

# ***The Influence of Movie Release Modes on Movie Revenues: Take Lost in Russia and Lost in Thailand as Examples***

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**Abstract:** In recent years, the competition between China's streaming movies and theatrical movies has intensified. The epidemic has further promoted the development of streaming movies and enhanced the competitiveness of streaming platforms. Traditional theater companies have felt the threat of being "replaced". This article takes the two movies *Lost in Russia* and *Lost in Thailand* as examples to analyze the impact of different release modes on the box office and concludes that the streaming movie *Lost in Russia* has a higher box office. Although there are some accidental factors in the success of *Lost in Russia*, this study guides the future development of streaming media platforms and theater companies. This article finds that streaming movies have advantages in publicity and cinema chains have advantages in production through SWOT analysis, but they also have inherent disadvantages. Since the streaming media platform and the theater chain cannot replace each other for the time being, and the coexistence of the two release modes is unavoidable, the streaming media platform and the theater chain company should learn from each other's advantages and develop together.

**Keywords:** streaming movies, theatrical movies, movie revenues, SWOT analysis

## **1. Introduction**

Since the epidemic, China's domestic motion picture industry has suffered a great decrease. The closure of cinemas and the withdrawal of films have caused a great impact on the theatrical motion picture. In 2019, the national box office was 59.42 billion yuan, but in 2020, it dropped to 20.417 billion yuan, and in 2021, it only recovered to 47.258 billion yuan [1]. To recoup the losses, many producers have tried to release their movies online, which brings users to the platforms and brings revenue for the studios. At the same time, with the popularization of VR(virtual reality)and other technologies, "home theaters" will provide a higher viewing quality, allowing audiences to enjoy an IMAX viewing experience without ever stepping into a theater. The motion picture industry, which used to rely on theaters, is changing [2]. Now, with the launch of the new domestic epidemic prevention policy in China, cinemas have been reopened. This has caused a direct competition between theatrical movies and streaming movies.

During the Spring Festival of 2020, a movie called *Lost in Russia* was released in China. Due to the new crown epidemic at the time, this movie chose to premiere on a streaming platform and allowed all viewers to watch it for free, attracting 180 million viewers. The producer and streaming platforms both have benefited from it. However, this incident has sparked heated discussions in the Chinese film industry, with traditional theaters feeling threatened by streaming platforms. The theaters believed that this kind of behavior would lead to the loss of movie theater audiences, so they even began to boycott the director of *Lost in Russia*. When "online self-rescue" is no longer the only choice, what are the advantages and disadvantages of the two screening methods, and how would the producers choose? This paper will take the two films *Lost in Russia* and *Lost in Thailand* directed by Xu Zheng, a well-known comedy director and actor in China, as examples, to compare the impact of online and offline release methods on movie revenues, and provide advice for future movie producers.

## 2. Features of Streaming Movies and Theatrical Movies

### 2.1. Streaming Movies

Streaming movies refers to the form of film screenings played on online platforms. The motion picture industry's confrontation between theater screenings and streaming media screenings has existed in recent years, and the epidemic has accelerated this process. The sources of movies on streaming media platforms usually include theater movies, self-produced movies on the platform, and movies produced by film teams. In European and American countries, platforms such as Netflix have already occupied a large share of the movie market through their strong platform production level. Netflix has once boycotted film festivals such as Cannes for not keeping the "window" for American films and streaming new films after them just being launched in theaters for a few weeks or even without hitting theaters. But in the end, as Netflix acquired and produced many high-quality and influential films, it eventually settled with traditional theaters in the United States and joined the National Film Institute of America in 2019 [3]. In contrast, China's top 3 platforms iQIYI, Youku, and Tencent are still underdeveloped. Compared with traditional theater movies, streaming movies are more convenient, rich in film sources, and more interactive for audiences [4]. Therefore, this paper believes that China's streaming media platforms will continue to develop in the future.

