The Future of Film Distribution: A Comparative Analysis of Streaming Services and Movie Theaters in a Post-Pandemic World

Jillian Caforio

Department of Business Marketing

Department of Film, Television, and Media Studies

Loyola Marymount University

Mentored by Professor Eric Young

December 11th, 2022

Abstract

The movie theater experience has existed for years. With the rise in the popularity of streaming services, directors and production companies have been forced to answer a difficult question: how can they distribute their work? Pre-pandemic, streaming services had made small inroads in film distribution, but the pandemic increased streaming services' popularity as movie theaters systematically shut down. With the stock prices for streaming services growing, while movie theater earnings and stock price fall, public faith in the industry potential lying within the movie theater experience appears to be dwindling. Directors and production companies must take their market dynamics into account when the film distribution question arises. This research will analyze the post-pandemic nature of the two rival industries, streaming services and movie theaters, and examine the potential ramifications of their interconnectedness in the coming years. The research will begin with a review of existing literature and economic data, with a specific focus on stock market trends. After the initial analysis, I will synthesize my findings and provide a summary on each film distribution method and conclude with recommendations as to which method will yield directors and production companies desired results.

Introduction

The movie theater experience has been a hallmark of American society since the early 1900s. Movie theater attendance and the experience has remained a constant through economic hardships, wars, and social movements; as a result, theaters have become an integral mechanism for distributing films. But the rapid advance of digital technology, coupled with the American desire to have continuous access to media, has launched a new era of film distribution (Byrd 2010).

The COVID-19 pandemic disrupted the connection between consumers and the movie theater experience and cleared a pathway for streaming services to emerge as the primary distributors of new films. As streaming services continue to benefit from COVID-19’s forced disconnect of consumers and theaters, movie theater chains have been forced to play catch up. Many film and industry leaders are steadfast in their belief that the movie theater experience is superior to streaming services. Only time will tell if movie theaters remain the American consumer’s preferred mode of viewership (Hagen 2022). Movie theaters are not achieving their pre-COVID box office sales in the post-pandemic period. Audiences continue to value the at-home viewership that accelerated during the pandemic, although movie theaters are still a fixture in experiencing cinema (Occhipinti 2022). What remains known is that the movie theater experience creates a community between fans, and connects fans of larger franchises, in a way that is not replicable with at-home streaming (Flynn 2018). The memorable experience provided by their movie theater counterparts is increasingly challenged by the convenience and accessibility that streaming services provide (Guo 2022). The old expectation of only being able to see a film once has been replaced by the desire to repeatedly consume the same film and subsequently contribute to the pop culture discord surrounding the film (Kim 2021).

The objective of this research is to provide recommendations for the best course of action that production companies and directors can take to optimize the release of their work, between box office release, valuing the movie theater experience, and streaming service distribution. Considering the contrast in the current numbers, and ongoing trends between the movie theater industry and the streaming service industry, understanding this everchanging relationship will be vital to predicting future movement, and in turn offering recommendations for effective content distribution in the post-pandemic state of film distribution.

Background/Related Work and Motivation

Prior to the pandemic, it was evident that the movie theater and streaming service industries would see fundamental changes in the coming years. But the pace of these changes was accelerated by the COVID-19 pandemic. In a 2019 study, Bloomberg forecasted a growing increase in the number of consumer cable TV subscription cancelation, (a trend known generally as "cutting the cord,") and a corresponding increase in revenue for the most popular streaming services (Ranganathan 2019). Two years later, between May 2021 and January 2022, Nielsen conducted a study to poll audience's TV usage. They found that there had been a steady decrease in cable usage and a corresponding increase in streaming service subscriptions. These trends exceeded the usual ebbs and flows that are modelled into TV usage projections to news story cycles, or weather (often keeping people at home for more hours during colder months) (Nielsen 2022). Although this may appear promising to streaming corporations as they are becoming the main at-home media consumption method, streaming services are beginning to rely on advertising as their subscriber base is appearing to peak and growth rate decline. This movement to an advertising-based model helps keep streaming service revenue high and stock value growing (Galloway 2022).

By comparing the stock price movements of notable streaming services to those of traditional movie theater corporations, one can compare current and forecasted earnings between the two industries. A firm's stock price indicates, in today's dollars, the expected sum of future cash flows for that company. In other words, today's stock price reflects a company's current value for buyers and sellers (Pinsent 2021). AMC, the current leading movie theater corporation, saw a notable increase of around 40 dollars per share in their stock prices in early 2021 as theaters re-opened after the COVID-19 lockdown. This success, however, was short-lived and AMC stock saw a steady decrease from a peak of 60 dollars down to roughly 17 dollars per share in late 2021. AMC stock owners have endured a negative earnings per share, currently around negative 2 dollars, over the last twelve months. This metric underscores the movie theater industry's unclear trajectory and risky future. In contrast, Netflix, the current leading streaming service, saw a steady increase upwards of 100 dollars in its stock price at the onset of the COVID-19 pandemic. Netflix stock owners have experienced a positive earnings per share, currently around 11 dollars and 50 cents, over the last twelve months. Only recently has Netflix's fortune begun to fade; but this notable decrease is not due to a resurgence of movie theaters, but rather by the rapid growth of other streaming services such as Disney+ and Hulu (NASDAQ 2022).

I have noticed firsthand others benefiting from both forms of content delivery. I am interested in predicting how both industries unfold in the future, as movie theaters and streaming services mount the degree of competition as they vie for consumer attention with delivery of new content.

Methods

This research has two levels. The first level of research will review existing literature that analyzes the current modes of film distribution and their relative economic success or failure. Here, the analysis looks at both stock price changes for leading film distribution corporations as well as past studies that consider streaming service popularity. Furthermore, I would like to gather qualitative data from existing literature in regard to the movie theater experience to establish not only what the experience entails, but how and why it has remained the primary film distribution method up to now. In the second level, which grows out of the first, I will create the foundation for a comprehensive analysis that synthesizes my findings. Here, the goal is to provide directors and production companies with a foundation for their future film distribution decisions. I will take my research one step further and ultimately curate a recommendation through the synthesized findings for directors and production companies on which film distribution decision will lead their desired results.

Expected Results

This project will yield a comprehensive analysis of the post-pandemic nature of the two industries and the potential ramifications of the interconnectedness in the coming years. The research should guide and inform current and future directors and production companies on which film distribution method is best for them. The comprehensive analysis within the project will serve as a guide into the two industries connectivity within the post-pandemic world. I expect to find evidence that predicts success for both distribution models, while potentially having results that project the movie experience as one that encapsulates the most desired results of directors and production companies.

Conclusion

I have experienced the benefits and potential drawbacks to the two primary methods of film distribution that this paper outlines. As the film industry continues to create new content, the decision on how to release and distribute this content will be an important one. The stakes for consumers, creators, existing industries, and shareholders are high. The rise in streaming service popularity will likely continue to act as a competitor to the established movie theater experience. Production companies and directors will have options in how they release their work, and their decisions will have great effect. It is my hope that this research will contribute to their decision-making frameworks.

Work Cited

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Budget and Timeline

Weeks 1-3	Weeks 4-6
Preliminary literature review where I will analyze existing literature and economic sources with an emphasize on analyzing the stock market.	Comprehensive analysis where I will synthesize my findings and create a foundation of information and recommendations for directors and production companies on future film distribution decisions.
30 hours (10hr/week) x $15.00	30 hours (10hr/week) x $15.00
$450.00	$450.00
Total: 60 hours, $900.00	