Master's thesis

NTNU
Norwegian University of Science and Technology
Faculty of Humanities
Department of Art and Media Studies

John André Bergli Ninive

21st Century Film Distribution

Master's thesis in Film Sciences
Supervisor: Anne Gjelsvik
May 2024

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FILM3090

Spring, 2024

Word count: 34,414

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INTRODUCTION

Have you ever wondered how come a recent massive blockbuster suddenly appeared on streaming, even though you could swear it just premiered in theatres? Have you been frustrated as a movie you wanted to watch suddenly disappeared from your streaming service? Maybe you have wondered how this 100-million-dollar action comedy could possibly be profitable to release straight to Netflix. More generally, you would not be alone in wondering why Hollywood make the choices they do. Many have also questioned the role and viability of traditional institutions as movie theatres within the modern era seemingly dominated by streaming. If you have considered any or all these questions, you will have entered the world of film distribution- the unseen web that connects film and audience in the production to consumption chain.

This text intends to shed light on a point of oblivion and ignorance in relation to the film industry that is shared by all too many. This is unfortunate as it is such an integral part of everything within the subject of film. Not only in relation to where and when they release, but to what gets produced. The dissertation investigates the living, breathing ecosystem of film distribution by illustrating the power dynamics in the industry from filmmakers to major Hollywood studios, to exhibitors, to television, and streaming platforms. This is essential now especially, as we have entered an extremely turbulent and disruptive moment in time, and many do not quite understand what is going on within the industry of one of the most significant cultural mediums.

The first chapter is about film distribution, and how it functions and what roles it must fulfil, as well as how Hollywood is integrated to make its operation successful. This is important to understand before delving into the channels through which distribution flows, namely through movie theatres and home entertainment platforms. The second chapter entails movie theatres, the physical exhibition link in the distribution chain. Here there will be room to discuss how they operate, some historical aspects, and how they have dealt with techno cultural changes and the Covid pandemic. In the third and final chapter, home entertainment including physical media, linear TV and subscription video on demand will be inspected. The latter will be given the most attention in this project given the disruptive role it has had in regard to the other distribution channels, audiences and the industry as a whole.

To attempt a concrete and confident prognosis of what the industry will look like in 5-10 years, would be mostly futile as it is a highly dynamic industry, vulnerable to external and internal changes. Instead, I will provide a platform to understand the status, specifically of the major Hollywood studios and the current outlook as it stands. To do so, parts of the text will chronic relevant history and events from the past and the present. With the tools, historical background and analyses provided here, any future reader will hopefully be better equipped to understand their present.

In terms of literature, I have become acquainted with some selected texts and research. Some of the authors within film and media include Amanda Lotz, Marius Øfsti, Chuck Tryon, Jeffrey Ulin, Ramon Lobato and Terje Gaustad. Lotz with works like *Media Disrupted: Surviving Pirates, Cannibals, and Streaming Wars* (2021) investigates how technology and internet has disrupted established media industries. Also, on lost revenue streams in local markets, there is *How streaming services make cinema more important* (2019) by Gaustad. Øfsti has researched the Norwegian market and what happens when revenue streams that are being relied upon are lost to time, as well as what effects the pandemic had on local distributors in *Norway After Netflix. Local Distributor Strategies in a Global Movie Market* (2023) and *Distributor Strategies in the Face of Closed Cinemas: Norwegian Responses to Covid-19* (2020). Lobato has written about and mapped the underbelly and the informal forms of distribution in *Shadow Economies of Cinema* (2012). Ulin's book *The Business of Media Distribution* (2019) is a thorough and detailed analysis of the inner workings of formal distribution. My contribution to this academia will be in conversation with texts such as these. I also wrote my bachelor thesis, *Coming Soon to a Theatre Near You* (2021) on a similar subject. As segments of my dissertation lean into the business side of film, and to help build a conceptual apparatus I have looked to inspiration from Mette Holan's *Markedsføringsledelse* (1999), Neil H. Borden, E. Jerome McCarthy and Phillip Kotler's associated work on 'Marketing mix' and the 'Four P's' within it, as well as Richard E. Caves' *Contracts Between Art and Commerce* (2003). All of these are not necessarily used significantly in this text but should be noted as referrals to find companion pieces.

Certain segments of the text depended on the most recent developments as they happened, allowing it to be as up to date as possible at time of publishing. Accordingly, these elements have not had time to be referred to much or any in academic source material. Therein was a challenging, but exciting aspect of the construction of the dissertation as turn of events happened as work was underway. Therefore, most of the literature I have equipped comes in the form of trade press articles. Another matter is in that the credibility of some of these articles should be open to audit. In some cases, the journalist is an insider or have undisclosed sources reporting to them. Sometimes they report on press releases they all receive, making time of publishment and content in the articles similar. In other cases, I have used quotes or numbers directly from the companies or their representatives, which is also something to be wary about, as they have a job to do and often something to sell.

That said, the most frequently used outlets, such as The Hollywood Reporter, Variety, IndieWire and Deadline are generally highly regarded as accurate and respectable sources for news breaking out of the American film industry. The text will admittedly have a Euro-American centric perspective as this is the market I am closest to and most familiar with. Additionally, Hollywood is the subject for a lot of it, the U.S. market will inform a lot of their decisions. Accordingly, segments will also lean on key numbers from these markets which have been fetched through platforms like The Numbers, Box Office Mojo, Film & Kino yearbooks, and JustWatch.

Before Hollywood and its current power dynamics can be discussed, one must first understand how the film industry works beyond the actual production and look towards the inner workings of distribution. Film is an artform- a combined effort of contributions from writers to cinematographers, to actors, to directors, to set decorators, to composers, to make-up artists, and so many more. However, film is an artform that is also very much in bed with commerce. It must be funded to be made and it must be distributed to be seen.

CHAPTER 1: FILM DISTRIBUTION

1.1. AN INTRODUCTION TO FILM DISTRIBUTION

Film accounting is not as black and white as it may seem. A film with a touted budget of 100 million USD, selling tickets worth 300 million at the box office, does not see a net 200 million return to the studio. Revenue wise, some production costs can be recouped before it is seen by audiences, for example through product placements and tax incentives from the government. There is also a long tail to consider as the lifespan of a film does not end in the theatres. Regarding ‘net profit reducers’, there might be royalties that talent is entitled to as well as the percentage of ticket sales that go the theatres.

Still, in between the production phase and the release phase there is a gap. To hopefully get your money back, and then some, the film needs to somehow reach its intended audience. This gap is bridged by film distribution. This will also cost money, further reducing gross to net, but without distribution there cannot be a profit. Distribution is an unseen but inevitable link of the artist-to-audience, or conception-to-consumption chain. Parties involved in this ecosystem are film studios, filmmakers, audiences, distributors, exhibitors such as cinemas, and VOD (video on demand) platforms. In this phase, film distribution plays a big hand in the potential for financial profit as well as cultural impact.

While the distributors have, in certain cases had zero creative inputs in the production itself, their logo might still be the very first thing you see in the film. Here, it should already be noted that often distributors and producers work closely together as contracts can be signed before the production phase where distributors can influence decisions (Gaustad, 2019, p. 71). A bigger studio usually has a distribution company that is an extension of the production company. Over the actual filmed footage, one can typically read something akin to “*Distributor* presents- a *Movie Studio* production- directed by *Filmmaker*”. *Uncut Gems* (2019) opens with the Netflix logo, followed by the A24 logo and Elaga logo before it reads “Netflix and A24 present- an Elara picture”. Netflix and A24 are the distributors, Elara are the producers. Distributors can serve films that they think will fit within and/or improve their brand, image and portfolio by wrapping the film with their logo and title. This can happen within the film itself or on digital packaging, like a film marked with an ‘N’, opening with the ‘dundun’ theme to signify it is one of Netflix’ originals on their platform, or Disney packaging their physical media releases, or any release for that matter, with their name and logo.

In the words of media executive, Jeffrey Ulin, distribution is-

> […] the art of maximizing consumption and corresponding revenues across exploitation options. Whereas marketing focuses on awareness and driving consumption, distribution focuses on making that consumption profitable. Additionally, distribution is also the art of creating opportunities to drive repeat consumption of the same product (Ulin, 2019, p. 6).

To further highlight importance of this side of the industry, a quote from Strauss Zelnick, former 20th Century Fox executive-

> The bulk of our business is distribution. Probably three quarters of our employees are involved in generating revenues. Out of the other quarter, most are involved in counting revenues, and then we have about twelve people who are involved in actually making movies. The bulk of our business is financing, distributing, and accounting. We have a huge staff that does nothing but license our pictures in all markets around the world. (Lobato, 2012, p. 11).

Distribution may have been somewhat elusive to many outside the business, but a crucial part of the industry it remains, nonetheless. Academic studies and media attention has however gained some traction as digital evolutions, and techno cultural & economic turbulences have shed a spotlight on the film couriers. As we shall see, is distribution a complex, multi-faceted beast that can make or break the fortunes of a film from before it is made to after it has premiered. In the following chapters, the main channels of film distribution, theatres, and home entertainment (physical media, linear TV and SVOD) will be further analysed, but first a breakdown of how film distribution operates.

1.2. THE THREE TASKS OF DISTRIBUTION

Distribution is a threefold affair- licensing, marketing, and delivery. In this part we will delve deepest into the two former types of distribution. While the delivery is unmistakably a vital responsibility, the most intricate, time- and money dependant are licensing and marketing and thus it is also what we will spend the most time on in this sub-chapter.

1.2.1. LICENSING

Firstly, a distributor must acquire the license for a film from the studio or people that produced or will produce the film. Often on a bigger scale, the distributor and studio will be under the same roof to streamline operations. In general terms, the distributor can either agree to a leasing deal where they get a fixed sum which remains the same irrespective of its profits, or they can agree to a profit-sharing model where they receive a percentage of its profits or a hybrid of these models (Provost, 2023). On a more detailed level, entertainment lawyer Schuyler Moore defines nine different types of distribution agreements;

1. A *PFD* (Production/Finance/Distribution) agreement sees a studio ran distribution company hire a production company to make a film, heavily under their control, which they will finance and distribute in return for all global rights in perpetuity, but do not concern themselves much about net profit (Moore, 2019).
2. A *negative pick-up* is similar in that the distributors own the rights forever, but they will not fund the film and instead pay upon delivery, meaning that the producers must lend money from elsewhere, though they retain more creative freedom (Moore, 2019).
3. A *pre-sale* involves a foreign distributor paying an advancement pre completion of the film, giving them certain, specified rights in their territory only, then there might also be overages tied to the level of fiscal success of said film (Moore, 2019).
4. *Rent-a-system*. Here, the producer lends the distributor certain rights, but the former retain most or all earnings of a film, but they also fund the production and most of the distribution fees themselves, and since there is little risk/reward, and due to the lack of incentive, the film often does poorly (Moore, 2019).
5. *License* is a term used for limited rights someone will get, be it for one day on PPV (pay-per-view) TV or global rights for decades (Moore, 2019).
6. *Sales agent* is a person for hire that effectively is a licensee and can require a certain fee of the distribution (Moore, 2019).
7. Some deals are vaguely referred to as *distribution agreements* and can refer to granting of rights or sales agent relationships (Moore, 2019).
8. An *output agreement* is effectively a pre-sale agreement but refers to an unspecified arrangement of films with separate licenses coming in play when further along (Moore, 2019). One example of this might be the way Disney are likely doing such an agreement with Marvel Studios and their cinematic universe series of films.
9. Lastly, *co-production* originally referred to the collaboration agreement between companies from different countries, but has evolved into the agreements between any companies, and the way they can partner up or have separate ownerships (Moore, 2019). This can mean anything from an arrangement to share rights and risk to "[…] a legal structure tied to formal government subsidies and tax schemes" (Ulin, 2019, p. 100-101).

