	18	18
Australia	2	2	2	2	2	2	2	2	2
Brazil	17	17	17	17	21	21	21	21	21
Chile	14	15	14	15	16	16	16	16	16
China	22	22	22	19	17	15	14	13	13
Colombia	19	18	18	18	18	19	19	19	19
Germany	6	7	6	6	7	7	7	7	7
Egypt	24	24	24	24	24	24	24	24	24
Spain	5	5	5	7	8	8	8	8	8
France	4	4	4	4	4	4	4	3	3
United Kingdom	7	6	7	5	5	6	6	6	6
India	23	23	23	23	23	23	23	23	23
Italy	9	9	9	9	9	9	9	9	9
Japan	10	10	11	11	11	11	11	11	11
South Korea	11	11	10	10	10	10	10	10	10
Mexico	12	12	12	12	12	12	12	12	12
Malaysia	16	14	15	14	13	13	13	14	15
New Zealand	3	3	3	3	3	3	3	4	4
Peru	20	20	20	20	20	20	20	20	20
Russia	13	13	13	13	14	14	15	15	14
Singapore	8	8	8	8	6	5	5	5	5
Thailand	21	21	21	21	19	18	18	17	17
United States	1	1	1	1	1	1	1	1	1
South Africa	18	19	19	22	22	22	22	22	22

The index for 2019 was collectively analyzed by applying the hierarchical clustering method. The 24 countries were divided into five classes. The United States was in the first class; France, Australia, New Zealand and Singapore were in the second class; Germany, the United Kingdom, South Korea, Italy and Spain belonged to the third class; China, Japan, Russia, Mexico and Malaysia were in the fourth class and India, Brazil, Peru, Argentina, South Africa, Columbia, Thailand, Egypt and Chile were in the fifth class.

Although China’s ranking in the film industry foundation and environment subindex rose from 22 to 13, the foundation and development environment of the Chinese film industry still had a lot to improve compared with developed countries in the film industry.

The ranking of the film industry scale subindex value is shown in Table 2.4

Table 2.4 shows that, since 2011, the United States and China have been in first and second place, respectively, on the film industry scale subindex.

Applying the k-means clustering analysis method, we divided the film industry scale subindex of the 24 countries in 2019 into three classes. The United States and China were in the first class; Germany, France, the United Kingdom, India, South Korea, Japan and Mexico belonged to the second class and the other countries were in the third class.

Table 2.4 Ranking of the 24 countries by film industry scale subindex (2011–2019)

	2011	2012	2013	2014	2015	2016	2017	2018	2019
Argentina	24	23	23	23	23	23	23	21	22
Australia	7	8	9	9	8	7	9	7	10
Brazil	13	13	13	13	13	13	14	11	14
Chile	21	21	21	21	21	20	20	23	24
China	2	2	2	2	2	2	2	2	2
Colombia	19	19	20	20	18	16	16	18	19
Germany	6	6	7	7	6	8	8	8	8
Egypt	23	24	24	24	24	24	24	22	23
Spain	11	10	12	12	12	12	12	10	13
France	4	5	5	4	5	5	6	24	5
United Kingdom	5	4	4	5	4	4	4	4	5
India	9	7	6	6	7	6	7	6	5
Italy	10	11	10	10	10	11	13	11	12
Japan	3	3	3	3	3	3	3	3	3
South Korea	14	14	14	15	15	15	5	5	4
Mexico	12	12	11	11	11	9	11	9	9
Malaysia	15	15	15	14	14	14	15	15	16
New Zealand	18	18	18	19	20	18	19	14	15
Peru	20	20	19	18	19	17	17	17	18
Russia	8	9	8	8	9	10	10	13	10
Singapore	16	17	17	17	17	21	21	19	20
Thailand	17	16	16	16	16	19	18	16	17
United States	1	1	1	1	1	1	1	1	1
South Africa	22	22	22	22	22	22	22	20	21

Table 2.5 reflects the ranking of the 24 countries on the film industry benefit subindex.

Table 2.5 shows that the top ten on the film industry benefit subindex of 2019 were New Zealand, Japan, South Korea, Singapore, Australia, the United Kingdom, Peru, the United States, France and Malaysia. Among them, the ranking of New Zealand jumped from 7 in 2011 to first place in 2019 and South Korea rose from 21 in 2011 to the third place in 2019.

New Zealand's change of ranking on the film industry benefit subindex was inevitable. The New Zealand government had given a lot of subsidies to film production. The subsidy rate for foreign film production companies reached 20 percent and 40% for domestic film production companies. Films represented by *Lord of the Rings*, *King Kong*, *The Lovely Bones*, *Avatar*, *The Hobbit*, among others, marked that the film industry of New Zealand ranked among the world's first class film industries.

South Korea made even greater progress, although its film industry scale was actually not very big. With the promotion of its complete film industry system, however, its single screen output and number of moviegoer admissions rose continuously, driving the development of a high-quality film industry. *Parasite*, the winner of the Best Picture Award at the Oscars, reflected the level of development and high-quality of the Korean film industry.

Table 2.5 Ranking of the 24 countries by film industry benefit subindex (2011–2019)

	2011	2012	2013	2014	2015	2016	2017	2018	2019
Argentina	24	24	24	24	24	24	23	22	23
Australia	2	3	3	3	3	2	3	3	5
Brazil	17	17	15	15	15	14	13	11	13
Chile	14	12	12	9	7	6	7	23	24
China	13	14	14	14	14	17	18	14	18
Colombia	18	18	18	17	17	16	17	17	20
Germany	10	8	8	8	6	9	10	10	11
Egypt	23	23	23	23	22	21	22	21	21
Spain	16	15	16	16	16	13	15	12	12
France	6	9	9	7	10	10	11	24	9
United Kingdom	5	4	4	4	4	4	5	6	6
India	20	19	19	18	18	19	19	16	16
Italy	9	11	11	12	11	11	14	13	14
Japan	3	2	2	1	2	1	1	2	2
South Korea	21	21	21	21	23	23	2	4	3
Mexico	19	20	20	20	19	18	20	15	17
Malaysia	11	13	13	13	12	12	12	9	10
New Zealand	7	6	6	6	5	5	6	1	1
Peru	12	10	10	11	9	8	9	8	7
Russia	4	5	5	5	13	15	16	18	15
Singapore	1	1	1	2	1	3	4	5	4
Thailand	15	16	17	19	20	22	24	19	19
United States	8	7	7	10	8	7	8	7	8
South Africa	22	22	22	22	21	20	21	20	22

By applying hierarchical cluster analysis, we analyzed the film industry benefit subindex of the 24 countries in 2019 and the result is as follows: New Zealand was in the first class; Japan, South Korea, Singapore, the United Kingdom and Australia belonged to the second class; China and other countries were in the third class. It can be seen from the classification that China’s film industry benefit index was still in the third class and it is expected to be further promoted. China fell from 13 in 2011 to 18 place in 2019.

Table 2.6 shows the ranking of the 24 countries on the film industry contribution index.

Table 2.6 shows that New Zealand, South Korea, Mexico, Malaysia, Peru, China, Australia, France, the United Kingdom and India were the top ten on the film industry contribution subindex of 2019. The top ten of 2011 were Australia, New Zealand, the United States, the United Kingdom, France, Russia, India, Spain, Singapore and Peru. We can see from the changes in ranking that the United States fell from 9 to 19; South Korea rose from 20 to 2; China rose from 19 to 6 and Mexico rose from 12 to 3.

By applying hierarchical cluster analysis, we analyzed the film industry contribution subindex of the 24 countries in 2019 and the result is as follows: New Zealand was in the first class; South Korea, Mexico, Peru and Malaysia were in the second class; Russia, the United States, Spain, Japan, Thailand, the United

Table 2.6 Ranking of the 24 countries by film industry contribution index (2011–2019)

	2011	2012	2013	2014	2015	2016	2017	2018	2019
Argentina	24	24	23	23	23	23	23	21	22
Australia	1	1	2	1	1	1	2	3	7
Brazil	21	20	20	20	20	18	19	17	18
Chile	18	17	19	17	16	14	16	23	24
China	19	18	17	14	12	13	7	7	6
Colombia	17	19	18	18	13	12	12	13	16
Germany	15	14	16	19	17	17	18	19	20
Egypt	23	23	24	24	24	24	24	22	23
Spain	8	6	11	11	11	11	14	11	11
France	5	7	10	8	9	7	10	24	8
United Kingdom	4	5	6	10	10	8	6	8	9
India	7	4	1	2	5	10	13	10	10
Italy	14	13	15	16	18	16	17	18	17
Japan	16	16	13	12	15	15	15	12	14
South Korea	20	21	22	22	22	22	1	2	2
Mexico	12	10	9	9	6	3	5	5	3
Malaysia	11	9	7	6	4	4	4	4	4
New Zealand	2	3	4	4	3	5	8	1	1
Peru	10	8	5	3	2	2	3	6	5
Russia	6	12	8	5	7	6	9	15	13
Singapore	9	11	12	13	14	19	20	16	19
Thailand	13	15	14	15	19	20	21	14	15
United States	3	2	3	7	8	9	11	9	12
South Africa	22	22	21	21	21	21	22	20	21

Kingdom, India, France, Australia, China, Brazil, Italy, Singapore, Germany and Colombia were in the third class and South Africa, Argentina, Egypt and Chile belonged to the fourth class.

However, it is far from perfect to measure the contribution of the film industry by using the contribution rate of box office revenue to GDP. Although the scale of the film industry is not big enough, it has significant influence on promoting other industries. The author will not go into details to illustrate this theory because there are many publications on this subject.

4 Conclusion

The global film industry index that we calculated and released previously was composed of the indexes of individual countries. Besides individual indexes, this report has calculated the overall index of global film industry and regional film industry index for the first time. The conclusion we have reached from the above research is as follows.

First, owing to the impact of the COVID-19 pandemic, the global film industry in 2020 suffered heavy losses and the box office had a negative growth of 72 percent compared with the previous year. However, taken from the perspective of the overall index of the global film industry, the film industry has been developing in waves since 2005 and declining continuously since 2015.

Second, analyzing the regional film industry index, the North America region remained in first place among the four major regions of the world on the comprehensive film industry index from 2005 to 2019. Latin America has progressed on the index and shows a relatively steady development trend; however, it continues to rank last among the four regions. Since 2008, the comprehensive film industry index of Latin America has risen in waves, while the Asia-Pacific region rose, with a long-tailed “V” curve. The comprehensive index of Europe, the Middle East and Africa showed a distinctive trend of cyclical fluctuations.

Third, regarding the film industry index of the 24 countries, although the analysis in this report maybe flawed to some extent because fewer countries were included than in the 2020 *Global Film Industry Index Research Report*, its main conclusions are objective and unbiased. Although China rose into the first class of global film comprehensive power in 2019, its comprehensive index value was still far from that of the United States and it is advisable for China to keep promoting the creation of a powerful film industry. From the perspective of the subindexes or indicators, it was encouraging to see that China’s film industry scale index entered the first class, but its foundation and environment subindex of film industry development and film industry benefit subindex were both in the third class, which were supposed to be further improved and the continuous decline of China’s film industry benefit subindex should be taken seriously.

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3 China film industry development report 2020

Shuzhen Sun

With the spread of the COVID-19 epidemic, the momentum of the steady development of China's film industry was paused in 2020, when movie production was suspended, movies were withdrawn and theatres were closed. From production to distribution and screening, the whole film industry suffered an unprecedented impact. This report sorts out, analyzes and summarizes China's film industry in 2020, from the perspectives of box office performance, movie production, publicity and distribution, and theatres, and predicts the development trend of film screening models after the epidemic. A number of excellent works have been published, such as *My people, My Homeland, The Sacrifice, Leap, Coffee or Tea, Huang Wenxiu, Rescue, and A Little Red Flower*, which show the latest achievements in poverty alleviation and reflect the feelings and destiny of ordinary people. China's film market took the lead in recovering and continuing to recover among the world's major film markets, with its major industrial indicators ranking among the best. The main development indicators of China's film industry from 2016 to 2020 are shown in Table 3.1.

1 Interpretation of China's film industry data

1.1 Market performance of China's film industry

1.1.1 China's box office: Market size and changes

According to statistics from Lighthouse Professional, China's box office in 2020 was 20.3 billion yuan (including service fees), which is 68 percent lower than that of 64.1 billion yuan in 2019. The total annual box office of Chinese films each year from 2015 to 2020 was 43.8 billion yuan, 45.5 billion yuan, 55.9 billion yuan, 60.7 billion yuan, 64.1 billion yuan and 20.3 billion yuan, respectively, with growth rates of 49 percent, 4 percent, 23 percent, 9 percent, 6 percent and -68 percent (see Figure 3.1). Although the box office of Chinese movies in 2020 was the lowest in nearly 10 years, with negative growth for the first time, the development of the Chinese film industry during the spread of COVID-19 globally in 2020, made great achievements, which is commendable and hard to achieve.

In response to the impact of the epidemic, the competent authorities have successively introduced policies to subsidize and support film companies, theatres or

Table 3.1 Main development indicators of China's film industry from 2016 to 2020

Indicator	2016	2017	2018	2019	2020
Total box office (100 million) ^{1,2}	455.11	558.80	606.88	641.49	203.14
Domestic film box office (100 million yuan) ³	252.00	298.07	382.71	397.65	163.62
Number of films released ⁴	503	518	559	616	376
Number of theaters ⁵	7,877	9,319	10,416	11,361	11,936
Number of screens	42,909	52,694	61,517	68,284	72,850
Audience size (100 million) (number of viewers)	13.73	16.24	17.18	17.28	5.49
Times (ten thousand) (total number of viewing)	7,475.5	9,481.5	11,087.7	12,745.7	5,659.9
Film attendance (%)	14.1	13.3	12.2	10.9	8.1
Average ticket price (yuan)	33.14	34.42	35.32	37.11	36.98

Source: Lighthouse Professional Edition.

Notes

- 1 The total box office is slightly different from the data announced by the State Film Bureau; for example, the total box office announced by the State Film Bureau in 2020 was 20.417 billion yuan, and the deviation between the two figures is 103 million yuan.
- 2 For 2017 and subsequent years, a service charge is included in the box office.
- 3 Coproductions are included in domestic films.
- 4 Includes only newly released movies.
- 5 Includes only cinemas with box office output.

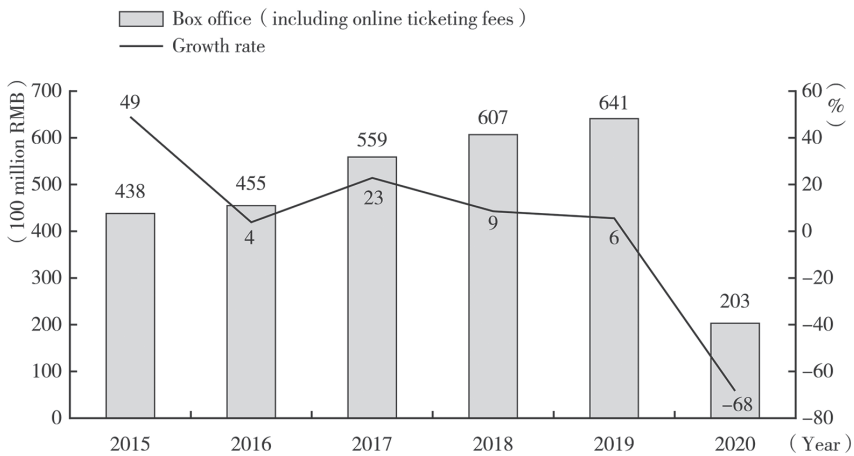


Figure 3.1 China's movie box office and growth rate from 2015 to 2020

Source: Lighthouse Professional Edition.

film and television bases which were severely affected by the epidemic; organizations of the film industry have urged lessors to reduce rent, property fees and other costs for theatres, and guided theatres to ensure equipment maintenance; film and television shooting bases exempted the crews from venue fees and provided subsidies to extras. Thanks to the effective prevention and control of the

epidemic, the box office of Chinese movies surpassed that of North America for the first time in 2020, ranking at the top of the annual box office in the global film market.

After the outbreak of COVID-19, movie theatres in China remained closed from January 23, 2020, when all movies were withdrawn, to July 20, 2020, when reopened for business. On July 16, the official website of the National Film Administration issued “Notice of the National Film Administration on Promoting the Reopening of Cinemas in an Orderly Way under Conditions of Normalization of Epidemic Prevention and Control”. The notice said that low-risk areas could reopen on July 20 in an orderly manner on the premise that various prevention and control measures were effectively implemented. The strong desire of the audiences to return to the cinema was rekindled. The per capita film viewing frequency of the audience in the first month after resumption of business was three times as many as that of the same period in 2019. Although there was a policy requirement that the attendance rate of each movie should not exceed 30 percent, the box office performance has continued to improve since the movie theatres reopened on July 20. From August to December 2020, the gap between the box office of other months and the same period of the previous year narrowed, except for November, when the box office declined sharply between National Day and New Year, because there was no big film released. By December 2020, the box office had recovered to 93 percent of that in 2019, showing a strong growth momentum. Specifically, the monthly box office revenue for August to December 2020 was 3.4 billion yuan, 2.4 billion yuan, 6.4 billion yuan, 1.9 billion yuan and 3.8 billion yuan, respectively. Compared with the same period in 2019, the box office recovery rates¹ were 44 percent, 75 percent, 77 percent, 53 percent, and 93 percent, respectively (see Figure 3.2).

1.1.2 Box office in China: Changes in regional structure

From the perspective of regional distribution, the movie box office in first-tier cities in 2020 was 3.6 billion yuan, a decrease of 70.5 percent compared with the same period in 2019; second-tier cities were 9.2 billion yuan, down 69.1 percent year-on-year; third-tier cities were 3.6 billion yuan, a year-on-year decrease of 66.7 percent; fourth-tier cities reached 3.9 billion yuan, down 65.5 percent from 2019 (see Figure 3.3). From the above analysis, it can be seen that the rate of box office decline in first-tier cities was the largest, followed by second-tier cities, and fourth-tier cities showed the lowest rate of decline. The film market continues to expand into small-town and rural markets; therefore, third- and fourth-tier cities have huge market potential.

In terms of market share, in 2020, the first-tier cities accounted for 18 percent of the country’s total box office, second-tier cities for 45 percent, third-tier cities 18 percent, and fourth-tier cities 19 percent. The box office share of both the first- and the second-tier cities decreased in 2019, and that of the third- and the fourth-tier cities increased slightly in 2019 (see Figure 3.4). It proves, from another perspective, that the film market tended to expand into the third- and the fourth-tier cities from the first- and second-tier cities.

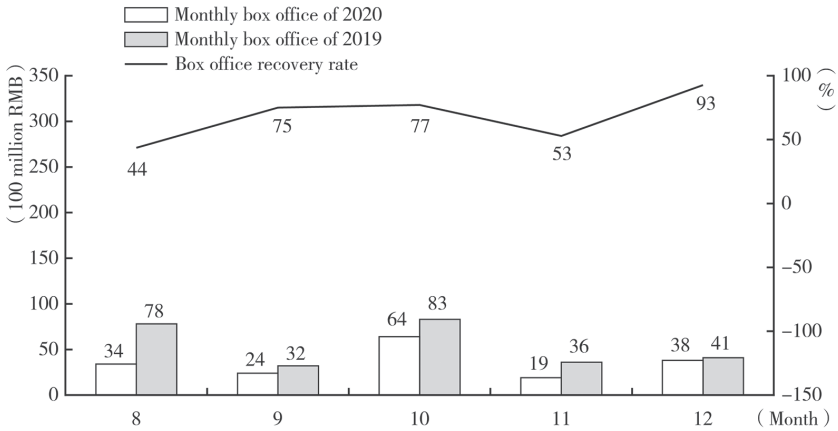


Figure 3.2 A comparative analysis of single-month box office for August to December 2019 and the same period in 2020

Source: Lighthouse Professional Edition.

Note

- 1 As the single monthly box office data showed in the Lighthouse Professional Edition in 2019 are rounded to one place accurately, the box office data from August to December in 2019 totalled 27 billion yuan, and there is a data deviation of 45 million yuan with the total box office data from August to December 2019 of 26.955 billion yuan.
- 2 As the single monthly box office data of the Lighthouse Professional Edition in 2020 are rounded to one place accurately, the box office data from August to December in 2020 was 17.9 billion yuan, with a data deviation of 47 million yuan from the total box office data of August to December 2020 of 17.853 billion yuan.

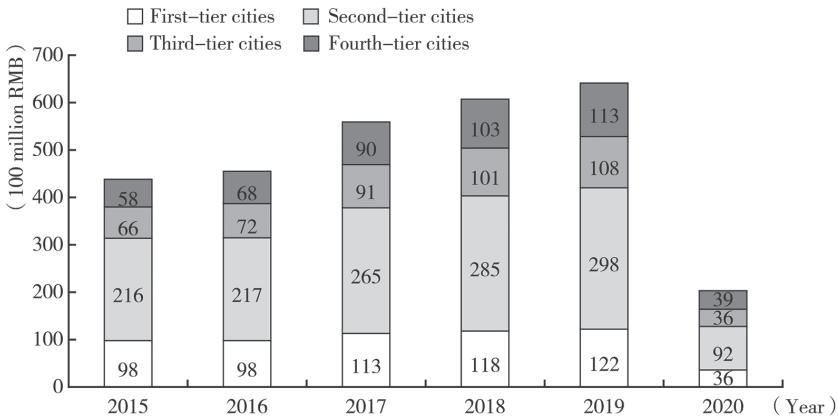


Figure 3.3 Regional structure of China's movie box office from 2015 to 2020

Source: Lighthouse Professional Edition.

Note: Due to the rounding method used for the box office data for first- to fourth-tier cities, which is cited from the Beacon Professional Edition, the total box office data for each tier city in 2020 is 20.3 billion yuan, with a deviation of 14 million yuan since the exact movie box office in 2020 is 20.3114 billion. There is also a data deviation between the sum of box office data for all cities from 2015 to 2019 and the box office data for that year due to rounding.

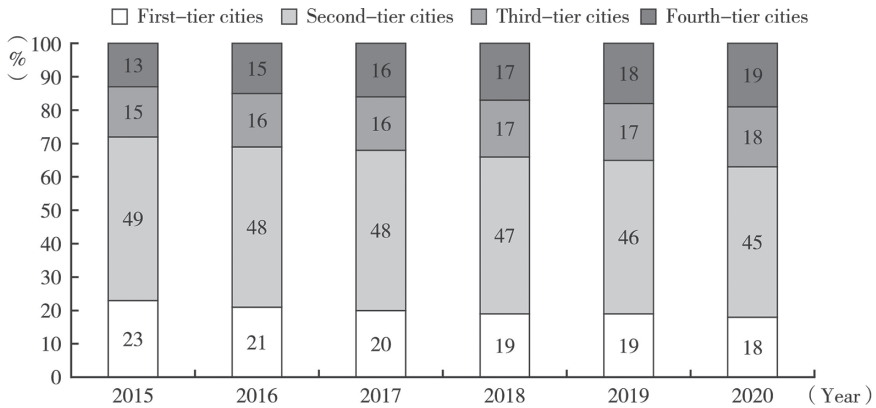


Figure 3.4 The ratio of the regional structure of China's movie box office from 2015 to 2020

Source: Lighthouse Professional Edition.

1.1.3 Box office of Chinese movies: Imported versus domestic

1.1.3.1 COMPARISON OF BOX OFFICE SIZE AND MARKET SHARE

From 2015 to 2020, the annual box office of domestic films was 27.8 billion yuan, 25.2 billion yuan, 29.8 billion yuan, 38.3 billion yuan, 39.8 billion yuan and 16.4 billion yuan, respectively, accounting for 63.5 percent, 55.4 percent, 53.3 percent, 63.1 percent, 62.1 percent and 80.8 percent, respectively. From 2015 to 2020, the annual box office of imported films was 15.8 billion yuan, 20.3 billion yuan, 26 billion yuan, 22.3 billion yuan, 24.3 billion yuan and 3.9 billion yuan, respectively, accounting for 36.1 percent, 44.6 percent, 46.5 percent, 36.7 percent, 37.9 percent and 19.2 percent respectively (see Table 3.2). As can be seen from Table 3.2, the box-office share of domestic films in China's film market in 2020 increased by 18.7 percent compared with that in 2019, hitting a record high. In 2020, a total of 22 Hollywood revenue-sharing films were released, and the cumulative box office was less than 20 percent. Hollywood films that originally accounted for half of the China's box office lost their advantage over domestic films.

In 2020, all film workers who worked together and forged ahead have created and launched a batch of outstanding domestic films. The top ten films of the year at the box office were all domestic films. Although the market share of domestic films has been increasing continuously, it was the first time that they won the top ten box office since the comprehensive industrialization reform of films in 2003. Hollywood revenue-sharing films suffered defeat. For one thing, those movies could not be released simultaneously in China due to the epidemic, and thus lost their popularity; for another, the quality of the films themselves was the problem. Chinese audiences are becoming more and more rational in film consumption, and they no longer blindly "look up" to Hollywood, but show more affirmation to good domestic films.

Table 3.2 Box office sum and proportion of domestic films and imported films in China from 2015 to 2020

Year	Domestic film box office (100 million yuan)	Imported film box office (100 million yuan)	Others (100 million yuan)	Total box office (100 million yuan)	Box office contribution of domestic films (%)	Box office contribution of imported films (%)
2015	278	158	2	438	63.5	36.1
2016	252	203	0	455	55.4	44.6
2017	298	260	1	559	53.3	46.5
2018	383	223	1	607	63.1	36.7
2019	398	243	0	641	62.1	37.9
2020	164	39	0	203	80.8	19.2

Source: Lighthouse Professional Edition.

Note: "Domestic films" include coproduced films, "introduced films" are imported and distributed from foreign countries and areas, and "others" are films that are screened at film festivals but are distributed domestically.

Table 3.3 Top ten films at the box office in China's film market from 2019 to 2020

2020				2019			
No.	Title	Box office (100 million yuan)	Douban rating	No.	Title	Box office (100 million yuan)	Douban rating
1	<i>The Eight Hundred</i>	31.11	7.6	1	<i>Ne Zha: Birth of the Demon Child</i>	50.04	8.4
2	<i>My People, My Homeland</i>	28.29	7.3	2	<i>The Wandering Earth</i>	46.82	7.8
3	<i>Legend of Deification</i>	16.03	6.8	3	<i>The Avengers 4: Endgame</i>	42.49	8.5
4	<i>The Sacrifice</i>	11.22	6.5	4	<i>My People, My Country</i>	31.24	7.7
5	<i>Leap</i>	8.36	7.3	5	<i>The Chinese Pilot</i>	29.04	6.7
6	<i>Shock Wave 2</i>	6.02	7.7	6	<i>Crazy Alien</i>	22.13	8.0
7	<i>Caught in Time</i>	5.38	6.3	7	<i>Pegasus</i>	17.27	6.9
8	<i>Adoring</i>	5.10	6.0	8	<i>The Bravest</i>	17.03	6.5
9	<i>Love You Forever</i>	5.05	5.5	9	<i>Better Days</i>	15.59	8.3
10	<i>Sheep Without a Shepherd</i>	5.01	7.7	10	<i>The Fast and the Furious Spinoff</i>	14.34	6.3
Average Douban score of the top 10 films at the box office in 2020			6.87	Average Douban score for the top 10 films at the box office 2019			7.51

Source: Lighthouse Professional Edition.

However, compared with 2019, the proportion of top movies at the box office in 2020 fell sharply, and the reputation decreased. Statistics from Lighthouse Professional show that the box office of the top ten films in China's film market totaled 12.2 billion yuan in 2020, which is 42.5 percent of that in 2019 (28.6 billion yuan). In 2020, only the movie *The Eight Hundred* had a box office of more than 3 billion yuan (see Table 3.3), while the box office of another four films released in 2019, including *Ne Zha*, *The Wandering Earth*, *Avengers: Endgame* and *My People, My Country*, all surpassed 3 billion yuan. The first three films even surpassed 4 billion yuan. In 2018, three films, *Operation Red Sea*, *Detective Chinatown II*, and *Dying to Survive* each had a box office of more than 3 billion yuan. Meanwhile, the reputation of the leading films also declined. In 2020, the average score of the top ten box-office films on Douban.com was 6.87 points, 0.64 points lower than the average score of the top ten films in 2019 (7.51). This shows that the box office performance of the leading films was related not only to the impact of the epidemic, but also to the decline in film quality and public praise.

1.2 Genres of Chinese films

In eight of the past ten years, action films or comedies topped the list at the box office in China's film market. As a domestic film, in 2020, *The Eight Hundred* broadened the genre of previous box-office champions (see Table 3.4). With 3.111 billion yuan in box office (No.1 on the 2020 box office list), *The Eight Hundred* showed the market the popularity of such works. More importantly, as a movie of high quality, *The Eight Hundred* was released at the early stage of the resumption of work, which contributed greatly to the rapid recovery of the popularity of cinemas and boosted the confidence of the whole film industry.

Due to publicity and marketing, people are more willing to package films into more specific and distinctive genres such as action, comedy, and science fiction, and do not pay due attention to drama films. However, in recent years, drama, a genre that once occupied a large share of Chinese movies, has regained market

Table 3.4 Box office champions in the Chinese film market from 2011 to 2020

Year	Title	Box office (100 million yuan)	Film genre
2011	<i>Transformers: Dark of the Moon</i>	10.71	Action/sci-fi
2012	<i>Lost in Thailand</i>	12.72	Comedy
2013	<i>Journey to the West: Conquering the Demons</i>	12.47	Comedy/fantasy
2014	<i>Transformers 4</i>	19.77	Action/sci-fi
2015	<i>Monster Hunt</i>	24.40	Comedy/fantasy
2016	<i>Mermaid</i>	33.93	Comedy/romance/fantasy
2017	<i>Wolf Warriors 2</i>	56.85	Action/war
2018	<i>Operation Red Sea</i>	36.51	Action/war
2019	<i>Nezha: Birth of the Demon Child</i>	50.04	Animation/fiction
2020	<i>The Eight Hundred</i>	31.11	War/history

Source: Lighthouse Professional Edition.

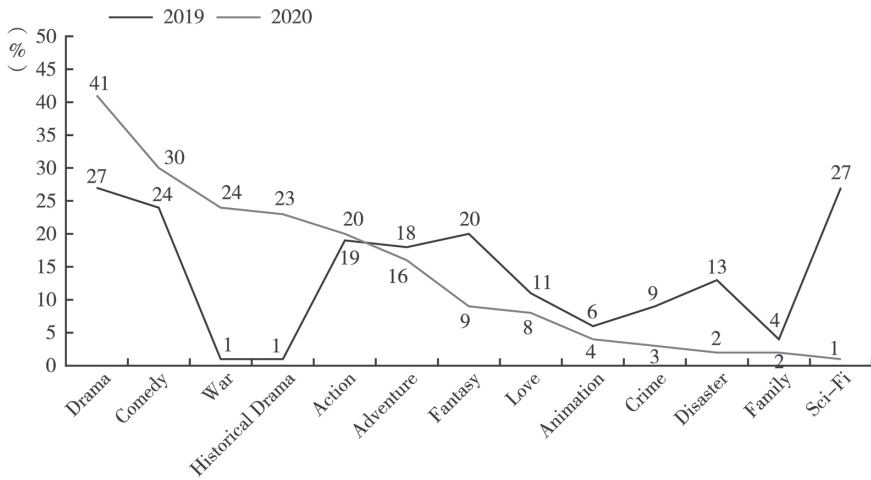


Figure 3.5 Box office share of various types of films in 2019 and 2020

Source: Lighthouse Professional Edition.

recognition. The box office share of domestic feature films in 2020 increased from 27 percent in 2019 to 41 percent in 2020, and *My People, My Country*, with a box office of 2.829 billion yuan, won second place in the box office list that year (see Figure 3.5). In addition, the share of the box office of war and historical films has also increased significantly, from 1 percent and 1 percent in 2019 to 24 percent and 23 percent, respectively, in 2020, mainly thanks to the box office contributions of *The Eight Hundred* (3.111 billion yuan), number one on the box office list and *The Sacrifice* (1.123 billion yuan), number four on the box office list. These feature films integrate social reality and film art very well, and have received good social response.

1.3 Size of Chinese movie audience

The size of the movie audience is an important indicator to measure the development of the film market. In 2020, the movie audience nationwide was 549 million, a decrease of 68.2 percent compared to 2019, which is a new low since 2013 (see Figure 3.6). The decline was caused mainly by factors such as suspension of business and seat restrictions caused by the epidemic. With the effective prevention and control of the epidemic, we predict that there will be a big improvement in the size of the movie audience in 2021, with a high probability of returning to the scale of 2019.

1.4 Chinese film production

In terms of production, the market performance of Chinese films in 2020 had an absolute advantage. The top ten films at the box office in 2020 were all domestic films, whereas three American films made it into the top ten in 2019. Among the

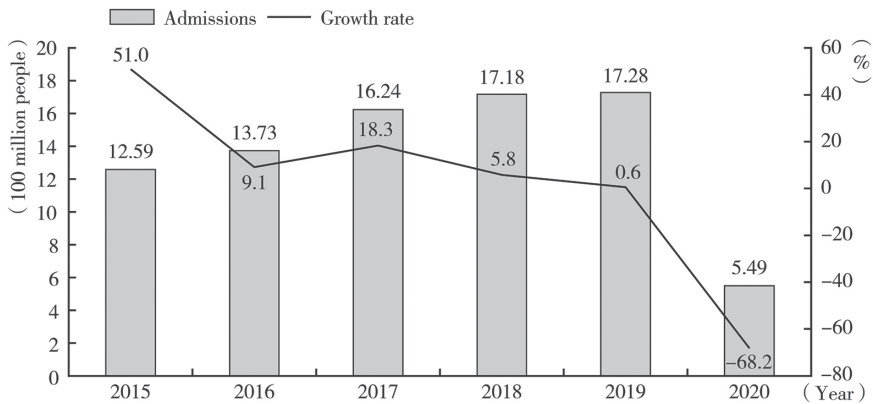


Figure 3.6 The number and growth rate of Chinese movie goers from 2015 to 2020

Source: Lighthouse Professional Edition.

Hollywood movies shown in China in 2020, *Tenet*, directed by Nolan, performed the best, with a box office of 456 million yuan, ranking 11th in the box office list in the Chinese film market, less than one seventh of that of the highest-grossing film, *The Eight Hundred* (3.111 billion yuan). Another superhero movie, *Wonder Woman, 1984*, was released for two weeks, and the box office was merely 160 million yuan.