The profit methods of streaming movies are usually divided into four types: high-end pay-on-demand, single-chip pay-on-demand video, subscription-based video-on-demand, and advertising-based video-on-demand. High-end pay-on-demand is usually applied to online movies that are released simultaneously with theater movies; single-chip pay-on-demand video is usually used for movies that are played on the Internet after theater movies go offline; Watching by purchasing members; advertising on-demand viewing has the lowest threshold, usually for the video platform to attract traffic, or the advertising time is longer, which can bring huge profits [5].

### 2.2. Theatrical Movies

Theatrical movies refer to movies that premiere in movie theaters but not on Internet video platforms. Compared with the mature film industry in the United States, Chinese films started relatively late. Since 2002, China has started the reform of cinemas in the film industry. After more than 20 years of development, China has 51 cinemas, and the top cinemas have achieved large-scale development. By the end of 2021, China has become the largest film market in the world. [6]. Relying on cinemas, theater movies provide viewers with a dark, quiet, and more concentrated viewing environment. At the same time, 3D technology, IMAX, and Dolby sound effects are also providing moviegoers with a better viewing experience.

The profits of traditional theater chain movies mainly depend on the income brought by the box office. In addition, the theater chain has also integrated related industrial chains, that is, industries

such as catering, entertainment, tourism, and derivatives that rely on the flow of moviegoers. Take Wanda, a well-known Chinese film company, as an example. Wanda Film Co., Ltd. was established in 2005. Its business scope mainly involves film and television production, cinema investment, and film screening. As of 2019, Wanda has 541 theaters and 4,807 blocks in China. In 2018, the number of movie viewers exceeded 20,000, breaking the record for Chinese theaters. Of Wanda's total revenue in 2017, 5.1 billion yuan came from advertising and merchandise sales, accounting for 39% of total revenue, a year-on-year increase of 31% [7]. According to the domestic box office situation in China in recent years, the income of cinema movies is overly dependent on a small number of blockbuster movies [8].

### 3. Examples of Streaming Movies and Theatrical Movies

#### 3.1. Lost in Russia

During the Chinese New Year in 2020, due to the impact of the new crown epidemic, many Spring Festival movies such as Detective Chinatown and Jiang Ziya were urgently withdrawn. However, on the first day of the Lunar New Year, *Lost in Russia* and ByteDance jointly screened it for free on Xigua Video and other platforms [9]. This movie tells the story of the boss Ivan played by Xu Zheng who encountered a business dispute, so he accidentally got on the train bound for Russia with his mother. During the trip, he has fierce conflicts with his mother and a battle of wits with business rivals. In order to finally reach Moscow, he had to overcome difficulties with his mother and face problems that he had been avoiding in his family life. As the first free online premiere of a commercial film with high influence and high box office expectations, the movie caused an uproar and was even boycotted by major theaters.

The *Lost* series is a rare road movie series in China. Compared with the previous two *Lost in Thailand* and *Lost in Hong Kong*, *Lost in Russia* pays more attention to the portrayal of family affection in content, catering to Chinese audiences during the Spring Festival. wish for the reunion.

The film *Lost in Russia* invested 210 million yuan. Before the outbreak of the epidemic, the production company Huanxi Media signed a gambling agreement with the theaters. However, according to predictions, the film will face fierce competition in theaters and it will be difficult to achieve the desired box office [10]. With the outbreak of the epidemic, the film was withdrawn, and the production company Huanxi Media announced that the Spring Festival blockbuster *Lost in Russia* will abandon the theater release, and will be packaged with "other new movies and online dramas" and sold to ByteDance for 630 million yuan (Today's headlines, Watermelon Media's parent company), its video platform will broadcast for free from the beginning of the new year. According to Zitiao's official data, *Lost in Russia* has a total of over 600 million views in three days on Douyin, Xigua Video, Jinri Toutiao, Douyin Volcano and Smart TV Xianshi, and more than 320,000 comments from users of the feature film. Huanxi Media announced that the cumulative paid users of the "Huanxi Premiere" platform exceeded 2 million, and the number of app downloads exceeded 11 million. This move is a win-win situation for film producers and platforms [11]. At the same time, for ordinary audiences, during the panic stage of the early stage of the epidemic, the initiative of "watching the movie for free" won the support and reputation of the audience, and the final movie score was 5.9 points.