To use a somewhat unusual case of negative pick-up that has been in the news lately at time of writing is *Monkey Man* (2024) directed and produced by Dev Patel. After a troubled production due to Covid and various other incidents and filming wrapped, Netflix bought worldwide rights for a reported 30 million USD (Sitek & D'Alessandro, 2024). Later the streamers allegedly turned around on it as they feared it would be politically problematic, especially for their Indian audiences and shopped it around to other distributors instead, and almost ended up cancelling the release entirely (Sitek & D'Alessandro, 2024). The co-financier went bankrupt, and release was up in the air before Jordan Peele and his production company, Monkey Paw Productions came aboard and got Universal Pictures to acquire the rights from Netflix at a reported 20-million-dollar loss for the latter (Sitek & D'Alessandro, 2024). Through Universal it received a wide theatrical release. This highlights the unpredictability of the distribution industry.

'Canning' of a film is a real threat, even after production has wrapped and it in theory is ready to release, but the ones who hold the rights for it decide what happens to it, and the filmmakers do not necessarily have much say in the matter. Warner decided to not release *Scoob! Holiday Hunt* (-) and *Batgirl* (-), which were in the post-production phase as the new management deemed it "not releasable" (Coggan, 2023). Warner also cancelled the release of the finished *Coyote vs. ACME* (-) as it fell victim to a shifting "global strategy to focus on theatrical releases" (Frank, 2024). They have reportedly shopped the film around to other studios, but they have not met Warner's valuation of the title, as they receive a considerable tax write-off if unreleased (Frank, 2024), as they will have got for *Batgirl* and *Scoob!* The Warner films were likely PFD agreements as they were films produced for their SVOD service, and DC Comics and Warner Brothers Animation are both under their umbrella.

In terms of what a good deal for a filmmaker that produces independently (outside the studio system) can look like, they can be presented with an initial MG (money guarantee). This would see them receiving cash upfront before they agree on a RevShare (revenue share) of its potential earnings, where the distributors should not be taking more than 25-30% (Royak, 2018, 01:03:40-01:07:28). When this is done, they do not own the film, but they do have the license for it, in certain territories for a limited time, on average 5-7 years (Royak, 2018, 01:11:30 - 01:11:56). During this time, it is their responsibility to ensure that the film is available at the right place, at the right time to fully extract audience interest in the most rewarding manner. The major studios is the subject of focus here, but it is of value to understand how the system operate on this level.

1.2.2. MARKETING (& THE FOUR P'S)

When a license agreement is in place, the film is completed and delivered to the distributor it is time to push marketing. Ideally, the word should be out there before completion to create some buzz, as well, letting people know of a synopsis, cast- or crew members and possibly some still images. In economics and marketing academia, Neil H. Borden introduced the "marketing mix". This was built upon by E. Jerome McCarthy who is credited of the concept of the four P's, being Product, Price, Place, and Promotion, which are the broad groups within the marketing mix that can be wielded to influence the trade channels as well as the final consumers (Kotler, 2000, p. 9).

The product in this case is the film. According to Figure 1, relevant considerations here are features, quality, branding, and packaging. Film is largely different to other physical products but there are still some of this that is applicable. It is beyond the role of the distributors, as their own entity, to have meaningful impact on the actual production and so it is beyond their capacity to do much about that finished product, but to present and deliver. However, if the film has known actors or acclaimed filmmakers, that is a quality they can work with and exploit. When it comes to branding, it helps to have an IP (intellectual property) that comes with name recognition, which the production company will have had to acquire the license for.

This is a big part of why adaptations (usually of literature), remakes, sequels, prequels, and the like are so popular at the box office, and ipso facto, at the big movie studios. This is also why 47/50 of the highest lifetime grossing films of all time fall under one or more of these categories (Box Office Mojo, 2024) and accordingly also why these types of films are what continues to receive the highest budgets. There is an increased confidence in these tentpole films, which is why they receive the 100-200+ million USD production budgets. These titles are 'guaranteed' to snowball opportunities for PR, cross-promotion, franchise potential, merchandising (Ulin, 2019, p. 26). Thus, the Promotion segment becomes simpler with these films, but they are still likely to spend big on the marketing, reflective of the budget of the film. This is not IP, but a pre-awareness in the subject also helps sell, like in biographical films of a person and/or historical event. Examples from this are *Elvis* (2022), *Oppenheimer* (2023), *Apollo 13* (1995), *Titanic* (1997), *Pearl Harbor* (2001) and *The Social Network* (2010). Real people and events are obviously also the subject in documentaries, and the more commonly recognised, the easier the sale. These films are however limited to one-offs in most cases, unlike IP films which can expand its franchise as far as the imagination, license and interest can take it.

Well known IP films present possible output agreements between producers and distributors. Building franchises is great for this purpose, with sequels and prequels providing avenues to continue the fictional story. What distributors, or studios by proxy, can do is continue to license/produce films that audiences, through a proven track record, will come to anticipate and associate a quality product with their brand. Many have gone out to see the new "A24 film" as if they were an acclaimed director, though they only produce and/or distribute. More people yet have gone out to see the new Pixar movie. Independently, a franchise or a known IP might also make the film more attractive to distributors if one were looking for a way to increase the chances of getting their film picked up. As far as packaging goes, under the Product side of marketing, the physical copies are arguably the only time this is relevant. Even if the physical market is dwindling, packaging is still something that the customer responds to (Reiss, 2009, p. 253). This is becoming increasingly important as the market is becoming more and more collector oriented as will be discussed further in chapter 3.1.4.

In the physical market, distributors can provide retailers with 720p DVDs, 1080p Blu-Rays, 3D Blu-Rays or 2160p 4K Blu-Rays. These can come in special editions with different designs, lenticular slip covers, steelbooks and collection box sets. Ideally, this can also lead to repeat purchases, not only from one platform to another, but within the same. They can also go back to the creatives and get them in to do bonus features like interviews or commentary tracks to strengthen the Product itself. Sometimes the filmmakers, be it director, director of photography or others, can also oversee the physical restorations of their films to ensure that it looks the way they intended. For instance, the long-time editor for Martin Scorsese, Thelma Schoonmaker oversaw the Criterion Collection 4K Blu-Ray restoration of *After Hours* (1985) (Harlow, 2023) to ensure that it looked as intended. Often on these special editions there will also be tons of bonus material with behind-the-scenes footage, concept art, production stills, deleted/extended scenes, or even whole documentaries on the production.

On price, discount and pricing strategy can be discussed. This is of course tied to the quality and demand of the product. The selling price to customers is something in the film industry that is relatively static. A box office ticket for a small indie film will usually cost the same as a blockbuster (a film expected to capture the lion share of audience members upon its release (Gomery, 2003 in Hadida et al, 2020, p. 234)), fifty times its budget. Prices can vary on certain elements like if it is shown in special auditoriums, 3D, 4DX, IMAX and the like. It can also be adjusted based on age, student status or disadvantages of the guest. Some have also suggested dynamic pricing for tickets based on various elements like seat selection, showtime or the film itself to increase attendance and revenue for exhibitors and distributors. This is not generally used at this time. Altering price based on film could prove volatile as it would undeniably introduce a range of predicaments. Under which parameters would one create these categories? Budget, expected demand or even runtime? Which size of production would this give advantages or disadvantages for? How or if does this change the film rent between exhibitor and distributor? Would it increase or decrease productions of certain films? Could it re-introduce a version of A and B films, block booking and flat fee rentals, non-dependant of box office? For now, uniform pricing is the standard, at least in regards of the films themselves.

The budget or perceived quality does not change the standard price for a given movie at home either, be it on physical disc, TVOD or PVOD (premium video on demand). SVOD fees are also comparative, no matter what their libraries look like. This makes film quite unique. Where else is the price to consume/own/gain access to something that cost billions of dollars to produce and sell equal or lower than something that only cost five figures? In film pricing, format, and freshness is decisive, though a retailer can choose to run discounts and bulk sales. What tends to decide the price point is the quality of the edition you are watching. A Blu-Ray of a given movie is generally more expensive than the DVD, and the 4K more expensive than that. On TVOD sell-through or rental one can also usually choose between HD and a cheaper SD option. SVOD services can also have different subscription plan options like SD, HD, UHD. More and more services include advertising in their cheapest plan in an SVOD/AVOD (advertisement video on demand) hybrid model.

Regarding place, relevant terms are channels, market coverage, assortment, and inventory. Transport used to be more of a factor when physical film was the norm. It is the responsibility of the distributors to push the films to theatres, streaming services, and retailers to take them on in their inventory. An eager distributor might even pay the retailers to keep their films on their shelves (Reiss, 2009, p. 253). They must also respect the established windows while maximising resources from the respective channels before moving on to the next. This will remain relevant when windowing is discussed in further detail.

Last, but not least, is sales promotion, advertising, public relations, and direct marketing which are all relevant terms in the final P, promotion, as briefly mentioned under discussion of IP based titles. The distributors will evaluate the project in terms of its potential for commercial success and critical success (Provost, 2023). A small indie film will obviously not get the same treatment as a huge blockbuster will, but it will be comparative to their respective budgets. Every film with prospects should get posters, trailers and press materials including EPKs (Electronic Press Kit) (Provost, 2023). EPKs are composed of short and long synopsises, crew and cast bios, production stills and story, a director's story, end credits, technical specs, and the like (Reiss, 2009, p. 87). As part of the acquisition deal, the distributors and the producers will agree on a marketing deal which the former will handle, whilst the cost should, by a good distributor, be recouped against the revenue flow when that eventually comes in (Deverett, 2021). A small, independent film will get a little push and hope that good reviews and word of mouth will carry it on beyond that. That said, there are organizations and support schemes for quality film that help market and distribute international import and export national films to foreign markets, if they meet certain requirements. In Norway, NFI (Norwegian Film Institute), works with the former, and Media Desk works with the latter across European borders.

It is a different league when it comes to the Hollywood juggernauts, like a big Disney movie, or a big Marvel movie, or a big Star Wars movie (coincidentally, all under Disney now), which will be plastered everywhere you look. With a huge production budget, comes a huge marketing budget. The cast and directors will be on a promotional tour, do interviews, pictures, YouTube videos and even appeal directly to the given country it is premiering in[1]. Posters will be everywhere from movie theatres to bus stops in lesser populated rural areas, to Times Square and Leicester Square. The creative, artistic aspect of poster creation must often make way in exchange for a 'floating heads' style that showcase the star power of the film, at least for the main. Trailers will play on YouTube, before other big movies in theatres and on cable TV in commercial breaks where they will pay an even bigger premium for a spot when there is peak audience engagement such as in ad breaks under the Super Bowl. Then there is social media promotion, which is a newer, cheap, but highly efficient tool in the 21st Century. Starting a hashtag cost nothing but could 'go trending' and snowball into focus, or at least the peripheral of many potential viewers without them having to seek it out themselves. All of this is orchestrated by the marketing department of the distributor, and usually at this scale, by proxy the studio itself.