Of course, we cannot draw the conclusion that the production level of Chinese films is higher than that of Hollywood films only from the market performance of domestic films in 2020. This has been achieved mainly because the epidemic has been brought under control at home and out of control abroad. However, we should also see that China's film market has great potential and its film industry is second to none in its ability to withstand pressure. These data provided a powerful boost to the confidence of investors planning to invest in film production.

Affected by the overall environment of the industry, the production of domestic films in 2020 saw a severe decline of 37 percent, down from 1,037 in 2019 to 650. Correspondingly, the production of domestic feature films also declined in 2020, falling by 38 percent from 850 in 2019 to 531 (see Figure 3.7). From 2015 to 2020, the output of domestic feature films was 686, 772, 798, 902, 850, and 531, respectively, with growth rates of 11 percent, 13 percent, 3 percent, 13 percent, -6 percent, -38 percent.

Although the production of domestic feature films in 2020 declined compared with 2019, a large number of high-quality films emerged in 2020, achieving both social and economic benefits. Statistics from Lighthouse Professional show that the top ten films at the national box office in 2020 were all domestic films, with their box office accounting for more than 80 percent of the total.

On May 13, 2020, the Ministry of Finance, the State Administration of Taxation, the State Film Administration and other departments successively issued tax

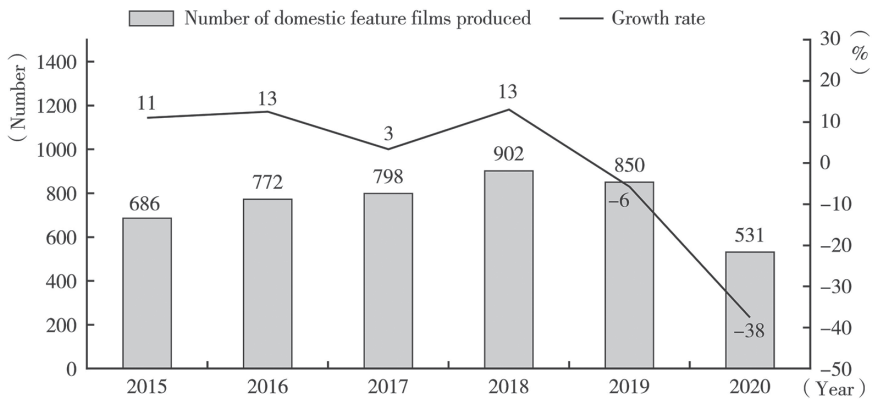


Figure 3.7 Volume of domestic production of feature films and year-on-year change, 2015 to 2020

Source: China Film Administration.

support policies for films and other industries, including exemption from special funds for the development of the national film industry, from value-added tax on film screening services, and from construction fees for cultural undertakings, etc. The promulgation of these policies has brought new hope to the film industry in hard times.

1.5 Publicity and distribution of Chinese films

The publicity effect of a film has a large impact on the final box office income of the movie. Film practitioners at home and abroad are paying more and more attention to the investment in the publicity. In 2020, “short video plus live streaming” has become one of the standard distribution channels of many films, and eight of the top ten films at the box office have used live streaming to help sell the tickets.

Film distributors have attached more importance to short videos, which are considered an emerging distribution channel, with a huge number of users. The short video platforms gradually realized their potential and became active participants in film publicity and distribution. Major mobile internet platforms for short video such as Douyin, Kuaishou, Weibo, Toutiao and Qutoutiao have all expanded into the film publicity market, which has contributed to a full coverage of Chinese film audiences from urban to rural areas.

The expansion of film publicity and distribution into the short video platform reveals that the number of users and the market size for short videos are growing rapidly. In December 2020, the number of short video users in China was 872 million, accounting for 88.3 percent of the total number of internet users. From 2018 to 2020, the number of active short video users in China were 731 million, 823 million and 872 million, with growth rates of 70.8 percent, 12.6 percent and 6.0 percent, respectively (see Figure 3.8). While the scale of short video users increased, the growth rate

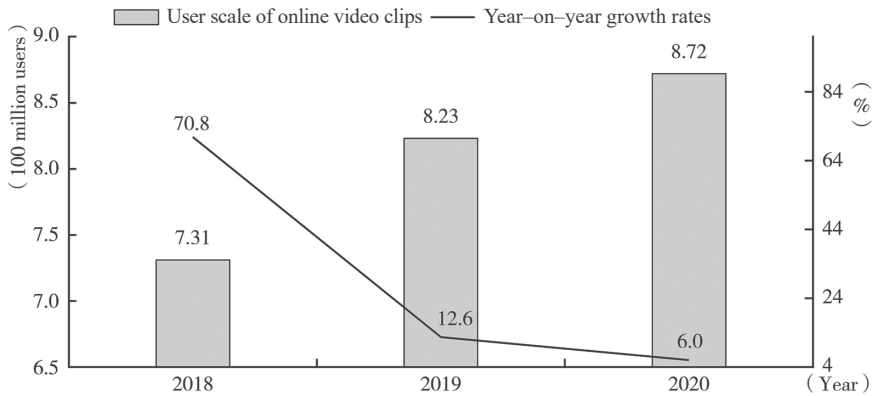


Figure 3.8 User scale and growth rate of China's short video industry from 2018 to 2020

Source: China Mobile Internet Database.

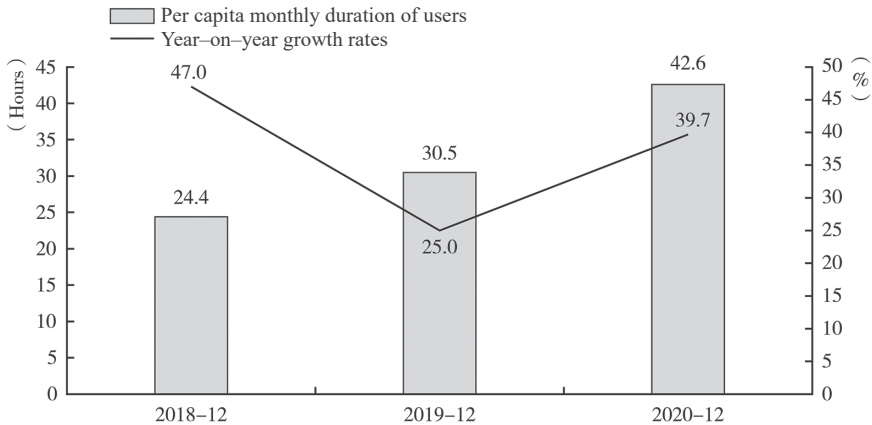


Figure 3.9 Monthly usage and growth rate of China's short video industry from 2018 to 2020

Source: China Mobile Internet Database.

slowed significantly, but the usage of short videos has maintained a rapid growth, with its influence being continuously strengthened. From 2018 to 2020, the monthly usage of the short video in China is 24.4 hours, 30.5 hours and 42.6 hours, respectively, with growth rates of 47.0 percent, 25 percent and 39.7 percent (see Figure 3.9).

In the first half of 2020, e-commerce live streaming, as a typical representative of the new business, became one of the internet applications with the fastest growth. As of June 2020, China's e-commerce live streaming users had reached 309 million, an increase of 16.7 percent from March 2020, making it the fastest-growing personal internet application from January to June 2020. E-commerce live streaming has upgraded short video from simply an accessible medium to a consumer platform, realizing a closed loop from publicity to purchase. The analog

ticketing platform provides audiences with new ticket purchase channels. The live video delivery model integrates marketing reach, purchase entry, and purchase decision into one platform, which makes the publicity effect more ideal.

1.6 Cinema Lines in China

In the entire film industry chain, the cinema chain connects film distribution upstream and cinema screening downstream. After the production of the film is completed, the cinema chain, as a supplier, obtains a copy of the film from the film distributor and arranges the film to be shown in the cinema. The Chinese film market in 2019 and 2020 can be described as twists and turns, and theatre companies that had a pivotal position in the industry chain were also undergoing great tests.

At present, the top ten city cinema lines in China's box office are Wanda Film Line, Dadi Digital Cinema Line, Shanghai United Cinema Line, China Film Group Digital Cinema Line, China Film South Cinema Circuit, Hengdian Cinema Line, China Film Xingmei Cinema Line, Guangzhou Jinyi Pearl River Cinema Line, Jiangsu Omnijoi Cinema Line and Huaxia Cinema Line. Compared with 2019, despite a slight change in the ranking, the top ten remain the same. Wanda Cinema, which ranked first, accounted for 15.4 percent of ticket sales, an increase of 1.6 percent from 2019. Among the cinema chains ranked second to ninth in box office, the box office share of China Film Digital Cinema increased by 0.2 percent compared with 2019, while the box office share of other cinema lines did not increase or even declined (see Table 3.5). In 2020, the total box-office share of the top three cinema chains was 32.6 percent, and

Table 3.5 List of the top ten cinema chains in China's box office rankings in 2020

No.	Theater chain	Annual box office (100 million yuan)	Box office ratio(%)	Number of viewers (million)	Average attendance	Average ticket price(yuan)
1	Wanda Theater Chain	31.34	15.4	7,764	16	40
2	Dadi Theater Chain	19.60	9.6	5,397	9	36
3	The Shanghai United Theater Chain	15.39	7.6	3,878	12	40
4	China Film Digital Theater Chain	15.01	7.4	4,255	9	35
5	China Film South Film New Theater Chain	13.93	6.9	3,777	9	37

(Continued)

Table 3.5 (Continued)

No.	Theater chain	Annual box office (100 million yuan)	Box office ratio(%)	Number of viewers (million)	Average attendance	Average ticket price(yuan)
6	Hengdian Theater Chain	9.17	4.5	2,556	9	36
7	China Film Stellar Theater Chain	9.17	4.5	2,493	10	37
8	Guangzhou Jinyi Pearl River Theater Chain	8.59	4.2	2,278	11	38
9	Jiangsu Happy Blue Ocean Theater Chain	7.90	3.9	2,172	10	36
10	China United Theater Chain	7.18	3.5	1,969	9	36

Source: Endata.

the total box-office share of the top ten cinema chains was 67.5 percent. Compared with the North American cinema market, where the total box-office share of the top three cinema chains is more than 50 percent, the concentration of cinema lines in China still needs to be improved.

1.7 *Movie theatres in China*

From the perspective of the box office and distribution of individual cinemas, the concentration of the cinema market in China is relatively scattered. In 2020, the average ticket sales of each theatre was 1,701,900 yuan. The top ten theatres with the highest annual box office had a total box office of 172 million yuan, accounting for less than 1 percent of the market. In recent years, the number of screens has continued to increase, while the size of audiences has not increased in the same proportion, and the attendance rate has continued to decline, which has caused a huge bottleneck in improving the overall profitability of theatres.

Affected by the COVID-19 epidemic, the development of Chinese theatres encountered tremendous pressure. The number of new theatres in 2020 was 575, only 60.8 percent of that in 2019. From 2015 to 2020, the number of theatres in China was 6,459, 7,877, 9,319, 10,416, 11,361 and 11,936, respectively, with growth rates of 32.1 percent, 22.0 percent, 18.3 percent, 11.8 percent, 9.1 percent and 5.1 percent (see Figure 3.10).

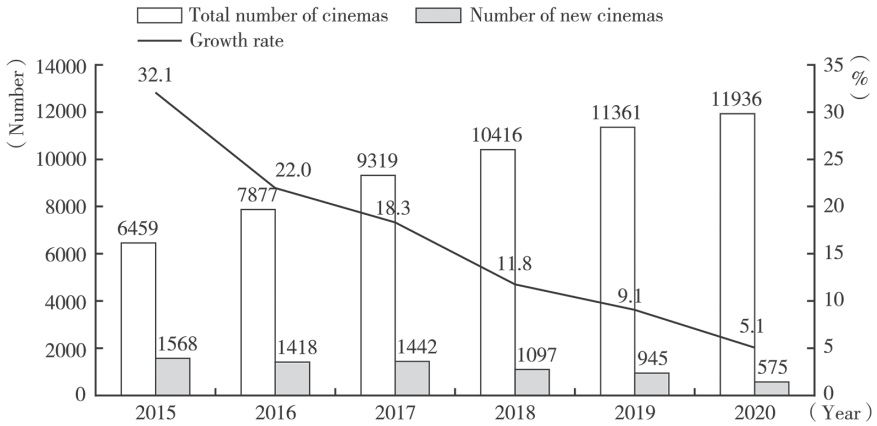


Figure 3.10 Number and growth rate of cinemas in China from 2015 to 2020

Source: Lighthouse Professional Edition.

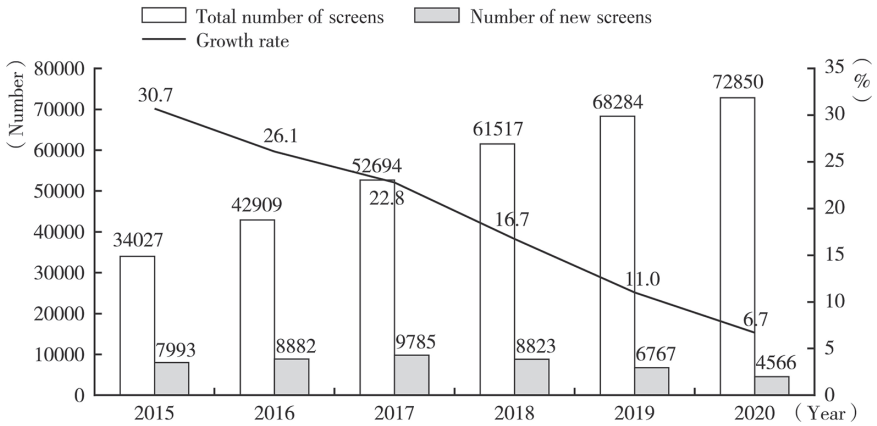


Figure 3.11 Number and growth rate of screens in China from 2015 to 2020

Source: China Film Administration.

In 2012, China had a total of 13,118 screens, a more than fivefold increase in just eight years. As of the end of 2020, there are 72,850 screens nationwide, an increase of 4,566 compared to 2019, a growth rate of 6.7 percent, and a slowdown of 4.3 percent from 2019 (see Figure 3.11). Overall, since 2015, single-screen box office output has declined continuously, and attendance rate has continued to fall. Theatre operations are still facing great challenges. On the whole, since 2015, the single-screen ticket output and attendance rate have continued to decline; therefore, theatre operations continue to face great challenges.

2 Watching movies in the post-pandemic era: Online and offline at the same time

2.1 Post-pandemic era

The COVID-19 outbreak has had an impact beyond the outbreak itself, with secondary effects in multiple areas, in addition to the immediate impact on the health of the population. Economically, the pandemic may cause a deep recession in the global economy. The International Monetary Fund released its *World Economic Outlook* on April 14, 2020, and lowered its forecast for global gross domestic product (GDP) growth in 2020 by 6.3 percentage points to -3 percent from 3.3 percent in January, signalling the worst recession since the Great Depression of the 1930s. In addition to the economic impact, the pandemic has also caused major changes in the international political environment, public opinion environment and governance environment. The post-pandemic era refers to the general notion that human society has entered a new historical development period after the COVID-19 pandemic due to profound changes in social, economic, cultural and other factors.

2.2 Analysis of characteristics of movie viewers in the post-pandemic era

The global public health crisis caused by the COVID-19 virus has led directly to a real economic recession, and disruptions to the demand and supply of goods and services. During the pandemic, both the domestic and international economic environment saw significant changes, which will continue even after the pandemic, and people's consumption patterns, consumption habits, expenditure structure, consumption expectations, etc., will all change accordingly.

2.2.1 Large scale of online users

With the improvements in infrastructure and network technology, the role of the mobile internet has become more and more important and has become an indispensable part of people's work and lives. At the end of 2019, the global population was 7.676 billion, of which 5.11 billion were mobile phone users, 4.39 billion were internet users and 3.48 billion were active on social media. The 4.39 billion "netizens" constitute a thriving digital consumer market, and provide a broad market prospect for video websites.

2.2.2 The habit of paying for online movies is gradually developed

The development of the habit to pay for movies online is directly related to the commercial income of film providers through the internet. The existing online entertainment platform already has a huge user base and payment scale. A field survey of nearly 500 movie goers found that more than 70 percent of the audience have had online payment experience, and more than 60 percent of the audience believe that online payment is acceptable. It can be seen that acceptance of the pay-per-view model is already high.

2.2.3 The audiovisual effect of home theatre is gradually improving

Home theatre refers to a home audiovisual system that optimizes and combines modern audiovisual software and hardware facilities to make its sound and image indicators reach or approach the level of a standard stereo theatre. With the improvement of people's living standards, home theatres have gradually appeared in the homes of ordinary people, and become more and more popular. At the same time, the gap between the visual effects created by projectors, laser TVs and other audiovisual equipment and that of the movie theatres is getting smaller and smaller, and home theatres are becoming more and more attractive to movie lovers.

2.2.4 Incomes are declining and consumption becoming more rational

The COVID-19 pandemic has caused consumers to reexamine their consumption desires, pay more attention to the cost effectiveness of their purchases, and become more mature and rational when purchasing, which is reflected in their choice of commodities. Consumers are more inclined to buy commodities with preferential discounts and products with multiple functions. After the pandemic, nearly 80 percent of consumers will reduce their spending on entertainment, including a 59 percent decrease in spending on movies.

2.3 Comparative analysis of online and offline movie screening modes

Compared with offline screening, the advantages of online screening are:

- (1) A simplified viewing process. The audience does not need to line up to buy tickets, which effectively saves the time spent on purchasing the ticket, waiting for the movie and going to and from the theatre.
- (2) More freedom and convenience. Viewers can watch their favorite movies on the internet at any time, and can also perform operations such as fast forward, fast reverse, pause, and replay at will.
- (3) Lower cost. To watch movies through a video website platform is cheap or even free, which is much lower than the cost of watching movies at the movie theatre.

The disadvantage of online screening is that it is limited by the screening conditions and technologies. The online screening of films cannot perfectly present the audiovisual effects of the film and cannot create a strong atmosphere for film watching.

The advantages of offline viewing of films are:

- (1) Good audiovisual effects. Professional screening equipment can bring strong visual and auditory impact to the audience and present the best effect.
- (2) Good environment. Many audiences gather in the theatre to watch the movie collectively, which can create a better atmosphere for the audience.
- (3) Strong social function. Most audiences choose to watch movies in theatres, mostly for social needs such as friends' gatherings and family reunions.

The disadvantages of offline cinema screening are the high costs in time, money and energy. Some movie lovers have had to give up watching movies in-cinema because of the realistic conditions.

Thus, it can be seen that online and offline film screening modes each have their own advantages, and they are complementary to each other. The shortcomings of the cinema screening mode should, to a certain extent, be eliminated, modified and supplemented by the online screening mode with video websites as the core.

2.4 The development of film screening in the post-pandemic era

Affected by the epidemic prevention and control factors, *Lost in Russia*, directed by Zheng Xu, created a new model of online premiere of cinema movies, which has certain enlightening significance for the future development of the film industry. The online premiere model of *Lost in Russia* reveals the development law of the global film industry and market, that is, both the online and the offline screening models should be integrated. With the continuous growth and expansion of the “net generation” audience, their natural-born multimedia experience has made the traditional film industry move toward a multimedia terminal of decentralization. The outbreak of COVID-19 has accelerated this process, and cinema movies such as *Trolls World Tour* and *Enter the Fat Dragon* are screened online using video-on-demand methods, which are the best examples of this change being accelerated.

Therefore, for cinemas, to obtain living space and achieve stable development in the post-pandemic era, it is essential to innovate and change, and to strive for integration with new media and new technologies. Cinemas must achieve diversified and prosperous development through the “movie plus internet” approach with an inclusive attitude.

What needs to be emphasized is that, although more and more cinema films chose to premiere online after the pandemic, online screening is only an effective supplement, extension and expansion of the existing film screening mode, and the traditional offline mode still occupies an absolutely dominant position in the entire film industry. Regardless of the development of the internet online platform, online viewing cannot solve the problem of “cultural discounts” in the audiovisual indicators of films. The producers of films such as *Mulan* would choose to postpone release repeatedly rather than to premiere on websites.

Note

- 1 Box office recovery rate = (Monthly box office in 2020 ÷ monthly box office in the same period in 2019) × 100%.

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4 The development of Chinese film screening in 2020

Zenghan Zhuang

The pandemic in 2020 did not lead to structural adjustment of the landscape of Chinese urban cinema chains. Problems such as low market concentration of film investment companies and low operation efficiency still exist. Cinema operation was worst affected by the pandemic and the whole industry was slowly transforming into an integration period. However, the government's efficient control over the pandemic enabled the speedy economic recovery of many industries, including the film industry. Also, the high quality of films also contributed to the resumption. Thus, China overtook the United States to be the top box office market in the world. The transition from cinemas to online platforms became a global trend and the barriers between movies shown in theatres and movies viewed over the internet was broken. Online streaming media platforms began taking away from the box office profit of the traditional film screening industry and a cinema chain revolution had begun.

1 Analysis of the overall data: A mixture of worries and joys

The COVID-19 pandemic was an unprecedented blow to the global film industry. The box office of Chinese cinema chains experienced a dramatic recession and hard times when the release of many films were delayed and the operation of movie theatres was suspended. In the first half of the year, the screening industry of traditional cinema chains was struggling, waiting and persevering. *The Notice Regarding The Resumption of Movie Theaters under The Condition of Regular Epidemic Prevention and Control* (hereinafter referred to as the Notice), issued by the China Film Administration on 16 July, 2020, stated that movie theatres in low-risk districts could reopen in an orderly fashion on 20 July under the condition that all the epidemic control and prevention measures were implemented. The Chinese film market was gradually reviving. According to China Film Administration statistics, although the Chinese mainland box office in 2020 was RMB 20.417 billion yuan, which was negative growth compared with the previous year, it had overtaken the North American market (US \$3.1 billion) and historically ranked the number one box office market of the world.

The first half year of 2020 was a box office Waterloo for urban commercial cinema chains; the box office profit was gained mainly from several blockbusters

Table 4.1 Chinese film industry enterprises and number of screens

Year	Number of cinema chains	Number of film investment companies	Number of movie theatres	Number of screens
2018	48	496	10,416	60,079
2019	50	569	11,361	69,787
2020	50	579	11,856	75,581

Source: China Film Administration website, Lighthouse Pro. APP, Endata, before 31 December, 2020.

released in the second half of the year. There were 50 urban commercial cinema chains (see Table 4.1) that recorded box office data. This is the same as the number in 2019, which means that no cinema chains were delisted or went bankrupt due to the pandemic. The reason for the survival of these cinema chains was probably because most of them were state-owned enterprises or had state-owned shares and they enjoyed the advantages of policy resources and government capital. The top ten list of the box office of cinema chain companies did not change, with only small rises and falls among them. The box office of the top ten companies accounted for 67 percent of Chinese total box office; 47 percent was from the top five companies. The market concentration stayed steady. The performance of the Wanda cinema chain was most remarkable among the top ten companies. Its average number of people per showing was 16 and attendance rate was 11.2 percent, which was just a slight decrease compared with 2019, when the average number of people per showing was 20 and attendance rate was 12.9 percent. Its operating efficiency was much better than the other nine companies (see Table 4.2). Cinema chains of the China Film Group and privately owned companies such as Wanda group, Hengdian Group and Jinyi cinema were the mainstay of the market.

In China, there were 579 film investment companies (see Table 4.1), of which the top ten companies accounted for 37.8 percent of the Chinese box office; the top 20 accounted for 47.8 percent. Besides, there were many small companies with low market concentrations. The top five film investment companies were also the cinema chain companies (see Tables 4.2 and 4.3), which showed that self-supported movie theatres subordinated to these cinema chain companies were the mainstream. This would contribute to their brandings and guarantee internal operating consistency. On the contrary, the China Film Stellar Theater Chain ranked number seven in the cinema chain company list, with RMB 0.917 billion yuan box office income (see Table 4.2); however, in the list of film investment companies, it ranked 40, with only RMB 49 million yuan in box office revenue. This was because too many join-in movie theatres and continuous disputes resulted in conflicts in operation, low management efficiency and a lack of profitability. Shanghai Bestar, whose performance has improved in the past five years, was a rising power. Its ranking jumped from the initial 332 to ten in 2020. With relatively high average ticket price, leading attendance rate and steady operation efficiency under the impact of the pandemic, Hong Kong Broadway and UME Film Group, whose rankings were eight and nine, respectively, were the typical examples of qualified movie theatres.

Table 4.2 Top ten box office list of Chinese cinema chains and part of their operation data in 2020

<i>Ranking</i>	<i>Cinema chain</i>	<i>Box office (100 million yuan)</i>	<i>Average ticket price (yuan)</i>	<i>Average number of people per showing</i>	<i>Attendance rate (%)</i>
1	Wanda Cinema Chain	31.34	40	16	11.2
2	Dadi Cinema Chain	19.57	36	9	7.4
3	Shanghai United Cinema Circuit	15.38	40	12	8.6
4	China Digital Movies	14.99	35	9	7.3
5	China Film Southern Circuit	13.94	37	9	7.7
6	Heng Dian Cinema Chain	9.17	36	9	6.9
7	China Film Stellar Theater Chain	9.17	37	10	8.5
8	Guangzhou Jinyi Zhujiang Cinema Chain	8.59	38	11	7.2
9	Jiangsu Omnijoi Cinema Chain	7.90	36	10	8.2
10	Huaxia United Cinema Chain	7.17	36	9	7.5

Source: Endata, before 31 December 2020.

Table 4.3 Top ten box office list of Chinese film investment companies and part of their operation data in 2020

<i>Ranking</i>	<i>Film investment companies</i>	<i>Box office (100 million yuan)</i>	<i>Average ticket price (yuan)</i>	<i>Average number of people per showing</i>	<i>Attendance rate (%)</i>
1	Wanda Film	30.25	40	16	11.3
2	Dadi Cinema Group	10.44	38	10	7.5
3	Heng Dian Cinema Chain	7.90	36	10	6.9
4	CGV Cinema Investment Company	6.19	43	15	9.1
5	China Film Cinema Investment Company	5.06	37	15	9.7
6	Jinyi Film and Television	4.78	39	12	7.2
7	Bona Cinema Investment Company	3.44	41	15	10.6

(Continued)

Table 4.3 (Continued)

Ranking	Film investment companies	Box office (100 million yuan)	Average ticket price (yuan)	Average number of people per showing	Attendance rate (%)
8	Hong Kong Broadway	3.20	51	19	12.2
9	UME Film Group	2.77	40	13	11.2
10	Shanghai Bestar Cinema	2.61	34	14	8.8

Source: Endata, before 31 December, 2020.

Driven by the pandemic and other external factors, Chinese cinema chains and film investment companies were slowly transforming into an integration period.

In face of the impact of the pandemic, the hardest hit part of the whole film industry chain was movie theatres, which were at the least significant end of the industry and had very limited power due to their relatively small volumes compared with upstream enterprises, insufficient cash flow, frequent personnel mobility and low risk-resistance capacity. In recent years, it was not rare to see that movie theatres were closed; due payment was delayed and some of their owners even ran away with money, which resulted in conflicts in the industry. For instance, at the beginning of 2021, several major film production companies arbitrarily required movie theatres that had regulation violation records (false reports, payment delays, etc.) to sign settlement account change agreements that stipulated that the third-party ticket sales platforms would transfer the money directly to the film production companies, who would settle with the movie theatres after retaining 43 percent of its share of film revenue. This changed the direction of flow of the film revenue distribution, which used to be from the downstream to the upstream. Nominally this agreement applied only to movie theatres that had violated regulations, but in fact many theatres without any regulation violation record also received the notification letter. If they refused to sign the agreement, the film production companies would threaten to stop the key delivery message, which put movie theatres in a life struggling situation. In essence, this act was to gain more cash flow profit. However, for most of the movie theatres that already had operating difficulties under the impact of the pandemic, it ultimately resulted in the closure of business because their capital chain had been broken. Limited by the industry system, Chinese movie theatres were not essentially free market entities and did not possess the decision-making power to choose films.

However, the good news is that, for one thing, the existing box office sharing policy is in favor of the movie theatres who are supposed to get no less than 50 percent of the film revenue; for another thing, movie theatres are the key support objects in a series of policies concerning the film industry made by local government. In the second half of the year, because of the release of several blockbusters and policies support, statistically (see Table 4.1) there were 11,856 movie theatres in China in 2020, which was a 4.4 percent increase compared with the previous year, and there were 75,581 screens, which was an 8.3 percent increase compared with

Table 4.4 Top ten box office list of Chinese movie theatres and part of their operation data in 2020

<i>Ranking</i>	<i>Movie theatre</i>	<i>Box office (10,000 yuan)</i>	<i>Average ticket price (yuan)</i>	<i>Average number of people per showing</i>	<i>Attendance rate (%)</i>
1	Capital Cinema Xidan Movie Theatre	1,972.8	61	26	17.7
2	Nanjing Xinjiekou International Cineplex	1,836.0	40	27	24.6
3	Beijing Joy City Jinyi IMAX	1,811.3	70	30	16.8
4	Beijing Hoyts Heshenghui Movie Theatre	1,786.9	69	29	21.5
5	Guangzhou Fiyong Cinema(Zhengjia Movie Theatre)	1,781.7	57	32	15.1
6	Shenzhen Broadway Cinematheque Wanxiangtiandi Movie Theatre	1,677.1	65	31	17.6
7	Shanghai Wujiaochang Wanda Plaza Movie Theatre	1,676.5	55	28	16.4
8	UME Cineplex (Beijing Shuangjing Movie Theatre)	1,592.0	59	25	16.0
9	Beijing Injia Stellar Cineplex	1,591.2	67	26	12.1
10	Wuhan Chu River Han Street Wanda Plaza Movie Theatre	1,566.1	43	24	18.0

Source: Endata, before 31 December, 2020.

the previous year. Although the speed of increase slowed down, it was comforting to see an overall increase. Regionally, cities like Beijing, Shanghai, Guangzhou and Shenzhen, with major ticket consumption, ranked in the top ten list of the Chinese box office (Table 4.4). The box office of Wanda Plaza in Chu River Han Street, Wuhan, which was the centre of the pandemic, ranked ten and the Wushang Mall International Cinema ranked 13 in the Chinese box office ranking, which showed the revival of the urban economy and residents' leisure and entertainment. This was the fruit of victory harvested by following the strong leadership of the CPC Central Committee when fighting the battle against the pandemic.

As of 25 December, there were more than 4,300 films available for public beneficial mobile film screening in rural areas, in the digital film program trading

platform for cinema chains in rural areas, which increased by more than 700 films compared with 2018. With three new cinema chains, there were a total of 333 mobile digital cinema chains in rural areas. The Administration Center of Digital Film Content had finished the construction of 219 ground satellite receiving centers, and training in public beneficial film screening was carried out continuously. The film screening project in rural areas was developing steadily with the support of government funding. The *CPCCC's Proposals for Formulating the 14th Five-Year Plan (2021–2025) for National Economic and Social Development and the Long-Range Objectives Through the Year 2035* was issued in the fifth plenary session of the 19th Central Committee of the Communist Party of China. The proposals point out that the imbalance of cultural development between Chinese urban and rural areas still exists. To build a powerful cultural country by 2035, it is necessary to further complete the network of cultural infrastructure, and the promotion of digital film screening projects in rural areas and industrialization development of film projection are very significant parts.

The Nationwide Alliance of Arthouse Cinemas offered 15 Chinese and international films for its audience in 2019 and, in 2020, sponsored the “Treasure: Classic Film Festival” in which high-definition, repaired versions of ten patriotic old films were shown in the Alliance’s theatres. These ten films offset the film insufficiency period caused by the pandemic. Different from the Nationwide Alliance of Arthouse Cinemas, the path that the Shanghai Alliance of Arthouse Cinemas took was regionalization and exhibition. Founded in 2019, the first drama cinema chain showed mainly traditional Chinese opera films, drama films, Chinese and international plays and opera films. Besides, the Shanghai Alliance of Arthouse Cinemas periodically held many activities with art film-related themes, including Chinese and international film exhibitions and lectures, etc. In 2020, the Shanghai Alliance of Arthouse Cinemas held the “Russian Film Masters Exhibition” in August; a “Film Retrospective of Director Sun Yu” in September; a “Theme Exhibition of the War to Resist America and Aid Korea” and “Italian Masters Exhibition” in October and “the Film Exhibition in Memory of the Centenary Celebration of Zhouxuan” in November. These activities had greatly activated the “red culture” and “Shanghai style culture” resources, introduced the brand of “Shanghai culture” and contributed to the promotion of art films.

2 The transition from movie theatres to online platforms: The challenge of streaming media over traditional movie theatres

The spring festival holiday from 11 to 17 February, 2021 was considered the best spring festival schedule of all time, with box office totalling RMB 7.82 billion yuan in the Chinese film market. Different from the recession of 2020, moviegoers are ardent about watching films in movie theatres and their film watching consumption which had long been restrained by the pandemic was released in the spring festival holiday of 2021. Films released in the spring festival schedule, such as *Detective Chinatown 3*, *Hi Mom*, *Assassin in Red*, *Endgame*, *The Yinyang Master* and *Boonie Bears*, were finely produced and properly propagandized. It is worth mentioning that the RMB 3.5 billion yuan blockbuster *Detective Chinatown 3*,

which stormed the film market, was originally scheduled for release in the spring festival of 2020; however, it was canceled and rescheduled for release in the 2021 spring festival because of the impact of the pandemic. The perseverance of release in movie theatres and sacrifice of long-term fund return showed the film production company's strong confidence in the quality and box office revenue of the film. In contrast, only one day after cancelling its film schedule, the producers of *Lost in Russia* announced that the film would not be released in cinema chains and would play instead on streaming media. Historically, Huanxi Media was the first to transfer a film from being played in cinema chains to online platforms, which broke the distinctive boundary between the cinema chains and streaming media and became a significant landmark event of the film showing industry.

It is not an exaggeration to say that *Lost in Russia* was “the first blockbuster in streaming media”. Audiences could watch the film free of charge through platforms such as Tik Tok, Today's Headline, Watermelon Videos and TikTok Volcano Version, which subordinated to ByteDance. This benefited the film production company, the platforms and the audience, further stimulated the online film watching needs and won a lot of users. However, the online release of *Lost in Russia* was by no means good news for the traditional offline film screening industry, because there used to be a distinct window of time between release in offline cinema chains and making films available to online platforms. Major cinema chains complained and criticized that *Lost in Russia* had violated the rules of the industry and had a negative influence on the traditional film screening industry. Before the gradual reopening of Chinese movie theatres in July 2020, many films such as *Enter the Fat Dragon*, *The Winners*, *Spring Tide* and *Marriage Story* that were originally scheduled for release in cinema chains were released online instead. The competition between traditional movie theatres and streaming media began earlier and the outbreak of the pandemic intensified the competition. The “role model” effect of the cancellation of films that had been originally scheduled for release in cinema chains accelerated the change in the industry environment. Film production companies were paying more and more attention to the online window. Audiences were gradually accepting a new way to watch films and expecting better film quality, convenience and interactivity, which meant more challenges to the traditional film screening industry, already struggling to gain profit. A similar situation existed in North America as well, with more intensity as the conflicts thus created between the upstream and the downstream of the industry were more intense.