#### 3.2. Lost in Thailand

*Lost in Thailand* is the second work of the *Lost* series. It is a comedy with a lot of laughs, full of laughs, and the whole process is tense and full of laughs. The three leading actors have all dedicated their excellent acting skills. The movie talked about Xu Lang, a businessman played by Xu Zheng, who invented a magical product called "Oil Pao", which can produce gasoline. His colleagues want to sell this patent to make money, but Xu Lang wants to continue to develop and research "oil tyrants"

to obtain further benefits. The two can only achieve their respective goals with the authorization letter from Zhou Yang, the company's largest shareholder who is on vacation in Thailand, so both of them went to Thailand. On the plane, Xu Lang met Wang Bao played by Wang Baoqiang and became a traveling companion with him. The three started a funny chase in a foreign country. Every intersection and conflict between the three people was accompanied by laughter [12]. With an investment of more than 30 million yuan, the film earned a box office of 1.267 billion yuan, surpassing "Painted Skin 2" to become the box office champion of domestic films, and its Douban score was 7.4. The film created a box office share of nearly 300 million yuan for Shuguang Media, which is 10 times the film's investment cost of 30 million yuan. Before and after the film was released, Shuguang Media's stock price rose for 5 consecutive trading days [13]. Choosing a good schedule is an important factor for the box office of the film to exceed expectations. At that time, "1942" and "The King's Feast" had been released for two weeks, and "Youth Pi" had been released for three weeks. It started to go downhill; after the film was released, "Zodiac" and "Blood Droplet" were not released until the 20th, which means that *Lost in Thailand* had no competitors within 8 days after its release.

In addition to the profit sharing of investors and the bonuses of actors and production teams, another big contribution to the box office of *Lost in Thailand* is the movie screening theaters. According to the usual practice, the film producer will first reach an agreement with the theaters at the box office. The reporter learned that before the release of *Lost in Thailand*, it signed a 43% to 57% account-sharing agreement with the theaters. *Lost in Thailand* screened as many as 33,360 times on the first Saturday, accounting for 60% of the total number of screenings that day, reducing the screening space of competitors [14].

## 4. Reasons for the Box Office Gap

### 4.1. SWOT

Since *Lost in Russia* and *Lost in Thailand* have different profit models, it is impossible to simply compare the box office, but judging from the number of viewers, *Lost in Thailand* has more than 30 million viewers and 500,000 screenings after 21 days of release. And *Lost in Russia* was watched by 180 million people within three days of its release. At the same time, for film and television companies, Huanxi Media earned 630 million yuan with an investment of 210 million yuan, while Enlight Media earned more than 300 million yuan with an investment of 30 million yuan. Therefore, it can be considered that *Lost in Russia* has achieved higher returns.

The SWOT analysis framework was proposed in 1971 by Andrew Te of Harvard Business School in the book "Corporate Strategic Concepts". Refers to the match between what a company can do (internal Strengths and Weaknesses) and what it can do (environmental Opportunities and Threats). The following article will use the SWOT model to analyze the reasons why *Lost in Russia* obtains high returns.

#### 4.1.1. Strengths

*Lost in Russia* is obviously better than *Lost in Thailand* in terms of marketing. Compared with the traditional film promotion mode, the promotion of *Lost in Russia* reflects a distinct Internet thinking. The hype on topics like "free films benefit audiences, but are boycotted by theater company" has received the sympathy of public audiences. At the same time, due to the close cooperation between *Lost in Russia* and ByteDance, the film's official account released 133 promotional videos such as wonderful drama scenes and shooting features on Douyin, which received 32 million likes and 3.87 million fans [7]. It played a precise marketing effect for the subsequent screening of the movie on platforms such as Douyin.