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[1] See Brian Cox promoting Succession (2018-2023) with "Logan Roy's" infamous catchphrase in different languages https://www.tiktok.com/@hbomaxnordic/video/7221463124161907973

It is their responsibility to make sure that the film reaches its intended audience, and that the marketing material is representative of the actual product. A horror film should generally not be advertised a romantical comedy and a slow burn drama should not be advertised as an all-guns-blazing action film. However, there are exceptions where the point of the film is to masquerade as something other than what it turns out to be. If this is the case, the instructions will have likely come from the producers. However, there are also examples of misrepresentations of films where the distributors have failed in their task in selling it as what it should have been and instead opted for a cheap and deceptive advertising strategy that they think will attract the most people. This could upset the audience when they find the content is not what it says on the package[2]. Another mistake is revealing too much in the trailer, in an eager effort to showcase the most interesting segments of the film, but removing the sense of mystique and curiosity that so often tempts admission.

The marketing should not end after it is out of the hands of the distributor, either. The exhibitor in form of a movie theatre must also market the film using the materials, like trailers and posters provided to them by the distributor. They may also engage with social media advertising or wrap the exterior and interior of the house with posters. More on this in the chapter about theatres, but it is also in their best interest to promote the films they are screening as they receive a share of the ticket sales while directing more paying customers through their kiosks. Retailers of physical copies and third-party VOD must also promote the addition of the titles. The front pages will usually feature thumbnails and short trailers of newly added or upcoming titles. Algorithms, too, has become a vital tool for direct marketing on streaming services that promotes certain films, while also keeping the consumer fed with content that will hopefully keep them there.

1.2.3. DELIVERY

Before it is ready to be seen, the distributors must deliver the actual film to theatres. This used to be a more time consuming and expensive task when theatres used film reels instead of the digital substitution of today where the distributors need only send out encrypted, high resolution DCPs (Digital Cinema Packages) (Provost, 2023). Today, digitalized production,

[2] See the extreme case of this in the lawsuit against the distributor of *Drive* (2011) and the theatre it played in as the offended claimed it was marketed more of an action film rather than the neo-noir drama it was https://www.theguardian.com/film/2011/oct/10/woman-sues-drive-trailer

post-production and digital cinemas is the standard. Norway became the first country to fully digitize every major cinema in 2012 after agreeing on a deal with the then Big Six Hollywood studios (Film & Kino, 2012). The global digitization had a 'yo-yo effect' on the number of DCPs, initially increasing, then decreasing as the digital market matured (Ulin, 2019, p. 11). Screens still using film print has become a commodity for those interested in that arcane, analogue look and feel, with MPAA estimating that 98% of the global cinema screens were digital, already by the end of 2017 (Ulin, 2019, p. 13). One trade off, in term of workplaces, was the cutbacks in those within distribution companies working with copying of film reels among other things (Ryssevik et. al. in Bakøy & Øfsti, 2021). The DCPs are made in every version of the film, with many different technical specifics adjusted for the auditoriums it will play in. Some of these specifications are IMAX, Dolby Vision, colour grades based on light output of the projection, aspect ratios of screens, FPS (frames per second), Dolby Atmos, 5.1, 7.1, IMAX 12.0 and 5.0 (UNIC, 2023, p. 49). Then there are different versions with various subtitles and/or dubbing (UNIC, 2023, p. 49). *Avatar: The Way of Water* (2022) was made in 1,065 theatrical versions globally (UNIC, 2023, p. 50) which is an unusually high number for an unusually big title but should illustrate the work that goes into creating the DCPs.

It is also often the role of the same distributors to prolong the lives and availability of their films beyond theatres, where they are responsible for where and when to release it in ancillary markets. Traditionally this life cycle starts with a theatrical run, and on some occasions, they are released on PVOD which allows you, for a premium, to watch a film at home while, or shortly after the theatrical premiere. After this window (windows fill be further discussed in the next chapter) it is time for the transactional where one can purchase a physical copy such as 4K Blu-Ray, Blu-Ray or DVD or a digital copy on TVOD through Apple TV, Google TV or Blockbuster to mention a few. Subsequently, it is made available for Pay TV, which contains cable TV or SVOD services such as Netflix or Prime Video. The last few steps include Free TV (one example is NRK in Norway) which often also overlaps with AVOD, before it becomes accessible for schools/universities, hospitals, airplanes and lastly it opens up as free for all in the catalogue. For these, there also need to be many different formats and versions made. They are formatted for different resolutions like SD, HD, UHD and 3D, for broadcast or compressed for VOD (Ulin, 2019, p. 11). Then there are various versions with extended or special editions, different aspect ratios and bonus material (Ulin, 2019, p. 12). Jeffrey Ulin states that as digital systems are being consolidated, the VOD formats are becoming increasingly standardized, the number of versions is winding down (Ulin, 2019, p. 13). This suggest that it is not quite standardized yet, as he points out a trend, instead.

To test this, I found films available for me at several SVOD platforms, that were shot in different aspect ratios. I chose the Warner Brothers films *The Dark Knight* (2008) and its sequel *The Dark Knight Rises* (2012) for which formats it played, on versions available to me on physical media and SVOD. The video specifications for both films are variable 2.4:1 with 1.78:1 IMAX sequences. For the 2017 The Dark Knight trilogy 4K release, which include standard Blu-Rays and 4K Blu-Rays, had both aspect ratios, on both films, on both versions. Netflix only played 2.4:1 on both films. Viaplay played *The Dark Knight* in both variables, but only 2.4:1 on its sequel. This was also the case on Warner's own SVOD service, Max (formerly known as HBO Go in some markets, HBO Nordic in others and lastly HBO Max before the merger with Discovery). Regarding bonus features, the physical collection included extras for both films on separate discs. Only a few streaming services include any bonus material on their properties, but Netflix, Viaplay, and Max do not, at the moment.

1.3. IN-HOUSE INTEGRATION & OUT-OF-HOUSE DISTRIBUTION

Distribution can generally happen out of- or in-house, or as a hybrid of the two. Verticality and horizontality, in micro-economics, are terms used to describe to what degree a company controls or outsources parts of the conception-to-consumption chain. If vertical or horizontal integration is at play, the chain of distribution is done in-house, to varying degree.

1.3.1. VERTICAL INTEGRATION, THE CASE OF NETFLIX AND THE STUDIO SYSTEM

Vertical integration signifies an investment throughout the chain. Examples would be the way Apple produce, distribute and sell their devices through themselves. They are not exclusively vertical as their products are found elsewhere, too. The clothing brand Zara and McDonalds are also vertical. A vertical acquisition would invest in another level in the supply chain. An example of verticality in the film industry would be the way Netflix often produces its own film and series before distributing and exhibiting them through their own platform. A studio could order such a film or series to be produced for them. *Stranger Things* (2016-2025) is one of these vertically produced and distributed all under the Netflix umbrella. Big studios that aim for theatrical releases also do this. Disney distributes through Buena Vista (Bloomberg), and Warner Bros. through New Line Cinema (Warner Bros.). Both are subsidiaries of the aforementioned mother companies, respectively. However, this might be different country to country. In Norway, for instance, Disney distributes through Oslo based The Walt Disney Company Nordic (Øfsti, 2023). Still vertical, but through an in-house distributor that is tailored to and have optimal familiarity with the market it will sell to. The joint venture of Universal and Paramount- UIP, United International Pictures, distributes for them, respectively, outside of North America (UIP).

It is easy to understand why this is an appealing way of doing business as it streamlines all the discussed aspects that distribution and indeed production, considering the sheer practicality as well as seizing assets from escaping out of the company. The American, global domination has been facilitated by their vertical, multinational organizational structure (Crisp, 2017), with daughter companies planted strategically on international soil. Distribution policies such as these are "[…] developed by the American industry to capture and maintain markets and to obstruct foreign competition", film industry professor Thomas Guback argues, which would allude to systematic collusion and the form of an oligopoly (Lobato, 2012, p. 12). The theatrical distribution chain is not entirely vertical though, as they do not manage exhibition.

The life cycle of a film is only completely in-house on some occasions, as in the closed loop of Netflix, for instance. Often, though, the case is that the further a film trickles down the chain, the further it gets from the original producers. When it has lost most of its financial prospects, it no longer is efficient with a high cost/high reward strategy and selling it on for a compensation might be the safest choice. For instance, Warner Brother Discovery's *The Batman* (2022) is available on their own SVOD platform, Max, but they have also sold non-exclusive, temporary license of it to Netflix. Also, some of WBD's discontinued DCEU films like *Wonder Woman* (2017) and *Shazam!* (2019) will join Disney+ with Hulu (Disney+, 2024, 01:40-01:44).

By establishing a fully vertical strategy, one should be aware of the risks and pitfalls that come with it. A production studio that also invests in their own distribution and exhibition becomes self-reliant, for better or for worse. A mistake or unsatisfactory efforts and results repercuss through the entire institution. Additionally, you risk diluting your own specialization and focus, possibly to a detrimental end. Every company will have their own strategies that they see as the best fit for them, and the correct solution for one company will not necessarily be the case for the next. As alluded to before, Netflix is one such company that places their bets on vertical. By browsing through the content of Netflix, it is evident that they are very focused on a vertical model as they look to produce, distribute, and exhibit on their own platform. Currently, Netflix also aggregates out-of-house films and series and thus becomes a horizontal part of others' distribution chain. Though third-party licenses like NBC's *The Office* (2005-2013) and ABC's *Breaking Bad* (2008-2013) has been and continue to be important for Netflix' popularity, the ratio of originals opposed to licensed content is increasing. This will be further discussed in subchapter 3.3.1. It should be noted that not all films marked as Netflix Originals are produced by them. Some films they have just acquired licenses for and distributed and exhibited it post-completion, without having produced.

When the distribution chain is pure-blood vertical in the modern streaming era, it is easy to be reminded of the classic Hollywood studio system. The studio system and "the big five", MGM, Fox, Paramount, Warner, and RKO (and the "little three", Columbia, Universal and United Artists) sought to control the entire chain by not only producing and distributing, but also exhibiting the first run of films in their own respective movie theatres that they owned (Abreu, 2023). The Paramount Consent Decrees of 1948 and the Supreme Court put a stop to this, as antitrust laws were engaged to seize a stranglehold on both production and distribution by the studio titans, much to the benefit of independent producers and exhibitors. It was found by the district court that "the defendants had engaged in a wide-spread conspiracy to illegally fix motion picture prices and monopolize both the film distribution and movie theatre markets" and the Supreme Court sustained their appeal (Antitrust Division, 2020).

The American film industry was thereby turned on its head. The decrees mandated the following: the defendants who owned theatres must divest distribution operations or their theatres, prohibition of distribution practices such as block booking (bundling films into a single theatre license, an A- and a B film, for example), circuit dealing (licenses that covered all theatres in a certain circuit), resale price maintenance (setting minimum on ticket prices) and granting overbroad clearances (exclusive licenses for films for specific areas) (Antitrust Division, 2020).