The transition from movie theatres to online platforms is becoming a central topic that the global film industry is relating to. Are there more and more films that will be released on streaming media instead of in movie theatres? In the near future, is it likely that the movie theatres will be completely replaced by online streaming media? Many scholars believe that the transition is merely a product of the pandemic, a way to stop the loss, and it is not very likely to become mainstream after the pandemic. In fact, the conclusion on the developing direction of the future film screening industry varies with different objects of discussion and dimension of time.

Analyzing from the perspective of object of discussion, taking the film *Lost in Russia* as example, although it had gained considerable profit and attracted a

lot of attention, its rating went down after being released. It got only 5.9 on the Douban rating and the reputation of the film was as much praised as blamed. It is almost certain that its box office would have bombed if it were competing with blockbusters like *Detective Chinatown 3* and *Hi Mom* in the same schedule. Its RMB 2.4 billion yuan box office goal would have been impossible as well. The minimum-guarantee distribution agreement was originally signed between Heng Dian Film Group (minimum box office guarantee party) and Huanxi Media Group Limited (film production party). It was stipulated in the agreement that the minimum guaranteed box office of the film was RMB 2.4 billion yuan and Heng Dian Film Group had to pay RMB 0.6 billion yuan to Huanxi Media Group Limited as the minimum box office guarantee expense and RMB 0.15 billion yuan as the distribution cost, regardless of the final box office income. If the box office income was less than RMB 2.4 billion yuan, the part of the film revenue share within RMB 2.4 billion yuan would belong completely to Heng Dian Film Group. If the box office income was more than RMB 2.4 billion yuan, the part of the film revenue share within RMB 2.4 billion yuan would belong to Heng Dian Film Group, as well, and the two parties would prorate the net income (the part exceeding the minimum guaranteed box office of RMB 2.4 billion yuan). Huanxi Media Group will get 35 percent of the net income and Heng Dian Film Group will get 65 percent. However, because of the *force majeure* of the pandemic outbreak, the agreement was not implemented. So, Huanxi Media Group sold the copyright of the film for RMB 0.63 billion yuan to ByteDance. According to the announcement released by Huanxi Media Group, the production cost of the film was RMB 0.35 billion yuan, which meant that whichever way of transactions Huanxi Media Group took, it would earn at least RMB 0.25 billion yuan. Analyzing from the two operations of the film production company, it was not hard to find that the strategy it took was the guarantee of profit rather than the risk of super high box office, which also reflected the lack of confidence in the box office performance of the film. So, it was a relatively sensible choice to sell the film to streaming media platforms under the influence of the pandemic.

If part of the reason for *Lost in Russia*'s transition from cinema to streaming media was attributed to the pandemic, the online release of minority literary films like *Spring Tide* was just the right operation at the right time. *Spring Tide*, which does not have spectacular visual effects, was a low-budget film. When watching the film, the audience did not really need perfect visual and audio effects or the "sense of ritual". Because of its low publicity budget and relatively narrow target audiences, it was hard to guarantee a high film arrangement rate in cinema chains. The online release of the film avoided potential risks brought by the pandemic and attracted a lot of attention from the public. For the audience, it was more convenient and direct. It would inevitably become a trend to release online for low- and medium-budget films, especially feature films and romance films, which do not have too many requirements on visual and audio effects. However, the release of streaming media was also a double-edged sword for film production companies. Its positive side was that it could be regarded as a way of gaining supplementary or substituted profit and the video platforms could precisely and efficiently publicize

the film according to its popularity so as to save publicity cost, while its negative side was that the visual and audio effects of the film were just ordinary; the cost to the audience for watching the film was little; the film revenue share period was relatively long and the audience's habit of paying for watching films online was not yet completely formed. So, it was very hard to cover the investment of the film by completely showing online, let alone to gain profit.

Analyzing from the dimension of time, the cinema chains would not be overturned within a short period of time; however, streaming media could serve as effective supplements. For one thing, the visual and audio effects enjoyed in movie theatres would not soon be substituted by streaming media, especially for blockbusters. For another, as far as high-quality blockbusters were concerned, releasing online was much more profitable. The average ticket price in 2020 was RMB 37 yuan and the film production company could eventually get about RMB 12.2 yuan from each ticket after deducting e-commerce service expense; movie special funds; taxes and prorating with distribution companies according to the proportion of 33 percent. However, it was only about RMB 5 yuan that the audience had to spend on watching that specific film on online platforms, which was way less than film tickets. So, the first choice for blockbusters was still releasing in cinema chains. For traditional cinema chains, it was of great significance for their development and survival to guarantee high-quality visual and audio effects as well as try out special screens and immersive movie theatres.

In China, there were 650 films produced in 2020 and 294 of them were screened in cinema chains. Generally, half of the films produced annually were able to be screened on commercial cinema chains because of distinctive popularity differences. As far as films with medium or relatively low popularity were concerned, it was hard for them to get high film arrangement rate in cinema chains and good box office performance; however, streaming media could be served as supplementary distribution channels for them. In the long run, the artistic form of film would probably be changed and the model of film screening would be altered accordingly (see Section 4 on the “cinema chain revolution”).

In the context of regular epidemic prevention and control, it is still an unanswerable question how much the structure of the film screening industry will be changed by the impact of the COVID-19 pandemic. The film industry chain centered on theatre screenings has been around for a century, and the business model is mature and stable, so it cannot be completely overturned overnight. In the short term, a dual-platform development model may be derived. “Film screening” is going to be divided into two major areas: “traditional big-screen screening” and “online streaming media screening”. In fact, such a model has begun to take shape in North America.

3 The guarantee of high-quality content contributed to the reopening of movie theatres

In recent years, Chinese film audiences were becoming more and more mature and sensible and their aesthetic appreciation ability dramatically promoted. The prosperity of the 2021 spring festival schedule had once again proved that, to gain

popularity and attraction, it was fundamental to guarantee the high quality content of the films with regard to their stories or visual and audio effects. In 2020, many finely produced patriotic films had become the main force of the revival of the Chinese film market. Films such as *The Eight Hundred*, which pays respect to heroes, *The Sacrifice*, which shows the love of one's family and country, *My People My Homeland*, which celebrates the founding of China and *Duo Guan*, which praises the spirit of perseverance, had achieved excellent box office performance, transmitted core socialist values and encouraged Chinese people's determination to triumph over the pandemic. Among the top ten box office films, there were five films whose Douban rating was above seven, and nine of them were above six, which showed that high quality films were well accepted by the audience and this led to the resumption of the traditional film screening industry.

After the reopening of movie theatres, high quality film content was the guarantee of film attendance. At the beginning of 2021, *Detective Chinatown 3* was the biggest box office winner, but it was overtaken later by *Hi, Mom*, which enjoyed a good reputation and was recommended by audiences who watched it. This again proved the significance of a good story. However, sometimes only having a good story was far from enough, especially when many high-budget films were released simultaneously. Because of limited cinema halls and times arranged for showing a film, movie theatres had to take every factor into consideration and adopt a film arrangement plan to maximize profits. Not all good films can achieve ideal box office performance. For instance, as of 24 February, 2021, the Douban ratings of the films *End Game* and *A Writer's Odyssey*, released in the spring festival schedule, were above seven points, which was much better than the rating of *Detective Chinatown 3* (5.6 points), however, their box office incomes were a lot less than *Detective Chinatown 3*. The distribution ability was going to become critical when all films that were competing had good content. Without strong distribution ability, films would probably be in a situation where they enjoy good reputation but have poor box office performance. The old saying "Good wine needs no bush" was not very much applicable in the age of information explosion. Limited space was the problem that the traditional screening industry could not avoid; however, streaming media were not restricted by physical conditions and were able to publicize and distribute more precisely.

It is the audience who will decide the future of the film screening industry rather than film production companies or cinema chains. What audiences ultimately want is a good story, regardless of screening mode or the platforms on which it is released. It is high quality content that has always attracted audiences, which reminds the film production companies that the film cost accounting is supposed to be more concrete, the marketing position should be more explicit and the choice of distribution channels more cautious. The time when poorly and quickly produced films can also earn big money has come to an end. To find target audiences on the right platform, one has to really know about the market, analyze the screenplay and distribute the film cautiously. We cannot help asking, "Will audiences change as well?" The answer is that audiences are bound to change when films integrate with other entertainment industries and are not reliant on any one form of screen

because of the application of data analysis, artificial intelligence (AI) facilities, 5G and virtual reality (VR) technology. This new era is not far away from us. The pandemic stimulated a change in the film industry from a shortening of the window to simultaneous release in both cinemas and online platforms and, ultimately, to the transition from cinema chains to streaming media. The revolution of cinema chains had begun.

4 A “cinema chain revolution” is going on globally in the film screening industry

Xi Jinping, general secretary of the Central Committee of the Communist Party of China, pointed out that, at present, China is at its best development period since modern times and the landscape of the world which had lasted for a century is changing. This significant perspective is perfectly applicable in the film industry. According to studies conducted by experts, the present global film industry is at the end of its “silver age” (second flourishing period), which began in the 1990s. Movie theatres and audiences are going to gradually grow apart. The outbreak of the pandemic in 2020 accelerated the change in China’s distribution and screening environments and gave rise to streaming media platforms. Online streaming media platforms were taking away profit from traditional cinema chains globally. It is certain that the COVID-19 pandemic and streaming media will not result in the extinction of the film industry, but they have led to a revolution in traditional screening.

The advantage of films released in cinema chains lies in the extremely profitable visual and audio effects that streaming media do not have, but the cruel fact is that many viewers prefer to sacrifice some of the luxurious visual and audio enjoyment of the experience to save money and time. During pandemic prevention and control measures or post-pandemic, audiences are not very willing to go to movie theatres and movie theatre goers have been replaced by a considerable number of users of streaming media platforms, games and digital on-demand television. The trend among millennials who are in pursuit of instant live commenting (“bullet screen”), fast pace (speedy play) and social atmosphere has made it impossible for movie theatres to be their first choice of entertainment. Just like the paper media, movie theatres are facing a long transition and recession period after its silver age. In this context, instead of hanging on to movie theatres and doing nothing, capital will accept the inevitable fact and invest in streaming media platforms. It will integrate with other media vehicles in the future and continue developing the commercial character of film to the fullest.

4.1 The general situation of some countries’ screening industry in 2020

Because the pandemic was not effectively controlled in 2020, movie theatres in many major film counties or regions all over the world had been suspended and the industry experienced a big recession. Among them, box office revenue in North America decreased 82 percent; in Britain and Korea it decreased 76 percent and 73 percent, respectively; and in Japan. whose loss was relatively

Table 4.5 Box office and extent of decrease in North America, Britain, Japan and Korea, 2020

Country/region	Overall box office (domestic currency)	Overall box office (US dollars)	Decrease compared with previous year (%)
North America	US \$2.086 billion	2.086 billion	-82
Britain	£0.32 billion	0.452 billion	-76
Japan	¥143.285 billion	1.347 billion	-48
Korea	₩510.4 billion	0.459 billion	-73

Source: Data on domestic currency from Box Office Mojo, China Movie Report on CCTV6, Federation of Japanese Pictures and Korean Film Council. US dollar data calculated according to foreign exchange rates released by Bank of China at 12:00 o'clock on 25 February, 2021.

smaller, box office income decreased 48 percent (see Table 4.5). Movie theatres in Italy, France and Germany were closed for more than three months in the first half of 2020 and gradually closed again from October on because of the outbreak of a new wave of the pandemic in the second half of the year. On 10 October, Cineworld, the second-largest cinema chain company in the world, temporarily closed all its movie theatres in Britain and North America, which were its major markets, and did not reopen until the end of the year. Although all countries had issued policies to assist and traditional cinema chains were taking active measures to help themselves as well, the result was not at all optimistic.

During the pandemic, the trend of transition from cinema chains to streaming media prevailed globally. Streaming media came under the spotlight and gained a significant position in the film industry chain. Before then, the film-watching services provided by streaming media, whose typical representative was Netflix, were restrained considerably by traditional cinema chains. However, according to statistics from the Motion Picture Association (MPA), the global digital home/mobile entertainment market, which accounted for 48 percent of the global film entertainment market and surpassed film box office income for the first time in 2019, was expanding rapidly. In the same year, the MPA accepted Netflix as a member and admitted the significant role streaming media platforms played in the film industry. Driven by the 2020 pandemic, Netflix subscriptions had reached 0.2 billion and its annual income was US \$25 billion. In August 2020, the *Paramount Consent Decrees* was abolished, which was the symbol of fundamental change in the North American film industry.

In 2020, the producers of American blockbusters such as *Trolls World Tour* and *Mulan* collectively chose to release on streaming media platforms. At the same time, traditional film production companies were trying to tap into the streaming media platforms as well. For instance, Disney launched Disney Plus and Universal Picture launched Peacock and purchased Vudu. In the face of these developments, there were many law suits filed between film production companies, state governments and American traditional cinema chains who complained that the film production companies had broken the window between in-theatre and online release, and there were frequent news reports on demands for the reopening of movie theatres. AMC Theaters adopted a low-ticket-price strategy to attract audiences after

business resumed but still failed to turn the tide. The change in film distribution and screening was an inevitable and irreversible historical trend. Facing up to the challenge and finding new operation growth points had become the issues that would decide the fate of the global movie theatre industry.

4.2 *The development prospect of the “post cinema chain revolution”*

Since the birth of film 125 years ago, 2020 was the year when the traditional film screening industry was most severely impacted, not only in the aspect of traditional film economic forms but also in changes in the technology and art forms. Some Chinese and international film companies such as American Big Screen Virtual Cinema and the “Mobile Cinema” program launched by China Research Institute of Film Science & Technology attempted to apply 5G, VR and AI technology to the entire industry chain and innovate the forms of film production, distribution and screening. Popular film was developing in the direction of pan-entertainment and even gamification. With the application of 5G, VR technology would break through the bottleneck and present more spectacular and realistic visual effects to the public. In the future, the ending and version of a film may vary with different audiences, who will be able to interact with the characters in the film and change the direction of the plot. Audiences are going to be active creators rather than just passive viewers and films are no longer the art expression of an individual or group. Audiences do not need to sit for hours passively experiencing the emotions and stream of consciousness conveyed by others. An experience that is more engaging and interactive is desirable. This form of film conforms to the pursuit of human nature, and is also what Bazin thinks of the film’s purport: to return to the essence of things and restore the world as it is.

When that time comes, we may ask, “Is film still film?” If it was capital that had driven the film screening revolution downstream of the film industry chain, the film revolution driven by technology will essentially change the ontology of art forms. The capitalist who regards films as commodities will try various forms of technologies, channels, and methods to develop new products in order to gain profit. A good product should be able to reflect the most essential needs of human nature. According to the *Ontology of Photographic Image* written by Bazin, human beings have been committing to bring art close to reality, so mummies are replaced by sculpture art, sculpture is replaced by painting, painting is replaced by photography and photographic photography is replaced by dynamic images. The changes in a series of art forms are all based on serving the original psychological appeal of mankind to restore the reality. Bazin thinks that the most original nature of film is to perfectly copy the external world, so every advancement that film technology has made is to get close to its origin. A paradox is thus generated: the real film has not yet been invented!

Perhaps just as it was originally invented, film is being driven by capital as well as technology and evolving to a new form. Traditional film will not disappear, but there will be distinctive domain boundaries. Suppose that with the application of all kinds of high technology, the game film of pan-entertainment which has strong

economic attributes will become the mainstream of consumption patterns which are readily accepted by the public. The big screen films whose economic attributes will be weakened will exist as a sentimental art form for people to appreciate and study just like sculpture, painting and other art forms with long histories. A new wave of film industry revolution is on the way. As the leader of 5G technology in the world, China, which enjoys multiple advantages in high and new technology, industrial capital and country market volume, is bound to take the lead.

5 Conclusion

The pandemic has revealed that the social governance capabilities of Western capitalist countries have collapsed in big scale and their political, economic and cultural values have shown signs of decline. Starting from the pandemic, the landscape of the world will be changed and the international order will be reconstructed. We have reasons to believe that the great rejuvenation of the Chinese nation is around the corner. In the future, China will be the center of world power, dominate international affairs and lead global mainstream culture. As a very important carrier of culture, film is no longer exclusive to movie theatres. It is the content and resource that can be played on multiple media platforms, so we should interpret it from the perspective of commercial value so as to understand its development track and prospect instead of observing it only from the aspect of artistry and technicality. At the same time, we will know the reasons of some complicated issues in the industry chain, understand the way of operation of film projects presented by new media forms, as well as the distribution of economic interests. Only in this way can we better anticipate the coming film technology revolution, the influence of the change of art forms on audiences, producers as well as operators and even the strategic significance its ideological and economic effects played at the level of the national cultural industry.

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5 The development of the Chinese animation industry in 2020

Hong Lu

The outbreak of COVID-19 has posed tremendous challenges to the formerly thriving film industry. Compared with live action films, animated movies, especially those focusing on a target audience of younger children or family entertainment, are facing greater uncertainties. With anti-epidemic measures becoming a new norm and the popularity of mobile networks, the need for transforming and upgrading the processes of animated films from production to distribution has never been more pressing. In *Proposals of the Central Committee of the Communist Party of China on Formulating the Fourteenth Five-Year Plan for National Economic and Social Development and the Long-term Goals for 2035*, one of the most frequently occurring terms is “high-quality development”. With respect to the animation industry, advancing high-quality development should also be one of the priorities of the industry during the “fourteenth five-year plan” period

1 Overview of the Chinese animated film market in 2020

In the face of serious shocks from the COVID-19 pandemic, China was one of the first countries to revive its film market, gaining a total box office of RMB 20.314 billion.¹ Specifically, 34 animated films released in the year earned a total gross of RMB 2.7 billion. Eighteen domestically produced animated films had a box office of RMB 1.723 billion² (see Figure 5.1), 15 imported ones earned a box office of RMB 971 million, and one co-produced by Chinese and American studios earned a box office of RMB 5.82 million (see Figure 5.2).³

Legend of Deification, a domestically produced animated film released during China’s National Day holiday, achieved instant popularity thanks to its effective announcement and marketing approach, which integrated omni-media marketing with synergistic interaction with the IP (Intellectual Property, referring to blockbusters) of *Ne Zha* that aimed to create a “happy family” atmosphere. As a result, the film achieved a box office of 1.603 billion yuan, topping the box office list of Chinese animated films in 2020 and coming in second on the list of highest grossing films of the year. Apart from the *Legend of Deification*, the other three top-performing films (with a box office of more than 100 million yuan) were all imported: *The Croods 2* (338 million yuan), *Digimon Adventure: Last Evolution* (125 million yuan) and *Spies in Disguise* (103 million yuan). Positioning itself as family

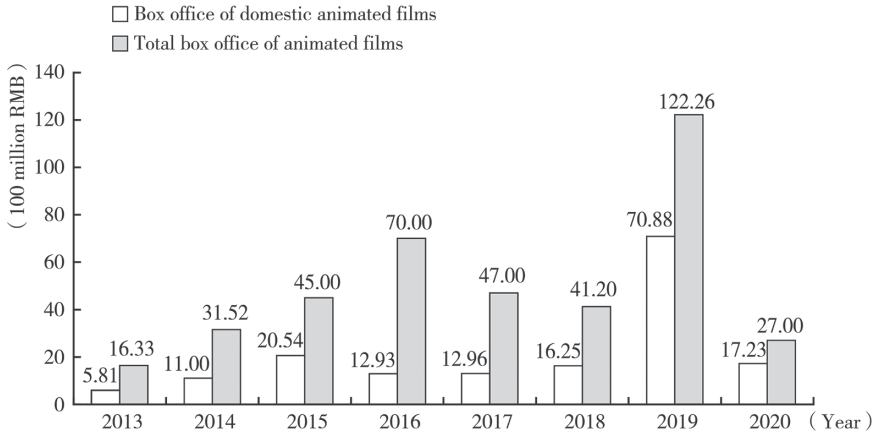


Figure 5.1 Box office of Chinese animated films from 2013 to 2020

Source: Lighthouse APP, Cat-eyes APP, YIEN APP.

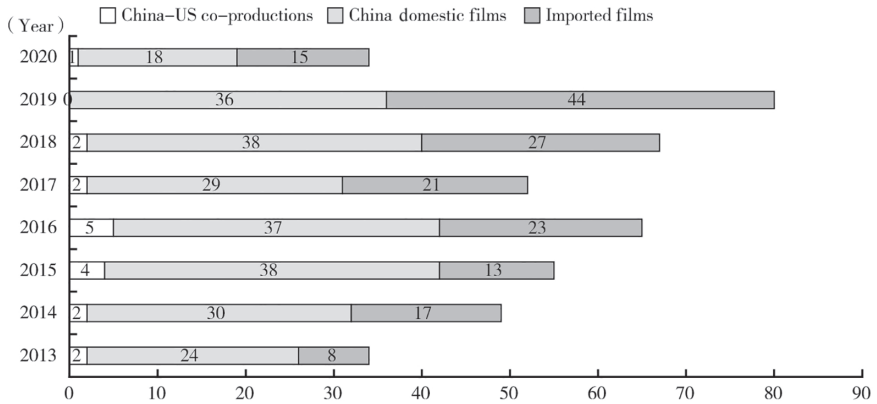


Figure 5.2 Number of animated films screened in China by genre from 2013 to 2020

Sources: Lighthouse APP, Cat-eyes APP, YIEN APP.

entertainment, the *Boonie Bears* film series has entrenched its IP given years of accumulated experience in the market, and has maintained a considerably high level of production quality, making it a box office behemoth. However, *Boonie Bears: The Wild Life*, the new film of the series, had its schedule postponed to 2021 due to the pandemic, which explains why it is missing from the list of highest grossing films of 2020.

There were 11 films falling in the middle (with gross higher than 10 million yuan but lower than 100 million yuan), earning a total box office of 459 million yuan. Specifically, the three domestically produced animated films achieved a total box office of 77.146 million yuan, accounting for 16.8 percent, dropping by 46.8

percent from 63.6 in 2018 and 33.8 percent from 50.6 percent in 2019. Due to the impact of the pandemic, screening schedules were mainly concentrated in summer and the New Year season. Differing from a staggered screening timing approach adopted in previous years to shake off competition, the domestically produced animated films needed not only to compete with their higher-earning counterparts and imported works, but also to face the challenge of live action films.

Among the top ten highest-grossing animated films, domestically produced works took the first and tenth positions. The other eight films were all from the United States and Japan. The tenth highest-grossing film was *Spysies* produced by iQIYI, which achieved a box office of 44.152 million yuan. This means that except for the *Legend of Deification*, all other domestically produced animated films earned an average box office of less than 50 million yuan, a rare phenomenon in recent years. Only three domestically produced animated films achieved a box-office gross of 10–50 million yuan, a new low for the past five years. The number of works with a box office lower than 10 million yuan is 19, including 13 domestically produced animated films, a peak over the past five years (see Table 5.1 and Figure 5.3).⁴

Table 5.1 List of animated films released in China in 2020

Ranking	Titles	Box office (10,000 yuan)	Country	Release date
1	<i>Legend of Deification</i>	160,284.1	China	Chinese National Day
2	<i>The Croods: A New Age</i>	33,771.2	United States	New Year movie season
3	<i>Digimon Adventure: Last Evolution Kizuna</i>	12,524.5	Japan	Other
4	<i>Spies in Disguise</i>	10,340.0	United States	New Year movie season
5	<i>Soul</i>	7,825.2	United States	New Year movie season
6	<i>PAW Patrol: Mighty Pups</i>	7,795.7	United States and Canada	Other
7	<i>Onward</i>	7,086.3	United States	Summer season
8	<i>Doraemon the Movie 2020</i>	6,215.1	Japan	New Year movie season
9	<i>Violet Evergarden: Eternity and the Auto Memories Doll</i>	4,848.4	Japan	Other
10	<i>Spysies</i>	4,415.2	China	Summer season
11	<i>Alibaba and the Divine Light</i>	2,162.0	China	Other
12	<i>Children of the Sea</i>	1,635.8	Japan	Other
13	<i>Pokémon: Mewtwo Strikes Back – Evolution</i>	1,603.8	Japan	New Year movie season

(Continued)

Table 5.1 (Continued)

Ranking	Titles	Box office (10,000 yuan)	Country	Release date
14	<i>Mr. Miao</i>	1,137.4	China	Summer season
15	<i>Trouble</i>	1,133.0	United States, Canada and Cayman Islands	Other
16	<i>Mirai</i>	998.7	Japan	Other
17	<i>Wonderful Kingdom: Enchanted</i>	933.1	China	New Year movie season
18	<i>Kung Fu Mulan</i>	798.0	China	Other
19	<i>Trolls 2</i>	690.4	United States	Summer season
20	<i>Over the Moon</i>	582.0	China and United States	Other
21	<i>Space Panda</i>	524.1	China	New Year movie season
22	<i>Little Princess Elvira and the Mysterious Kingdom 2</i>	509.8	China	Summer season
23	<i>The Juvenile of King Yu</i>	504.1	China	Summer season
24	<i>Ponyo on the Cliff by the Sea</i>	490.8	Japan	New Year movie season
25	<i>Salute to the Heroes</i>	335.0	China	Other
26	<i>Son of the Dragon God</i>	200.5	China	Other
27	<i>Leo Da Vinci: Mission Mona Lisa</i>	200.0	Italy	Other
28	<i>The Hero Battle</i>	188.5	China	Other
29	<i>The New Fool's Gold</i>	187.1	China	Other
30	<i>The Legend of Huyou</i>	49.5	China	Other
31	<i>God of War Kuan Kuong</i>	25.2	China	Other
32	<i>Chinese Panda</i>	8.3	China	Other
33	<i>Pat & Mat</i>	6.7	China	Summer season
34	<i>Little Pobaby and Big Champion</i>	1.5	China	New Year movie season

Sources: Lighthouse Pro App, Maoyan Pro App, EN data, at 31 December, 2020

2 Characteristics and needs of the Chinese animated film industry in the era of the internet

With the rapid technological development in the world, the swift proliferation of mobile internet in China has not only brought convenience and diversified spiritual and cultural content to the lives of the Chinese people, but it has also been imperceptibly influencing their habits, ideas and even behavioural and thinking patterns. It is imperative to consider such topics as how to adapt films as a conventional form of media, especially commercial films targeting the general public, to the trends of the internet age and changes in the behavioural and thinking patterns of people (the audience and users); how to apply the internet, big data, cloud computing, artificial intelligence (AI),

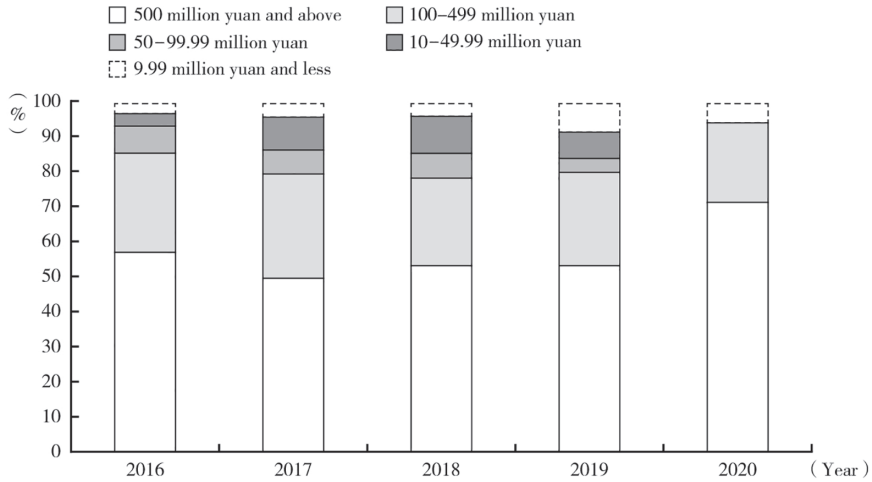


Figure 5.3 Box office distribution of domestic films from 2016 to 2020

Sources: Lighthouse APP, Cat-eyes APP, YIEN APP.

block chain and other emerging technologies to different aspects of the film industry; how to leverage the large user base of new media to create marketing and publicity advantages and collaborate with gaming and tourism to forge an industry of all-round entertainment content; and how to export high-quality content to the overseas market.

2.1 Characteristics and thinking patterns of the internet era

2.1.1 Characteristics of the internet era

2.1.1.1 INNOVATION DRIVES IN-DEPTH INTEGRATION OF THE INTERNET WITH TRADITIONAL INDUSTRIES

Innovation as the foundation of the internet era is best symbolized by “internet +”, which is the achievement of internet thinking applied in practice. Constantly driving the evolution of economic patterns, innovation enables the continuous progress of societal and economic entities and provides a vast network platform for further socioeconomic development. Rather than being the result of simple addition, “Internet + industry” means an in-depth integration between the internet and traditional industries by employing information and communication technologies and internet platforms, thereby creating new development ecosystems and models.

2.1.1.2 INCREASING DEMASSIFICATION IN CONSUMPTION

Contrary to the concept of massification, demassification as one of the major characteristics of the internet era refers to the trend of convergence of people on the internet who are from the same social class and share the same interests or

personalities. The Chinese market has already ushered in the stage of demassified consumption as people's consumption needs have begun to disperse and a large, comprehensive market has begun to fall apart. The formerly large and all-inclusive model, as characterized by winning through large-scale effect, has been replaced by a more flexible, smaller-sized and specialized model. Medium- and small-sized enterprises may produce better demassified products than big companies and win over the preference of a particular group as long as they understand how to adapt to the characteristics of the internet era, focus on innovation-driven development and follow a path of differentiation. Arguably, the demassification mindset is the premise of modern marketing. Without an adequate understanding of the concept, there is no insight to the internet era to speak of. It is from this perspective that we can safely argue that China's demassification era has arrived.

With respect to cultural consumption, the rise of new media has brought a change in concepts of modern communication, and the proliferation of cultural consumption over the internet has also given rise to a habit of appreciating literary and artistic works online. In the meantime, small groups bonded by interests, professional backgrounds and social relationships on WeChat and QQ groups, Weibo, forums and communities have already become a distinct sign of the internet era and an indispensable part of people's lives. An internet-based social model prevalent in small groups has prompted a unique culture.

From the perspective of technological development, computers and the internet are associated elements of a single whole; the convergence process centred around individuals has brought about the formation of countless small groups, which in turn have cultivated or reinforced the cultural trend of "valuing individuals and respecting equality".

2.1.1.3 IMPROVED INTERNET SERVICES AND AN INTERNET OF THINGS THAT EMPHASIZES PERSONALIZATION

Innovative technologies embedded in "internet +", such as cloud computing, the internet of things (IoT) and AI, have been changing our lives through demassification and personalization. The development of AI technology has enabled IoT to organically connect users with hardware and services. In the future, IoT will evolve in the direction of intelligent internet, which is why it is imperative to promote the development of IoT.

If companies are to provide consumers with precise, personalized services with a human touch, they must concentrate their efforts on the following two aspects: First, the scope of product and technological innovation should be expanded and customers' personalized needs sufficiently explored to broaden market opportunities; second, big data technology has created conditions not just for the provision of "one-to-one" services but also for the implementation of personalized services adapted to the particular needs of users.

The level of structural appropriateness of massive fundamental data collected by companies determines whether these companies can make good use of big data.

Companies should segment the market reasonably based on the results of data analyses and then design personalized marketing and service plans. Customer needs in the internet economy are in a dynamically changing environment. This requires companies to attach more importance to data updating, constantly collect data and tap into potential customer needs and constantly improve their ability to provide personalized service, because this – nothing else – is the essence of internet-based service.

2.1.1.4 MAKING THE INTERNET INTELLIGENT GIVES RISE TO SMART NETWORKS

Over more than a decade of development, the internet has entered the Web 3.0 age, that is, the era of the intelligent internet, where a contextual revolution lies ahead. Notions like occupying different contexts, extending contexts and crossing the boundary between transactional contexts have been highly valued in commercial marketing; an omni-marketing model featuring interactive interactions that run through “all time slots, channels and forms of integration” has been established. Built upon the IoT, AI and high-speed wireless transmission technologies (e.g., 5G network transmission), the intelligent internet works to collect, process, analyze and apply information across smart terminals, human and cloud services in accordance with agreed communication protocols and data interchange standards, with platform-based smart hardware serving as its carriers. The intelligent internet is characterized by capacities like high-speed mobile transmission, big data analysis and mining, and intelligent sensing and application. It enables a higher level of innovation and service consciousness, and has the ability to penetrate into, and integrate with, traditional industries to boost their service capacity, and to expand market space for companies and allow for cross-domain marketing both online and offline by connecting all walks of life.

“Intelligentization” refers to the property of things to actively satisfy a variety of needs supported by network, big data, IoT and AI technologies. To achieve intelligentization, a complete system is needed. Oriented towards a certain application, such a system is an intelligent ensemble of modern communication and information technology, computer and network technology and industry-wise technology. With constant development, information technology will gain increasing sophistication and complexity. The concept of intelligentization has gradually penetrated all walks of life, giving rise to a range of new things from smart residential communities and hospitals to homes. Centring around the focal point of “smart buildings”, they have unveiled new possibilities for an intelligent lifestyle in the future. The development of information technology has driven the penetration of the internet and mobile communication into our lives in an all-round manner, and this new trend has also been fueled by increasingly sophisticated wireless communication technology. Further, the emergence of the smart home network and the development of mobile terminals have injected new vitality into an information society which is gradually showing the contour of an intelligent society as depicted in sci-fi movies.

2.1.1.5 ONLINE ACCESSIBILITY TO USER INFORMATION AND INFORMATION ACQUISITION OVER NETWORKS

According to *Statistical Reports on Internet Development in China* published by China Internet Network Information Center (CNNIC),⁵ as of December 2020, the number of Chinese netizens had reached 989 million, increasing by 85.4 million compared to that of March 2020, with an internet penetration rate of 70.4 percent. The population of Chinese mobile phone netizens had reached 986 million, increasing by 88.85 million compared with March 2020, and the percentage of netizens who use mobile phones to surf the internet is 99.7 percent. In terms of network coverage, the “last mile” problem of communication in poverty-stricken areas was solved, and optical fiber networks have been deployed in 98 percent of poverty-stricken villages as of November 2020.