#### 4.1.2. Weaknesses

Compared with *Lost in Thailand*, the overall reputation of *Lost in Russia* in terms of content is poor. *Lost in Thailand* scored 7.5 points, which is a qualified comedy, while *Lost in Russia* scored only 5.9 points. The three leading actors of *Lost in Thailand* Huang Bo, Xu Zheng and Wang Baoqiang are all well-known comedians in China. The film also invited the famous actress Fan Bingbing to make a guest appearance. Except for Xu Zheng, the other leading actors in *Lost in Russia* have fewer fans. The lineup is unattractive. At the same time, *Lost in Thailand* is the pinnacle of the *Lost* series, and *Lost in Russia* is a sequel, which makes the audience lack freshness in the plot. In addition to the difference between the cast and the plot, the audience's aesthetic fatigue with the *Lost* series may also cause two reasons for the word-of-mouth of the movie content.

#### 4.1.3. Opportunities

It can be said that there are many external accidental factors in the success of *Lost in Russia*. The arrival of the epidemic caused *Lost in Russia* to temporarily change the screening method, so at that time, *Lost in Russia* had almost no film competition at the same time. At the same time, due to the temporarily closed policy, audiences were forced to stay at home and eagerly seek new ways of entertainment, so the number of viewers was higher than expected. In addition, the film is the first high-anticipation film on the theater circuit, so it attracts more attention than other films [15].

#### 4.1.4. Threats

Huanxi Media signed an agreement with Hengdian Cinemas before the movie *Lost in Russia* was released. Hengdian will only pay for the promotion and release costs of the film if it reaches a box office of 2.4 billion. However, after the pandemic outbreak, this goal is almost impossible to achieve. At that time, Huanxi Media regarded *Lost in Russia* as a "hot potato" and only sought to get rid of the gambling agreement quickly, while ByteDance mainly aimed to attract traffic, so the film did not adopt the commonly used "advertisement" when it was screened. "Video-on-demand" and other profit means, that is, all stakeholders in the film did not regard profit as the first appeal and did not adopt more profit methods. Therefore, this article believes that if profitability is regarded as the highest demand, the film could have a higher profit margin at that time.

### 5. Conclusion

Although there is no doubt that the success of *Lost in Russia* is accidental, it does not mean that streaming movies are better than traditional theater movies in terms of revenue. But in the post-epidemic era, the reduction of the box office caused by streaming movies on traditional movies will undoubtedly become stronger. Mobile and convenience are the development trend of the Internet industry. As technology matures, streaming media platforms will provide more comfortable services for their audiences. Due to concerns about the virus and a preference for solitude, more viewers will choose to watch movies at home rather than in cinemas. Theater chains should not blindly hold an attitude of opposition and resistance to it but should take advantage of the trend and actively transform. You can refer to the successful online marketing techniques and rich account sharing and profit models of streaming movies. Theaters can also actively cooperate with Internet companies to explore more abundant screening methods, and actively understand and cater to consumers' viewing preferences.

At the same time, as far as Chinese streaming media platforms are concerned, they must seize opportunities to improve their motion picture production capabilities, or actively cooperate with media companies to produce high-quality films with more famous movie stars, more attractive plots and



more popular IP. Chinese streaming media platforms must understand that film content is the ultimate core competitiveness.

This paper analyzes in detail the difference between the profitability of streaming movies and theater movies and puts forward suggestions for theaters and streaming platforms, but the research of this paper still has limitations. First of all, the release time of the two movies selected in this article is seven years apart. Without fully considering the changes in the consumption level of Chinese consumers, the income comparison of this article is somewhat imprecise. Secondly, the number of cases selected in this paper is limited, and there is a certain chance.

In future research, scholars can study and compare the differences between streaming media broadcasting and theater broadcasting on film ratings and consumer viewing experience, and can also specifically compare the marketing of benefits to various stakeholders of films by different accounting models.

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