However, in the eventful year of 2020, this law was done away with by the Department of Justice overturning the then 72-year-old decree (Antitrust Division, 2020). This was done for two reasons, primarily. The first being that some of the studios that signed the agreement no longer exists (RKO, United Artists, both bankrupt) or have undergone severe changes, also in ownership (20th Century Fox now under Disney, Columbia under Sony, and MGM under

Amazon, in a fused shape of Amazon MGM Studios) (Antitrust Division, 2020). The second reason was that streamers like Netflix, Amazon and Apple were never held under the previous restrictions as they preceded their formations (Antitrust Division, 2020). These laws never applied to newer traditional studios, either, like Lionsgate, nor did it for Disney who only became a distributor post 1948 and have had every opportunity to purchase their way into the physical exhibitor industry, but have neglected to do so (Sneider, 2020). A major difference, then, between the 1948 decision and the 2020 decision is that the latter provides aid to traditional power houses in the face of competition from streamers. Meanwhile, the Paramount Decrees, as mentioned, sought to strengthen the independent scene, and make a blow against cartel conspiracy for monopolization of power in the industry through the means of vertical integration.

Internationally, Nordisk Film, one of the oldest production companies in the business, under Danish media conglomerates Egmont, are very much vertically integrated. They have a distribution arm, Nordisk Film Distribution, a VOD platform in Nordisk Film+ and a physical exhibition arm, NF Kino across Nordic countries. Though this in principle is akin to aspects of the distribution in the studio system, it is difficult to compare the major Hollywood companies to this in much significant manner other than pointing out that it is still done in some shape today. As of April 2024, no major studio has bought their own theatre chains in effort to become fully vertical and there are little signs of them planning to do so in the near future. In 2023 there were rumours of Amazon exploring an acquisition of AMC which would be a gigantic incident within the industry/industries. Though this caused a 21% surge on AMC at the stock market, the move was described as unlikely by those in the know (Reuters, 2023) and no such deal has come to fruition at moment of writing and the case has gone cold.

Netflix have dipped their toes ever so slightly into the movie theatre industry having bought and re-opened two boutique locations in California and one in New York, which they use to screen some of their original movies as well as classics (Keck, 2021). Beyond this type of small non-commercial theatre investments, it is remote that this will become heavy investment in the near future of studios. This is for reasons associated with anti-trust, even with the Paramount Decrees terminated there would undoubtedly have followed scrutiny from media and regulators, which could negatively affect them on the stock exchange. It would also represent a massive investment, not only in what it would cost to purchase a chain (AMC's current enterprise value is 9 billion USD (Stock Analysis, 2024), unless they start from ground zero which goes without saying would also represent huge establishing fees. Significant operational costs would ensue no matter what.

There are certain incentives for them to invest in exhibition, at least when first looking at it. They could manipulate the release window as they saw fit within their theatres without gatekeeping and retain the entire gross within their own company instead of sharing with third-party exhibitors. They could also favour their own films over other studios in their programs, at risk of anti-trust regulators coming knocking. Of course, in this theoretical scenario, they would also risk souring relationships with other exhibitors that might screen their films as well as the proposed distributors that come to this vertical exhibitor. This is also a key factor in that the factory line movie production that happened in the Golden Age does not exist anymore and the current output of films do not necessarily warrant theatrical integration. The risk outweighs the reward as it stands. If there was a moment to do so, it would probably have been during the pandemic or just as we came out of it when theatre businesses were vulnerable and there for the taking.

What almost every major studios *have* done, however, is invest in their own streaming platforms where they release exclusive content and push to have it available as soon as possible after the theatrical premiere- that is if it was released in cinemas, at all. With most major studios now owning and operating their own streaming platforms, the studio system, or at least aspects of it, are reincarnate in a digital, cheaper, more practical, but still less profitable way than what was in the Golden Age. However, the integrational foundations are set in place.

1.3.2. HORIZONTAL INTEGRATION, MERGERS & ACQUISITIONS

When it comes to horizontal integration, mergers & acquisitions on the same level in the distribution chain is central, with co-operation across producer to wholesaler to retailer, in order to get advantages associated with economies of scale (Holan, 1999, p. 104). In terms of the film industry, we can replace wholesaler with distributor and retailer with exhibitor. One example is Sony Pictures Entertainment acquiring Columbia Pictures, the production studio, as well as Columbia Tristar Home Entertainment, now called Sony Pictures Home Entertainment (Media Studies, 2008, p. 3).

Another gigantic acquisition happened in 2019 when The Walt Disney Company swallowed 20th Century Fox in a deal worth 71 billion USD (Guardian, 2019), thus becoming an even more gargantuan media conglomeration than they already were. Then there were five left of the Big Six Hollywood studios that included Warner Bros., Sony Pictures, Paramount Pictures, Universal, The Walt Disney Company and formerly 20th Century Fox (Guardian, 2019). This was a horizontal move that paved the way for vertical distribution, allowing them to create more films and content while also distributing them through their new channels, including their streaming platform Disney+ which soon followed the acquisition- along with their major share hold of Hulu (Guardian, 2019). 20th Century Fox is now rebranded as 20th Century Studios under the Disney umbrella. It is now a massive label under another studio. Disney had also previously acquired labels like Lucasfilm (as of 2012), Pixar (as of 2006) and Marvel Studios (as of 2015). Other examples of production labels under studios are Walt Disney Pictures and Searchlight (formerly of Fox) of Disney, Focus Features and Illumination of Universal, Columbia of Sony, Nickelodeon, Paramount and MTV films of Paramount Global and Warner Bros. and New Line under Warner Brothers Discovery. These labels are specialists and take advantages of the infrastructure of their respective parent companies and have output agreements for a quantity of films that they are tasked with from above to help diversify their portfolio (Ulin, 2019, p. 21).

M&As (mergers and acquisitions) appear to be an increasing trend in Hollywood which is challenged but not necessarily stopped by antitrust laws related to anticompetitive behaviour. The aforementioned Walt Disney acquisition of Lucasfilm, Marvel Studios and Pixar has been scrutinized in the WGAW (Writer's Guild of America West) anti-trust report (Cho, 2023). The guidelines of anticompetitive behaviour do not differentiate between vertical or horizontal moves, but that mergers "should not entrench or extend a dominant position" according to FTC (Federal Trade Commission) and DOJ (Department of Justice) guidelines (Cho, 2023).

Government enforcers have thus far been unsuccessful in stopping vertical mergers, including the failed attempt to block AT&T purchasing Time Warner, which could incentivize further M&As as others seem to get away with it (Cho, 2023). The key appears to be lawmakers regarding market share as the most significant factor, slightly disregarding other economic benefits that, especially, vertical integrative moves may present (Edward Lee in Cho, 2023). Windowing is a central point of contention between all the players in the distribution chain and the changes in integration and who some of the new players are, is changing the dynamic of the situation. With new players like producers and distributors who are unbound by traditional studios and deep-rooted relationships with exhibitors or are unaffected by bygone revenue streams like video rentals, the defence of traditional gatekeepers becomes contested (Ulin, 2019, p. 42).

1.3.3. OUT-OF-HOUSE AND INDEPENDENT DISTRIBUTION

Not everyone can have the resources that the "big five" or "the new three" (Amazon, Apple, Netflix) have. While Hollywood and the major studios is the focus here, seeing how distribution functions outside it is beneficial. Regarding out-of-house distribution, a film can be produced independently or by a studio before it gets sold off to a distributor that is able to put it in front of an audience. This studio might not have any of their own streaming services or have a distribution branch. A license agreement here could be a negative pick-up. One example of this is *Talk to Me* (2022) which is a film that has had a successful wide theatrical release and is at time of writing available on TVOD and SVOD (in Norway). A24 does not have its own SVOD service per today but license their films out to other platforms. The film was independently produced and premiered at the Sundance Film Festival after which A24 acquired the rights and distributed it (Couch, 2023). Sundance is a prestigious festival where many films find their suitors and buyers. Amazon went on an upwards to 50 million USD spending spree there for three films in 2019 following previous Sundance-retrieved hits like *Manchester by the Sea* (2016) and *The Big Sick* (2017) (Shaw, 2023). A studio might also co-operate with distributors outside of their own umbrella in certain markets where they have little to none of their own presence. An independent film will usually be released by several distributors on a country-by-country basis (Smits, 2024).

To continue with the same example, in Norway, *Talk to Me* is distributed by Ymer Media[3] (Ymer Media). *Talk to Me* is somewhat of a fairytale example, however. To make a film south of 5 million USD, premiere at Sundance, fetch a reported high-seven-figure MG by A24 (Murphy & Setoodeh, 2023), become critically acclaimed and make 90 million USD (Box Office Mojo (1)) could be the dream of any independent filmmaker, and indeed the buyer. Many find themselves in situations where they must self-distribute, which can be an expensive and time demanding task. Independently and in the studio system, the rule of

[3] ScanBox has since bought a majority stake in Ymer Media

thumb is a rough 50/50 split on production budget, and distribution/marketing costs, whether production costs are 100 million USD for a studio film or 5,000 USD for an indie- costs will be approximately doubled with marketing (Reiss, 2009, p. 39).

There are several SVOD, TVOD and AVOD services the filmmaker can submit their modest feature films to, such as MUBI, Tubi (entries on MUBI and Tubi are often considered to be on opposite ends of the spectrum in terms of quality), Roku, IndieFlix and iTunes. FilmFreeway is a platform they can upload their films to hopefully be discovered by and picked up by various festivals and events. Getting it on a bigger service like Netflix will require filmmakers to submit through third party distributors, licensed agents, producers, industry executives (Netflix)[4], but they can bypass this should they take notice in the film at a festival. Film festival hits are primed to be picked up by studios, and in best case scenarios (for the producers) there is a bidding war on the project.

One can also make some money off physical sales. DVD/Blu-Ray sales are possible to do independently for the creatives which they can sell at their festival run or in their own online store. With that in mind, it is also possible to do a deal with distributors who only take the licensing for physical rights, while the producers possess the rest of the rights (Reiss, 2009, p. 252). As considered earlier in one of the four P's, place, a distributor goes a long way for wider sales as they have good, established relationships with certain physical and online retailers (Reiss, 2009, p. 252) as well as streamers.

Through the miracle of the internet, it has become much easier to make a film readily available on a global scale. It has for a long time been possible to achieve a wide release of a picture through the channels that existed pre-VOD like theatres, linear TV, and physical media from the conception of Betamax, which preceded the bigger success of VHS. Albeit the bar to reach a comparative numerical amount of people was much higher. Now, filmmakers can do it with the push of a button, to grossly simplify the matter. By uploading it to Amazon Prime, they make it available to the SVOD service' over 200 million global subscribers (Coppola, 2023). By uploading it on the AVOD service Tubi, they can make it available to the entire United States as well as anyone with a VPN elsewhere. The flipside of the coin is that on these platforms they will be but a drop in the ocean.

On U.S. platforms, Prime Video had per source 6,985 films in 2022, of which 409 were "high-quality" (h-q) movies (defined here as films with 7,5/10 or higher on IMDb), Netflix

[4] Note that Netflix is the reference.

had 4,091 (447 high-quality), HBO Max 2,586 (517 h-q) and Disney+ sported 1,129 (152 h-q) (Clark (1), 2022). Then there is a myriad of series on top. On Tubi, the film will compete against a combined 200,000 movies and TV episodes (Tubi, 2023). It is not unthinkable that there are titles on there that have never been seen on the platform. One also competes with every other way of watching something the consumer in question has access to, be it other free services like YouTube, paid VOD, TV and even their physical media collection. Wide availability quite achievable. Many views not guaranteed[5].