Bringing products online refers to the practice of separating products from conventional sales channels and integrating them with the internet to close the distance between products and consumers, thereby accelerating consumption. Bringing products online has become not only an emerging operating model with tremendous potential but also one of the major directions for the transformation of companies' operating models.

The spread of COVID-19 has accelerated the all-round transition towards a digitalized society from dimensions of individuals, companies and governments. Quarantine measures intended to contain the spread of the virus have increased individuals' preference for the internet as a tool to stay connected with each other, accelerating the formation of users' willingness and habit of network use. Increasingly, individual netizens have started to acquire information from streaming media and social platforms, purchase daily necessities through shopping or ordering takeaway online, attend to matters and fulfill outdoor trips using online government applications and health codes, take courses in online classrooms, satisfy their entertainment and social needs through online entertainment applications and constantly share the digital dividends created by the internet.

2.1.2 *Thinking patterns in the internet era*

The emergence of the internet has brought a revolution in information transmission, significantly increasing the efficiency of information connection and transmission and effectively reducing the problem of information asymmetry. Up until now, the connection model of online information has also been constantly changing, with each change accompanied by a new revolution in the internet economy. Regardless of its changes, the human factor is indispensable for the internet because it is the former that created the latter. The internet has changed the manner and speed of information transmission, increased people's capacity to acquire or transmit information and thus changed their thinking patterns. The thinking patterns of the human brain are a deterministic factor for human creation and innovation; creative and innovative thinking, in turn, is that intrinsic thinking pattern of the internet age.

In 2011, Robin Li Yanhong, founder of Baidu, mentioned the term for the first time the “thinking of the Internet”, in a speech, which later evolved into “Internet

thinking”. In his discussion with entrepreneurs from traditional industries on development issues, Robin Li said, “We as entrepreneurs should equip ourselves with ‘Internet thinking’. Your business may not be about the Internet, but you still need to gradually accustom yourself to thinking from the Internet perspective”. Today, the notion has been recognized by an increasing number of entrepreneurs and even academic experts, and the term “Internet thinking” has also inspired many interpretations.

Internet thinking refers to a thinking pattern facilitating re-examination of market, users, products, a company’s value chain and even the entire business ecosystem in the context of constantly changing technologies like the (mobile) internet +, big data, cloud computing and AI. As AI and big data profoundly transform the lives of the Chinese people, China has achieved innovations and breakthroughs in some core areas of information technology. Research in frontier technologies like integrated circuit, operating system, AI, big data, cloud computing and the IoT has been accelerated; major breakthroughs have been achieved in quantum communication and high performance computing; and a large array of new technologies and applications relating to the internet have in the forefront of research across the world. Historical breakthroughs have been achieved in information-driven development, creating a true sense of gain among the general public. Interconnectivity among services relating to party, government, public security, medical care, education and the fire department has been established through the internet. Bike share and mobile payment systems are improving social services and supporting people’s livelihoods, and have become a new paradigm of internet applications to be introduced to other regions of the world. The implementation of the internet + strategy offers a driving force for upgrading traditional industries and improving the quality of manufactured products; further, it also provides more innovation and entrepreneurship opportunities for more people, and has created a new opportunity for developing China’s economy and in turn boosting global economic growth.

The thinking patterns in the internet era are not limited to the realm of the internet. Here, the term “internet” does not refer to the internet accessed at the personal computer or mobile terminals; rather, it is a ubiquitous internet, as future networks will exist across all sorts of devices including desktops, laptops, tablets, mobile phones, watches, eyeglasses, airplanes, cars, high-speed rail and specialized devices for all industries.

2.2 The needs of the times for the domestic animated film industry

From the characteristics of the internet era, it is not hard to see that films and the internet have many conflicting attributes. For example, watching films is a mode of consumption that takes place at regular times and fixed venues for entertainment and relaxation, while the entertainment offered by the internet can be consumed anytime, anywhere. Films only offer consumers the right to choose what to watch, and once the choice is made, they have to stick with it without the right to change the plot, which is contradictory to the personalized service advocated in the internet era; additionally, the operating model of commercial films also fails to satisfy the demassified needs of consumers.

2.2.1 *Content creation*2.2.1.1 THE NEED FOR DECONSTRUCTING AND RECREATING
TRADITIONAL CHINESE CULTURE

As shown by the official site of the China Film Administration, there were a total of 102 animated films registered in 2020 (see Figure 5.4). Assessing from the titles and plot descriptions of registered films, there were 37 works revolving around stories or characters from traditional Chinese culture (mythology, folk tales and historical and cultural stories; see Table 5.2). Specifically, *White Snake 2: Qing*

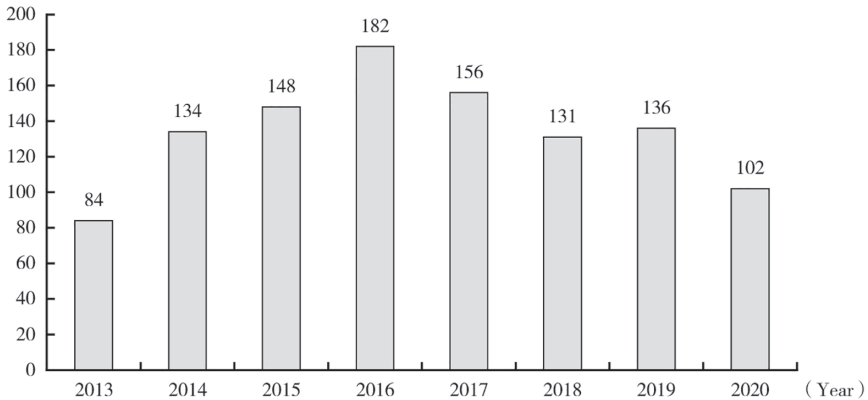


Figure 5.4 Number of domestic animated films filed in 2013 to 2020

Source: China Film Administration Website

Table 5.2 Animated films involving traditional Chinese culture in the first quarter of 2020

No.	Titles	Recording institutions	Date recorded
1	<i>The Legend of Yao Guang Xiao</i>	Beijing Ju Zhi Yuan Co., Ltd.	January
2	<i>The Legend of Yang Jian</i>	Beijing Zhong Ding Hua Yu Co., Ltd, Beijing Hua Rui Xin Yi International Cultural Media Co., Ltd,	
3	<i>Ping Ding Wu Li</i> (puppet show)	Mao Ming Yan Sheng Yuan Cultural Media Co., Ltd.	
4	<i>The Lady Protector</i> (puppet show)		
5	<i>The Respect for Husband and Mother-in-Law</i> (puppet show)		
6	<i>The Immortals</i>	Hunan Shui Shan Film, Beijing Shui Shan Film	
7	<i>The Legend of Jing Feng</i>	Yin Quan Film (Shanghai) Xi Yan Media (Shanghai)	
8	<i>The Dun Huang Adventure</i>	Kashi Happy Xiangxiang Film	February
9	<i>Gao Liang</i>	Beijing Ju Zhi Yuan Media	March
10	<i>The Great Sage's Descent into Evil</i>	Henan Xi Guo Animation Film	

Source: Data from China Film Administration.

She Jie Qi produced by Shanghai Light Chaser Films Co., Ltd. and *Thunder Twins* produced by Beijing Enlight Films Co., Ltd. were the most anticipated works. As a sequel to *White Snake: The Origin*, *White Snake 2: Qing She Jie Qi* enjoyed the advantages of its foregoing work, such as the 469 million yuan box office and a widely recognized brand of Light Chaser Animation, and thus was highly anticipated in terms of both film quality and box office. According to Beacon Professional Edition, Beijing Enlight Films Co., Ltd. has released 23 foreign and domestically produced animated films since its establishment in 2009, and *Thunder Twins* will be the third work of its “Fengshen Universe” after the successes of *Nezha: Birth of the Demon Child* and the *Legend of Deification*. Presently, the company is working with Striped House Industry to gradually unveil the “Fengshen Universe” or even the “Universe of Chinese Mythology” to the Chinese audience.

With head-tail companies competing to grab market shares in this field, other animation companies are also not resigned to playing second fiddle. Since *Monkey King: Hero Is Back* caused a massive sensation in 2015, an average of 30 animated projects adapted from mythology have been registered on a yearly basis; the same trend is also seen in network animations targeting young user groups and TV animations targeting children. Differing from registered animated films where the leading characters are mainly traditional mythological figures, network animation works are generally unfolded around historical figures and stories; with an audience comprising mainly children, TV animations are mainly characterized by a lesser content depth and a prominent orientation towards education and popularization of science.

Regardless of whether they are oriented to children, young people or adults, animated products can draw on materials from the great wealth of the Chinese culture for innovative content. This originates from the confidence of China as a country with more than 5000 years of history and culture, and from its economic prosperity and national strength.

2.2.1.2 THE NEED FOR A TRANSITION OF COMMERCIAL FILMS FROM THE NOTION THAT “CONTENT IS KING” TO “USER IS KING”

Film creation has always been centred around the philosophy that “content is king” and emphasized the power of storytelling and screen writing. Internet products, however, adhere to the notion that the “user is king” by delving into the user experience. Essentially, for commercial films, the ultimate end of the notion that “content is king” is users. With no investment in publicity, *Monkey King: Hero Is Back* and *Nezha: Birth of the Demon Child* both enjoyed word-of-mouth communication among the audience, facilitating theatres to extend their screening periods and maintain a high screening frequency. Both works ended up achieving historical box office breakthroughs from humble beginnings. While it is an effective strategy to build upon classic IPs to create a sentimental appeal to the audience, the fundamental reason for their success against the odds is that they were able to tell stories well adapted to the contemporary context. These two films have not only followed the principle of “content is king”, but also created good experience centered around “user is king”.

In the era of the mobile internet, a variety of people's needs are attended to, allowing them to communicate, socialize, learn, work, seek medical care, game, entertain and shop anytime, anywhere. As people pay increasing attention to their own experience, commercial films should also shift their core creation concept from "content is king" to "user is king". That is, not only should they create wonderful scripts and films, but the scripts should contain what the audience really want to watch or what really moves them. *Hi, Mom* released in the spring festival season in 2021 and *Sister* released during the Qingming Festival are both good examples.

The *Legend of Deification*, however, was an exception in recent years in terms of the tremendous and lasting hype created for it during the early announcement and publicity stage, despite minor setbacks in the box office and word-of-mouth communication. The great influence created by these blockbusters in recent years has prompted a higher level of capital investment in animated films. However, the contradiction between publicity and content has been a major cause of polarized word of mouth for these films. A lack of fun, empathy and universality due to their demassified attribute or obscure content tended to shatter the "aesthetic expectations" built during the prerelease marketing period.⁶

An adult orientation does not mean that films have to offer content that is profoundly obscure or teeming with philosophic or critical thinking. Most animated films produced by Miyazaki, Disney and DreamWorks do not have a clear division of audience. People from different gender and age groups and from different cultural backgrounds are all attracted by the animated world created by these producers. These producers are fully aware that audience recognition is a priority in the production of commercial films and only by offering characters and stories with the hardcore of "emotions" can they impress the audience and win market share.

2.2.1.3 THE NEED FOR CULTURAL EXPORTATION ARISING FROM CULTURAL CONFIDENCE

The *Proposals of the Central Committee of the Communist Party of China on Formulating the Fourteenth Five-Year Plan for National Economic and Social Development and the Long-term Goals for 2035* explicitly states that starting with telling China's stories well, we should innovatively advance international communication and strengthen cultural exchanges with foreign countries and multilevel dialogues to introduce Chinese civilization. The need for cultural exportation arising from cultural confidence is a mission bestowed by the times to domestically produced animated films. Presently, films that have the potential to gain global popularity are mainly in the following genres: action, sci-fi, animation and superhero films. Good animations bear a natural temperament and property allowing people from different cultures to share empathy or even identify themselves with the same values. In that regard, the author of this paper sees it as the highest stage for content extension of animated films. With a transition in their pursuit from "quantity" to "quality", domestically produced animated films have learned how to use their own language to tell their own stories and, in that process, captivate the audience, and how to tell

Table 5.3 Overseas box office of *Nezha: Birth of the Demon Child* and *Legend of Deification*

<i>Nezha: Birth of the Demon Child</i>		<i>Legend of Deification</i>	
Country	Box office (10,000 US dollars)	Country	Box office (10,000 US dollars)
United States	369.55	United States	21.48
Britain	5.58	Britain	0.77
Australia	136.62	Australia	33.77
New Zealand	28.04	New Zealand	10.3
Vietnam	90.98	—	—
Total	630.77	Total	66.32

Source: Box Office Mojo, <https://www.boxofficemojo.com/>

their stories to the audience from other cultures and captivate them using their respective languages, thereby educating people and conveying the truth. In this way, the Chinese culture can be introduced to the outside world and speak for itself, to act as a medium by which equal communication between different languages, regions and countries can take place, which is also a manifestation of different levels of “content quality”. With this in mind, domestically produced animated films and Chinese animation arguably have a long way to go.

Presently, we are still in a transitional stage from quantity to quality. The remarkable achievements made by head-tail animated films in recent years are far from enough. Data released on Box Office Mojo indicates that the overseas box offices of *Nezha: Birth of the Demon Child* and the *Legend of Deification* are US \$6.3077 million and \$0.6632 million, respectively (see Table 5.3), compared with \$720 million and \$240 million earned in China. Whether they are domestically produced animations or live action films, most works are only popular in monotonous fields. To achieve the goal of “cultural exportation”, we not only need to find an entry point from the content aspect, but we also need to have sufficient marketing and publicity funds, strategies and experience.

2.2.2 Industrial convergence

2.2.2.1 CONVERGENCE IN THE INTERNET ERA⁷

No other word is more noticeable than “convergence” in the internet era. It has become a common pursuit for various countries, enterprises and individuals. Why should we seek convergence? In the physical world, “convergence” is achieved through the integration or fusion process. In the internet era, it refers to aggregating individuals on networks into a wholeness. It is a transitional point, as well as a revolution, in the internet age. The mobile internet has become an unstoppable trend for the current era, and the IoT is also gaining momentum as an industrial trend of the next ten years. The dawn of the internet era has come and the world will bid farewell to the information age that we have been accustomed to. The

Fourth Industrial Revolution has brought about drastic changes in the world's industrial patterns. The disruption of traditional industries by the internet has been taking place quietly amid collisions and integrations, and cross-domain collaboration between industries will also be achieved regardless of its remoteness.

Shrewd network giants started to pursue the convergence of the internet as early as ten years ago, believing that it was far more than simple business mergers and acquisitions. Back then, these forward-looking enterprises had already envisioned the future of the internet. In China, tech giants represented by BAT (the acronym for Baidu, Alibaba and Tencent, the three largest internet companies in China) have already initiated a series of mergers and acquisitions as a response to this cross-domain trend, with the cultural industry included. Internet convergence is ushering in its own flourishing season. Intelligent hardware is becoming a driving force for innovation, online education has become a reality and even industries related to basic life necessities are embracing the internet. The tide of the mobile internet is sweeping across traditional industries in an unprecedented way. Horizontal integration and vertical reshaping of industries have been going on amid convergence and collisions.

2.2.2.2 NETWORK ANIMATED FILMS WILL BECOME A NEW TREND

The newest *Statistical Reports on Internet Development in China* shows that as of December 2020, the number of users of network videos (including short videos) had reached 927 million, increasing by 76.33 million over March 2020, representing 93.7 percent of the overall netizen population. Particularly, the number of users of short videos has reached 873 million, increasing by 100 million over March 2020, representing 88.3 percent of the entire netizen population.⁸

With the business models of various platforms becoming increasingly sophisticated, the content quality of network video programs improved rapidly in 2020 and a trend of convergence between long and short video businesses has emerged. In the field of network films, distributing theatrical films through network channels has also become a new direction of exploration, significantly boosting box office revenue.

As can be seen, "internet + films" will be the next trend in integration in the industry. *Rainbow Sea: Storm Famila*, the first network animated film released in 2017, achieved a remarkable performance. According to big data statistics of Egg Tart Net, the film was played 11,679,445 times on the first day of its release, which grew to 33,255,103 on day 12. Such a remarkable achievement is inseparable from the considerable preparations made by Yingmei Media during the early stage. Mr. Zhang Yu, cofounder and vice president of content creation, answered the question in an interview as to how Yingmei Media selected, evaluated and promoted an animated film and released it through network platforms without any precedent cases to refer to, and what tools and means it used to evaluate the prospect of work distribution to avoid unnecessary risks. First, the first season of *Rainbow Sea* made its premiere on CCTV Children's Channel in 2011, achieving a 9.2 rating in the same year, and successfully reached 160 million on-demand views on iQIYI, a network

platform. With a solid content, the series successfully established a vast user base. Second, the genre of *Rainbow Sea*, hot-blood and inspiring, was also well-aligned with film-viewing habits for network films. Third, they had prior knowledge that there was a 70 percent overlap between users of network films on iQIYI and those of the CCTV Animation Channel, and thus the interface made the paid subscription model more acceptable among users supporting the work. Hardcore fans of *Rainbow Sea* are mainly middle school and college students. Compared with going to offline theatres, a mobile film-viewing habit is more prevalent among these users, and paying for film content is no longer considered a strange consumer behavior. All this closely overlaps with the user portrait of network-generated content. In choosing monetization channels and models, Yingmei Media also conducted extensive analyses and considerations to anticipate potential difficulties. The final decision was made on the basis of all-round control and management of risks.⁹

The success of *Rainbow Sea: Storm Famila* reflects the possibilities of network animated films. In the face of the new normal of anti-epidemic measures, content scarcity and potential user groups in this field, network animated films will inevitably become a new trend.

Notes

- 1 Data source: Beacon Professional Edition APP, all data are as of December 31, 2020; box office data includes service fees.
- 2 Data source: Comprehensive statistics from Beacon Professional Edition APP, Maoyan Professional Edition and Endata APP.
- 3 Data source: official site of the National Bureau of Statistics.
- 4 Data source: official site of the National Bureau of Statistics.
- 5 Ascitedin:<http://cnnic.cn/hlwfzyj/hlwxzbg/hlwtjbg/202102/P020210203334633480104.pdf>, pp. 17–18.
- 6 Minghao Zhang, and Xuguang Zhang, 2020, The *Legend of Deification* Phenomenon in Post-pandemic National Day Holiday Season: Exploration into Word-of-Mouth/Box Office Differentiation and Successes and Failures of Publicity, *Chinese Film Market* (11).
- 7 Hong Wang, 2020, *Practices of Integrated Media*, Communication University of China Press.
- 8 Ascitedin:<http://cnnic.cn/hlwfzyj/hlwxzbg/hlwtjbg/202102/P020210203334633480104.pdf>, p. 51.
- 9 Data source: www.jianshu.com/p/ce070d37a645

6 The development of the North American film industry in 2020

Lora Yan Chen

In 2020, great changes took place in the North American film industry. The traditional mode of a film distribution window, which had lasted for the past half century, was completely broken. This chapter predicts the development trend of the film industry in North America in the 2020s by analyzing the financial status, annual performance and future trend of Walt Disney and Netflix, two of the six major Hollywood companies. A brand-new industrial operational mode is gradually expanding, forming and entering maturity. In this report, the development trends of streaming media distribution, the future existence of the cinema and prospects for company mergers and acquisitions are considered.

1 New trend and changes in the North American film market in 2020

The COVID-19 pandemic not only completely disrupted the pace of the North American film market in 2020, but also caused a disastrous loss to the global film market, followed by an inevitable change and the gradual formation and improvement of the new film industry structure.

1.1 Film distribution windows were completely broken

The operational structure of Hollywood film companies had always been arranged according to the sequence of film copyright profits, that is, the traditional film distribution window. Mainstream Hollywood film companies used to think that their film and television products had a duration of a seven-year golden time, meaning that a film and television product could obtain considerable economic benefits by being continuously released and authorized over seven years. After that, as an old product in the company's database, this product could still be packaged together with new film and television products for TV licensing, audiovisual product creation, streaming media licensing, etc., so as to continue to expand the company's economic benefits. In the United States, a film and television work owned by a company can be protected for 95 years; if the copyright belongs to a certain creator (film director or film producer), the term of copyright protection is the author's life plus 70 years.

Over the past 40 years, Hollywood traditional film companies operated based on a window for film distribution, recovering their investments step by step according

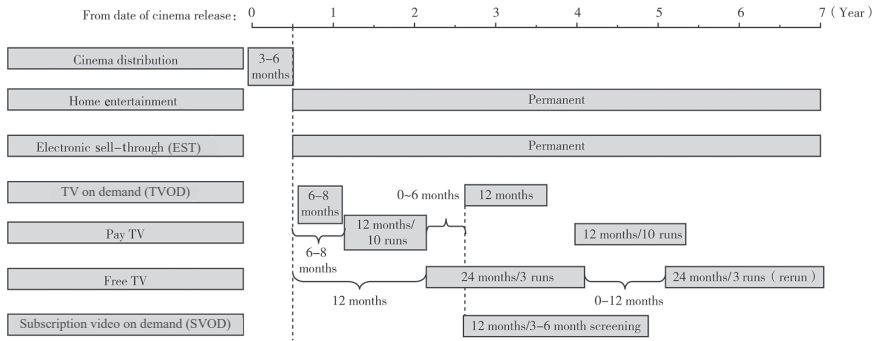


Figure 6.1 Traditional Hollywood film distribution windows

to different profit-making methods. The seven steps in Figure 6.1 show how a film was managed by a traditional Hollywood film company. Hollywood had a strict system for management of window periods, starting with theatres, followed by home entertainment products (DVDs and blue rays) and electronic download payments. The paid VOD (video-on-demand) service, which was issued in the same period as discs and electronic downloads, paid the unit price once for each on demand viewing, with the window duration about six to eight months. Then entered the pay TV (e.g., HBO TV network) window. When the film was authorized for broadcast by TV stations and networks, the duration of broadcasting within the authorized period would be specified. After that, the film would appear on free TV or basic cable, packaged by pay cable channels. The last window period was monthly VOD service, which was launched by Netflix in 2007.

The film industry has a history of more than 100 years. In the past few decades, a new commercial film would always premiere in cinemas. Until 2020, audiences were able to watch new commercial blockbusters on the VOD service platforms. The pace of transferring from Netflix to streaming media as the main distribution channel was completely disrupted, Walt Disney Studio (hereinafter referred to as Disney), Warner Brothers and Universal Studios had to adjust and change their traditional mode of operation. The traditional film distribution window was completely broken, companies had to find a new industrial operational mode and carry out business restructuring to balance the film investment and return. In 2020, Warner Brothers and Universal Studios made significant organizational framework adjustments and business model changes to meet the challenges of the new situation.

1.2 Impact of COVID-19 on film production and market

1.2.1 Cinema shut down led to a sharp drop in box office

The North American film box office fell to \$2.2 billion in 2020, 19 percent of that of 2019 (\$11.4 billion). This was the lowest point in Hollywood in 40 years, almost as low as in 1980, yet this does not include the dollar inflation over 40 years (US

dollar inflation not even counted). The main reason for this was that thousands of cinemas were shut down for about 10 months. Most of the box office came from January to early March 2020, when COVID-19 had not yet involved North America. Hollywood mainstream film companies had to find new ways out, so that their new films and TV works could be appreciated by more audiences in time, thus getting the investment return the company expected. Companies abandoned the traditional film distribution windows, attempting to issue films synchronously on streaming media platforms on the first day of the movie theatre release. Meanwhile, companies made various efforts to strengthen the streaming media distribution platforms under their control to increase the number of paid members and to adjust and increase monthly fees. At the same time, the big companies were constantly changing their internal operating structures.

Many blockbusters originally planned for global distribution in 2020 instead appeared on the streaming media platforms on the first day of cinema release, yet investors could hardly recover their investment from streaming media alone. Production fees were as high as \$200 million, plus another \$200 million spent on global marketing and advertising. This made the returns from the film far lower than expected at the time of investment.

The decline in box office affected not only the traditional Hollywood film companies and the owners of film copyright, but also directly affected the film screening industry. The rent fees of most cinemas had a direct impact on their market value. Although most cinema employees continued to receive part of their salaries during the shut-down period, they were worried about the risks after the opening of the cinemas and before the pandemic was completely controlled. The financial subsidies of the federal government enabled some cinema owners to continue to pay part of the wages for their employees during the pandemic; nevertheless, many hourly workers who worked in cinemas lost their jobs and had to apply for lower unemployment compensation.

1.2.2 Film production was greatly impacted

There is no doubt that film production in 2020 was also greatly impacted. According to the shooting and production report of Los Angeles City and Los Angeles County Film Office in California, shooting stopped completely for 87 days, and the volume of film shooting and TV production decreased significantly. Compared with 2019, the number of film shootings in the fourth quarter of 2020 decreased by 56 percent, which is more than the decrease in shooting for TV (-25 percent) and advertising (-40 percent) in the same period. After the restart of shooting, the new rules and regulations also increased the shooting cost and slowed the progress. Due to the new shooting procedures that had to be carried out for pandemic prevention, the daily shooting time was reduced, the number of vehicles used for transporting crew members increased, and the number of people that could be carried in each vehicle decreased. Undoubtedly, this kind of operation brought about the reduction of shooting efficiency and the increase of shooting cost. The film and television industry in the United States suffered huge economic losses in 2020, but with the

successful development and application of the new coronavirus vaccine, people in the film and television industry in the United States remained full of hope for the future.

1.2.3 Film marketing and exhibitions have been delayed or cancelled

Like other major film festivals and film markets in the world, many film festivals and film markets in North America were also greatly affected. The American Film Market, which is held every November in Santa Monica, California, is the largest film and television market in North America, and also the most accessible market in the world. Any film and television company in the world can participate as long as they sign up and pay the registration fee. For those who pay the screening fee, the organizer arranges a special cinema screening. The annual turnover of the American Film Market is \$1 billion, the number of exhibitors is often as high as 7,000, coming from more than 70 countries. In June 2020, the Independent Film & Television Alliance (IFTA) decided to hold the American Film Market in November only on the internet. This was the first time in nearly 40 years that the American Film Market had online activities only. This undoubtedly reduced the number of businesses that originally planned to show and sell films. Businesses that originally planned to watch films and buy film and television products could only watch and buy films online. As a result, the number of businesses and people participating in the American Film Market dropped in 2020. In November 2020, only 562 film sellers from 48 countries participated online in the Film Market; only 1,468 people from 66 countries came to buy film and television products. Market-wide trading, film viewing, master classes and seminars were also shortened from 7 days to 5 days.

In addition, the annual Los Angeles Screening Independents held in Los Angeles in May changed to be held online only. With a history of more than 50 years, this event is a very important exhibition of global TV program trading. Investors, producers, distributors and buyers of TV programs from all over the world would come to watch and exchange, deciding whether to order TV programs or invest during the event.

The 2020 Global Film Shooting Base Screening was also canceled. The Association of Film Commissioners International (AFCI) previously held a global film base screening in Los Angeles. The event is 35 years old, using the opportunity to introduce their respective shooting resources and tax preferences to world studios, filmmakers, etc., to attract world filmmakers to shoot, expanding local popularity in the world. The 52-year-old San Diego Comic-Con also canceled its four-day screening in 2020 due to the outbreak.

1.2.4 The annual film festivals were changed

In addition to the change and cancellation of film marketing and exhibition activities, many annual film festivals were also changed. In 2020, the American Film Institute Festival was held online only. The 58-year-old New York Film Festival

was also held online in 2020. The Seattle Film Festival was canceled. In 2020, the South by South Film Festival (SXSW) canceled the screening activities originally planned in March and changed some films to be shown online from late April to early May. The annual Telluride Film Festival in Colorado was also canceled in 2020. The Telluride Film Festival in New York was also canceled in 2020 because of the pandemic. These festivals are excellent platforms for independent films. Independent filmmakers bring their films to introduce them to the audience at these festivals. Independent film distributors also appear at these festivals. In a word, many film festivals in 2020 were affected by the COVID-19 pandemic.

The Oscar Awards, for the first time in its 92-year history, accepted films that would have been released in commercial cinemas under a contract but were released directly on paid streaming platforms to compete for the 93rd Academy Awards. David Rubin, the president of Academy of Motion Picture Arts and Sciences and Dawn Hudson, its CEO, issued a joint statement on 25 June, 2020, “for over a century, movies play an important role in comforting, inspiring and entertaining us in the darkest of times, this year is even more”. The Academy announced a two-month extension to the nomination period for the 93rd Academy Awards: from 1 January, 2020–31 December, 2020, to 1 January, 2020–28 February 2021. The 93rd Academy Awards Ceremony, originally scheduled for February 28, 2021, was postponed to April 25, 2021.

1.3 Self-regulation of the film industry

The Hollywood film industry has made adjustments according to the needs of the times. The COVID-19 pandemic completely disrupted the pace of the North American film market and an irreversible change has taken place – the movie release window has been completely broken and viewers can now enjoy the latest Hollywood movies at home through monthly paid streaming platforms. Although cinemas were shut down, the demand for viewing still existed – just in another form. When the Motion Picture Association released the *Cinema and Home/Mobile Entertainment Market Environment Report (2020)* in March 2021, it put cinema consumption and home entertainment consumption together for the first time to compare consumption throughout the year. Figure 6.2 shows total cinema consumption and home entertainment consumption from 2016 to 2020.

As can be seen from Figure 6.2 and Table 6.1, although the box office in North America was only \$2.2 billion in 2020, the total consumption of home entertainment (discs and streaming media) reached \$30.025 billion. The total consumption of film box office and family entertainment in 2020 was \$32.225 billion, only 11 percent lower than in 2019 (\$36.1 billion).

Hollywood film companies have been updating box office statistics after the release of films; they have done this for many years. In 2020, with the premiere of Hollywood blockbusters directly on streaming media platforms, Nielsen, a world-famous market monitoring and data analysis company with a history of nearly 100 years, officially announced the “audience ratings” of streaming media distribution

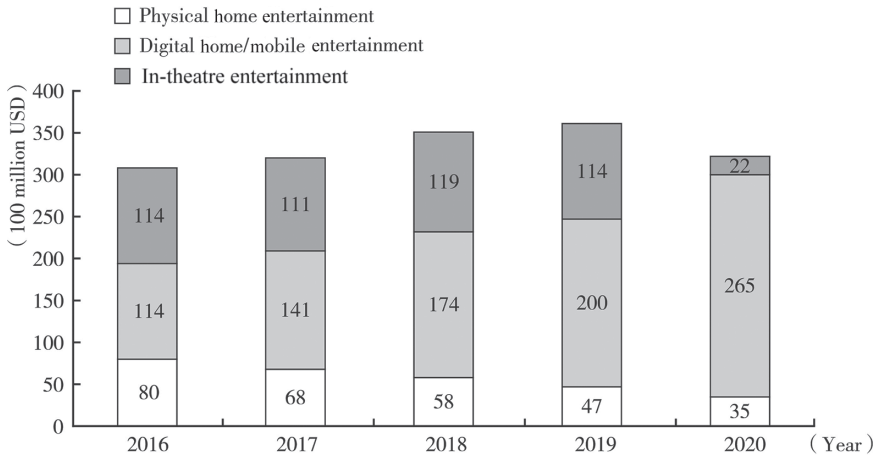


Figure 6.2 US cinema and home/mobile entertainment market size

Sources: Motion Picture Association, Comscore, Digital Entertainment Group.

for the first time in August 2020. According to the statistical report in late January 2021, *Wonder Woman 1984*, released by HBO Max, the streaming media of Warner Brothers, ranked number one among all the streaming media movies in the week from 21–27 December, 2020, with a viewing time of 2.25 billion minutes, followed by the *Soul* presented by streaming media Disney+, with 1.67 billion minutes of viewing.

Although big Hollywood companies failed to earn tens of billions of dollars worldwide in 2020, they still worked hard to expand the global streaming media market. By the end of 2020, Netflix had 203.7 million members worldwide, HBO Max had 37.7 million paid members in North America and 61 million worldwide. By March 2021, Disney+ had more than 100 million paid members worldwide. Hollywood companies have created a new film industry structure that can adapt to reality and survive.

2 Streaming media distribution became a new mainstream mode of film distribution and screening in 2020

The year 2020 marked a milestone for streaming media. According to the statistical report by the nonprofit organization Digital Entertainment Group (DEG), the total expenditure on home entertainment (including the home entertainment audio and video market and the digital distribution market) in the US film industry in 2020 was \$30 billion, an increase of 21.4 percent compared with \$24.7 billion in 2019. Among them, streaming media distribution (including one-time paid electronic-sell-through [EST], VOD and subscription VOD [SVOD]) increased from \$20 billion in 2019 to \$26.53 billion, with a growth rate of 32 percent. Among them, SVOD service was the highest, reaching 37 percent.

Table 6.1 American total home entertainment and streaming market consumption 2010–2020

Types			2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020
Home entertainment	Sales (hundred million US dollars)	DVD & blue ray	103.21	89.52	84.62	77.79	69.35	60.70	54.91	47.16	40.30	32.93	24.51
		Gross sales (including streaming sales)	108.29	95.55	92.71	89.69	85.36	79.77	75.27	68.70	64.88	58.76	54.49
	Rentals (hundred million US dollars)	Rental amount	23.09	15.99	12.16	9.56	6.93	6.16	4.88	3.89	3.17	–	–
		Monthly subscriptions(DVD & blue rays only)	22.72	17.41	12.58	10.15	7.93	6.59	5.48	4.55	3.69	–	–
		Self-operated rental machines near supermarkets and convenience stores	12.69	16.76	19.38	18.95	18.37	17.32	15.15	12.72	10.98	–	–
		DVD & total blue ray disc rental	58.51	50.17	44.12	38.66	33.23	30.07	25.50	21.16	17.84	14.26	10.44
		Total rental including streaming rentals	76.02	68.01	64.24	59.74	53.04	49.76	46.56	40.81	38.71	33.84	33.60
Digital distribution market	Streaming media sales	5.08	6.03	8.08	11.89	16.01	19.07	20.37	21.54	24.58	25.83	29.97	
	Single paid streaming video on demand (VOD)	17.52	17.84	20.12	21.09	19.81	19.68	21.05	19.65	20.87	19.58	23.16	
	Monthly paid streaming VOD	–	16.03	23.95	31.91	40.66	50.82	72.87	99.27	128.49	154.69	212.16	
	Total streaming and VOD sales	22.60	39.90	52.15	64.89	76.49	89.57	114.29	140.46	173.94	200.10	265.30	
Total			184.31	179.59	180.90	181.34	179.06	180.35	194.70	208.78	232.08	247.29	300.25

Source: Digital Entertainment Group.