There are many ways to get your film 'out there'. Where that might be is not always so certain. The path to get there is unpredictable in some cases and in others it can be laid out in front of the film before it has even been made depending on the agreements. Even then things can change under the way as seen with *Monkey Man*, *Batgirl* and *Coyote vs. ACME*. Studios have their own agendas, but it is not controversial to claim that most filmmakers would like to have their film in theatres. The movie theatre industry and the viability, however, is one that has been questioned and tested, not only in later years in the streaming era and during the Covid lockdowns, but throughout history. Out there in the aether, there appears to be some unclarity of how this industry works and how much, if any, audience numbers have changed through different phases. In the next chapter we will attempt to clear some of this up.

CHAPTER 2: MOVIE THEATRES

2.1. MOVIE THEATRES AS A BUSINESS

Movie theatres are only in the film industry by proxy. Although, it should be said that some theatre companies create their own distribution daughter companies. AMC did this in 2023 and have notably distributed the concert films *Taylor Swift The Eras Tour* (2023) and *Renaissance: A Film By Beyonce* (2023) (Numbers (5), 2024). AMC is a massive chain who even operate their own streaming service in AMC+. Movie theatre daughter distribution

[5] See Colbjørnsen, Tallerås & Øfsti's *Contingent availability: A case-based approach to understanding availability in streaming services and cultural policy implications* (2020) for more on how availability.

companies are not reserved for the giants, as even a municipal, comparatively tiny theatre company like Trondheim Kino AS have such an operation in Storytelling Media (Trondheim Kino). Movie theatres themselves are really in the candy and advertising business, and their income is thusly dependent on two different avenues along with the exhibition business. The share of ticket sales that go to the exhibitors largely goes to cover costs associated to personnel, cleaning, maintaining, and purchasing equipment like chairs and lightbulbs (Stensland, 2008, p. 5). Then there are other expenses like rent of film and property, marketing, electricity, and taxes. Ticket sales alone would not make a movie theatre economy sustainable.

Kiosks and advertising help the exhibitors churn out profits. The kiosk equipment and products are often operated by third parties, though they are manned by the theatre staff. Here in Norway, many theatres use a company called Location Norway. The theatres could be franchisees of a company like this or have other deals like an operation arrangement (Kalkvik, 2008, p. 12).

Advertisers pay a premium to show their ads in a place where audiences have maximal retention to what is on screen. This is as opposed to many other places where it is easy to be distracted or find a way to remove oneself from it. Starting times on films are usually set about 15 minutes before it indeed starts as to get most eyes on the third-party ads, as well as trailers for upcoming films. These trailers are often set to show before similar films to ensure that they are shown to the correct target audience. Advertisements are also often found on the back of ticket stubs and on the website and app of the cinema. However, profit opportunities from all of this are dependent on cinemas being supplied by distributors with films audiences will come to see. Theatres position themselves to make sales to people coming to see their films. Some non-moviegoers might elect to purchase the 'irreplaceable' movie theatre popcorn, but other products are more easily obtained elsewhere and at a more reasonable price point. With less people through the door, backing by advertisers would also dwindle, and so movie theatres are ultimately reliant on a product that is out of their hands.

Theatres deal with distributors to exhibit their films and negotiate how they will split ticket sales with them. This also include how much this percentage that return to the distributors decrease over its run. In Norway this percentage has on average been around 40% (Kalkvik, 2008, p. 14). The structure of the deal with distributors of how revenue is supposed to return to them is favourable for theatres. The fee is not paid upfront but after the fact, based on ticket sales and the agreed upon rental percentage, which helps with cinemas' financial liquidity (Kalkvik, 2008, p. 14).

Distributors and theatre management must also agree upon the length of the much-contested release window. The release window is the period of time between a cinema premiere and home release. A longer window is beneficial for movie theatres as their percentage take for ticket increases over the run but also that it is for an extended period where it is the only place one can watch a certain film. The longer it takes for a film to be available elsewhere, the more likely a person is to go see it at the theatre while it still is topical and fresh produce. This is why most sales are made in the first week of the run, after which it is generally diminishing returns. It is also why studios want their films to be available on their streaming platforms as soon as possible. This will be followed up upon in the chapter on home entertainment.

2.2. HISTORY

To understand where we are and how we got there, it is often useful to take a step back. This will be done in in the home entertainment chapter, and it will be done here, as well. The origins of cinema as an artform, and cinema as an exhibition medium will forever be entwined and their shared name reflects this. Theatres are not in the film industry, and the film industry is not in the exhibition industry, but they have very much been evolving together, as symbiotic entities, one co-depending on the other.

2.2.1. GATHERING THE MASSES

That the emerging artform of cinema would require a brick-and-mortar exhibition location should only be seen as a natural evolution of what came before it. From the Italian Colosseum to opera, to theatre and to the circus, the movie theatres are preceded in its form and function of entertaining masses in a confined area. Sports is not far removed, though it differs in terms of the audience participation and the unplanned, competitive nature of the entertainment itself. These are mediums that have existed long before cinemas and still do today (bar the animal- and gladiator fights of ancient Rome). An indicator of the longevity and profitability a social gathering in the face of entertainment.

Opera performances, theatre plays, and circuses are all reliant on attendance in their physical spaces. Performing songs, acting and acrobatics in empty auditoriums serves no purpose artistically, culturally, or financially. Meanwhile, sports programming was still broadcast to the masses without attendees in the stadiums. As seen during the Covid pandemic, however, many would argue it could not produce to the same quality and longed for fans to return. The football could hit the back of the net to the deafening sound of silence. These may not be quite comparable to the film industry, then. The film industry is one of few originally brick and mortar entertainment forms who have, seemingly, successfully carved out paths to need not rely on physical crowd gatherings and public exhibition to be sustainable. When there is no way to make them come to you, you must come to them. This is exactly what the film industry had the opportunity to do post introduction of the television. First, we must see how it all began.

2.2.2. PRODUCTION AND EXHIBITION HAND IN HAND

Movie theatres and the movie industry were once conjoined twins, growing, developing together. From early novelty acts and kinetoscopes and onwards to the projected cinema. The Skladanowsky brothers and the Lumière brothers with their bioscopes and cinématographes were pioneers that projected and exhibited the humble short films they themselves had made. Eleven years ago, the oldest (active) cinema in the world, The Eden Theatre, reopened after an impressive near century long first run of 1899-1995 (France 24, 2013). Here the Lumière bros screened their infamous *L'Arrivée d'un train en gare de La Ciotat* (1897) for 250 viewers (France 24, 2013). Film could slowly but surely move into dedicated locations, creep out of fairgrounds, and other obscure, dark joints. Thus, it could evolve from being a travelling curiosity to one of the most popular mediums to ever exist. Exhibition and production technology evolved, and narrative structures were established. Production industries across Europe and Russia grew and dominated, but then- WWI. Fast forward a decade and Hollywood has become the production centre of America, and the silent era would have come and gone. The notice to leave was sent by the success of *The Jazz Singer* (1927) and the 'talkies' that would follow when they finally figured out a well-functioning method for synchronised audio and video (Sharnan, 2020). It would not be long before theatres equipped with optical sound technology would become standard. The golden era of Hollywood could begin.

Colouring of film had been attempted in certain inefficient ways like tinting, hand painting and the Kinemacolor, and so colour was actually used on most films, to some degree (BBC, 2012). Still, it could not quite capture the colours of reality in a satisfactory manner. It would not be until the costly Technicolor technology was perfected with films like *The Wizard of Oz* (1939) that it took a big step towards what we know as colour in film today. With the advancements of sound and colour, the artform of cinema evolved away from the understated, representational qualities of paintings towards a high-fidelity presentation of life as we know it. This is an evolution that helped commercialize the movie going experience and one that proved to be an edge over its living-room-counterpart in the television set for decades to come.

2.2.3. THE END OF A MONOPOLY AND START OF AN ERA

During the first half of the 20th century, the television began its entrance into the living rooms. It began conquering the liberated Europe post WWII and by 1952, half of U.S. homes had a television set (Eboch, 2015, p. 32). At this time, audience numbers were dwindling in the US. In 1930, during the Depression, an average of American population who went to the cinema once a week was a high 65% with the number being down to 10% in 2000 (see Figure 2) (Pautz, 2002, page 1). While easy to think this was simply down to television, there were other factors at play, too. Social factors such as urban sprawl and economic growth, as well as industry factors like blacklisting of suspected communists in Hollywood by HUAC during the 'red scare' and no less the Paramount Decrees, effectively terminating the studio system, as discussed earlier (Wirth, 2019).

With that, the golden age of Hollywood was over. Television was not the lone killer, but it was still seen as a big competitor. Not only to movie theatres and the film industry, but to newspapers and radio, too. TV sets, however, were still in black and white and would remain so for most people a long time forward. The square 4:3 aspect would remain even longer.

In search to remedy the situation, they had to react. Where there previously had only been one-screen cinemas, they were now replaced by multiplexes with several screens, allowing them to show the same movie or different ones at the same time to maximise profit and customer flow. They also had to flex their audiovisual superiority over television. Enter widescreen. Cinerama was the first system out with 2.59:1 aspect ratio by using three projectors along with a very curved and wide screen, accompanied by multi-track surround sound, but it did not end up being viable (Science and Media Museum, 2020). *Robe* (1953) with its CinemaScope anamorphic process became the first studio film to boast a widescreen aspect ratio, which soon proved to become the standard (Nadel, 1993, page 415). CinemaScope stretched 35mm film to be laterally expanded by the cinema projector (Science and Media Museum, 2020). Todd-AO used 70mm film print (Science and Media Museum). Meanwhile experiments with 3D in production and exhibitions were made to keep audiences allured by the silver screen.

Special theatres were also built to maximise the potential of the impressive, tall format. IMAX cinemas were built for this purpose and has over 1500 screens of its kind across the world, per 2020 (Science and Media Museum, 2020). Norway currently has one such screen, run by Odeon, a daughter company of the American chain, AMC. Films shot on IMAX cameras is still something that producers, distributors, and exhibitors alike market to make people leave their houses in favour of a cinema experience that would overshadow the most impressive home theatres as well as regular cinema screens. These big films are often marketed as "Experience it on the biggest screen possible. As it was meant to be seen"[6]. It seems to be an increasing selling point in the most successful films of recent years. To take a detour into the modern time, some of the highest grossing films of the last six years, such as *Avengers: Infinity War* (2018) -and *Endgame* (2019), *Avatar: The Way of Water* (2022), *Top Gun: Maverick* (2022), *Oppenheimer* (2023) and *Dune: Part Two* (2024) have all been spurred on by IMAX promotion. Theatres equipped for this technology are few and far between, but the grandiose scale that the filmmakers wish to convey seems to be something that audiences respond to and leave their homes for.