Note: The total is the sum of the following: DVD and blue ray disc sales, DVD and blue ray disc rentals (rentals, monthly subscriptions, rental from self-operated machines near supermarkets and stores), streaming media sales and video-on-demand (streaming media sales, single payment streaming media video-on-demand, monthly payment streaming media video-on-demand). The discrepancy between the total and the sum of individual items is caused by rounding up or down.

2.1 Restructuring of major Hollywood companies

2.1.1 Major Hollywood companies compete to launch streaming media platforms

Disney's streaming platform, Disney+, was officially launched in November 2019. Global membership reached 87 million in December 2020, and there were more than 100 million paid members by March 2021, far beyond the company's expectations. Hulu is another streaming media platform owned by Disney. In May, 2019, Disney, which already has operating control, contracted with Comcast, the parent company with 33 percent stock shares in Hulu, to buy Hulu's shares at market price in 2024. Hulu was set up in 2007, having as long a history as Netflix in streaming operations. It had 38 million paid members by the end of 2020. Since Disney has had 100 percent control, it has managed Hulu as another streaming company, similar to studios often managing different brands targeted at different audiences.

Changes in the structure of the industry have taken place in Hollywood's mainstream film companies in recent years. After Disney launched Disney+ in 2019, AT&T, Warner Media, LLC's parent company, also launched HBO Max streaming services in May 2020, preparing to further develop global membership in the form of advertising funding in June 2021, to achieve the goal of 125 million to 150 million global members by 2025 as soon as possible.

NBC Universal Media, LLC launched a streaming media service platform named Peacock in North America on July 15, 2020, with 33 million paid members by the end of 2020. Peacock has a large number of NBC TV and sports programs, including NBC's unique brand content Olympic sports, as well as a large number of films from 108-year-old Universal Studios.

Paramount Pictures Corporation launched Paramount+ in March 2021, a renaming of the existing streaming media platform brand of its parent company, Viacom CBS, attracting the audience of the Paramount brand in a more intuitive form. In March 2021, Paramount raised \$3 billion to produce original films and TV programs for Paramount+.

2.1.2 From dynamic theatrical window to "zero" theatrical window

In July 2020, NBC Universal reached a new cooperation agreement with AMC, the film projection company with the largest number of screens in North America. The two sides set the film screening window period at 17 days, including three weekends. In November 2020, NBC Universal signed a similar release and screening contract with Cinemark, which has the highest market value and the second-largest number of screens in North America. In the same month, NBC Universal reached a similar cooperation agreement with Cineplex (the fourth-largest cinema in North America, headquartered in Toronto, Canada). The common item of the three agreements was a 17-day release window for cinemas. Cinemas would get part of the streaming media revenue of the film as compensation for shortening the screening period for cinemas.

In 2020, with the new cooperation agreements between NBC Universal and three major cinemas in North America, a new term in film distribution was created

and by the end of 2020, was understood, recognized and accepted: “dynamic theatre window”. Specifically, in North America, films with box office revenue of more than \$50 million would have a unique cinema screening right of at least 31 days (including five weekends), while films with box office revenue of less than \$50 million would be granted a cinema screening right of 17 days (including three weekends), and then film companies can distribute these films on streaming media platforms.

If NBC Universal and AMC and other cinemas were innovative in reducing the screening window from 90 days to 17 days, AT&T and Warner Media Group have made a more radical change – the zero theatre window, releasing films on streaming media platforms and in cinemas at the same time. *Wonder Woman 1984* by Warner Bros. launched both in cinemas and on HBO Max, a streaming media platform, on Christmas day, December 25, 2020. In early December 2020, Warner Bros. and Warner Media Group, HBO’s parent company, announced the cancellation of the theatrical window, and that all 17 new films in 2021 would be released simultaneously on HBO and in cinemas. Among the 17 films were *The Suicide Squad*, *The Matrix Resurrections*, *Dune*, *Godzilla vs Kong*, *Space Jam: A New Legacy* and other commercial blockbusters with an investment of hundreds of millions of US dollars. This decision more thoroughly broke the theatrical window for cinemas, which aroused great objection from the theatre operators. It also involved contract revenue-sharing issues. The window period, in recent decades, has been the best way for Hollywood to recover investments. It would be very difficult to recover the investment in a film within a few years by directly pushing to the streaming media platforms on the first day. When the COVID-19 pandemic is completely controlled, Hollywood blockbusters will certainly strive for a return to the box office.

The new mode and operating structure may take several years to be prepared, tested and gradually formed. Jason Kilar, CEO of Warner Media Group, stated that the company would change its traditional operating structure (according to the distribution window period), when he announced the way to launch films in 2021. Warner Media Group manages its Pictures Company and the Radio & Television Group as a whole, and layoffs will undoubtedly be inevitable when the company restructuring its operational framework.

2.2 Video business of Silicon Valley tech corporations

The purpose of Amazon’s streaming video business seems to be different from that of other companies. Most of Amazon’s streaming media members come from Amazon’s online shopping paid members. As of April 15, 2021, Amazon had 200 million paid members, just 4 million fewer than Netflix. The operating pressure for Amazon is not how many users they get, but how to improve the quality of streaming media video content to meet the viewing needs of members. In 2020, Amazon’s streaming platform already had a budget of \$11 billion for movie and TV content production and music licensing.

Apple’s TV streaming media is also a content service provider that cannot be ignored. Apple+ was launched almost at the same time as Disney+ in November

2019. Because of the large user base of the platform, Apple has the power to compete with traditional media content companies. At the 37th Sundance Film Festival in January 2021, Apple+ spent \$25 million to buy all distribution rights to *CODA*, which won the award for Best Director at the festival.

In addition, the number of cable TV users continues to decline, for many people have turned to watching film and television programs on streaming media platforms. Previously, they paid to watch TV programs and movies at home through cable TV, but now they use streaming media services to watch TV programs at any time through mobile phones, computers, laptop and other devices. By the end of February 2021, there were more than 300 streaming media service platform providers with a certain number of stable users in North America. Undoubtedly, this is a new opportunity for the film and television media to gradually change and regroup, a new industrial operational structure will become mature and clear step by step.

3 Disney in 2020 and its future trends

3.1 Disney in 2020

2020 was a tough year for film companies in all countries, and Disney was no exception. Disney pointed out in its 2020 report that, affected by the pandemic, its operating profit for fiscal year 2020 reached its lowest point in the six years since 2015.

Disneyland, cruise ships, resorts and consumer product groups based on brand authorization were originally low-risk and high-profit industrial groups, but they suffered unprecedented impact in 2020. The company's 2020 financial statements showed that its theme parks, resorts and consumer products, whose revenue had always been stable, with high profit, had negative operating profit in 2020. The theme parks, resorts and consumer products division had an operating revenue of \$24.701 billion with an operating profit of \$6.095 billion in 2018. In 2019, the operating revenue was \$26.225 billion and the operating profit was \$6.758 billion. In 2020, however, the operating revenue was only \$16.502 billion and the operating loss was \$81 million (see Table 6.2).

The decline in turnover and negative profit in the theme parks, resorts and consumer products sector in 2020 was due to the closure of Disneyland, which significantly reduced ticket revenue, food revenue for tourists and souvenir income, even no income at all in some months. Cruise ships were closed, so cruise fares, food and souvenirs for tourists' consumption were sharply reduced or nonexistent. One can imagine that in early 2020 Disneyland suffered its first huge impact since it was built.

Also, the revenue and operating income of Disney's studio entertainment fell significantly in 2020. The global box office for Disney films in 2019 reached \$13.2 billion, the revenue from studio entertainment in 2019 was \$11.127 billion and operating profit was \$2.686 billion. Revenue in 2020 was only \$9.636 billion; operating profit was \$2.501 billion, roughly equivalent to the levels in 2016 and 2017. It should

Table 6.2 Revenue and operating income of Disney 2015–2020 (hundred million US dollars)

Department	Revenue by fiscal year			Operating income by fiscal year		
	2015	2016	2017	2015	2016	2017
Media Networks	232.64	236.89	235.10	77.93	77.55	69.02
Parks and Resorts	161.62	169.74	184.15	30.31	32.98	37.74
Studio Entertainment	73.66	94.41	83.79	19.73	27.03	23.55
Consumer Products & Interactive Media	56.73	55.28	48.33	18.84	19.65	17.44
Total	524.65	556.32	551.37	146.81	157.21	147.75
Department	2018	2019	2020	2018	2019	2020
Media Networks	219.22	248.27	283.93	73.38	74.79	90.22
Parks and Resorts & Consumer Products	247.01	262.25	165.02	60.95	67.58	-0.81
Studio Entertainment	100.65	111.27	96.36	30.04	26.86	25.01
Streaming Media & International	34.14	93.86	169.67	-7.38	-18.35	-28.06
Financial write-off	-6.68	-19.58	-61.10	-0.10	-2.41	-5.28
Total	594.34	696.07	653.88	156.89	148.47	81.08

Source: Disney's financial reports.

be noted that the fiscal year 2020 was from October 1, 2019, to September 30, 2020. The impact of the pandemic on markets and industries in North America began in March 2020, thus losses would be more severe if calculated for the calendar year.

Operating income and profits of Disney's media networks grew in 2020. Revenue and operating profit for 2020 were \$28.393 billion and \$9.022 billion, respectively, higher than 2018, 2019 and previous years. Revenue and profits rose instead of falling mainly because the media networks have always been a solid revenue-generating, profitable and stable business, with income from cable television, advertising and so on. With the development of streaming video-on-demand in recent years, the department has lost some cable TV subscribers, but also increased monthly streaming subscriptions. In other words, paid viewers who used to watch paid TV shows are still paying for content; the difference is that now they are paying for streaming platforms.

In 2020, due to the closure of Disneyland, the shutdown of cruise ships and cinemas, the blocking of film shooting progress, Disney laid off many employees, with more than 30 thousand layoffs in Disneyland, cruise ships, and resort departments alone. During the shut-down of the parks, many hourly workers were laid off and the full-time staff also suffered salary reductions. In March 2020, the company's top management decided to reduce the salary of the company's vice president-level employees (hundreds of people) by 20 percent, senior vice president-level employees (a hundred or so) by 25 percent, executive vice president-level employees (dozens of people) by 30 percent, and the CEO only got 50 percent of his annual salary. Robert Allen Iger, former CEO, who was serving as the chairman of the company, voluntarily gave up his annual salary. These wage cuts alleviated the company's financial challenges and made more layoffs unnecessary.

3.2 Disney's streaming business in 2020

After more than two years of all-round preparation for its streaming media business, Disney officially launched streaming media in the United States, Canada, the Netherlands, Australia and New Zealand in November 2019. Subsequently, Disney+ actively explored the global market, launching in several European countries in March 2020, in India in June, Japan in September and Latin America in November. Disney had estimated that it may reach 60 million to 90 million paid users by 2024. It took only 11 months to achieve this goal in October 2020, with 73 million paid users.

In 2020, many commercial blockbusters originally planned to be released in theatres were gradually pushed to streaming media platforms. *Mulan* was finally launched on TV and premium video-on-demand (TVOD or PVOD) and subscription video on demand (SVOD) platforms in many regions of the world on September 4, 2020; it was also screened in cinemas in some countries and regions where the pandemic was well controlled that month. The commercial musical *Hamilton* had been originally planned to be released in theatres on October 15, 2021, later the company decided to launch it on Disney+ on July 3, 2020, ahead of schedule. Later, the company rescheduled the release in theatres of Pixar's animated feature *Soul*, which was planned for release on November 20, 2020, for Christmas Day, December 25, 2020.

By early December 2020, the number of Disney + paid members had reached 87 million, and by early March 2021, the number was 100 million. Now, Disney has reestimated the development goal of Disney+: 230 million to 260 million paid members by September 2024, and 294 million by 2026. Disney also has two streaming platforms: Hulu and ESPN+. According to Disney's overall estimate of the three streaming media platforms, it is likely to reach 300 million to 350 million paid members in September 2024.

In 2021, Disney reorganized the Hulu brand overseas, and launched Star, acquired from Fox, in the Asia-Pacific region. Disney was very optimistic about the streaming media market in India because of its large population base and reasonable annual fee price. The annual basic membership fee of Disney+ in India was US \$5.4; the annual VIP membership fee was \$20. The company expected Disney+ to get a large number of paid members in India. Disney+ was launched in Singapore in March 2021, cooperating with StayHub, a local operator with 70 percent of its online customers and 5G mobile service. Disney+ was also planning to launch in Korea, Hong Kong, China and eastern Europe in 2021.

The production fee of Disney+ film and television content will also rise year by year with the increase of paid members, and new film and television and sports content will be launched every month and each week. At present, Disney plans to produce and distribute 63 or more TV programs (including TV series, true man shows and other forms) and 42 movies each year, 80 percent of which will be released on the streaming media platform in the first place. Christine McCarthy, chief financial officer of Disney, disclosed to the company's shareholders and investors in December 2020 that the production budget for streaming media content in 2024 could be as high as \$8 billion to \$9 billion. In addition to the distribution budget,

the total development, expansion, production and distribution direct to consumers (DTC) in 2024 will be greatly enhanced with \$14 billion to \$15 billion.

In March 2021, Disney+ increased the monthly and annual membership fees in North America: the monthly fee increased from \$6.99 to \$7.99, the annual fee increased from \$69.99 to \$79.99. This was the first time that Disney+ had increased its monthly and annual membership fees since its launch in November 2019. Based on the fact that the number of Disney+ paid members reached 100 million in early March 2021, and Disney expects to reach 230 million to 260 million paid users by September 2024, Disney's stock reached a new high of \$201.91 on March 9, 2021, and the company's market value reached an unprecedented \$335.3 billion, far exceeding the highest market value of Netflix.

3.3 Disney restructured its operations to embrace the future

In its 2020 financial report, Disney estimated that the company's revenue and operating profits would continue to be affected by the pandemic in 2021. Disney had just completed the restructuring of its corporate structure in 2018, and a new round of restructuring was carried out in 2021. The main reason for this round of restructuring was the great changes in the film industry, with the traditional theatrical window completely broken. Netflix, which started with internet technology, only has a history of more than 20 years, once exceeded the market value of the five traditional Hollywood major companies. Disney will make every effort to continue to be a giant film and television company with a new industrial structure.

At present, Disney's industrial structure is divided into four major departments: Media Networks, Parks and Resorts & Consumer Products, Studio Entertainment and Streaming Media & International. After the reorganization in 2021, the industrial structure can be summarized into two major sectors: the Parks and Resorts and Consumer Product group and Disney products direct-to-consumer and international (DTCI). DTCI refers to that the development, expansion, production and distribution of Disney product content are the same department, which is divided into two parts: 1) the development, expansion and production of Disney product content – breaking up the traditional media networks, reestablishing the development, expansion and production of film and television, entertainment and sports; 2) content distribution after the reorganization includes all distribution forms – film distribution, streaming media distribution, TV distribution, and home entertainment distribution. Disney's business plans for fiscal year 2021 reflected the restructuring.

4 Netflix in 2020 and its future trends

4.1 Netflix in 2020

4.1.1 Company culture of Netflix

Netflix started as a DVD rental company when it was founded in 1997. Before 2011, it was purely a company authorized to distribute other companies' film and television products. In 2007, with more than 7 million monthly DVD users, Netflix

first launched its streaming monthly service. This media platform has expanded year by year, from North America to Europe, Latin America and many other countries and regions. In 2011, Netflix began to produce its own film and television content. The company then started owning its own film and television content and copyright.

Netflix has a short history of 23 years, while Disney, Warner Brothers, Columbia, Universal and Paramount have nearly 100 years of history each. But the market value of Netflix has surpassed that of most traditional Hollywood companies, even that of Disney. Why? Besides technology and good luck, the leaders' foresight and vision in staff selection and employment were also crucial. Reed Hastings, one of the founders and CEO of Netflix, has stressed the creation of a company culture since its establishment, and cultivated and formed a unique culture. Netflix attaches great importance to the creativity and innovation of employees, encouraging employees to work and think from the perspective of owners. This innovative thinking methodology can improve the operation ability of the company. This kind of creativity and innovation is not limited to science and technology or artistic creation, but in all aspects. The company encourages every employee to manage and serve the company just as they would manage their own company. This company culture attracts elites from the industry, and the employees are treated far better than at traditional film and television companies. Everyone in the company has the opportunity to come up with ideas for the company, to experiment with new management and operation methods, new technology applications, new ways of doing things, and even traditional distribution contracts, authorization contracts, and art cooperation contracts. Over time, the company has achieved high efficiency; more importantly, the company can gain timely insight, and discover and seize many new opportunities in the industry.

4.1.2 Netflix works with artists

When Netflix began to produce original content, the company wanted to cooperate with Hollywood talents, including producers, directors, screenwriters, actors, photographers, composers, musicians, all kinds of talents. Netflix signed a number of cooperation contracts with Hollywood directors and producers in a short time. The initial contracts are for Netflix and artists to share investment risks and the profits of film and television projects. Gradually, Netflix has accumulated a number of the most outstanding innovators, managers, film creators, TV program creators, lawyers and personnel managers in the industry.

In 2021, *Mank*, the original black-and-white movie of Netflix, won six nominations for the 78th Golden Globe Awards. The director, David Fincher, won the Golden Globe Awards for Best Director and the 81st and 83rd Academy Awards for Best Director. The collaboration can be traced back to 2011, when they produced the series *House of Cards*, which is an online drama produced by Netflix. The first season won nine nominations at the 65th Emmy Awards (the highest award in American television) in 2013, and David Fincher won the Best Director for the first time. In 2014, the series won four nominations at the 71st Golden Globe Awards, and made Robin Wright the Best Actress for TV drama series.

This was the first time that the Golden Globe Awards awarded the Best Actress to an actress in an online original TV drama. Subsequently, *House of Cards* won 13 nominations in the 66th Emmy Awards, three nominations in the 72nd Emmy Awards and the Best Actress.

After *House of Cards*, Netflix original content continued to compete for various awards. In 2016, two documentaries *What Happened, Miss Simone?* and *Boxing for Freedom* were nominated for Best Documentary Feature at the 88th Academy Awards. In 2017, *White Helmets* by Netflix won its first Academy Award for Best Documentary Short. In 2018, Netflix won four Oscar nominations for *Mudbound*: Best Adapted Screenplay, Best Supporting Actress (Mary J. Blige), Best Photography and Best Original Song. In 2019, *Rome* by Netflix got seven nominations for the 91st Academy Awards and won three awards: Best Director, Best Photography and Best Foreign Language Film. Other than the streaming platforms, *Rome* was not released in North American cinemas, but its global box office was US \$1.148 million. Netflix is rewriting the history of the Hollywood film industry with its power.

In 2020, Netflix won 24 nominations for the 92nd Academy Awards, ranking number one among Hollywood film companies. The *Irishman*, directed by Martin Scorsese and starring Robert Mario De Niro, Alfredo James Pacino and Joseph Frank Pesci was among them. Netflix won two Oscars that year: *American Factory* for Best Documentary Feature, and Laura Dern won the Best Supporting Actress for *Marriage Story*. In 2021, Netflix won 35 nominations for the 93rd Academy Awards, among them *Mank*, directed by David Fincher, won ten nominations (including Best Picture, Best Director, Best Actor, Best Actress and Best Photography). *The Trial of the Chicago 7* won six nominations. By the end of 2020, the number of Netflix original films and TV programs had reached 1,500, with an increase of more than 120 films in 2020 alone, including *Mank*, *The Trial of the Chicago 7*, *The Midnight Sky*, *Pieces of a Woman* and the musical *The Prom*.

Netflix joined the Motion Picture Association in 2019, becoming one of the new six major companies in Hollywood. Since 2012, Netflix has launched original series and films, winning many top honours in the Academy Awards, Golden Globes, Emmy Awards and other film and TV awards.

4.1.3 *Business performance of Netflix*

Despite the pandemic in 2020, Netflix achieved expenditure balance of operating cash flow for the first time in 2020.

It can be seen from Table 6.3 that the number of North American paid members accounts for only about one third of members in the world. Asia-Pacific has great potential, with a growth rate of 57 percent in 2020. It can be imagined that when Netflix increases its investment in local language films and TV network dramas in the Asia-Pacific region, the rate of return would be very considerable. In 2021, Netflix's total investment in the Asia-Pacific region was US \$1 billion, of which \$500 million was used to invest in Korean films and original online TV programs.

As can be seen from Table 6.4, Netflix's operating profit margin reached 18 percent in 2020, which was extremely competitive; its best quarterly operating

Table 6.3 Netflix's global streaming membership and growth rate 2017–2020

Region	2017 (10,000 people)	2018 (10,000 people)	2019 (10,000 people)	2020 (10,000 people)	2020 increase over 2019 (10,000 people)	2020 growth rate compared to 2019 (%)
United States and Canada	5,842.2	6,475.7	6,766.2	7,393.6	627.4	9
Europe, the Middle East and Africa	2,600.4	3,781.8	5,177.8	6,669.8	1,492.0	29
Latin America	1,971.7	2,607.7	3,141.7	3,753.7	612.0	19
Asia-Pacific	650.1	1,060.7	1,623.3	2,549.2	925.9	57
Total	11,064.4	13,925.9	16,709.0	20,366.3	3,657.3	22

Source: Netflix financial reports.

Table 6.4 Netflix revenue and operating profit 2016–2020

Type	2016	2017	2018	2019	2020
Revenue (billion US dollars)	88.31	116.93	157.94	201.56	249.96
Operating profit (billion US dollars)	3.80	8.39	16.05	26.04	45.85
Operating profit margin (%)	4	7	10	13	18

Source: Netflix financial reports.

profit was 36.5 percent and the annual average operating profit margin of Disney s about 12 percent.

4.2 New objectives and potential of Netflix

Currently, about one third of Netflix's users are in North America, and two thirds are international users. This is undoubtedly a superiority that traditional Hollywood companies do not have. In the 1980s, Hollywood film companies profited from two thirds of the box office in North America and one third of the international box office. In the past 30 or 40 years, the regional structure of film box office has gradually changed, with North America falling to one third and international accounting for two thirds. Netflix uses its own advantages to further develop the global market.

In 2019, Netflix held a Master Class for TV producers in Amsterdam, the Netherlands, where more than a dozen TV series producers and screenwriters from France, Germany, Italy, South Africa, Turkey and Egypt came to be trained. After that, Netflix also signed contracts with Jung Woo Sung, a South Korean award-winning actor and film producer, and Egyptian comedian producer Abla Fahita. These were all actions taken by Netflix to strengthen the support and cultivation of local-language film and television content worldwide. After the opening of an office with more than 30 employees in Rome, Italy, in 2020, Netflix set up another

international office in Korea in January 2021 and rented nine studios to meet its demand for film and television production. These original works are mainly in Korean and are created by Korean screenwriters, directors and producers. Since 2015, Netflix has invested more than US \$700 million in original film and television content in South Korea. Currently, Netflix has 100 percent wholly owned subsidiaries in Brazil, the Netherlands and Japan.

Netflix's content development and production budget has grown from \$15.3 billion in 2019 to \$17.3 billion in 2020, and is expected to grow year by year to \$26 billion in 2028. Netflix planned to release 71 movies in 2021, with new releases coming to the streaming platform every week. Meanwhile, it constantly attended festivals and movie markets around the world to find and buy new films and TV shows. In addition, Netflix continued to license many great movies on the streaming platform, releasing dozens of new shows every month. In February 2021, 69 new movies and TV shows were released on the streaming platform, including original and licensed movies and TV shows. By February 2021, the streaming platform had 36,667 hours of film and television programming. Even if audiences watched movies for 24 hours each day, it would spend four years, two months and eight days on all existing programming. North American users watch only about 2 percent of the shows on average each year.

Netflix's membership fees are the highest among North American streaming services. In October 2020, it raised some membership fees by about 8 percent, to \$8.99 a month for basic members, to \$13.99 from \$12.99 for standard members and \$17.99 from \$15.99 for premium members. Netflix is not so much about how to get things done efficiently as it is about innovation – innovation in arts, in operations, in employment, in everything. Innovation is what the Hollywood industry is and will be.

5 The Development trend and future prospect of the North American film industry

The COVID-19 pandemic completely disrupted the pace of the North American film market in 2020, followed by an irreversible change, the expansion, formation and perfection of a new structure for the film industry.

5.1 Streaming media become mainstream

Streaming platforms are more and more mature now. Hundreds of millions of people around the world are now paid members on streaming platforms. The more than 13 years of experience and lessons learned from streaming operations allow these platforms to continue to improve their services and operations. Hulu was owned by Disney, 20th Century Fox and Universal Pictures when it started in 2007; it has become a 100 percent-owned subsidiary of Disney. Netflix and Disney are two of the leading companies in Hollywood's new Big Six. They are already operating in most countries and regions in the world and will continue to expand into more regions in the future to strengthen the service quality of

streaming media platforms and improve the quality and quantity of film, television and sports content products.

Although streaming media service has been a power in film and television distribution and screening, mainstream Hollywood studios and technology companies lose a lot of funds and resources due to piracy every year. They must band together to find new solutions. The nonprofit organization, Motion Picture Association of America has been against piracy for years, but in the network age, when all content can be spread via the internet, it needs to make changes in the framework for addressing piracy.

5.2 The independence of the cinema may be weakened

Whether the “dynamic window” that appeared in 2020 will have become the new norm in 2021 remains to be seen. Continued collaboration is a necessity and further negotiation and adjustment of the details is indispensable. The mainstream Hollywood companies will continue to work hard and maintain their approach to cinema as the first window, being aware that the fastest way to get a return on their investment is at the box office and that moviegoers are the first ones to enter the cinema to enjoy their long-awaited Hollywood blockbusters with the rest of the audience.

The continued viability of current cinema companies and independent cinemas depends on their financing structure, operating model and back-up funding. The impact of the epidemic has led to the closure of cinemas and has also caused the cinema companies’ stocks to plummet. For example, in April 2021, the influential Pacific Cinemas, which had been a major player in the film and entertainment industry, permanently closed several of its Arc and Pacific Cinemas, leaving more than 300 screens to be renamed or permanently darkened.

The situations of cinemas vary; some may close down, some theatres may consider selling their properties, but some others are independently financed and do not operate in the stock market, plus some properties of their own, so they are not under huge pressure and are relatively more resilient. North American cinemas reopened in 2021, but changes in the operating and profit-making models of theatres have to be made. Some financially strong film production and distribution companies (e.g., Disney) may acquire companies that need theatres to show Marvel, Lucas, Pixar and Disney branded films. In addition to using cinemas for marketing purposes and to make a quick return on their investment through the box office, they also make them a place where audiences can enjoy an “immersive Disney experience” by watching films, eating popcorn and buying film-themed toys and souvenirs.

The Paramount Act, enacted in 1948, was completely terminated in 2020, removing the legal barrier to US film production and distribution companies. In 2019 it was suggested by lawyers that the Paramount Act was no longer suitable for today’s film industry and that it should be terminated. After about a year of discussion, the US Department of Justice ended the 71-year-old Act in August 2020. After about three quarters of a century, American film production and distribution companies can once again own their own wholly owned theatres and cinemas. In

addition to Disney, mainstream Hollywood studios such as Warner Media Group and Universal Pictures and streaming or technology companies such as Amazon, Netflix, Google and Apple have the possibility to acquire theatrical and cinema companies.

5.3 Mergers and acquisitions by Hollywood studios will continue and innovation will always exist

Hollywood companies have been making mergers and acquisitions, with the biggest one in recent years being the acquisition of 20th Century Fox by Disney. Disney had been preparing for the acquisition since 2017, signing the merger contract in October 2018 and completing the US \$71.3 billion merger in March 2019.

2021 and the years to come will be a time of reshuffling, repositioning and re-creating a relatively stable operating model for the Hollywood film industry. There are many uncertainties about how long this process of creation and adjustment will take, but that is part of the Hollywood culture – constantly challenging, constantly changing and being changed; from small adjustments to accommodate big changes until the change becomes a radical and irreversible one. As we have just seen in 2020, the old film distribution window period is gone, a new “dynamic distribution window period” is being created and adopted. Innovation, innovation, still innovation.

7 The Korean film industry during the COVID-19 pandemic

Han Sunhee

On April 25, 2022, Korean theatres began selling popcorn again. It came 13 months after popcorn sales were suspended in theatres in March 2021 as the Korean government banned eating in theatres to prevent the spread of COVID-19. Following the COVID-19 pandemic, in accordance with government guidelines, distancing between seats in theatres was implemented in Korea, and the theatre's business hours were limited to 10:00 p.m. Now, as business hours and restrictions on the number of people are lifted, the theatre district is gradually gaining vitality. Visitors can freely watch movies until late night on weekends, and the relaxation of requirements for distancing seats has also been applied, allowing audiences to choose their seats freely. Expectations rose that the film industry, which had been in a deep quagmire, would be revitalized with films that opened in theatres in May, including the Marvel film *Doctor Strange in the Multiverse of Madness* and *The Outlaws 2*, the sequel to a popular local action movie that was a surprise success at the box office in 2017. Park Chan-wook's *Decision to Leave* and Koreeda Hirokazu's *Broker*, which were both invested in and distributed by Korea's largest studio, CJ ENM, were also much anticipated movies to lure the audience to theatres, after their world premiere in the competition section of the 2022 Cannes Film Festival. The Jeonju International Film Festival, the second-largest film festival in Korea, opened on April 28 with a red carpet event three years after the start of the pandemic. However, will the Korean film industry be able to go back to before the pandemic?

Before the COVID-19 pandemic, the Korean film industry was one of the top ten global film markets. The passion of Korean audiences, who love going to the theatre, made this possible. Korea ranked fourth in the world after North America, China, and Japan, and was among the world's top ten film markets also with the UK, France, India, Mexico and Russia. Compared to these countries, Korea is a country with a very small land area and the smallest population. The number of screens nationwide is only 3,200, which is much smaller than other countries, but Korea has become one of the world's leading film powers thanks to its passionate audience. The average annual number of visits per capita to the theatre is 4.37.

However, the Korean film industry has been hit hard since COVID-19. In 2021, the market size of the Korean film industry was estimated to be 1.239 trillion won, including theatres, home media secondary markets, and overseas exports. It declined for the second consecutive year from 2.5093 trillion won in 2019 to 1.537

trillion won in 2020 and 1.239 trillion won in 2021. From an economic point of view, Korea's film industry was only half of what it was before the pandemic, as the market size in 2021 was found to be only 40.8 percent of the market size in 2019. In Korea, theatre sales had been around 75 percent of the total market sales, and it reached a whopping 76.3 percent in 2019.

After the onset of the COVID-19 pandemic, movie theatres were not at all attractive to people who wanted to enjoy leisure time because distancing was carried out and eating popcorn was prohibited. As the total revenue was too dependent on the theatre, the Korean film industry was considered a declining industry overnight. The number of admissions per capita was 1.17 in 2021, an increase of 0.02 compared to 2020, but a decrease of 3.2 compared to 4.37 in 2019. Fortunately, theatre sales rose 14.5 percent year-on-year to 584.5 billion won in 2021, and accounted for 57.1 percent of the total film industry. However, the rate of decline in theatre sales decreased by 70% compared to 1.914 trillion won in 2019.

As the theatre industry itself faced a crisis, movie theatres tried to break through the crisis by raising the price of theatre tickets. CJ CGV, Korea's largest multiplex chain, has raised its admission fees three times since the pandemic, and the average ticket price was 8,200 won in 2021. In the past, Korean theatres were more expensive than in Japan, the United States and Germany, and cheaper than in China, Russia, India and France. However, compared to the 3.6 percent increase in Korea's consumer price index in 2021, ticket prices increased by 12.6 percent. Now in Korea, it costs 15,000 won to watch a normal movie on weekends. Premium theatres such as IMAX and 4DX are more expensive than that.

The crisis in the film industry caused by COVID-19 directly affected not only theatres but also major investor and distributors. The four major studios in Korea, CJ ENM, Lotte, Showbox and N.E.W., had about ten works a year for distribution, but many of the films that were filmed before the pandemic were not released in theatres. Following 2020, some films were released on over-the-top (OTT) video streaming instead of in theatres. Movies such as *Sweet & Sour*, *The 8th Night* and *Yaksha: Ruthless Operations* were released on Netflix, and *Seobok*, *Midnight* and *A Year-End Medley* went to Tving, CJ's OTT platform. It is known that there are more than 100 films stored in warehouses that have not been released in the theatre, including the works of major studios such as Acemaker Movieworks and Megabox Joongang Plus M, as well as independent arthouse films.

In Korea, movies with a negative cost of more than 3 billion won are classified as "commercial movies", the works that control the market share of Korean films in the market. In 2021, there were only 17 Korean commercial films released in theatres, and the average negative cost of these films was 7.4 billion won, and the average prints and advertising (P&A) cost was 1.88 billion won. Korea is also one of the most expensive countries in the world for movie production, as the average total production cost of popular commercial films in Korea is 9.29 billion won. The reason production costs have risen so much is that movie production is subject to the Labor Standards Act, which uses standard contracts for employees' labor costs and implements a 52-hour workweek, as well as that the actors who drive film investment have become very expensive.

In 2021, Hollywood films led theatre sales in Korea, topped by *Spider-Man: No Way Home* at the total box office, followed by *Eternals*, *Black Widow* and *Fast and Furious: The Ultimate*. As a result, the sales of domestic films were the lowest since 2004, falling 50.5 percent year-on-year, and the number of viewers decreased 55.0 percent year-on-year to 18.22 million. In addition, the audience share of Korean films decreased 37.9 percent year-on-year to 30.1 percent, which was the lowest level since 1999. There were only two Korean movies among the top ten in the box office in 2021. *Escape from Mogadishu* was second with 3.61 million viewers, and *Sinkhole* was sixth with 2.19 million viewers. Total ancillary market sales also decreased by 15.0 percent year-on-year. Overseas exports of completed films fell 20.5 percent compared to 2020, and exports of technology services such as VFX (Visual effects), which had been actively conducted against China, fell 81.0 percent year-on-year. With all these negative indicators in the market, the estimated return on Korean movies is -50 percent.

Unlike European film investments, which rely mostly on public funds, broadcaster investments, and pre-sales, financing of Korean commercial films is 100 percent equity investment. The Korean commercial film market, which is highly capitalized after the United States, faced difficulties as investment funds were not recovered due to low returns. In 2020, there were only four Korean films with a total production cost of more than 10 billion won, down significantly from 17 in 2019. This is because major investment distributors have delayed the release of big movies that are expected to suffer great losses due to the sluggish market. Since the already made films cannot be sold in theatres, investment funds cannot be recovered, and investment in new works cannot be made as actively as before. In terms of the recovery rate of theatre sales in ten major countries before and after COVID-19, Korea's sales in 2021 were only 30.1 percent (recovery rate) from 2019, according to the Korean Film Council's research. Compared to number one, China (73.7 percent), and number two, Japan (71.6 percent), the recovery rate of theatre sales was less than half. Korean films' strong market competitiveness and high market share in the past paradoxically caused deeper problems in crisis situations such as the pandemic.

However, there were not only bad news in the Korean film industry in 2021. At the Academy Awards at the beginning of the year, actress Yoon Yeo-jung won the Oscar for Best Supporting Actress for the first time in Korean film history for *Minari*. Yoon Yeo-jung, who made her splendid debut with Korean legendary master Kim Ki-young's *Woman of Fire* (1971), disappeared from the movie industry for a while and only appeared in broadcast dramas. After returning to the movie industry with *A Good Lawyers's Wife* (2003), she made a unique move by appearing in various works, both large and small. Her Oscar win has confirmed the outstanding potential of Korean filmmakers in the global market, realizing the global influence of Korean films and talents after the success of *Parasite* in 2020. And it has been proven once again by the global success of *The Squid Game*.

With theatres at the center, it is true that the Korean film industry has been severely damaged by the COVID-19 pandemic, but the manpower that has led the Korean film industry has not lost their jobs. Rather, Korean filmmakers have

found new jobs as the OTT platform has emerged due to the COVID-19 pandemic. Also, from the perspective of storytelling, they have come to think anew about the series. Traditionally, the film and broadcasting industries have been very clearly distinguished in Korea, and unlike Europe and the United States, the two fields rarely interact. The filmmakers and artists in Korea, including directors, producers, actors, and production staff, have mainly focused on making movies for about two hours for theatre screenings. They have been rarely involved in television dramas or series, as there were many differences in storytelling and aesthetics, production method and distribution method.

However, Netflix, which has been expanding its business in Korea since before the COVID-19 pandemic, has provided new opportunities for Korean filmmakers. Netflix Korea announced more investment in the domestic-content market, and many filmmakers and drama producers knocked on Netflix's door. Netflix, which celebrated the fifth anniversary of its service in Korea in 2021, invested a total of 550 billion won in Korean content, the largest in the industry annually. There were 15 original productions introduced by Netflix in 2021. Among them, *Move to Heaven*, *The Squid Game*, *Kingdom: Ashin of the North*, *D.P.*, *Hellbound* and *The Silent Sea*, which drew the most attention, were all directed by film directors and participated in by film production staff. Thanks to the great success of these works, Netflix announced that it would introduce 25 original series and movies in 2022, up more than 10 from the previous year.

The Impact of Netflix on the Korean film industry and the content industry is enormous. With the expansion of film directors' entry into dramas and the success of series made by film directors, domestic and foreign OTT platforms competing with Netflix have also begun to recruit filmmakers to produce original content. Tving, an affiliate of CJ ENM, recently unveiled *Monstrous* and *King of Pigs*, in which director Yeon Sang-ho, who had great success with *Train to Busan* and *Hellbound*, participated. Apple TV Plus released *Dr. Brain*, directed by Kim Jee-woon (*The Good, the Bad, the Weird*) as its first work, and Disney Plus has been producing the 70 billion won big series *Moving*, produced by Studio & New, an affiliate of N.E.W. Watcha, a startup that became famous for providing movie evaluation and recommendation services by audiences, launched an OTT service called Watcha Play and released an omnibus short film, *Unframed*, directed by famous movie stars, as original content.

Currently, the most popular production method in the Korean content industry is to produce a series or movie based on the famous IP (Intellectual Property, referring to blockbusters). In particular, the webtoon and web novel market has grown tremendously in Korea over the past few years, and all the story sources have been acquired and adapted to live-action movies and dramas. Korea's leading platform companies such as Kakao and Naver have been serving webtoons, and recently, they have engaged in a business of in-house production of movies or series content based on those story Ips. These platform giants competitively acquired and merged film or drama production companies and have created new works with large capital as the COVID-19 pandemic broke out. Zip Cinema, the production company of Koreeda's new film *Broker*; and Sanai Pictures, the production company of another

2022 Cannes entry *Hunt* (directed by Lee Jung-jae, the lead actor of *The Squid Game*), are representative film production companies that have been acquired and merged by Kakao Entertainment. Naver, Korea's leading internet portal service, established Studio N as a subsidiary of Naver Webtoon, which provides cartoon and webtoon services, and actively produced dramas and movies based on webtoons that have been serviced.

In short, although the 2021 Korean film industry faced a tremendous shrink in the theatre market due to the pandemic, talented filmmakers entered other media industries such as broadcasting, OTT, and internet platforms to find new opportunities for success. The changes that have taken place in the Korean film industry over the past two years may completely change the ecosystem of Korean films. Traditional films are gradually becoming event movies that attract audiences with high-budget spectacles. Commercial films, which have no choice but to rely on actors' stardom for success in the theatre, face a situation in which they have to compete with numerous other platform content, such as broadcast dramas and OTT series, for star casting. Like most other countries, Korea's film industry is becoming increasingly polarized into a spectacle-oriented commercial film market and a far from lucrative independent film market. Low-budget independent arthouse films with high artistic quality that reflect on life seriously and experiment with new aesthetics are gradually losing ground. How should we overcome this unprecedented polarization? Since May 2022, when the new president took office, the government's role in protecting the cultural and artistic value of films has been put to another test.

8 The distribution model for Hollywood blockbusters during the COVID-19 pandemic in 2020

Qiao Li

The COVID-19 global pandemic in 2020 has caused huge impacts to the global film industry. Hollywood, as the centre of the global film industry, has suffered the most significant impacts at all levels in its history: the interruption of new film productions, the closure of movie-theatres in many countries, and the delay and postponement of release of new films, etc. While the global film industry was struggling for the entire year of 2020, Hollywood actively tried to explore new ways of film distribution. Many movies made for cinemas were forced to move from traditional release in theatres to streaming platforms, forming a unique “from big screen to small screen” transition. Some films also adopted the model of distribution of simultaneous in-theatre and streaming platform release. This chapter focuses on the distribution phenomenon and challenges faced by Hollywood during the COVID-19 pandemic in 2020, and the transition of blockbusters from release in theatres to streaming platforms, by examining the various cases of distribution of blockbusters between theatres and streaming platforms. It also discusses the possible disappearance of Hollywood’s traditional “release window” between release in theatres and on streaming platforms.

Since the beginning of 2020, the COVID-19 pandemic has caused severe damage to the global economy. The year left an indelible mark on the history of the global film industry: new films postponed, film production interrupted, and film festivals cancelled or moved online. In 2019, before the pandemic broke out, the film industry worldwide was more prosperous than ever before, and the global movie box office reached a record high of US \$42 billion, contributing approximately one third of the global film production and distribution total output of \$136 billion. As the centre of the global film industry, Hollywood provided two million jobs in the United States alone and supported 400,000 American companies related to the film industry (Hall and Pasquini, 2020). However, the COVID-19 pandemic starting in 2020 caused Hollywood to suffer the most severe damage at all levels of the film industry in its history. At the end of 2020, a news story about Hollywood was circulating on social media: a voice recording of Hollywood celebrity Tom Cruise had been leaked. He was shouting at his crew on the *Mission Impossible 7* film set, because the crew was not maintaining the social distancing required by filming standard operating procedures during the pandemic. Prior to this, filming had been interrupted several times in Italy and the United Kingdom due to the

outbreak of the pandemic, and Tom Cruise, as one of the producers, probably was under tremendous pressure. His recordings immediately went viral on social media, and it was eventually reported that five staff members resigned as a result. The recording showed that Tom Cruise was in a state of anger and emotional catharsis. The incident became the focus of the media and attracted widespread attention. It also inadvertently became a symbolic footnote to Hollywood during the pandemic at the end of the year: the global film industry had suffered a year-long hit as film production and cinemas were facing long-term stagnation and Hollywood was in a depression. There was anxiety among Hollywood stars and filmmakers who feared the possible loss of their established superstar status and authority in the global film industry.

Despite the dilemma of delay and postponement of release of new films' in 2020, Hollywood did not give up finding new ways to continue film distribution during the pandemic: many film producers chose to cooperate with streaming platforms for online distribution. This led to a new phenomenon: the trend of blockbusters abandoning traditional theatrical release and adopting alternative distribution channels – streaming platforms – due to the pandemic. Hence, traditional Hollywood film distribution models faced new challenges brought on by the pandemic.

1 The end of the era of Hollywood blockbusters?

One of the most direct effects of the pandemic on Hollywood and global film audiences was the interruption of the production of Hollywood blockbuster films and the indefinite postponement of their release. In 2020, it seemed that Hollywood blockbusters, which used to be invincible in the global film market, were caught off guard by the pandemic: the majority of blockbusters with a production cost of more than US \$100 million were postponed or temporarily taken off the release schedule list.

The most famous example is the twenty-fifth film of the 007 James Bond series *No Time to Die* (Cary Joji Fukunaga, 2021): the film was originally scheduled to be released worldwide in April 2020 and was postponed to November of the same year. Then it was further postponed to April 2021 (Agar, 2021). However, the global vaccination rate by the end of 2020 was still lower than expected, and the COVID-19 pandemic in Europe and the United States had not been fully curbed. According to a BBC news report (2021), Metro-Goldwyn-Mayer Studios Inc. (MGM) announced for the third time on the 007 film website that the release of the film worldwide would be postponed to October 8, 2021. It was also reported that MGM had contacted a streaming platform (the name of the streaming platform was not revealed), planning to release the film online. However, MGM's asking price was \$600 million, and ultimately failed to reach an agreement with the streaming platform. MGM should know the commercial potential of the 007 film series. The new film has a huge global box office appeal, so MGM decided to continue to postpone the release date and keep the film for theatrical release worldwide. However, delaying the release of Hollywood blockbusters is not without cost. According to *Is the Era of the Hollywood Blockbuster Over?* (Jones, 2020), for every month

the release of *No Time to Die* was postponed, the production company had to pay \$1 million in interest, owing to the previous investment in the film production. The monthly interest could only be stopped on the day the film was released in theatres.

Compared with the constant postponed release of *No Time to Die*, another Hollywood blockbuster with a budget of more than \$100 million, Disney's live-action film *Mulan* (Niki Caro, 2020), went to a streaming platform after several postponements. It was also released simultaneously in movie theatres in some countries and regions where the pandemic condition allowed. In addition, one of the most anticipated Hollywood blockbusters in 2020, originally scheduled to be released on June 24, 2020, was *Top Gun: Maverick* (Joseph Kosinski, 2020). The film again cast Tom Cruise in the lead role after the first film *Top Gun* (Tony Scott, 1986) was released 34 ago. The film was originally scheduled to be released in the summer of 2020. Paramount Pictures postponed it to 19 November, 2021 (The Mirror, 2021).

In 2020, the COVID-19 pandemic spread all over the world. Many film companies still chose to release their films in movie theatres in the countries and regions where the pandemic condition allowed, or to release them simultaneously on streaming platforms and in movie theatres. Of the 18 movies that earned more than US \$100 million in the global box office in 2020, nine of them were Hollywood movies, including *Bad Boys for Life* (Bilall Fallah, 2020), *Tenet* (Christopher Nolan, 2020), *Sonic the Hedgehog* (Jeff Fowler, 2020), *Dolittle* (Stephen Gaghan, 2020), and *Wonder Woman 1984* (Patty Jenkins, 2020). In addition, six of the 18 movies were from China, and Chinese movies outperformed in the global movie box office because of China's good pandemic control in most parts of the country after the outbreak in Wuhan (see Table 8.1).

2 The possible disappearance of the blockbuster release window

The COVID-19 pandemic brought earth-shaking changes to the global film industry in 2020. The traditional film production, distribution and exhibition models were challenged. Film releases were repeatedly postponed, and many production companies had to find new ways to release new films. One of the most direct impacts of the pandemic on blockbusters was the World War II movie *Greyhound* (Aaron Schneider, 2020) which is written by and starred Tom Hanks. This was also a successful case of Hollywood moving from theatrical release to streaming platform. *Greyhound* is adapted from Forrest's 1955 novel *The Good Shepherd*. It tells about a fleet led by Captain Ernest Klaus (played by Hanks) at the beginning of World War II, escorting Allied ships across the treacherous North Atlantic while fighting bravely against German submarines. This movie was supposed to be released in early 2020, but was taken off the release list due to the closure of cinemas in the United States during the pandemic. According to a CNBC report, Sony Pictures Entertainment Inc. obtained the consent of Hanks, the screenwriter and starring role of the film. In the end, the film sold its 15-year exclusive online screening rights to Apple TV+ for \$70 million, while Sony maintained the rights to distribute the film in the Chinese film market (Whitten, 2020). Apple TV+ premiered the film exclusively online on 10 July, 2020. However, this move still made

Table 8.1 Ranking of films achieving over \$100 million in global movie box office in 2020

Rank	Film	Worldwide (US dollars)	Domestic (US dollars)	North America proportion (%)	Foreign (US dollars)	International proportion (%)
1	<i>The Eight Hundred</i>	461,339,528	372,755	<0.1	460,966,773	99.9
2	<i>Bad Boys for Life</i>	426,505,244	206,305,244	48.4	220,200,000	51.6
3	<i>My People, My Homeland</i>	422,390,820	–	–	422,390,820	100.0
4	<i>Tenet</i>	363,129,000	57,929,000	16.0	305,200,000	84.0
5	<i>Demon Slayer: Mugen Train</i>	337,732,592	–	–	337,732,592	100.0
6	<i>Sonic the Hedgehog</i>	313,596,570	148,974,665	47.5	164,621,905	52.5
7	<i>Dolittle</i>	245,249,531	77,047,065	31.4	168,202,466	68.6
8	<i>Legend of Deification</i>	240,654,967	214,670	<0.1	240,440,297	99.9
9	<i>Birds of Prey</i>	201,858,461	84,158,461	41.7	117,700,000	58.3
10	<i>A Little Red Flower</i>	182,800,000	–	–	182,800,000	100.0
11	<i>Shock Wave 2</i>	163,556,286	–	–	163,556,286	100.0
12	<i>The Sacrifice</i>	161,047,608	–	–	161,047,608	100.0
13	<i>The Invisible Man</i>	143,151,000	70,410,000	49.2	72,741,000	50.8
14	<i>Wonder Woman 1984</i>	142,500,000	35,800,000	25.1	106,700,000	74.9
15	<i>Onward</i>	141,946,315	61,555,145	43.4	80,391,170	56.6
16	<i>The Croods: A New Age</i>	135,186,540	39,867,540	29.5	953,190,000	70.5
17	<i>The Call of the Wild</i>	110,954,519	62,342,368	56.2	48,612,151	43.8
18	<i>Warm Hug</i>	103,750,413	–	–	103,750,413	100.0

Source: Box Office Mojo, at 23 January, 2021.

Sony Pictures Entertainment CEO Tony Vinciquila quite concerned: “We think that theatrical release is vitally important to the film industry and to generating the most revenue and profit . . . you know we just had not seen models where that kind of release schedule will benefit the profitability and the efficacy of major productions” (Whitten, 2020). Hanks also expressed his disappointment that the film could only be shown on streaming media, or “small screens” (TV). This World War II movie starring Hollywood superstars was originally filmed for the big screen in cinemas. It did have a considerable impact on all sectors of the film and television industry, and it immediately became the focus of news regarding the pandemic’s impact on Hollywood.

The experience of viewing blockbusters on big screen has always been the pursuit of movie audiences. However, Hollywood blockbusters had to abandon theatrical release and switch to streaming platforms due to the pandemic in 2020. This transition did not appear to be the will of the production companies, Hollywood movie stars or the public. As in the case of the 007 James Bond movie mentioned earlier, Hollywood blockbusters generally possess mechanisms that generate large investments, diverse forms of financing and matured film release and exhibition models for profit return. Therefore, once the post-production is complete, films must be released in movie theatres as scheduled. Otherwise, film production companies face significant financial losses. And the reason *Greyhound* could be released on a streaming platform is that, although it was a movie about World War II starring Hollywood superstars, it was not a Hollywood summer blockbuster of 2020 in the true sense. *Greyhound*’s budget was only \$60 million (this is not considered a budget for blockbuster), and the selling price was within the acceptable range of most streaming platforms. The production cost of the aforementioned 007 movie *No Time to Die* was as high as \$250 million. MGM’s asking copyright fee for streaming of this film was \$600 million, and obviously many streaming platforms could not afford it.

The delayed release of blockbusters, or changing to release on streaming platforms, affected not only the audience’s “cinema experience”, but also movie theatres: without blockbuster releases, how would the theatres generate box office? Hollywood blockbusters are made for the global film market, with significant production costs. When these blockbusters fail to enter movie theatres as scheduled, not only are the North American movie theatres impacted but also inevitably movie theatres around the world, leading to poor performance of the global box office. Christopher Nolan insisted on a different path from *Greyhound* and *No Time to Die* for his 2020 sci-fi action blockbuster *Tenet*. The film was not shown on streaming media platforms, nor was its release postponed indefinitely. Instead, after several short-term postponements, it was released in theatres in countries and regions where the pandemic situation allowed. This was due to Nolan’s insistence as both the director and one of the producers of the film. The dispute over the release model for *Tenet* also led to some uncertainty regarding the long-term cooperation between Nolan and the film’s distribution company, Warner Bros. Entertainment.

Although many countries started their vaccination process against the COVID-19 pandemic at the beginning of 2021, Warner Bros. Entertainment made a decision

that brought confusion to movie theatres, major Hollywood studios, and even filmmakers at the end of 2020: it announced that the company would release all its new films simultaneously through its own streaming platform HBO Max and in movie theatres. This meant that for every movie released by Warner Bros. Entertainment, viewers could choose to buy tickets to watch it in a cinema or stay at home to watch it on HBO Max. There was no longer a release window for movies between these two platforms, thus breaking the long tradition of the Hollywood release model: watching new movies at home required several months of waiting after their initial theatrical release. As Nolan insisted on the audience's cinema experience, and Warner Bros. Entertainment tried to release *Tenet* simultaneously online and in theatres, both parties came to a crossroads regarding their long-term collaboration relationship at the end of 2020.

The release of *Tenet* in movie theatres was largely expected by the entire film industry during the pandemic in 2020, with the hope that *Tenet*, which cost two \$200 million and was directed by internationally famous director Nolan, could bring back audiences who had been away from the movie theatres for a long time. As the Hollywood summer blockbuster was made for the global film market, cinemas in various countries were also desperately eager for *Tenet*'s theatrical release so cinemas could return to "normal business". Thus, whether or not *Tenet* could be released in movie theatres attracted much attention from the public, and its release date and controversy also became the focus of the media. In addition, Nolan repeatedly expressed in the media his insistence regarding the film's return to theatrical release as scheduled, making the release of *Tenet* a banner of Hollywood fighting against the pandemic. However, cinemas in Europe and the United States had basically been closed due to the pandemic since March 2020. It was soon reported that *Mulan*, produced by Disney, had been selected for theatrical release in some countries and regions, but switched to Disney's own streaming platform in the European and American markets. This meant the film was released simultaneously on the streaming platform and in movie theatres. At the same time, Warner Bros. Entertainment also announced that *Tenet* would be postponed from the originally scheduled summer vacation in July 2020 to August 2020, and then further postponed to September 2020. During this period, the media revealed several times that Nolan was dissatisfied with the postponement of the film or the switch to streaming platform. When the public was worried about whether *Tenet* would also switch to the "small screen" after several postponements, Nolan insisted on its theatrical release. Based on his established status as one of the most influential directors in the world today, he called on Warner Bros. Entertainment to release the film in cinemas. In addition, Warner Bros. Entertainment also firmly believed that Nolan had fans around the world. The two parties finally contributed to *Tenet*'s theatrical release worldwide (in countries and areas where the pandemic was under control) from 26 August, 2020. The situation was different in the United States because the film was postponed to be released in September 2020 due to the pandemic. At the time of the severe pandemic situation in the United States, about 180,000 Americans had died of the COVID-19 virus, and nearly 40,000 new cases were being detected every day. Therefore, *Tenet*'s release in movie theatres in the United

States caused considerable controversy in the media. The media even called on the American people to put health first and boycott the film.

In the end, relying on the box office of various countries and the support of Nolan's fans, at the end of 2020, the global box office of this \$200 million Hollywood summer blockbuster has reached a box office of \$363 million, of which \$305 million came from box offices outside North America (Mojo Box Office, 2021). By the end of 2020, there were still 16 countries and regions that had not released the film, meaning *Tenet's* foreign box office had the potential to further increase in 2021. The global box office results made *Tenet* an overseas box office success for Hollywood blockbusters during the pandemic in 2020. More than 84 percent of the film's box office actually came from box offices outside North America. The success of *Tenet* undoubtedly brought a silver lining to Hollywood and the film industry of various countries (especially where the cinema chains were closed due to no blockbusters), which were full of disappointment and pessimistic views during the pandemic. This convinced the film industry that even if the streaming platform could release blockbusters spontaneously, audiences' pursuit of the "cinema experience" was not replaceable. However, as the pandemic continues, will more Hollywood blockbusters like *Greyhound* tend to be exclusively released on streaming platforms, or like *Mulan* be released simultaneously on streaming platforms and in movie theatres? The release model brought a certain degree of uncertainty to Hollywood's release window tradition.

3 Challenges of Hollywood traditional model of film distribution

For a long time, Hollywood, as the most matured film industry, had established its traditional film distribution model: practise a "window" of new film release between movie theatres and streaming platforms. That is, a movie would be released in movie theatres first and only several months later would it be released on streaming platforms. This window ensured the box office advantage of new movies in theatres, and at the same time further secured the commercial revenue of new movies on streaming platforms at a later stage. However, this model had now been challenged. As discussed earlier, some Hollywood blockbusters went directly to the "small screen" or adopted spontaneous release on "small screen" and "big screen" during the pandemic in 2020. In addition, Warner Bros. Entertainment announced that all new films scheduled to be released in 2021 would be released simultaneously in movie theatres and on HBO Max. This meant that the new films would no longer follow the traditional release window.

The global film industry was hit hard by the pandemic in 2020. Did this announcement by one of the mainstream Hollywood production companies signal the "dual distribution" model would be further expanded to other film companies? Would the theatrical window for the release of new Hollywood films disappear in the near future? This new distribution model was bound to have a huge impact on movie theatres in various countries and also affect future film production. It involved all aspects of the film and television industry. Among them, the most impacted would be movie theatres: once they lose the priority to show Hollywood blockbusters, they would be forced to compete with streaming platforms. The movie theatres

were struggling during the pandemic, and this new distribution model put them in an even more unfavourable situation. The film market of various countries had long been monopolized by Hollywood. As mentioned earlier, take the global box office in 2020 as an example: of the 18 films that achieved more than US \$100 million in box office, ten (more than half of the total) were Hollywood films, and this was also affected by the limited screenings during the pandemic. Many blockbusters such as *No Time to Die*, *Top Gun: Maverick* and Marvel superhero movie *Black Widow*, which were originally scheduled to be released in 2020, were now postponed to 2021. Indeed, Hollywood had monopolized the global movie box office for a long time, and the possible disappearance of the theatrical window for new Hollywood films would have a huge impact on the national cinema chains in various countries that rely heavily on Hollywood blockbusters for box office revenue.

During the pandemic in 2020, there was already Warner Bros. Entertainment's "new deal" of releasing films spontaneously on the "big screen" and the "small screen". And a number of blockbusters such as *Greyhound* and *Mulan* moved to the "small screen". All this showed that the trend of Hollywood movies turning to streaming platforms was accelerating. At the same time, we have also seen moves like *Tenet* insisting on theatrical release and achieving global box office success under the name of "cinema experience". Regarding turning Hollywood blockbusters to the streaming platforms, Sony Pictures CEO Tony Vinciguerra also expressed his concern regarding the economic benefits for film production companies (Whitten, 2020). Therefore, it is still too early to assert that the traditional Hollywood release window for new films will completely disappear. In 2020, many Hollywood movies delayed their release dates due to the pandemic, including blockbusters waiting to be released in global movie theatres when the pandemic is under control in the second half of 2021. The situation at the time showed that it was likely for them to be released worldwide in quarter three or quarter four of 2021. Apart from the films mentioned earlier, other blockbusters that were postponed included *A Quiet Place II* (John Krasinski, 2021), *The Conjuring: Devil Made Me Do It* (Michael Chaves, 2021), *Death on the Nile* (Kenneth Branagh, 2021), and *The Matrix 4* (Lana Wachowski, 2021). Today it is already the era of globalization. National cinemas are deeply rooted in the context of the global film industry from transnational film production, distribution and exhibition. When Hollywood sneezes, the global film industry catches a cold. At the beginning of 2021, many countries had begun speeding up their vaccination process, and Hollywood was also exploring new ways to overcome the difficulties brought on by the pandemic. It is fair to say that the global film industry will regain prosperity by profiting from both cinema chains and streaming platforms soon.

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9 The UK film industry in 2021

David Wilson

The UK film industry continued to boom throughout 2021 despite the impact of the COVID-19 pandemic. This led to a sharp increase in demand for studio production space, with 20 new sites identified for development, increasing studio provision in the UK to 6.8 million sq. ft but also leaving a skills shortage of approximately 40,000 jobs between 2021 and 2025. Film production spend reached £1.55 billion, a 13 percent increase on 2020's reported £1.36 billion spend.

In 2021, 209 films went into production, which equates to 75 more than reported in 2020, which had been disrupted by the COVID-19 pandemic. Of the 209 films, 126 were classified as independent domestic UK features, which contributed £221 million to total spend – a 39 percent increase on the £158.2 million spend in 2020.

There was also a surge in demand for high end TV (HETV); according to Screen International, HETV production in the UK has boomed since the introduction of the UK's HETV tax relief in 2013, delivering a new record spend of £4.09 billion in 2021 from 211 productions. This is 155 percent higher than in 2020 and 85 percent higher than the pre-pandemic record of £2.21 billion generated in 2019.

Shepperton Studios in Surrey has reported record numbers in terms of production and the Pinewood-owned Shepperton's new multimillion-pound deal with Amazon's Prime Video, guaranteeing the use of around 450,000 sq. ft of space, will keep the studio busy into the next decade. Netflix, which pledged to spend £1 billion on UK productions every year, is doubling its own Shepperton space. New and increased studio provision was also planned for other areas, including Leeds and Liverpool, while pop-up studio space was deployed in Bradford.

The combined UK spend on film and HETV production during 2021 reached £5.64 billion, the highest ever reported, and £1.27 billion higher than for the pre-pandemic year 2019, according to the British Film Institute (BFI).

Whilst the growth in production is great news for the screen sectors in the UK the shortage of skills is a concern and may impact on the quality of British-made productions. Research carried out by Screen Skills in UK has found that crew are being promoted to meet demand before they are ready to handle a more senior role. There are also concerns for the growing practice of what is termed "show-jumping", where crew that are in particular demand leave a production before it is finished because of the offer of better-paid work, usually on a more high-profile project.

The UK, like many other countries, is hoping to see an increase in screen tourism as many travel restrictions in place because of the COVID-19 pandemic begin to be lifted. A recent report by Netflix and the United Nations World Tourism Organization highlights the importance of cultural affinity and screen tourism and signals an attempt by the world's largest streaming service to acknowledge a wider commission brief. The report highlights that people who watch local content are 2.4 times more likely to say the featured country is their number one travel destination. The report goes on to state that, alongside the desire to travel and visit destinations, exposure to screen content also leads to greater interest in heritage, culture and developing interpersonal relationships.

Across the world, streaming services have benefited from the pandemic and the range of lockdown scenarios in different territories. There is also a growing sense of maturity among some of the screeners and an acknowledgement that they need to do more to seek out new talent. In the UK, Netflix announced a breakout initiative; Netflix offered a £1.5 million budget in its search for new UK filmmakers. This initiative will give an unknown director, producer or writer a global launch on the streaming service from across the creative spectrum – theatre, TV, video gaming, online content, commercials, graphic novels, music promos and short films.

News reports were that Netflix had seen a reduction in customers in 2022 (BBC) and this was attributed to the increase in the cost of living and subscribers sharing log-in details. This led to the streaming service considering advertisements for the first time.

Across the screen sectors in the UK there was also a renewed effort to ensure that sustainable filmmaking and TV production was increased. BAFTA (the British Academy of Film and Television Arts) continued to develop sustainable filmmaking training for production companies and for film and TV students and some of the key considerations in this approach were to use more crew and services in the locality of the filming as opposed to crew, props and equipment travelling across the country to film.

The Bradford Film Office, part of Bradford UNESCO City of Film, also saw a marked increase in enquiries for film and TV locations and other services such as a local crew to support production. In addition to location requests for feature films there was a notable increase in requests from video-on-demand companies and additional training was being developed to support graduates entering the sector.

The University of Bradford is now an official training provider for Albert sustainable filmmaking across the range of degree courses.

The UNESCO Film Cities continue to exchange information on good practice in many areas referred to in this report and have a remit to drive the sustainable development of cities using the creative industries as a driver.

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10 The UK film industry in 2020

David Wilson

Throughout 2020, the COVID-19 pandemic had a huge impact on all aspects of society across the world. The entertainment and leisure industries and the creative industries that drive these sectors were particularly hard hit with the closure of cinemas and many film and TV productions either cancelled altogether or significantly restricted due to measures in place to protect the public from the pandemic.

On 23 March, 2020 the UK prime minister Boris Johnson announced a national lockdown, with people urged to work from home wherever possible and all non-essential shops to close until further notice. The UK financial year runs from April to March.

Cinemas across the UK closed on 24 March, 2020 and film and TV productions ceased for the first two months of the lockdown until detailed guidance was issued by the British government, which worked closely with the British Film Commission to ensure that production could resume in a safe manner. Film offices around the UK, including the Bradford Film Office, were consulted, and continue to be consulted on a number of interventions and measures to ensure that production continues in a COVID-safe manner.

This chapter briefly examines the impact of the pandemic on the UK film exhibition and production sectors and briefly discusses the further implications of the UK formerly leaving the European Union as of 31 January, 2020.

1 Film exhibition in the UK

The UK box office was very strong before the impact of the COVID-19 pandemic, and in 2019 more than 176 million cinema tickets were sold, making it one of the highest years for cinema attendance since 1970, according to figures from the British Film Institute (BFI).

Not surprisingly 2020 saw box office figures fall significantly due to the forced closure of cinemas for much of the year. The box office fell by 76 percent from the year before. The lockdown saw virtually no cinema activity in April, May and June, before cautious reopenings in early July. There was a modest revival in September and October before a second lockdown came into force in November.

The availability of new film content also affected audience appetite for cinema. The James Bond film *No Time to Die* had its release date changed three times in

12 months and many releases that had been destined for cinema were released instead on online platforms.

Major European cinema chain Cineworld made a decision to remain closed throughout 2020 and stated the reason in part due to lack of availability of new content but also due to social distancing measures that would be needed for screenings to take place.

A number of independent cinemas reported increased audiences at times in between the UK lockdowns, and locally (in Bradford) this led to programming more films made in the region with a spike in interest.

2 Film and TV production in the UK

Speedy and decisive action by the UK government, the British Film Commission, UK broadcasters and film offices across the UK led to the development and dissemination of official guidance and advice on film and TV production to resume with strict COVID safety measures in place to try to protect the acting talent, crew and members of the public. This guidance continued to be developed and revised in line with the wider government guidance on the pandemic but film and TV production remained in the special categories of sectors still allowed to function, albeit with strict adherence to the guidelines. Due to the temporary halt of many productions during the first UK lockdown there was a noticeable lack of new content for TV as well as films for TV and cinema. In addition, there was also an increase in demand for content due to the launch of the Disney+ video-on-demand (VOD) service and also the demand from people in lockdown not able to visit cinemas but also unable to attend sporting events and other leisure activities.

BFI statistics for 2020 reveal a £2.84 billion film and high-end TV production spend in the UK after months of suspended production.

The Producers Alliance for Cinema and TV (PACT) reported in November 2020 that UK TV exports for 2019/20 had another record-breaking year, generating £1.48 billion, a 6 percent year-on-year increase.

Film Offices UK, a network representing all film offices across the UK, reported a very high number of ongoing enquiries and activity in relation to film and high-end TV production across all regions of the UK.

3 Brexit considerations

On 31 January, 2021, the UK officially left the European Union and at that point was no longer a member of Media – Creative Europe.

The BFI developed the Global Film Fund, a government-backed fund of £7 million set to go live at the end of April 2021. The Global Film Fund is not intended as a replacement for Media for the UK industry. It will be international rather than European-oriented and is expected to have a strong emphasis on exporting and marketing UK cinema globally. The UK will continue to participate in the EU's £85 billion Horizon Europe 2021–2027 programme, which invests in research and innovation and includes a strand supporting “Culture, Creativity and Inclusive Society”.

Future trade deals between the UK and other regions of the world beyond Europe may also bring further opportunities for the screen sectors.

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11 Cannes

Creative City UNESCO

Maud Boissac

With 74,784 inhabitants, Cannes is the second largest city in the Alpes-Maritimes department in France. Located in the heart of the French Riviera, Cannes enjoys a coveted geographical location on the shores of the Mediterranean. Thirty minutes from Nice International Airport, Cannes also has the second largest business airport in France. The city is connected to other major European cities by a motorway network and is served by the TGV high speed train service. With 8,000 rooms in 130 hotels, Cannes welcomes 3 million visitors a year, making it one of the world's largest-capacity destinations. It is twinned with six other cities: Madrid, the Royal Borough of Kensington and Chelsea, Beverly Hills, Shizuoka, Acapulco and Sanya.

The key economic sectors are business and leisure tourism, satellite services, and water sports. The audiovisual industry is at the heart of a global "Cannes on Air" growth strategy.

Indeed, the city of Cannes is an average-sized city that has the particularity of welcoming the whole world during international congresses.

The Festival and Convention Centre generated 12,703 jobs in 2019 and hosted 51 professional events for a turnover of €45.3 million and economic benefits profits estimated at €815 million in Cannes. The benefits of MIPTV, MIPCOM or MIDEM represent €250 million, thanks to the participation of 62,000 professionals registering 170,000 overnight stays in the hotel sector. Those of the Cannes Film Festival were estimated at €200 million in 2019.

During this festival, 4000 journalists and 150 countries are represented.

There are strong social and economic disparities: 20 percent of the population lives below the poverty line while the French national average is 14 percent. Some districts of the city are classified at the national level as priority areas.

For the mayor of Cannes, David Lisnard, culture is a priority. It is the largest budget in the city. This corresponds to 16 percent of the overall budget, or €30.2 million.

A pioneering city in terms of artistic and cultural education, Cannes became a pilot city in 2017, paving the way in France for the generalization of the Ecole d'art et de culture. Each young person, every year, has an artistic project that includes a meeting with an artist, an artistic practice and a debate on a cultural work.