Evidently, theatres and Hollywood were and are still very much working together, as selling tickets is obviously in both their interests, but the head of the film industry has been turned a long time ago. The saying "if you can't beat them, join them" might be applicable here, but seemingly, they intended to play both sides, right from the entry of the television. Through the home market they could perpetuate the revenue from films. It is easy to forget that up until this point films only made money once as they premiered theatrically and only made ancillary revenue from second runs. Vertical distribution all the way home to living rooms had been in their mind from early on. Studio ownership of networks had, however, been shut down by the

[6] See the trailer for the IMAX re-release of *Tenet* (2021)
https://www.youtube.com/watch?v=hCKbjKLutoQ&ab_channel=IMAX

Decrees, making them reluctant to release their films to their competitors. In the mid 50's the floodgates truly opened with *The Wizard of Oz* becoming the first film to be showed in its entirety on CBS, to whom MGM had sold it for 225,000 USD (2,5 million adjusted for inflation) per broadcast (Chan, 1956, p. 53). Audiences were still very much aware of the aesthetical downsides of television opposed to cinema. Of course, television sets were still in black and white at this time, which makes the success of *Wizard of Oz* a tad ironic with so much of its iconography tied to entering colour for one of the first times. The television reviews from 1956 in the Variety paper read,

> As to color, there's no question that one missed a lot viewing it in black and white, but the b&w compatible signal was excellent. The reduction to homescreen size was only mildly bothersome in such big scenes as the Munckinland number and "The Merry Old Land of Oz" […] (Chan, 1956, p. 33)

Cinemas have always had an edge over TV with their audio-visual qualities, but after this, home releases of film were here to stay. Before reaching the home entertainment chapter, we must assess the state of movie theatre business today, specifically in terms of how, or if, box office has fluctuated in recent years.

2.3. THE STATUS QUO

A general conception, or perhaps a *misconception*, seem to be that VOD has killed movie theatres. The shock and awe of something new and game changing is always bound to cause concerns for the established foundations set in place. The death of movie theatres has long been prognosed. It happened when TV first came into power, when physical media broke through and indeed today with the growing power of streaming. Worth noting is also that some thought theatre was surely doomed when movie theatres invaded the perceived market, but those are also still in operation, having had to cope with their projection-driven cousin for well over a hundred years.

2.3.1. BOX OFFICE

Slight hyperbole aside, new media does have the ability to disrupt other markets. Technological advancements in the form of VOD may have taken the market share of physical media, as discussed further in the next chapter. When it comes to cinemas, however, numbers would suggest that this might not quite be the case here, at least not yet. When measuring the success of films and theatres alike, box office analysis tends to be the most popular method. When going through these numbers, there are a few factors to consider. Most discernible, perhaps, is that these are largely numbers provided by studios and exhibitors. Thus, they may be susceptible for inherent biases or being presented in a way that skews them to appear more favourable than they are, which is why one should be wary taking them at face value. That said, ticket sales are a concrete sell-through which has been widely reported for many decades and is more transparent than viewership numbers on SVOD, for instance. One must also consider the revenue share as previously established. Reported box office numbers alone should not be the end all, be all framework for measuring the success of every film. There are naturally the following windows that eventually will come into the account, too. It is also important to be aware of the dark figures from cinemas that fall outside the system, especially internationally. Ramon Lobato wrote,

> […] many smaller cinemas and independent retailers do not participate in the data-collection efforts of the major studios, and the degree of variation is especially strong in international box-office accounting. As a result, the current distribution system is unable to measure the circulation of, or demand for, non-Hollywood cinemas. Hence it is not surprising that films like *Left Behind* fall through the cracks of the measurement system and are rendered invisible. This also explains why many networks of film circulation in developing nations are not counted within this framework (Lobato, 2012, p. 13)

Lobato researches informal distribution and the 'shadow economies of cinema' which is an important, too overlooked side of the industry that plays a crucial role in the social, cultural success of films, if not financial. Piracy is central here, and indeed something that impacts formal distribution. Much of this goes beyond the centralized, regulated, structure of Hollywood and the, admittedly, Euro-American market studied here, and unfortunately beyond the scope of this dissertation[7].

With all these caveats in mind, then, let us look at some key numbers and dissect them. According to the North American movie market (USA, Canada, Puerto Rico & Guam) analysis by The Numbers between 1995 and 2019, the number of ticket sales have remained quite stable. See Figure 4 for the numbers used here. In this period the low was at 1,221,778,976 (~12,86 billion USD, adjusted for inflation) in 1995, with a high of

[7] See Shadow Economies of Cinema (2012) by Ramon Lobato for more.

1,575,756,527 (~16,59 billion USD, adjusted for inflation) in 2002. In 2019 the number was 1,224,504,536, not far from the number in 1995. The number of average, annual ticket purchases per person, given the population size at the time was slightly higher in 1995 with approximately 4,08 (1,221,778,976 / ~299,680,000). The average was approximately 3,32 (1,224,504,536 / ~369,260,000) in 2019. This can easily be attributed to the selection of films in the theatre in the given years. If we identify 2011 as the year VOD truly broke through, from 2011 to 2019, there is no discernible downwards trend in ticket sales. The average of the nine years before this (2002-2010) was ~11,52 billion tickets sold. Post VOD breakthrough years (2011-2019) in fact saw an increase to ~11,64 billion admissions. Note, these numbers are not adjusted of population size.

2.3.2. SUPPLY & DEMAND

What is evident in terms of downwards trends is the number of wide cinema releases (defined as films playing in a certain threshold of theatres at the same time, over 600 in the U.S., 600 or under is defined as limited release) by the Big Six studios, see Figure 4. From 1995 to 2010, the highest number of wide releases was 128 in 2006, and the lowest, 96 in 2010. The average annual Big Six wide release in this period was 110,69 (1,771 / 16). From 2011 to 2019, the highest being 101 in 2011 (currently the last year above 100), and a low of 78 in 2013. The average in this period was considerably lower at 88,79 (799 / 9) yearly releases.

Meanwhile, the trend in wide releases by other studios is the other way around. Averaging 28,12 a year (450 / 16) from 1995 to 2010 and 38,22 (344 / 9) from 2011 to 2019. The study by The Numbers do not state how many other studios there are that make up the number of each given year and could thus be skewed by an increase of active production companies. Another explanation of their increased productivity in wide theatrical release could be that the decrease in Big Five releases may have left a theatrical void that these studios intend to fill. Less theatrical films by the giants means more available showtimes and less threat of being swallowed by blockbusters in terms of press, word of mouth, and box office revenue while their competitors have been chasing SVOD success. If the Hollywood output remains reduced, this could mean good news for independent and international productions which struggle a lot in the post-theatrical windows with the critically reduced physical media sales. This means a higher dependence on theatrical success, which could be easier achieved with a reduced Big Five presence.

With reduced Hollywood presence at the time, national films had more room to blossom in their respective countries. The top five highest market share of national films in 2022 were Turkey with 46%, France with 41,1%, Czechia with 33,5%, Germany with 27% and Denmark with 26% (UNIC, 2023, p. 11). In 2023, eleven of the top thirty, and four out of the top ten, highest grossing films of the year were Norwegian (Film & Kino, 2024, p. 11). The Norwegian market share of domestic films set a record high 35,7% in 2020 compared to 18,4% in 2019, based on the documented statistics that goes back to 1979 in the annual report of Film & Kino (Film & Kino, 2024, p. 22). This was followed by the second highest of 30,1% in 2021, shared fourth highest in 2022 and third highest in 2023 (Film & Kino, 2024, p. 22). The share has been as low as 5,6% in this period (Film & Kino, 2024, p. 22). In small markets like Norway, where domestic films rarely travel well internationally, with notable exceptions such as *Verdens Verste Menneske* (2021), distributors highly depend on the theatrical market. Norwegian productions make 70-80% of their gross profits in theatres (Petterson in Ninive, 2021, p. 20-21). If these titles were to find more space and less competition in the theatres from Hollywood titans who are exploring the VOD potential, then that is surely a positive for the former. In EU and U.K. from 2019 to 2022, theatrical releases were, in order, 480, 250, 290 and 370, respectively, of which American productions were 130, 80, 100 and 108 (UNIC, 2023, p. 17). The numbers are rising back up for both national and American productions, but national at a higher pace in this brief sample period.

Fewer films do not necessarily mean lesser competition, however. The decrease of these films is not only due to increase VOD investment. It is also an effect of them investing more in the fewer films, as the percentage of American releases with budgets over 100 million USD has been the fastest growing scale of budget (Follows, 2019). By 2000 the market share of these films was 4%, which had risen to over 17% in 2017 (Follows, 2019). Note that not all budgets are available to the public and are prone to be inflated or deflated by interested parties through accounting antics. This era of blockbusters was ushered in by films such as *Jaws* (1975)- often described as the first blockbuster, along with *Close Encounters of a Third Kind* (1977)- another Spielberg entry, and *Star Wars* (1977) (Hadida et al, 2020, p. 234) which is a franchise that is still huffing and puffing near 50 years later.

2024 has been supplemented by an increase in re-releases of films. Some, anniversary re-releases such as *Alien* (1979), *The Mummy* (1999), *Star Wars: Episode I – The Phantom Menace* (1999), *Shrek 2* (2004) and *Interstellar* (2014). Some have been remastered in 4K or IMAX like *The Lord of the Rings* trilogy, *Lola Rennt* (1998) and A24’s *Ex Machina* (2015), *Hereditary* (2018) and *Uncut Gems* (2019). All eight Spider-Man films had theatrical returns. Then there were Covid related re-releases like *Tenet* and the Pixar trio of *Soul* (2020), *Luca* (2021) and *Turning Red* (2022). These releases rarely make massive amounts of return at the box office, but above 1 million USD at the American domestic market is not unusual. *The Phantom Menace* took 8,1 million USD in America (14,5 million globally), finishing at second spot of its re-release weekend there and first in Norway (Box Office Pro, 2024). Other than boosting earnings, it also generates extra buzz around the title before a new home release or for an upcoming associated film. For a slightly malnourished market in terms of new films, re-releases can alleviate some pressure, a bit like re-runs on television.

2.3.3. COVID-19 AFTERMATH, RELEASE STRATEGIES AND DAY-AND-DATE

The start of the decade was tumultuous for the movie theatre business, as it was for most businesses and most people due to Covid-19. The reason that the statistics used up to now either end or start at 2019/2020 is of course due to that being the last normal year before the pandemic started to wreak havoc. There has been a shift triggered by the pandemic which is why pre- and post-Covid era are segregated. Productions were halted and movie theatres closed their doors- some permanently. Among those who filed for bankruptcy were the Los Angeles staples of exhibitors, Pacific Theatres and Arclight Cinemas, including the infamous Cinerama Dome (Lang, 2021). The Dome, however, is scheduled to reopen in 2025 (Saperstein, 2023). The biggest theatre chain in the world, AMC Theatres posted a pandemic related loss of 4,4 billion USD in 2020 alone (Lang, 2021).