The city has six theatres, two museums, a contemporary art centre, a music and theatre conservatory, five media libraries, two national professional schools of theatre

and dance, a permanent symphony orchestra of 37 musicians with a focus on music linked to image, creative spaces, a festival center and eight cinemas (with 30 screens).

Cannes is the site of 15 festivals dedicated to cinema and audiovisual, such as Canneséries, throughout the year, as well as 11 studios dedicated to audiovisual, a business incubator for companies, a university campus with professional training focusing on film festival.

There are ambitious plans to open an international cinema and film festival museum in 2028, in partnership with the Cinémathèque française and the Cannes Film Festival.

In Cannes, the audiovisual sector is a growth sector with a strong economic impact. As such, the Cannes area is the leading employer in the audiovisual sector in the Alpes-Maritimes, with 76 companies generating a turnover of €123.1 million.

Opened in 2014, the Cannes incubator currently hosts 20 companies. In September 2021, a new 23,680 sq. ft campus was set up to host professional training and companies mainly in the audiovisual sector. It is equipped with studios for use by professionals on the entire audiovisual production chain.

The audiovisual Cannes project is based on the involvement of a highly active and varied community, with 20 civil society experts in the fields of cinema and audiovisual and managers of Arte, Canal +, Gaumont and the Académie des Césars.

Institutional partners include the Centre National du Cinéma, Institut national de l'audiovisuel and associative partners such as the French Association of the International Film Festival, the French Association of the International Series Festival, the Guilde Française des Scénaristes, the Alpes-Maritimes Film Commission, the Directors' Society, the Critics' Union, Cannes Cinema and Acid.

Cannes has training partners with Université Côte d'Azur, ESRA Côte d'Azur, Institut national de l'audiovisuel, Regionale D'acteursde Cannes et Marseille, Le Pôle National Supérieur de Danse Rosella Hightower, the University of California-Los Angeles, London Film School, LODZ Film School, MIDPOINT Institute, Berlin Film School, the Scuola Holden, and private partners Vivendi and Canal+, Banijay and Novelty.

Participating production companies include ADASTRA Films, Dramacorp, Beta Films or Tam Tam Fictions.

Cannes' first project with the UNESCO Creative Cities Network took place in 2022 with Dakar, Senegal, to share know-how and promote African cinematographic creation with the hosting of events called "the Cannes-Dakar Meetings". Representatives from Cannes held talks in Dakar on the place of African cinema at Cannes and there were plans for Cannes to support ten African filmmakers during the Cannes Festival selected by FESPACO, the short film festivals of Ivory Coast, Madagascar and Senegal, to put them in contact with the cinematographic environment. For this project, Cannes had a partnership with the directors of Cannes' different festivals: the Cannes Film Festival, festival Quinzaine des réalisateurs, Acid and semaine de la critique.

Cannes will also support the development of a project to create a show and a film with the international school of actors in Dakar and the national school of actors in Cannes.

Cannes officials also wanted to pay tribute to musicals in 2022 by transforming the city into a cinema set with a cover of *West Side Story* by the national dance school Rosella Hightower in the public space and a creation on French musicals by the French company la Horde.

In 2023, Cannes had plans to host “Bollywood Express” by the Mumbai artists of the Taj Express.

For us, Cannes Creative – City of film is a city project, a collective project to place art and culture at the heart but also on the outskirts of the city, to promote the transmission of the seventh art to all audiences and to create partnerships with the Creative Cities of the Network.

12 The Macedonian film industry in 2020

Market volume of the 2020 film industry in COVID-19 conditions

Film Center Bitola

It was a challenging year for the industry in North Macedonia, as all over the world. The first two months of 2020 had robust results and then the cameras stopped rolling from March until July 2020, cinemas closed their doors from 11 March until 24 September, 2020, festivals were cancelled and the whole chain was badly interrupted. Despite the developments that 2020 brought upon us, the film industry found a way to continue.

North Macedonia will remember 2020 as one of the biggest successes in Macedonian film history. The documentary *Honeyland*, directed by Tamara Kotevska and Ljubomir Stefanov, was nominated in the Best Documentary Feature and Best International Feature Film categories at the Academy Awards. Not only was it the first time that a Macedonian film got two Oscar nominations, but also the first time a documentary was nominated at the Oscars in the two categories. The film had its premiere at the Sundance Film Festival in 2019, where it won three awards, continuing this success with more than 80 film festival selections and collecting more than 30 international awards, culminating with the Oscar ceremony. The awards ceremony took place on 10 February, 2020 in Los Angeles, where the cast of the film joined the world's most prominent filmmakers.

In the same period, the Macedonian short film *Sticker*, directed by Georgi M. Unkovski, premiered in the International Narrative Short Films at the Sundance Film Festival and won the Best Narrative Short Prize at the Brooklyn Film Festival. The film received more than 40 awards (at more than 170 festivals) and qualified for an Oscar nomination.

One of the biggest Macedonian film directors Milcho Manchevski's sixth film *Willow* was selected as North Macedonia's candidate for the 93rd Academy of Motion Picture Arts and Sciences award in the Best International Feature Film category. One of the locations, the Prilep area, of Willow was among the five finalists for European Film Commissions Network's (EUFCN's) Location Award 2020, the annual prize for European film locations, organized by the EUFCN in collaboration with Cineuropa. Manchevski is an Academy Award nominee for his first film *Before the Rain*.

Bitola celebrated five years as a UNESCO City of Film since its designation in 2015. Bitola and the surroundings, along with the capital Skopje, are usually the main production points in North Macedonia. Because of the COVID-19 pandemic,

very few films were filmed on a country level in 2020 and none in Bitola. But the film industry was kept alive by screenings during the summer months with the open-air cinema organized by the 3D Cinema Bitola and several events in collaboration with local companies and associations and international participation through online applications.

Also, several film-related events were held in Bitola following strict protocols which put Bitola in the spotlight. Among the biggest events was the second Forum of UNESCO Cities of Film, which was held in a hybrid form under the theme “Creating the City of the Future” from 25 until 28 August, 2020.

1 Film production

Film production did not stop despite a delay of several months. During the pandemic in North Macedonia, several feature films were shot, such as *Sabbattier Effect* by Eleonora Veninova, produced by DNF Films (in August); *Mimi* by Darijan Pejovski, produced by Skopje Film Studio (in October); *The Day of the Woman* by Goce Cvetanovski, produced by Makedonska Krepost (in October) as well as the short films *Common Eli*, directed by Lavinija Sofronievska and produced by Minimal Kolektiv (in September) and *Tina's Problem*, directed by Radovan Petrovic and produced by Partyzans (in November). A safety protocol for filming during COVID-19 was prepared by the North Macedonia Film Agency and the Macedonian Film Workers' Association (DFRM), which recommended measures for the protection of all involved individuals on a film set.

The North Macedonia Film Agency aims at providing support for the production of projects of national interest in the film industry, obtaining funds for financing projects of national interest in the film industry, stimulating the creation of national screenplays, providing support for the realization of international filming coproductions, stimulating international cooperation with institutions, film festivals and other film industry organizations and carrying out activities to encourage investments in the film industry, as well as other activities established by the Film Industry Law.

In 2020 the Agency had a budget of €26 million and supported the production of 20 films. The Agency supported six majority feature films including four debut features, as well as three minority coproductions, four majority long documentaries, one minority long documentary, one minority long animated film and five short films. Directors Milcho Manchevski and Teona Strugar Mitevska received the highest amounts of support of €487,805 or 30 million Macedonian denars each for their new films, *Kaymak*, produced by Banana Film, and *The Happiest Man in the World*, produced by Sisters and Brother Mitevski.

Some of the supported films began principal photography in 2021 and 2022. There is an annual call for applications (with two deadlines in March and August) for production support for feature films, documentaries, short films and animated films.

The results of the second deadline of the call for applications had not yet been published by the end of 2020.

In 2020, the Council of Europe fund for cultural support, Eurimages, supported four film projects in its coproducing scheme whereby North Macedonia was a delegate producer or a coproducer, with a total of €351,700.

Creative Europe MEDIA support is a EU programme that financially supports the development, distribution and promotion of the European film and audiovisual industries. In 2020, the Creative Europe MEDIA programme supported a total of five projects in four different funding schemes, with a total support of €108,216.

2 Cinema releases and box office

Only three domestic feature films were released in cinemas in 2020 and the admissions dropped by 85 percent compared with 2019.

But some of the domestic films released in 2019 were going strong at the box office in the country and abroad before the pandemic was announced. *Honeyland*, directed by Tamara Kotevska and Ljubomir Stefanov, and produced by Trice Films and Apollo Media, was the most-watched film in domestic cinemas in 2020. Following the Oscars, *Honeyland* was released in Australia and New Zealand and a release in other European countries, South and North America, China, Japan, South Africa and Turkey should have followed, but was disrupted by the pandemic.

There are three commercial cinemas in North Macedonia (one multiplex, Cineplexx, with nine cinema halls; Cinema Milenium and 3D Cinema Bitola) and two arthouse cinemas with a regular repertoire (Cinema Frosina and the Cinematheque of North Macedonia). Another 18 cultural centres screen films occasionally.

The government of the Republic of Macedonia appointed the Cinematheque as the institution responsible for the digitalization of the Macedonian film heritage in 2011. In 2012, the Cinematheque launched a long-term project to digitalize and digitally restore the national audiovisual heritage. In 2020, the Cinematheque digitalized around 20 short films made between 1957 and 2006, and worked on the digitalization of the first Macedonian feature film, *Frosina*, directed by Voislav Nanovic and produced by Vardar Film.

Open-air cinemas opened in early July 2020, and helped some of the festivals hold their summer editions.

Only three open-air cinemas were operating in the entire country in the summer of 2020: 3D Cinema Bitola, the Cinematheque of North Macedonia and the Youth Cultural Center, which runs Cinema Milenium and Cinema Frosina.

The main distributors in North Macedonia are MCF MK, Konstantin film MKD, KT Film & Media, which is a company based in Bitola, Cutaway and Uzengija, which dominate mostly the arthouse market. The leading distributors of mainstream cinema in the Macedonian market are the Croatian Continental Film doo, 2iFilm, the Croatian Blitz Film and Video Distribution and Premium Film who handle the blockbusters.

Cinemas were allowed to reopen on 24 September, 2020, but with 30 percent capacity and maintaining social distancing. Compared to the first months of 2020, the last three months of the year showed around a 90 percent fall in admissions.

Honeyland, was also the most-watched domestic film in the history of the only multiplex cinema in the country, Cineplexx, with 11,113 admissions, followed by *Willow*, with 9,777 admissions.

In its eighth year Cineplexx, the largest exhibitor in North Macedonia, with over 70 percent of the market share, screened 91 titles, compared to 148 titles screened in 2019. According to the cinema, the US Production *Bad Boys for Life* was the most-watched film, with 14,298 admissions. The multiplex registered 90,801 admissions in 2020, which was a drop of 77 percent compared to 395,487 admissions in 2019.

3 International Cinematographers' Film Festival Manaki Brothers and other festivals

Film events were postponed or canceled, and many of them took place in a virtual format, using the latest communication technologies. As mentioned above, also the open-air cinemas helped some of the festivals hold their summer editions.

The 41st edition of the International Cinematographers' Film Festival (ICFF) Manaki Brothers was celebrated with a formal one-hour event in Bitola on 19 September, 2020 as well as several online activities, which did not include online competition screenings. The highest awards, the Golden Camera 300 for Lifetime Achievement, was presented to the Polish American cinematographer Janusz Kaminski, and the Big Star of Macedonian Film Award to the director Stole Popov. ICFF Manaki Brothers is the first and oldest film festival dedicated to the creativity of cinematographers across the world. It started in 1979 with the initiative of one of the main founders – MFPA/the Macedonian Film Professionals' Association. It was also co-organized with the Cinematheque of Macedonia and host city of Bitola, established in honour of and inspired by the abundant photographic/cinematographic opus of the Manaki brothers: Yanaki (1878–1954) and Milton (1880–1964). Thanks to the festival, Bitola became the Mecca of the best international cinematographers, leading to the discovery of many new talents who are today deemed superb wizards of film photography and cinema aesthetics. They are adorned with the awards of our festival, and at the same time recognized as glorious Oscar-winners who have strolled down the streets of Bitola, which they have considered to be an artistic hub, going back for many years. Laureates of the Golden Camera 300 for Lifetime Achievement were great cinematographers of world cinema art, such as Sven Nykvist, Henri Alekan, Freddie Francis, Jose Luis Alcaine, Jerzy Wójcik, Raoul Coutard, Vittorio Storaro, Vadim Yusov, Miroslav Ondříček, Tonino Delli Colli, Walter Carvalho, Michael Ballhaus, Vilmos Zsigmond, Billy Williams, Peter Suschitzky, Dante Spinotti, Anatoli Petritsky, Luciano To-Voli, Chris Menges, Ryszard Lenczewski and Jaromir Sofr, among others.

Other festivals held after October 2020 were held fully online. The 11th edition of the Mobile International Film Festival, which traditionally held part of its program in Bitola, was held fully online. Thanks to the online format it grew into a regional festival, and the films from the festival were available in 13 countries in the region. It was the most-watched edition of the festival and the film literacy

workshops held online attracted a record number of young audience. Ninety films from all over the world were part of the programme distributed in the official competition, COVID programme and animated programme. The festival was organized by Bitola-based production and distribution company KT Film & Media.

Another festival that was held fully online was Festival on Wheels, which has been held since 2014 and screens the best of European cinema while traveling in several cities in the country. It also held several workshops for filming and editing.

4 Video-on-demand releases and online events

Several older domestic films were released online due to the collaboration of the Cinemateque of North Macedonia and the only Macedonian video-on-demand (VOD) platform Cinesquare.net, owned by Cutaway Production and Distribution based in Skopje.

During the quarantine Cinesquare, an initiative of Film Center Bitola made more than 200 films available online and free of charge to its users as an act of solidarity. The free films were available from 1 April until 15 May, 2020, as part of the #StayHome campaign. The feature films, documentaries and short films were available for free in Romania, Bulgaria, Croatia, Serbia, Bosnia and Herzegovina, Slovenia, Montenegro, Kosovo, North Macedonia, Albania, Greece, Cyprus and Turkey for viewers who registered on cinesquare.net or the Android app available on Google Play.

Additionally, Cinesquare offered free of charge all the films selected for its fifth edition of the SEE Online Film Festival in April 2020.

Cinesquare hosted even several festivals from North Macedonia and also from the wider region: Beldocs Documentary Film Festival, Ljubljana International Film Festival, Makedox Creative Documentary Film Festival, Panorama European Film Festival Athens, LGBT Film Festival Ljubljana, Pelicula Iberian Film Festival Romania and many others.

In terms of media literacy and audience engagement, Film Center Bitola in collaboration with Cinesquare held several online workshops aimed for children between eight and 14 years old, from stop-animation to film photography.

Also, during 2020, the young cinephile community of European Film Cinemalovers European Film Challenge in North Macedonia joined forces with Cinesquare to challenge the young cinephiles to watch movies on the platform and collect points in a chance to win exclusive access to European Films and TOP-A Film festivals.

5 Film and other creative industries

As a Creative City of Film, Bitola envisages:

- (1) Nurturing the vibrant role of film in Bitola's creative economy, notably by expanding the scope of the programme Film Center Bitola through public-private partnerships involving public cultural centres, universities, academia and private production companies.

- (2) Fostering the city's cultural offerings through exhibitions, festivals, workshops and other events especially based on the film heritage of the Manaki brothers.
- (3) Positioning Bitola as an international hub for film creation.
- (4) Exchanging experience and knowledge with other Creative Cities of Film.

Film Center Bitola, which is a nonprofit organization dedicated to the development of film as an artistic medium in Bitola, represents and manages the city of Bitola's activities related to UNESCO. Its main goal is to help in the realization of existing projects and manifestations organized by the city of Bitola, in the field of film and new media. It also provides services for the city's film-related activities and relations with the film industry, develops the awareness of the public regarding the benefits and significance of the film industry (and other creative industries) in Bitola and the wider economic area. The Center works on film and media education and organizes events in schools, such as workshops, projection of kids' movies and film practice. In this direction, Film Center Bitola organized and participated in several activities that kept the film industry in the city alive during the COVID-19 pandemic.

Film Center Bitola from 25 to 28 August, 2020, organized the second UNESCO Creative Film Cities Forum in Bitola: Creating the City of the Future, supported by the Ministry of Culture. The forum brought together representatives of film cities from the UNESCO Network of Creative Cities to share experiences and enable collaboration on joint projects, using online and offline technology due to the inability of some representatives to travel because of the COVID-19 crisis. The forum highlighted the different ways in which creative cities thrive by embracing innovation and culture in their local policies to achieve the 2030 Sustainable Development Program with a focus on digital technologies and film. The forum was attended by representatives of UNESCO Creative Cities for Film – Jordi Hernández (Terrassa UNESCO City of Film), Anika Eunhye Kim (Busan UNESCO City of Film), Monika Marlicka-Robert (Łódź UNESCO City of Film), Alessandra Pescetta (CSC – National Film Archive, Rome), Magdalena Popovic (Sarajevo UNESCO City of Film) and David Wilson (Bradford UNESCO City of Film), who shared their experiences of dealing with the COVID-19 virus crisis.

The wide range of creative industries and related expertise in Bitola and the wider region are represented by the photography (Bitola is the town of Manaki Brothers – one of the first photographers in the Balkans), the gaming industry, audiovisual productions, graphic design, digital services, design and music. These creative businesses bring added value to companies in other sectors in terms of product development, service design or digital visibility. The creative industries play an important role also in terms of the area's visibility and image. The only legal entity that gathers all creative industries in the country is the Union of Macedonian Associations in the Creative Industries UMPAKI. Film Center Bitola is a founding member of the Union and together in 2020 organized several activities on a local level in collaboration with the Association for Game Development MAGDA, which is based in Bitola, and several other associations and companies. UMPAKI became a full member of the Macedonian Chamber of Commerce,

which celebrated 99 years and founded a separate Association of Creative Industries within the Macedonian Chamber of Commerce. This collaboration is expected to lead to more funding and infrastructural opportunities for better development of the film industry and creative industries in total, especially gaming in collaboration with MAGDA.

Bitola is also the base of the Regional Film Fund Balkan Cinema Cities or BCC founded in 2015 by seven cities in the region (Korcë, Blagoevgrad, Tirana, Varna, Sofia, Skopje and Bitola), from which two, Sofia and Bitola, are UNESCO cities of film, to support the production, distribution and promotion of film activities, fostering of film audiences and the stimulation of local creative potential and industries in these cities. There were discussions and efforts to grow from a Film Fund into a Film Commission and to move the headquarters from Bitola to Plovdiv, Bulgaria.

Since 2017, Balkan Cinema Cities has organized the Forum for New Distribution Models, a project of particular importance for the film industry in our country, especially for the distribution of films and their crossing the borders of our country and successful placement on the world market. The value of the project was recognized by the Ministry of Culture on two occasions approving support for it. The ultimate goal of this Forum is to grow into a market for film sales and distribution. The forum is held in Bitola, the headquarters of the BCC. Up until 2020 there had been three consecutive editions focused on various topics related to the future of film, including “What Is Digital Distribution” in 2020, focused on European film online distribution and the benefits of technology and digital platforms in the time of COVID-19.

Finally, the distribution and production company KT Film & Media from Bitola organized the sixth edition of the Forum for Production Design in August 2020 in Bitola with the support of the Ministry of Culture of North Macedonia. This is the only forum in the country that is focused on production design and it was especially important that the forum was held in Bitola.

13 Market volume of the 2021 Macedonian film industry

Film Center Bitola

Just like the year before, 2021 was a challenging year, with every segment of social life, including the film industry, affected by the consequences caused by the COVID-19 pandemic. The measures implemented by the institutions, including protocols for organizing events, film production protocols and different forms of film promotion, resulted in a new course of developments and actions, encompassing all industry segments. Namely, a large number of the film festivals was held in a hybrid form by combining a physical and online presence of film professionals, a large number of cinemas opened their doors to the public, but with reduced capacity, many events took place outdoors and a great number of films were watched on video-on-demand (VOD) platforms. In essence, the introduction of different approaches to the presentation, promotion and affirmation of cinema was of particular importance to maintain continuity in every segment of the film industry.

Macedonian cinematography continued with its successful streak despite the turbulent and uncertain period brought by the health crisis. In 2021, Macedonian films were noticeably present in the spotlight of the largest film festivals (selected at more than 160 festivals), winning numerous recognitions (60 international awards and prizes).

For the first time in recent history, a Macedonian film was selected in the Official Selection of the Cannes Film Festival. The short film *North Pole/Severen pol* by Marija Apcevska, produced by Kino Oko and coproduced by Serbia film, Forgrade, Tivoli Production, and supported by the North Macedonia Film Agency, competed for the Short Film Palme d'Or and had its world premiere on 16 July, 2021, at the Debussy Theatre. The film was also screened at more than twenty major world film festivals, winning significant awards such as the Grand Prize of ZINEBI Bilbao International Documentary and Short Film Festival. This award qualified the film for the 2023 Academy Awards and for the 2022 European Film Awards.

Director Dina Duma's debut feature film *Sisterhood/Sestri*, had its world premiere at the Karlovy Vary International Film Festival, in the East of the West section, winning the special jury prize. During 2021, *Sisterhood* participated in a dozen film festivals, and was the official Macedonian entry for the 2022 Academy Awards. The film was produced by List Production, in coproduction with Added Value Films and ijVidea Production and supported by the North Macedonia Film Agency and Film Centre of Montenegro. *Sisterhood* is the first Macedonian film

that was sold to Netflix and premiered on 24 December, 2021, on the global streaming platform.

Actress Sara Klimoska was selected as a European Shooting Star 2021 (an initiative by European Film Promotion – the international network for promotion of film projects and talents) for her authentic expression and skills in portraying her role in Igor Aleksov's *Lena and Vladimir*.

Another highlight was the performance of Teuta Ajdini Jegeni in the Kosovo/Albania/North Macedonia coproduction *Vera Dreams of the Sea* by Kaltrina Krasniqi, a feature film that had its world premiere at the Venice Film Festival, where it won two awards, and was screened at the Thessaloniki International Film Festival, receiving special recognition from the jury. The minority coproduction *Looking for Venera*, directed by Norika Sefa (a coproduction between Kosovo and North Macedonia) had its world premiere at the Rotterdam International Film Festival, winning the special jury award. The film also won Best Picture at the Gbeck Future Film Festival. The film *Hive* (a coproduction between Kosovo, North Macedonia, Switzerland and Albania, in which the Macedonian coproducer was Black Cat Production) won three awards at the largest festival of independent film in the United States – the Sundance Film Festival – and was shortlisted in the feature film selection of the European Film Awards. The film *Heavens Above* by director Srdjan Dragojevic (a coproduction between Serbia, Germany, North Macedonia, Slovenia, Croatia, Montenegro and Bosnia) had its world premiere at the Locarno Film Festival.

Apart from the recognition and affirmation of Macedonian cinematography at the international film festivals, film projects by Macedonian authors also opened the doors for cultural cooperation with countries with which this has not been the case so far. Namely, the film project *Snow White Dies at the End*, directed by Kristijan Ristovski and produced by Vertigo Visual and Focus Pocus, received support from the Republic of Cyprus. This marks the first film coproduction between North Macedonia and Cyprus and in general.

Furthermore, to reinforce the cultural exchange and cooperation with European countries and open new opportunities for coproduction, after several years of negotiations, the North Macedonia Film Agency signed a coproduction agreement with the French National Center for Film and Moving Images (CNC). The goal of this agreement was to encourage cooperation with France in the field of film and to contribute to the realization of several coproductions, as well as to stimulate collaborations and exchange of knowledge and skills between authors and producers from both countries.

Bitola celebrated six years since it became a UNESCO City of Film in 2015. Several film-related events were held in Bitola that put Bitola in the spotlight. Among the biggest events was the Third Forum of UNESCO Cities of Film, which was held in a hybrid form under the theme “The Future of Cultural and Creative Economies/COVID-19 Challenges” on 28 and 29 October, 2021. Another such event was the 42nd edition of the International Cinematographers Film Festival Manaki Brothers, which was held in Bitola from 16 to 21 September, 2021.

A location near Bitola, Mariovo and Treskavec, was nominated for the Best European Film Commissioners' Network Location Award 2021. The locations appear in

the film *Willow* by Milcho Manchevski. Out of a total of 28 applications, North Macedonia entered the top five finalists alongside Slovakia, Germany, Italy and Lithuania for one of the most important awards for promoting attractive film locations. This was the second year in a row that North Macedonia was among the finalists, following the 2020 nomination of the film location from the Macedonian film *Honeyland*, directed by Tamara Kotevska and Ljubomir Stefanov, which was a triple Sundance winner and a first time documentary nominee for the Oscar for Best Film.

1 Film production

Bitola and its surroundings, along with the capital Skopje, are usually the main production points in North Macedonia. Because of the COVID-19 pandemic very few films were filmed on country level in 2021. Only three feature films by Macedonian authors were shot in 2021:

- *The Happiest Man in the World* by Teona S. Mitevska, a coproduction between North Macedonia, Bosnia and Herzegovina, Croatia, Belgium and Denmark (in August 2021).
- *Kaymak* by Milcho Manchevski, a coproduction between Denmark, the Netherlands, Croatia and Bulgaria (in July 2021).
- *Maybe* by Kastriot Abdyli, a coproduction between North Macedonia and Belgium (in November 2021).

Additionally, six feature films in which North Macedonia participates as a minority coproducer were filmed in 2021:

- The Croatian/Macedonian/Kosovan coproduction *Escort*, directed by Lukas Nola and produced by Kinorama and coproduced with Macedonian Skopje Film Studio (in October 2021, Croatia).
- The kids' feature film *Planet 7693* by Gojko Berkuljan, produced by A Production and Giggling Goat from Montenegro in coproduction with Skopje Film Studio from North Macedonia (in September 2021, Montenegro).
- *The Silence of the Sirens*, directed by Gazmend Nela, produced by Frame & Ikone Studio from Kosovo, in coproduction with Skopje Film Studio from North Macedonia (in 2021, Kosovo).
- The Slovenian/Croatian/Macedonian coproduction *Grandpa Goes South*, directed by Vinci Vogu Anžlovar and produced by A Atalanta in coproduction with Sektor Film from North Macedonia (in 2021, Slovenia).
- The Bosnian/Croatian, Macedonian, Serbian coproduction *May Labor Day*, directed by Pjer Žalica, produced by Forum Association in coproduction with Sisters and Brother Mitevski from North Macedonia (in August 2021, Bosnia and Herzegovina).
- *Behind the Haystacks*, a Greek/Macedonian/German coproduction, directed by Asimina Proedrou, produced by Argonauts Productions SA in coproduction with Macedonian Sektor Film (in March 2021, both sides of Greece – North Macedonia border).

Moreover, five short fiction films were completed and three documentaries (one national film and two documentaries in which North Macedonia was a minority coproducer).

The North Macedonia Film Agency aims at providing support to the production of projects of national interest in the film industry, obtaining funds for financing projects of national interest in the film industry, stimulating the creation of national screenplays, providing support for the realization of international filming coproductions, stimulating international cooperation with institutions, film festivals and other film industry organizations, performing activities to encourage investments in the film industry, as well as undertaking other activities established by the Film Industry Law.

The Agency's budget for 2021 was approximately 207.3 million Macedonian denars or €3.4 million, of which 89.99 percent was used to support films and other projects of national interest selected by the Agency as a result of its public call for applications, as well as activities for the development of the film industry and the international promotion of Macedonian cinematography. A total of 35 films were granted financial support. The Agency supported four debut feature films as majority productions, five minority coproductions, three majority long documentaries, five minority long documentaries, and 18 short films. Some of the supported films began principal photography in 2021 and 2022. There is an annual call for applications (with two deadlines in March and August) for production support for feature films, documentaries, short films and animated films.

Directors Kosara Mitic and Marjan Gavrilovski received the highest grants in the first call to shoot their films *19* (produced by Black Cat Production) and *The Ants Rule the World* (produced by Time Lapse), supported with €373,983 23 million Macedonian denars and €243,902 or 15 million denars, respectively. In the second call, two majority feature films were supported with €243,902 (15 million denars) each: *The Secret of the Barren Hill/Tajnata na goliot rid* by Igor Aleksov, produced by City Star production, and *The Park/Parkot* by Sabidin Aliu, produced by Vizioni Plus Production.

In 2021, the Council of Europe fund for cultural support, Eurimages, supported five film projects in its coproducing scheme where North Macedonia was a delegate producer or a coproducer, with a total of €818,000. The two majority productions were *The Happiest Man in the World*, directed by Teona Strugar Mitevska and produced by Sisters and Brother Mitevski Production, and *Kaymak*, directed by Milcho Manchevski and produced by Banana Film.

2 Cinema releases and box office

A total of 275 films were screened in Macedonian cinemas in 2021, with a total of 141,767 visitors. The total earnings of the films were approximately 28 million Macedonian denars (€453,978).

There was an increase in visitors by 18 percent in 2021, compared to 120,735 visitors and total earnings of approximately 23 million denars (€387,897).

Twelve films supported by the North Macedonia Film Agency premiered in 2021, a decline in comparison to 19 films in 2020. Three majority feature films

were released in 2021: *The Missing One* by Arben Thachi, *Sisterhood* by Dina Duma and *The Hidden One* by Arsim Fazlija. The list includes one majority documentary, *Pearl's Boat* by Aleksandar Zikov, and three minority feature films: *Hive* by Blerta Basholi, *Deadlock* by Vinko Moderndorfer and *Tune Up* by Stanislav Tomic, as well as several short films.

Twenty-one Macedonian films were screened in cinemas in 2021, with 2,651 admissions. One hundred fifteen European films achieved 53,509 admissions which was 38 percent of the total number of films screened. US films had the highest percentage, of 56 percent and 80,149 admissions for 106 films screened in 2021. Also, 33 films from other countries were screened in 2021, with 5,458 admissions.

There are three commercial cinemas in North Macedonia (one multiplex, Cineplexx with nine cinema halls, Cinema Milenium and 3D Cinema Bitola) and two arthouse cinemas with a regular repertoire (Cinema Frosina and the Cinematheque of North Macedonia). Another 14 cultural centres screen films occasionally. Cineplexx cinema group announced that it would open a second multiplex in North Macedonia with eight cinema halls. The construction of the cinema, a €5 million investment, started on 15 July, 2021, and was expected to open in 2022.

Most cinemas in North Macedonia closed their doors on 6 April, 2021, following the government's decision to impose additional restrictive measures until 20 April to curb COVID-19 infections. Some Macedonian cinemas reopened in May 2021. Cinema Milenium in Skopje reopened its doors on 17 June, 2021, after being closed for six months. The Cinematheque of North Macedonia reopened its open-air cinema on 14 May, 2021, while 3D Cinema Bitola reopened on 20 May, 2021. The multiplex cinema Cineplexx remained open the whole time since the cinemas had been allowed to reopen on 24 September, 2020. Wearing masks in cinemas was mandatory and all venues operated at 30 percent of capacity throughout the year.

The government of the Republic of Macedonia appointed the Cinematheque as the institution responsible for the digitalization of the Macedonian film heritage in 2011. In 2012, the Cinematheque launched a long-term project to digitalize and digitally restore the national audiovisual heritage. In 2021, the Cinematheque digitalized the first Macedonian feature film, *Frosina*, directed by Voislav Nanovic and produced by Vardar Film.

The main distributors in North Macedonia are MCF MK, Konstantin film MKD, KT Film & Media, which is a company based in Bitola, Cutaway and Uzengija, which dominate mostly the arthouse market. The leading distributors of mainstream cinema on the Macedonian market are the Croatian Continental Film doo, 2iFilm, the Croatian Blitz Film and Video Distribution and Premium Film which handles the blockbusters.

3 International Cinematographers' Film Festival Manaki Brothers and other festivals

Macedonian film festivals bounced back after the long hibernation after the autumn of 2020. The first to break the ice was the Philosophical Film Festival, which took place in Skopje as a hybrid edition from 27 May to 3 June, 2021. The 11th edition

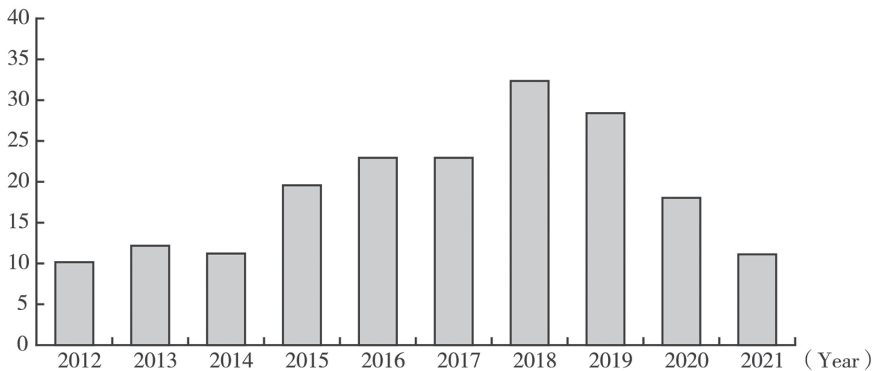


Figure 13.1 Films completed and released in North Macedonia in 2012 to 2021

of the festival screened 40 films in the Cinematheque of North Macedonia, both inside the screening hall and at the open-air cinema, while the accompanying programme was held online (see Figure 13.1).

Traditionally held in November, the Cinedays European Film Festival rescheduled its 20th edition from 15 to 21 July, 2021. This was the second time the event was disrupted due to the COVID-19 pandemic. It had been held in September 2020 with a reduced programme lasting fewer days.

The fourth edition of the Beach Film Festival was held in Ohrid from 21 to 25 July, 2021. The Skopje Film Festival held several events throughout 2021, starting with the Queer Cinema Days in May. The 12th Festival for Creative Documentary Film MakeDox, was held from 19 to 26 August, 2021. Distribution and promotion of documentary films was the main theme of the festival and more than 70 documentary films in five competition programmes were screened.

The 42nd edition of the International Cinematographers Film Festival (ICFF) Manaki Brothers was held in Bitola from 16 to 21 September, 2021 under the motto “Despite everything”. Headed by new director Simeon Moni Damevski, the festival was held in person, two days shorter than its usual course, following strict protocols for protection against COVID-19, including vaccination certificates and negative PCR tests.

The shortened edition featured two competitive programmes: the traditional Golden Camera 300 competition for best cinematographic work (with ten feature films), and the Short Film Program (with ten short films). The oldest film festival in North Macedonia honoured the Austrian cinematographer Christian Berger with the Golden Camera 300 Lifetime Achievement Award, while the second prize winner was the Russian screenwriter, director and producer Andrei Konchalovsky. Veteran actor Bajram Severdzan was the winner of The Big Star of Macedonian Cinema Award, presented by the AFPM/Macedonian Film Professional Association. The 41st edition had not been held in its traditional form, but was celebrated as a formal one-hour event in Bitola.

ICFF Manaki Brothers is the first and oldest film festival dedicated to the creativity of cinematographers across the world. It started in 1979 as the initiative

of one of the main founders –the Macedonian Film Professionals’ Association (MFPA). It was also co-organized with the Cinematheque of Macedonia and host city of Bitola, established in honour of and inspired by the abundant photographic/cinematographic opus of the Manaki brothers, Yanaki (1878–1954) and Milton (1880–1964). Thanks to the festival, Bitola became the Mecca of the best international cinematographers; many new talents have been discovered who are today deemed superb wizards of film photography and cinema aesthetics. They are adorned with the awards of the festival, and at the same time recognized as glorious Oscar-winners who have strolled down the streets of Bitola, which they have considered to be an artistic hub, going back for many years. Laureates of the Golden Camera 300 for Lifetime Achievement were great cinematographers of world cinema art, such as Sven Nykvist, Henri Alekan, Freddie Francis, Jose Luis Alcaine, Jerzy Wójcik, Raoul Coutard, Vittorio Storaro, Vadim Yusov, Miroslav Ondříček, Tonino Delli Colli, Walter Carvalho, Michael Ballhaus, Vilmos Zsigmond, Billy Williams, Peter Suschitzky, Dante Spinotti, Anatoli Petritsky, Luciano To-Voli, Chris Menges, Ryszard Lenczewski and Jaromir Sofr, among others.

Other festivals were held after October 2021 in hybrid format or online. The sixth KineNova International Film Festival took place from 27 to 31 October, 2021, in a hybrid format combining screenings at two venues and broadcast on TV24.

The 12th edition of the Mobile International Film Festival which traditionally held part of its programme in Bitola, was held in hybrid format from 25 November to 1 December, 2021. Thanks to the hybrid format the films from the festival were available in 13 countries in the region. The screenings were online, while the award ceremony was held in Macedonian Cinematheque. The festival program consisted of 41 films from 27 countries. The festival was held under the motto “The Film Continues”, organized by Bitola-based production and distribution company KT Film & Media.

A review of the winners of the Mobile Festival and an award ceremony in honour of Dimitar Nikolov-Taki, producer and head of KT Film & Media and initiator of Bitola UNESCO Creative City of Film, who died in 2021 at the age of 63 after a short illness, was held within the Film Market at the Cannes Film Festival. The event was part of the International Cell Phone Cinema Showcase – Cannes, which screened award-winning short films from mobile festivals around the world.

Vesna Ristovska, the head of Film Center Bitola and selector of Mobile Film Festival, was part of the jury of the International Smartphone Film Festival SHOOT4EARTH GO GREEN.

Another festival that was held fully online was Festival on Wheels, which has been held since 2014 and screens the best of European cinema in several cities in the country. Several workshops for filming and editing were also held during the festival.

4 Video-on-demand releases and online events

Several festivals were held in hybrid form or online on the only Macedonian video-on-demand (VOD) platform Cinesquare.net, owned by Cutaway Production and Distribution based in Skopje.

Cinesquare hosted several festivals from North Macedonia and also from the wider region: Festival on Wheels, the Mobile Film Festival, See Online Film

Festival, Media Festival Skopje, Pelicula – the only festival dedicated to the Iberian-American film and culture in Romania, Flip Film Festival, 11th South-East European Film Festival, North Macedonia: Digital Taste of Culture, 23rd Documentary Film Festival (FDF), and more.

Cinesquare also hosted the international Atlàntida Mallorca Film Festival from 23 December, 2021, to 10 January, 2022, the biggest online film festival in Europe, organized by Filmin, Spain.

In November 2021, one more Macedonian platform, Gley.mk, owned by Macedonian company SVOD Master D.O.O., debuted on the market. The platform offers local, regional and international films, and children's programs, translated and dubbed into Macedonian and Albanian, based on subscription.

In terms of media literacy and audience engagement, Film Center Bitola, in collaboration with Cinesquare, held several online workshops aimed for children between eight and 14 years old from stop-animation to film photography.

Also, during 2021, the young cinephile community of European Film Cinemalovers European Film Challenge in North Macedonia joined forces once again with Cinesquare to challenge the young cinephiles to watch movies on the platform and collect points in a chance to win exclusive access to European Films and TOP-A Film festivals.

In 2021, the Cinematheque started the educational project "Film Classroom" which is supported by the Ministry of Culture and consists of various thematically grouped educational sessions. The project is aimed at high school students who are acquainted with the national audiovisual cultural heritage, watch films from the archives of the Cinematheque, learn how to think about a film through interactive, creative learning. The project took place every Saturday at the Cinematheque for 10 weeks, under the guidance of film and TV director Marija Dzidzeva.

5 Film and other creative industries

As a Creative City of Film, Bitola envisages:

- (1) Nurturing the vibrant role of film in Bitola's creative economy, notably by expanding the scope of the programme through public-private partnerships involving public cultural centres, universities, academia and private production companies.
- (2) Fostering the city's cultural offerings through exhibitions, festivals, workshops and other events especially based on the film heritage of the Manaki brothers.
- (3) Positioning Bitola as an international hub for film creation.
- (4) Exchanging experience and knowledge with other Creative Cities of Film.

Film Center Bitola is a non-profit organization dedicated to the development of film as an artistic medium in Bitola that represents and manages the city of Bitola's activities related to UNESCO. Its main goal is to help in the realization of projects organized by the city of Bitola, in the field of film and new media. It also provides

services for the city's film-related activities and relations with the film industry, develops the awareness of the public regarding the benefits and significance of the film industry (and other creative industries) in Bitola and the wider economic area. The Center actively promotes film and media education and organizes different events in the schools, such as workshops, projection of children's movies and film practice. In this regard, Film Center Bitola organized and participated in several activities that kept the film industry in the city alive during 2021.

From 16 to 21 September, 2021, Film Center Bitola organized the Third International Creative Film Cities Forum in Bitola in a hybrid form under the theme "The Future of Cultural and Creative Economies/COVID-19 Challenges". The forum was held in the municipal hall in Bitola and the Cultural Centre of Bitola. It brought together representatives of film cities from the UNESCO Network of Creative Cities to share experiences and enable collaboration on joint projects, using online and offline technology due to the inability of some representatives to travel due to the COVID-19 crisis. Discussions and conversions were held in two ways. Live, with guests in attendance and also streamed. The forum was attended by representatives of UNESCO Creative Cities for Film – Alan Duggan (Galway UNESCO City of Film), Jordi Hernández (Terrassa UNESCO City of Film), Amelia Carew-Reid (Sydney UNESCO City of Film), Grainne Brunson (Sydney UNESCO City of Film), Lisa Nawrocki (Potsdam UNESCO City of Film), Anika Eunhye KIM (Busan UNESCO City of Film), Magdalena Popović (Sarajevo UNESCO City of Film), Natasa Kucera (Sarajevo UNESCO City of Film), Bin Lu (Qingdao UNESCO City of Film), Xingzhen Niu (Qingdao UNESCO City of Film), Yanqiu Guan (Qingdao UNESCO City of Film), David Wilson (Bradford UNESCO City of Film), Biljana Genova (Sofia UNESCO City of Film), Diana Andreeva-Popyordanova (Sofia UNESCO City of Film) and Ralitsa Asenova (Sofia UNESCO City of Film).

In the context of the collaboration with some of the cities that are part of the UNESCO Network of Creative Cities of Film, Vesna Ristovska from Film Center Bitola participated in the Fifth Intercity Residency Film Festival, A Day in Your City Project by Busan UNESCO City of Film. Also, the short film *Kaval*, directed by Sasa Stanisić, was selected in the official program of the festival.

The Balkan Film Festival was held in October in Rome UNESCO City of Film, organized by the Italian Ministry of Cultural Heritage and Tourism, and Associazione Nazionale Industrie Cinematografiche Audiovisive e Multimediali (National Association of Cinematographic Audiovisual and Multimedia) in cooperation with film centres from the region. The festival aims at bringing the Italian public closer to the Balkan film heritage, among the most diverse in Europe, as well as to promote active, multilateral cooperation between the regional centres. The festival was opened with the Macedonian film *Willow* by Milcho Manchevski, followed by an interactive session of the author with the guests present.

The wide range of creative industries and related expertise in Bitola and the wider region is represented by photography (Bitola is the town of Manaki Brothers – one of the first photographers in the Balkans), the gaming industry, audiovisual productions, graphic design, digital services, design and music. The creative businesses bring added value to companies in other sectors in terms of product

development, service design or digital visibility. The creative industries play an important role also in terms of the area's visibility and image. The only legal entity that gathers all creative industries in the country is the Union of Macedonian Associations in the Creative Industries, UMPAKI. Film Center Bitola is a founding member of the Union and together in 2021 organized several activities at the local level in collaboration with the Association for Game Development, MAGDA, which is based in Bitola, and several other associations and companies. UMPAKI is a full member of the Macedonian Chamber of Commerce, which has existed for 99 years, and its Association of Creative Industries.

Bitola is also the base of the Regional Film Fund Balkan Cinema Cities or BCC, founded in 2015 by seven cities in the region (Korčë, Blagoevgrad, Tirana, Varna, Sofia, Skopje and Bitola), from which two, Sofia and Bitola, are UNESCO Cities of Film, to support the production, distribution and promotion of film activities, fostering of film audiences and stimulation of local creative potential and industries in these cities. There have been ongoing discussions and efforts to grow from Film Fund into Film Commission and to move the headquarters from Bitola to Plovdiv, Bulgaria.

Since 2017, Balkan Cinema Cities has organized the Forum for New Distribution Models, a project of particular importance for the film industry in our country, especially for the distribution of films and their crossing the borders of our country and successful placement on the world market. The value of the project was recognized by the Ministry of Culture on two occasions approving support for it. The ultimate goal of this forum is to grow into a market for film sales and distribution. The forum is held in Bitola, the headquarters of the BCC. So far there have been several consecutive editions focused on various topics that touch on the future of film.

Also, since 2015, the distribution and production company KT Film & Media from Bitola has organized the Forum for Production Design in Bitola with the support of the Ministry of Culture of North Macedonia. This is the only forum in the country that is focused on production design and it is especially important that the forum is held in Bitola.

6 Women in film initiative

The most prominent and successful films in 2021 were projects with a majority of females in key roles. In December 2021, the North Macedonia Film Agency started an initiative to single out the women who have excelled in the Macedonian film industry in 2021. The list of nine women who left a mark in the Macedonian film industry in 2021 included actresses Teuta Ajdini Jegeni, Sara Klimoska and Antonija Belazelkoska; directors Marija Apcevska, Dina Duma, Petra Seliskar, Teona Strugar Mitevaska and Tamara Kotevska; and producer and actress Labina Mitevaska.

The North Macedonia Film Agency wanted to give recognition, motivation and encouragement to these women who are already recognized in European and world cinematography, as they continue on their successful journeys. The promotion was mainly on the social profiles of the North Macedonia Film Agency with a distinctive logo of the initiative, which lasted eight weeks.

In the coming years the North Macedonia Film Agency will aim to continue this type of initiative to achieve the already mentioned goals in this chapter.

14 How Polish independent film production survived the pandemic in 2020

Maciej Dydo

The impact of the COVID-19 crisis for the state of the Polish audiovisual industry has been devastating and far reaching. In spring 2020 around 200 audiovisual productions ceased, or were cancelled or postponed, including feature and documentary films and series. For industry professionals 2020 was a particularly unstable time, as many audiovisual productions were interrupted by the COVID-19 pandemic itself or the administrative restrictions that precluded work on locations and in the studios.

One of the factors that helped Polish independent producers to survive the COVID crisis was the functioning of the relatively new cash rebate scheme that came into force in February 2019. The incentive mechanism, supplementing the already-existing selective film financing, offered reimbursement of expenses incurred in Poland for the production of films and series of fictional, documentary and animated films in the amount of up to 30 percent of the so-called Polish eligible costs. Conceived mainly as a mechanism to attract foreign capital to the Polish audiovisual market, it also provided a window for financing solely Polish coproductions. Thanks to incentives in 2020, the Polish Film Institute (PISF) supported 50 audiovisual projects for a total amount of US \$21.8 million. Among the cofinanced projects there were 20 national and 16 international coproductions and 14 international services. The total budget of all financed projects reached \$102 million.

Just after the outbreak of the pandemic PISF called the Special Task Force Group for the Crisis in the Cinematography Industry, that gathered the main industry guilds and associations. The task force formed 27 subgroups to address the challenges caused by the pandemic and try to figure out the necessary measures to be taken in a post-COVID reality. The task force worked from March to September 2020. Thanks to this initiative, the main producers' organizations, that is, the Polish Producers Alliance (KIPA), encompassing more than 140 companies, as well as the Polish Producers Guild (PGP) formed by 50 individuals, have taken a number of actions to reduce the negative effects of the administrative restrictions introduced and at the same time maintain sanitary safety standards in the industry.

KIPA was very active in preparing legislative proposals in the field of media and cinematography law, as well as the content of the PISF 2020 Operational Programs (selective financing), monitoring and incentivizing government aid programmes and intervening to maintain the level of financing of regional film funds. As a result

the definition of “the film” in the Cinematography Act was changed to also encompass works that had not been shown first in the cinemas. It made it possible for audiovisual productions that would move to digital platforms – video on demand (VOD) – due to the situation to receive subsidies also from the Polish Film Institute.

The organizations started talks with representatives of the banking sector on the launch of preferential loans for the film industry, as well as negotiations with the insurance industry regarding the launch of insurance adapted to the conditions of shooting during COVID-19. KIPA monitored the situation of entities distributing films and series, including multiplex cinema chains, studios and local cinemas and at the same time the largest foreign and Polish VOD services. Producers’ organizations worked out their own proposals for safety standards on a film set. KIPA coproduced the social advertising campaign “Go back to the cinema” and was very active in the field of professional education, organizing webinars on the situation of the film industry and preparing the producers to work in new dimensions using innovative business models.

One of the most important activities of KIPA in the face of the challenges related to the COVID-19 pandemic was the aid program Producers Help the Crews. This program used the allocation of the Netflix Hardship Fund dedicated to supporting film industry workers whose jobs had been threatened by the ongoing coronavirus pandemic. The funds, in the amount of US \$600, 000, were distributed by KIPA to support the most disadvantaged members of film crews in Poland, who could not work due to the discontinuation, cancellation or postponement of audiovisual productions. The Producers Help the Crews program was addressed to the representatives of 90 film professions, who were able to receive a grant in the form of a donation of \$700. The help was provided for employees of all divisions of the film set. As a result 737 people received assistance from the program. KIPA launched an aid program in the sense of responsibility for those employees who did not have the opportunity to earn money other than by working on film sets and did not receive royalties.

The pandemic has hit severely the traditional cinematic distribution model. There are approximately 500 cinema facilities in Poland, providing access to 1,350 screens. More than 200 venues are studio and local cinemas, most often single-screen cinemas. The result of the pandemic in 2020 was a significant reduction in the number of viewers that was unprecedented in more than 100 years in the history of cinema. In Polish cinemas, the audience fell to 10 percent to 15 percent of the average level. Due to the cancellation of the established dates of foreign film premieres, three multiplex cinema chains stayed closed from mid-March until the middle of July. Cinemas then had to close again in mid-October. In the case of Polish film productions, revenues from ticket sales in cinemas constitute, on average, 60 percent of all possible revenues. No other field of exploitation so far could compensate for the loss of cinema distribution revenues for independent film productions, including neither TV broadcasting nor distribution on VOD platforms. The reduction in ticket sales translated into a decrease in revenues for cinemas, distributors and, ultimately, audiovisual producers.

As a result, the film industry faced a very difficult time, because decisions on starting work on new productions had to take into account the breakdown of the cinema market in Poland in the analysis of investment projects and recoupment plans. At the same time even if VOD platforms were on the rise, they were not able to recover fully the losses in the traditional distribution channels. It posed questions on the independence of producers of content for VOD services that are not yet as fully regulated as their cinema and TV counterparts. This posed the main challenges to the market in 2021.

15 The Potsdam film industry in 2020

Lisa Nawrocki

The COVID-19 pandemic had a major impact on Germany and of course as well on Potsdam's filmmakers and film industry. The challenge for all UNESCO Creative Cities was to support their creative sectors. "We painfully realized how much culture is part of our lives," emphasized Dr. Sigrid Sommer and Stefan Frerichs, who manage the Creative City of Film theme for the state capital Potsdam. Support programs were established for the cultural sector in Potsdam and funds released were used to support cinemas and provide free access to film for families and children. At the beginning of the pandemic, Studio Babelsberg AG, Potsdam's biggest studio complex, had to pause the pre-production of two major international films for a few weeks. Comprehensive and effective safety and hygiene protocols for all film departments were created and supervised by medical staff. A high level of security and control made it possible to complete the filming on two big-budget productions, involving 1200 crew and cast members. "Filming during the pandemic is challenging and more expensive. We look to the future with optimism, especially with more and more content being produced by and for international streaming services" said Charlie Woebcken, CEO of Studio Babelsberg.

As for other players in the film industry, the COVID-19 pandemic brought dramatic changes for the Film University Babelsberg KONRAD WOLF. Teaching largely had to be transferred to the digital realm, and student film production was suspended temporarily. From COVID-compliant scripts to developing hygiene concepts or social distancing on set, within the filmmaking process students faced the same challenges as the whole industry. *Sehstüchte*, the largest Student Film Festival in Europe, was postponed from April to September 2021. Nevertheless, the Film University's students managed to organize an international hybrid festival online and offline. The president of Film University, Prof. Dr. Susanne Stürmer, emphasized: "Both university staff and students have risen to the challenges and shown true creativity in the crisis. After all, a university is the genuine place for experimentation. New forms of teaching were developed and also new content. Although we are fully aware: film studies live from direct exchange and film is a very personal creative collaborative effort."

Constanze Beyer, coordinator of the Film Section at *babelsberger filmgymnasium*, pointed out that distance learning comes with solitude and is physically and mentally challenging, but it is also very focused and shaping new skills, among

them technical skills on the one hand, and self-management and a growing ability to listen to someone else on the other. She is determined to apply some of the distance learning mechanisms into her future lessons.

Potsdam has a vibrant film tourism industry and usually welcomes guests from all over the world every year. The Film Museum Potsdam is the oldest of its kind in Germany. The exhibitions as well as the cinema were closed after 1 November, 2020, for the second time due to the COVID-19 pandemic. While producing a digital guided tour through the permanent exhibition, the Film Museum presented a new digital cinema that went online on 15 January, 2021. *Kino2Online* featured the regular program digitally until the lockdown ended and – partially – beyond. Dr. Johanne Hoppe glanced into the future: “While waiting for our house to reopen, we are preparing another huge project that will take place in 2022: The move of our collections from the north of Potsdam to a new, up-to-date building in Babelsberg.” Potsdam Tourism (PMSG), which also offers guided tours on film in Potsdam for tourists, has reconsidered the tours and the hygiene concept for the guides and guests and hopes to be able to offer guided tours again soon. The tourist attraction Filmpark Babelsberg GmbH had to close its doors through the lockdown as well. For the 2021 theme park program, a total of €1 million was invested to create a new adventure playground centred around Jim Knopf. In addition, a new backlot tour is being created with large-scale props and quotes from films made in Babelsberg. Matthias Voß, CEO of the Filmpark is certain: “As you can see, there is no stopping us from continuing to give Potsdam a face as a film city. Committed to history and facing the future.”

In conclusion Potsdam, including its film industry, is not standing still. “My hope is, that we all are able to use the new skills this challenging time has forced upon us to shape a peaceful, responsible and caring mutual life on our planet”, said Constanze Beyer. Potsdam’s stakeholders tried to get through the pandemic as best as they could and look forward to the future, where it will be possible to meet and have exchanges again in person through and with the medium of film.

16 Spain's audiovisual hub, the Spanish audiovisual answer

*Juan-Manuel Guimeráns and
Guillaume Rousseau*

In October 2019, months before anyone had heard about COVID-19, the Spanish prime minister, Pedro Sánchez, announced that one of his government's priority projects to boost the country's economy would be to turn it into an audiovisual hub. The comment, made after an interview with leading representatives of the American audiovisual industry during a visit to New York, seemed to many just a throwaway comment, a minor quote in the news amid references to the important speech that President Sánchez would be giving hours later at the UN headquarters.

This wasn't the case of the Spain Film Commission (SFC), an organization that has been promoting audiovisual shootings in Spain, through an extended network of regional and local film commissions and offices for the past 20 years, becoming a benchmark for the government and the private sector. Fully immersed in the preparation of the first "Shooting in Spain" meeting between the US and Spanish audiovisual industries,¹ the SFC immediately understood the potential of the announcement of the Spain Audiovisual Hub, a project fully connected with the SFC's vision of Spain as a prominent country for audiovisual production in Europe² in the context of the expansion of global production as a result of the boom in online platforms.

A few days after the initial announcement, the SFC had already started preparing an internal document to set out the guidelines that a project of this nature shouldn't overlook: a regulatory framework to streamline production activities by Spanish and foreign players, direct and induced investment into production infrastructure and services, investment in human capital and, of course, promotion on the international stage. Over the following months, support for the Spain Audiovisual Hub became the leitmotif in all SFC actions.³

A year and a half after that first announcement, still bearing the terrible effects of a global pandemic that swept away a good deal of the hope and industrial framework in the world, many people and government departments were working on this project, still an essential pillar for the future, maybe even more now than it then was. The Spanish government announced approval of the hub at the beginning of March 2021 (just days before these words were written),⁴ after having included it as one of the 30 key projects in the *Recovery, Transformation and Resilience Plan*,⁵ the Spanish answer to the COVID-19 crisis.

As it has on the global economy, COVID-19 has had a huge impact on the Spanish economy. Our country – a world superpower in industries such as tourism and culture – has been hit particularly hard. However, not every part of the national audiovisual industry has suffered to the same extent, thanks to its multimodal nature. Activities related to traditional distribution in theatres were practically closed down due to the strict measures across the country for much of 2021, restricting indoor capacities and implementing curfews. The estimated drop in income in this sector compared to 2019 was a loss of more than 70 percent.⁶

Beside this, companies and professionals most directly linked to on-site filming and production also had to endure some months of inactivity due to the lockdown, even though in Spain measures to ensure safe shooting were adopted very quickly, with the decisive intervention of the SFC, which guaranteed COVID-free protocols for filming, making it one of the first activities to reopen in spring 2020.⁷ This led, in summer 2020, to a boost in indoor filming and production activities, while pushing forward the implementation plans of major international platforms in Spain.⁸ Meanwhile, companies involved in animation,⁹ visual effects and digital have witnessed a revival in demand for their services. As has happened in so many other sectors of the economy and society in general, anyone who has been able to work fully or partially online dealt with the preceding 12 months with some ease.

Today, all eyes are focused on the vaccination process and the arrival of the new normal, in which the launch of a project like the Spain Audiovisual Hub makes perfect sense. So, what will it finally consist of? It's not yet totally clear, but what we know for sure is that it will be a set of far-reaching structural measures, which will leverage the natural potential that the audiovisual industry has been finding in Spain for almost a century now.

It is true, Spain has never been a world superpower in the audiovisual field when it comes to production outcome, but it is a country where many of the greatest filmmakers of all times have found a perfect destination, thanks to its exceptional human and natural conditions, such as the wonderful climate and diversity of locations. For decades, international production companies that have shot here have been praising the talent and professional skills of Spanish creators, service companies and technicians, as the thousands of Spanish professionals who work at the world's leading production centres prove day by day.

These “natural” conditions have been increased in the last decades, hand in hand with the production boom linked to the consolidation of multiplatform and multiformat digital production. The arrival of major video-on-demand platforms in Spain, with production centres already in operation (Netflix) or being developed (HBO, Disney, etc.), is the best proof. These movements have anticipated what the Spain Audiovisual Hub could build if the four cornerstones mentioned above are properly developed.

The international film production and entertainment industry kept a keen eye on the incentive proposals that the Spanish government was expected to announce. And all of us, at the Spain Film Commission and the UNESCO Creative Cities of Film Network, will be ready to make the most of the new Spain Audiovisual Hub (more to come soon on your screens!), the Spanish audiovisual answer for a world that everybody is currently rebuilding.

Notes

- 1 Finally held at the beginning of November 2019 in Los Angeles, California, with almost 100 representatives from both countries. www.shootinginspain.info/en/news-1/spanish-audiovisual-industry-meets-in-los-angeles-to-participate-in-the-i-meeting-shooting-in-spain
- 2 In the words of Mr James Costos, Honorary Ambassador of the SFC: “This initiative was promoted by Spain Film Commission and it goes together with the idea of creating an audiovisual hub in Spain”. www.shootinginspain.info/en/news/james-costos-honorary-ambassador-of-spain-film-commission-presents-the-i-shooting-in-spain-meeting
- 3 www.shootinginspain.info/en/news-3/spain-film-commission-continues-promoting-an-audiovisual-hub-in-spain
- 4 www.euractiv.com/section/digital/news/spain-aims-to-become-europes-biggest-multi-media-hub/
- 5 www.spainenglish.com/2020/10/07/spain-recovery-transformation-resilience-plan-recession/
- 6 www.unic-cinemas.org/fileadmin/user_upload/Publications/UNIC_Annual-Report_2020.pdf
- 7 www.shootinginspain.info/en/news/published-the-good-practices-guide-for-safety-shootings-made-by-spain-film-commission
- 8 www.kftv.com/news/2021/01/13/exclusive-secuoya-studios-expanding-presence-world-wide
- 9 www.panoramaaudiovisual.com/2020/12/18/animacion-resiste-impacto-covid19/

17 Santos's answer to the film industry during the COVID-19 pandemic

Santos City of Film

During the COVID-19 pandemic, the audiovisual sector in Brazil faced many difficulties. With cinemas and theaters closed, many Brazilians lost their main source of income. Even soap operas, the most-viewed audiovisual product on a national scale, had their recordings cancelled, and old soap operas began to be replayed in their place. To find solutions to help the sector, the municipality of Santos worked tirelessly and responsibly to fight the coronavirus, adopting important measures always aiming to care for the lives of Santos's residents.

Thinking about the healthy maintenance of the body and mind of the Santos residents during social isolation, online cultural activities were developed with a focus on training, entertainment and physical activity in the Vila Criativa Online project. The content, which included options such as dance, crafts, gastronomy, music and photography, among others, was posted on social networks by the teachers who work in these spaces.

In addition to this initiative, the Santos Culture Department launched Fábrica Cultural – Digital project (Cultural Factory). The artistic-cultural training project, which was already offering in-person classes, was adapted to the online format. With that, teachers and workshops, with projects selected through a public call for proposals, provided virtual content training in various artistic segments such as dance, music, theatre, visual arts and audiovisual for enrolled students.

Another highlight is Hora da Cultura “Em Casa” (At Home Cultural Hour), with content from presentations and training of the projects managed by the city, such as the Santos Symphony Orchestra, Santos Ballet and Dance Schools, Municipal Choir, Free Dance School and School of Scenic Art Dance on the Santos Culture Department's social media and YouTube Channel. A public notice for the accreditation of artists in the areas of theatre, dance, music, literature, visual and audiovisual arts (short film and web series) was also launched and its participants presented projects and were hired and paid by the Culture Department for online display of content produced on digital channels.

The Culture Department also contemplated 235 cultural projects (105 that involved activities related to audiovisual) and 74 cultural spaces through the Aldir Blanc Law of emergency aid to the cultural sector, sanctioned by the federal government, which transferred funds for the states and cities of the country. In addition, the Department has also provided financial and operational support for the cultural

festivals that were held in the city in the second semester, especially those related to cinema and audiovisual: *Curta Santos*, Santos Film Festival (Santos Short Film Festival) and Online meeting of Audiovisual Caiçara, an event promoted by MABS – Movimento Audiovisual of Baixada Santista (Santos and region audiovisual movement) – with short films, conversation circles and workshops. The short film festival had an online version and promoted in its programming the show *Creative Cities of the UNESCO Network* in the cinema segment, with the exhibition of short films and messages from city directors: Sydney – Australia, Valladolid – Spain, Bradford – England, Qingdao – China, Yamagata – Japan, Santos – Brazil and also the short film by a director from Santos that was made in Busan – Korea.

In 2020, there was a selection process, in which 40 young people at social risk from the online classes at Querô Institute workshops were trained in citizenship and audiovisual. Beyond the newcomers, the freshmen from the previous year, who were then in their second year of Querô classes, also started classes in the virtual environment. In 2021 the activities had already started in the same format.

As a way to keep the audiovisual production chain active in the city, MABS promoted “MABS Exhibition – Quarantine edition” with online screening of short film sessions produced in Santos and surrounding cities and also chats with filmmakers. Organizers sought sponsors who could support the project and provide funding assistance for directors and production teams registered in the shows.

At the beginning of the pandemic, basic food baskets were also handed out on an emergency basis to the artists most in need, whose artistic and cultural activities were their only source of income.

These actions, in addition to presenting cultural options for the population, aimed to value and pay cultural professionals in the difficult time in which the world was living. Some of these initiatives were not being directly supported by public authorities, but they moved the audiovisual chain.

18 Contagion, crises, closures, compassion

Bollywood battles COVID

Nitin Tej Ahuja

In February 2020, the coronavirus was an easy-to-miss ticker scrolling on news channels in India, informing us of a little-understood health crisis in distant lands. However, come the end of March, the true magnitude of what it really meant literally hit home as the second-most-populous nation on earth went into a hard lockdown.

To make matters worse, Mumbai (the city where India's predominant Hindi language film industry or 'Bollywood' is based) and Maharashtra (the federal state that the city is the capital of) were the most affected hotspots when the virus arrived on Indian shores.

Like with most other economic activity, content production came to a grinding halt, and several eagerly awaited, big-budget feature films indefinitely postponed their previously scheduled theatrical release dates. Not that they really had a choice, with cinema halls ordered shut in keeping with the central government's lockdown mandate.

While producers were understandably concerned about the financial implications of the disrupted shoots and delayed releases, the economic distress was even more acute for the large numbers of daily wage earners whose survival literally depended on having a film or television or web series set to work on, and even more so in the absence of government schemes to underwrite wages or provide mass financial support.

Laudably, the production and creative community rose to fill the breach. Production houses, film stars and others involved in the content business opened their wallets to ensure that daily wage earners were able to sustain themselves even as the sets that they worked on remained deserted.

The Producers Guild of India (PGI), the premier association of Indian film, television and digital content producers where I serve, was involved with disbursing almost \$1 million to those who needed it the most, thanks to the generosity of our members. That, along with other contributions made by so many in our fraternity, ensured that the content production labour force was able to make it through the national lockdown much better than workers in many other sectors did.

Another simple yet highly effective initiative that the PGI was involved with was one where we teamed up with a charitable organization, Project Mumbai, for Mission Suraksha (Hindi for "protection"). As part of this innovative project, the

vanity vans (or luxury mobile trailers) that stars and other senior crew have at their disposal on shooting sets were deployed to offer rest and recuperation to members of Mumbai Police who were hard at work twenty-four-seven enforcing the stringent lockdown at its peak in April and May 2020.

Bollywood and the sport of cricket are often called the true religions of India that unite the entire country and, without exception, the hugely popular film stars used their voices and social media platforms to educate their adoring fans on safe behaviour, besides offering their services for free for public service campaigns.

As lockdown measures gradually eased over successive iterations, the PGI was the first Indian body to devise and release comprehensive standard operating procedures that guided producers and all the various departments involved in content production on the various protocols to be followed to ensure that filming could resume safely even as the virus raged unabated.

While television production resumed substantially in the second half of 2020 with broadcasters and producers scrambling to replenish their depleting or exhausted episode banks of ongoing daily or weekly shows, clouds of uncertainty continued to loom over feature film production, with one of its primary distribution of outlets, cinema halls, remaining compulsorily shut by government mandate.

In this bleak environment, online streaming services provided much-needed relief for producers. India – with its huge population, rapidly growing economy and burgeoning middle class – was already a much-wooed market for international and domestic streaming service providers even before the pandemic and ensuing lockdown acted as a catalyst in driving adoption and subscriptions, much like it did in the rest of the world.

A host of completed or under-production films shelved their plans to release theatrically and opted for a digital premiere with one of the many online streaming service providers in India, especially Disney+ Hotstar, Netflix and Amazon's Prime Video. In addition to "straight to digital" films, the pandemic also accelerated the commissioning of web shows and original programming by the aforementioned and other platforms (Sony LIV, MX Player, JIO Cinema, ZEE5, Apple TV+, Voot, ALT Balaji and more). This, and the flurry of development that took place when platforms, producers and writers all found themselves suddenly bequeathed with much freed-up time during the lockdown, bodes well for the global spread of Indian content in the future, something that had already been gaining momentum in previous years, as evidenced by the locally produced Netflix show, *Delhi Crime*, winning the Best Drama Series trophy at the International Emmy Awards in 2020.

While numbers do not always convey the entire picture, especially of the immense human misery and distress the pandemic wrought in India, as it has in the rest of the world, they certainly present some perspective on how disruptive 2020 was for the Indian content industry:

- There were 441 films released in India during 2020, compared to 1,833 releases in 2019.
- There was an 80 percent decline across domestic and international theatrical revenues.

- Broadcast rights values fell 68 percent due to fewer completed new films and business caution by broadcasters.
- Digital rights revenues for films grew 86 percent.

(Statistics courtesy: FICCI Frames, EY)

However, it is hard to conduct a true post mortem of the year that was because unfortunately, while 2020 may be history, the coronavirus is not. Indeed, as I wrote this report at the end of March 2021, India was in the midst of a second wave of rising infections and once again, the city of Mumbai and the state of Maharashtra are among the worst-affected regions.

Theatrical releases – announced with much enthusiasm and in great numbers when cinema halls were finally allowed to operate at full capacity from February 2021 – were once again in firefighting mode, with night curfews from 8:00 pm to 7:00 am enforced in Mumbai, the most lucrative film market, as well as many other cities. To further queer the pitch, online streaming services, which were the only saving grace for the content producers during the first wave, found themselves grappling with a new regulatory regime imposed by the central government in February 2021.

To conclude, we still seem to be in the midst of a horrific disaster movie, and one can only hope that it all works out fine by the time the end credits roll.

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