In Europe, admissions were showing an increase of 34% more ticket sales from 2000 and 2019 before Covid hit, according to UNIC (Union Internationale des Cinémas/International Union of Cinemas), who represent cinemas across 39 European territories (UNIC, 2023, p. 5). Here, there were ~1,124 billion admissions in 2000 and ~1,347 billion in 2019 (UNIC, 2023, p. 5). When the pandemic struck, it went down to ~432 million in 2020 (UNIC, 2023, p.5). The North American market saw over a billion fewer ticket sales with under 200,000 admissions (Figure 4). When cinemas could partially reopen it was obviously to a reduced market with weakened personal finance, many of whom were also hesitant to risk the wellbeing of themselves or others, in a confined space for two hours. Theatres also had limited occupancy restrictions, certificates and sanity measures mandated upon them in many territories up until summer of 2022 (UNIC, 2023, p. 8). The markets that enforced certification and mask-wearing were more heavily impacted in terms of attendance than others (UNIC, 2023, p. 8).

Many films were postponed to release at a more favourable time. To add insult to injury, in the eyes of many exhibitors, studios seized the opportunity to experiment with altering the release window. They did so with a drastically shortened window to 7 days, and some even went with a day-and-date model, making films available the same day on their service as in theatres. In America, Warner did the latter, releasing their entire 2021 slate of films, composed of 17 titles, on their subscription service, HBO Max, the day of theatrical premiere- (Rubin & Donnelly, 2020), in a project dubbed "Project Popcorn".

These films included *Dune* (2021), *Tom and Jerry* (2021), *Godzilla vs. Kong* (2021), *Malignant* (2021), *The Suicide Squad* (2021) and *The Matrix Resurrections* (2021) to name a few. Only *Dune* (107 million USD) and *Godzilla vs. Kong* (100,6 million USD) hit the 100-million mark in the American box office (D'Alessandro (2), 2022). The DC film *The Suicide Squad* had among the biggest second weekend box office drop with 72% in the U.S. (D'Alessandro (2), 2022). After a month available on HBO Max, normal windowing would resume. This was to a great dismay of many filmmakers and talent who were gazumped by the decision, most of whom learnt about the decision the same time everyone else did. According to reports, "Project Popcorn" saw Warner having to pay over 200 million USD in talent compensation (D'Alessandro (2), 2022). A similar experiment will likely never happen again.

Wonder Woman 1984 (2020) preceded the slate announcement but followed the same model. Reportedly, distributors took a 60% rental on *Wonder Woman* (2017) and cut it down to 40/45% instead to sway exhibitors into agreeing, along with a period of exclusivity after a month of simultaneous availability (D'Alessandro, 2020). In Norway, *Wonder Woman 1984* (2020) hit theatres with a two-month window, shorter than the pre-pandemic window that was roughly three months (Spigseth in Ninive, 2021, p. 19). In exchange, exhibitors retained a higher percentage of ticket sales (Kalkvik in Ninive, 2021, p. 19). After this it went to SVOD in what was then HBO Nordic. The HBO Max decision and its aftermath will be expanded upon shortly.

Disney also went day-and-date with a few films but to PVOD rather than SVOD. One of these were *Mulan* (2020) which released on the then recently launched Disney+ in Europe. This was to the disappointment of exhibitors who found themselves indirectly doing marketing for the platform according to Arild Kalkvik, CEO of Trondheim Kino (Ninive, 2021, p. 19). Disney offered no royalty compromise following their decision (Kalkvik in Ninive, 2021, p. 19). Another piece of evidence of the exhibitor/distributor tension was AMC refusing to screen the simultaneous release of Universal's *Trolls: World Tour* (2020) in cinemas and PVOD, as well any other Universal picture, from the U.S. to Europe to the Middle East (Faughnder, 2020). Universal and AMC later struck an agreement for a short 17-day theatrical exclusivity window before PVOD in the U.S. (McClintock, 2020). This symbolized one of the first big steps of the theatrical window shrinking that have not returned to pre-pandemic standards.

In addition to exhibitors, filmmakers and talent were also aggrieved by some of the distribution choices that went against what release had been agreed upon. One of the most reported incidents was when the star of *Black Widow* (2021), Scarlett Johansson went to court against Disney. The studio released the MCU (Marvel Cinematic Universe) blockbuster day-and-date, which her representatives claimed sacrificed box office potential, of which Johansson was entitled royalties of (Masters & Siegel, 2021). The breach of contract lawsuit ended in a settlement, reportedly worth over 40 million USD (Masters & Siegel, 2021).

Now as we are moving a couple years away from the pandemic, numbers seem to be growing back to where they were. That said, we are yet to reach the pre-pandemic numbers. In North America, admissions rose to ~444,000 in 2021, ~705,000 in 2022 and ~830,000 in 2023. In the UNIC markets, similarly, it rose from ~432 million in 2020, to ~589 million in 2021 and ~809 million in 2022 (UNIC, 2023, p. 5). The repercussions of Covid have placed the last three years and the corresponding numbers under an asterisk, making it difficult to study the overarching trends in cinema admissions and major studio releases in these years. At the same time, there are certain release strategies that have changed. This will be discussed soon.

In 2024, numbers are well on their way to outpace the last year having reached ~629,000 by mid-March in the North American market, compared to the ~830,000 total of 2023. However, this year will also be under an asterisk, as the actors' guild, SAG-AFTRA, and the writers' guild, WGA, both went on strike. The SAG strike lasted 118 days, and the WGA strike 148 days. This impacted the box office of 2023 to some extent as these people were unable to promote the premiering films that they were involved in. Some films, such as *Dune: Part Two*, was scheduled to release November 2023, but the strikes were still ongoing at that point and so, despite being finished, it got postponed to late February 2024 when cast and crew could do promotion. The strikes will also impact the slate of films releasing this year as productions had to be halted and release dates have thusly been postponed. This batch of films will likely release 2025 at the latest, as there are revenue flows waiting to be opened. The 2023 strikes were in part due to a desired regulation of artificial intelligence, but most interestingly in association with this text, the lack of residuals rendered by streaming numbers compared to traditional outlets[8].

Often distributors have a certain month or date in mind for when to release their films, and could end up postponing it to the original date- the next year. That is unless it opens too close to a perceived bigger film that may take up most showtimes and public interest. The opening weekend(s) are often make or break for the life of a film, not only in the theatrical run, but is also crucial in terms of success in ancillary markets like VOD, physical media, and merchandising. For this reason, distributors will often not release several films of their own too close to one another, lest they risk cannibalization. Many people only go to the movies a select few times a year, usually with extended time between visitations. For the biggest, tentpole films, distributors will make certain they release at the absolute prime weekend and holiday periods (Ulin, 2019, p. 26). This is to ensure that the maximum amount of possible people who even have a passing interest have the opportunity to go, while the film is still hot off the presses. At the same time, this is also just as attractive for competing distributors and they will often attempt to avoid each other if their films have the same target audience.

Last year, Warner Brother's *Barbie* (2023) and Universal's *Oppenheimer* opened at the same date and 'Barbenheimer' inadvertently became a marketing phenomenon that helped both films becoming giant box office hits. By all accounts, this was not planned by distributors. They must have seen the audience for a biographical film about the father of the atomic bomb and for the film based upon the Mattel doll line as divergent. This was mostly a user-driven phenomenon on social media that the distributors did not much engage with themselves, as they are competing studios but as well due to the subject matter of *Oppenheimer*[9]. *Mission: Impossible – Dead Reckoning* (2023), which opened nine days prior to 'Barbenheimer' was the least fortunate party in the event. On release dates in general, Cabral & Natividad (2020) provide a theoretical framework that suggests a U-shaped pattern where the biggest

[8] See *Chapter 10: Making Money* in "The Business of Media Distribution" (2019) by Jeffrey Ulin for a more nuanced description of the way residuals are calculated in Hollywood.

[9] See Warner Bros. Japan condemning the American office for engaging with 'Barbenheimer' posts https://www.vanityfair.com/hollywood/2023/08/warner-bros-apologizes-for-barbenheimer-posts-after-criticism-from-japan

blockbuster and indeed the smallest niche movies both open in high-demand weekends (Cabral & Natividad, 2020)[10].

As the market stabilizes and we get further from the pandemic it will be interesting how or if the release strategy of the former Big Six (now Big Five after Fox was acquired by Disney) changes. Thus far, it would seem as if day-and-date releases was not a viable long-term solution and are reserved for the odd exceptions instead, as release windows are returning to what it was- for the most part. Day-and-date has been pushed before the pandemic, as well. Billionaire Todd Wagner of 2929 Entertainment, who has created a vertical chain of production financing, distributing and exhibition in theatres and on TV has gone on record to criticize the standard release model (Ulin, 2019, p. 37). He questioned the financial inefficiency of having to do more than one marketing push when one, assembled with a simultaneous release would relieve them of this (Ulin, 2019, p. 37). Further, Wagner highlighted that the consumer would surely prefer this model as those who do not have the opportunity to go the theatres can participate in the conversation when it is topical if also released on video (Ulin, 2019, p. 37).

Netflix too, have offered their films to exhibitors, but they have failed to come to an agreement as the streaming giants will not adhere to the established theatrical window and demand day-and-date (Kalkvik in Ninive, 2021, p. 14-15). To date, only selected Netflix originals have had limited, one week to a month-long theatrical run or festival screenings, like what Scorsese's *The Irishman* (2019) and Bradley Cooper's *Maestro* (2023) had. They only reluctantly seem to be doing this to be eligible for awards, and are currently the most pureblood streamers out of the major studios, including Amazon and Apple. Palm D'Or at Cannes will likely not be one of these awards as France has a set 'media chronology' policy which mandates 36 months holdback from theatrical to SVOD (Ulin, 2019, p. 42). This legislation is likely one that French exhibitors, especially appreciate as it keeps "free" accessibility at an arm and a half's distance, though the next paying window is closer, the long wait is likely to push those on the fence over to the theatrical side.

In 2022, president of the National Association of Theatre Owners, John Fithian said that he was "[…] pleased to announce that simultaneous release is dead as a serious business model and piracy is what killed it" (Whitten, 2022)[11]. He referred to piracy running rampant as soon

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[10] See Cabral & Natividad's *Movie release strategy: Theory and evidence from international distribution* (2020) for more on theatrical release date strategies.
[11] Mind the possibility of bias, given Fithian's position.

as an HQ copy reaches VOD, be it Transaction or Subscription, without the theatrical window being able to hinder these types of rips when a film is at its peak of relevancy. There are of course those who record the film in theatres and publish it illegally too, but as analysts from MUSO found, these versions prove unsatisfactory (UNIC, 2023, p. 33). In 2022 film piracy rose 38,6% from 2021, fuelled by immediate availability on several legal SVOD services, with the top six films peaking in the month of their SVOD launch (UNIC, 2023, p. 33). When a legal version of a title appears online, it is not long before it reaches the illegal market, in HD/UHD with all languages, both in dubbing and subtitles.

Cannibalization of ticket sales and VOD revenue is also a big factor in this mostly being discontinued. As mentioned earlier, the HBO Max day-and-date stunt in 2021 was met with resistance from talent who had not signed off on such a thing. Nolan, who had worked with Warner for the better part of his career had this to say on the decision-

> Some of our industry's biggest filmmakers and most important movie stars went to bed the night before thinking they were working for the greatest movie studio and woke up to find out they were working for the worst streaming service, […] Warner Bros. had an incredible machine for getting a filmmaker's work out everywhere, both in theatres and in the home, and they are dismantling it as we speak. They don't even understand what they're losing. Their decision makes no economic sense, and even the most casual Wall Street investor can see the difference between disruption and dysfunction (Masters, 2020).

He has since described the animosity as 'water under the bridge', stating that he would work with them again in the future under their new management (Bergeson, 2023). The mid-pandemic release of his film, *Tenet* (2020), and its disappointing box office was pointed at by some as a catalyst for studios opting with postponements and/or alternative distribution methods (Lodge, 2020). Nolan was not alone in critiquing the then AT&T owned Warner Brothers either, as the HBO Max effected, *Dune* (2021) director, Denis Villeneuve wrote in an open letter-

> With this decision AT&T has hijacked one of the most respectable and important studios in film history. There is absolutely no love for cinema, nor for the audience here. It is all about the survival of a telecom mammoth, one that is currently bearing an astronomical debt of more than $150 billion. Therefore, even though *Dune* is about

> cinema and audiences, AT&T is about its own survival on Wall Street. With HBO Max's launch a failure thus far, AT&T decided to sacrifice Warner Bros.' entire 2021 slate in a desperate attempt to grab the audience's attention. (Villeneuve, 2020)

Dune made a 108 million USD in the American market and 402 million worldwide (Box Office Mojo (2)). *Dune: Part Two*, which at time of writing (17.04.24.) has made 273 million in America and 685 million worldwide after its February 28th release (Box Office Mojo (3)). The film is scheduled to run at least to April 30th. It released for PVOD April 16th, with physical media release scheduled for May 14th. The release on Max will, through no coincidence, will coincide with the European roll out of Max in its merged form. The higher box office success of the compared to the first is apparent and goes some way to understand the director's sentiment from 2020. Of course, there are mitigating factors such as 2021 being a poor year at the box office in general due to the pandemic, and the sequel outperforming the first instalment is nothing new, so it cannot be entirely blamed on day-and-date.

Possible financial and contractual matters aside, the talent involved in making these types of films do have a hankering for theatrical release so audiences can experience the film 'as it was meant to be seen', at risk of cliché. There are also less sentimental appeals for theatrical such as critical and award accreditation and box office royalties, also known as back-end credentials. With films that go outside theatrical, distributors obviously have other ways of structuring deals that can potentially offer as strong or stronger terms to filmmakers. It is also important to note that if one ever were to compare budgets of theatrical and non-theatrical films, the latter do not expect much or any back end. So, what comes out of the gross profit in royalties to the people entitled to that, is usually baked into the budget upfront in non-theatrical films, thus often making them seem inflated in comparison to other projects with traditional windowing.

When Project Popcorn was underway, Warner announced it would go back to theatre exclusives in 2022, now for 45 days before SVOD in U.S. and 31 days before PVOD release in the U.K., with extension option to 45 days if reaching a certain box office number (Sharf, 2021). Universal and Paramount also did a 30–45-day window in 2021. As a reminder, this window was roughly 90 days pre-pandemic. Later, AT&T exited the entertainment business and Warner merged with Discovery to form Max. Their CEO, David Zaslav announced they would step back on releasing films on SVOD as fast as his predecessors did, deciding on a case-to-case basis, but prioritising TVOD instead (Clark (2), 2022). This is likely a shift exhibitors would appreciate as TVOD involves paying a one-time sum before eventually going to SVOD for no extra charge if subscribed. An elongated wait for a ‘free’ viewing might swing the pendulum in favour of the theatrical run.

That said, it must be clear that there has been a dramatic average decrease in the window from 2019 to 2023, but very little consistency as Warner is not the only studio that seem to be taking the case-to-case approach. The American average in 2023 was 37 days, but the swings in duration were dramatic (Brueggemann, 2024). Out of the top ten (see Brueggemann article for specifications) all the Big Five were represented. Disney (including Searchlight Pictures) had the longest average (62), Paramount third longest (42), Sony were tied fourth (35) and Warner Bros. Discovery sat seventh (30) (Brueggemann, 2024). Universal (including Focus Features) were ninth (27) with the 2023 record for longest window at an extraordinary 122 days with *Oppenheimer*, as well as the only wide day-and-date release in the U.S. (Brueggemann, 2024). *Five Nights at Freddy’s* (2023) was day-and-date and appeared to be a big success both theatrically and on SVOD. The film earned 78 million USD in its opening weekend on a reported budget of 20 million USD (Beth, 2023). It also became the most watched titled in its first five days on Peacock (Beth, 2023). Both these films represent anomalies at either side of the spectrum, but the ‘true’ window is now closer to *Freddy’s* than it is to *Oppenheimer*. Before Covid it would have been the other way around.

On a general basis it is in the best interest of exhibitors and distributors best interest to preserve the theatrical window to some extent. Were it not for informal distribution channels like piracy, perhaps the studios would make a stronger case for shortened or removed theatrical window. A film makes most of its earnings in its first opening weekends and big studios are at the very least giving them the 17-day exclusive window, with every film above this duration, barring *Five Nights* (Brueggemann, 2024). On one side it allows for theatre exclusivity at peak popularity, but the number of people that are becoming accustomed to and trained for a short wait until digital release are impossible to measure. One could suspect that an aspect of the irregularity of window durations is partially tied to studio executives strategically keeping audiences in the dark how long they must wait for VOD, making the market more unpredictable and dynamic. In reality, it is more related to a balancing act of what is best for the film and what is best for their streaming platform, which is a key change after the legacy studios entered the SVOD market before and after Covid.

Either way, windowing and release strategies need be taken on a case-by-case basis in theatres and at home. Smaller films are not as explosive as the big blockbusters are who make a big bang in the first weeks and then drop of significantly. Small and mid-budget films tend to have a more stable baseline across its theatrical run, and thereby are more reliant on an extended period, that ideally will build upon a positive word of mouth as it ticks along (UNIC, 2023, p. 28). A certain type of film should not open too wide initially, but steadily build on word of mouth to achieve a public understanding of what the film is. Without this snowballing effect, it could burn out fast. By being flexible and dynamic, and basing VOD release on box office returns and other data they can achieve the highest possible revenue at both sides of the window, though at risk of upsetting relationships with exhibitors. Admission wise, ticket sales are not giving way, presently.

If it appears that the distribution strategies are inconsistent, fragmented, and enigmatic, it is because that is precisely the case now. The last few years have been coloured by trial and error, with distributors throwing ideas at the wall to see what sticks, so to speak. Studios have taken the opportunity experiment with release models they must have been curious to test for some time before Covid presented them with an opportune moment to do so. It would seem, then, as if the most direct concern for exhibitors is the supply of films and the length of exclusivity, rather than the demand of theatrical films. Demand and attendance are showing encouraging signs but there is an underlying threat of streaming contention. Further, the film rent percentage share will be a central negotiation chip to reach a compromise between the two parties in the exclusivity window tug of war.

There has been and will be somewhat of a shortage of films in theatres as production, distribution, exhibition has been halted due to external factors in the shape of the pandemic and strikes. This should only impact the short-term slate of wide cinema releases. The increased investment in SVOD, pushing PVOD before it and by extension a shrinking of the release window is perhaps the biggest concern in the long-term for theatre owners. Meanwhile, this presents smaller American studios and international films to exploit the gap this might yield. All these internal changes by the major studios would not have happened beyond the pandemic-forced strategies. It underscores the faltering infrastructure that Hollywood is built upon, triggering a significant shift in the industry. To understand how we reached this point, we must rewind and spool back to the 1970’s and the conception of physical media, of which the rise and fall has shaped the modern film distribution landscape. After that follows a discussion of linear TV and its similar trajectory. Finally, the latest in home entertainment- major streaming platforms will be considered.

CHAPTER 3: HOME ENTERTAINMENT

Whereas movie theatres have remained relatively stable and static, what home release means, how financially robust it is and what the industry is composed of has changed a lot throughout the years and been highly dynamic. Home entertainment has been a feature for roughly a hundred years, ever since radio was introduced, and television after that. What will be the focus here is what is often referred to as 'home video entertainment'. This distinction is made to separate the former and home video entertainment as this has a more direct film connotation. To understand the modern home video entertainment landscape where streaming now reigns supreme, it is useful to see what preceded it and how we got here. In the subchapter of streaming, subscription video on demand is what will be the key focus. In doing so, it is also important to note that premium VOD, transactional VOD, advertisement VOD, and free VOD also have important roles in the windowing food chain and the distribution life span of a film. The production/distribution/exhibition ecosystem has been upended, not only regarding theatrical, but also within the layers of the home market. It is therefore essential to understand how important sources of income physical media stood for as well as how linear TV structured the foundations that have been fundamentally shaken in the internet era.

3.1. PHYSICAL MEDIA

Today it is easy to forget physical media a serious and significant channel within the ecosystem as VOD has all but commandeered the market share it used to possess. While physical media is still available in 2024, it is to nowhere near what it once was. The conundrum in the film industry is that the profitability it could offer in its glory days has not been entirely replaced.

3.1.1. VHS

In 1976, the Video Home System (VHS) was introduced by JVC, following the less successful (in terms of market share) Betamax released by Sony the year prior (Myren (3), 2021). The popularity of VHS exploded in the 1980's and consummation and availability of film was profoundly changed and a true film-media competitor to movie theatres was a fact. The standard release window from theatrical run to VHS release was six months (Ahouraian, 2021), which today is unthinkable. To put it into perspective how significant shock VHS was to the industry, investment bank Goldman Sachs estimated that a 76% of worldwide US film revenue came from theatrical run in 1980 (Smits, 2017, p. 117). In 1986 it was down to 39% and a further 28% in 1992 (Smits, 2017, p. 117). Simultaneously, the home video market went up from a mere 1% in 1980 to 40% in 1986 and 48% in 1992 (Smits, 2017, p. 117). Purchases was a big part of this, but rentals allowed for repeat sales and returns, which saved production and distribution costs. VHS and home video also helped give birth to the adult movie industry, and the adult movie industry helped give birth to VHS and home video and was a significant part of the success of video rental stores.

Disney mastered the art of home video and windowing their releases and re-releases theatrically and home to harvest every bit of potential they had. From 1983 to 1992, Disney's video sales increased 52% on average every year and 20% on average throughout the remaining 1990s (Allen, 2009 in Scott, 2017, p. 21). Buena Vista Home Video, Disney's home distribution company, made sales worth 1.1 billion USD in 1992, making up roughly 75% of Disney's operating profits (Allen, 1999 in Scott, 2017, p. 21). To contextualize this, as to not skew the profitability of the home video market, their average of 28% video sale market share was over double that of its nearest competitor (Waterman, 2009 in Scott, 2017, p. 22). Disney's VHS sales created 50% of all filmed entertainment earnings (Scott, 2017, p. 22). Disney kept 50% of box office sales but had 75% of home video rights according to (Goldstein, 1994 in Scott, 2017, p. 17).

Considering the cost of marketing theatrical runs, the percentage split of revenue of cinema and video and the sheer popularity of VHS, it was only a question of time before they would snub theatres for straight-to-video releases. Some of these were sequels of theatrical movies, building on their popularity and name recognition, such as *Aladdin 2: The Return of Jafar* (1994) and *The Lion King II: Simba's Pride* (1998). The first *Aladdin* and *Lion King* sold 30 and 32 million copies respectively and are the two highest selling VHS films of alle time (Melzer, 2023). With straight to video, producers and distributors take a lower risk, lower reward approach. The sequels could never hope to replicate the same numbers without the marketing and word of mouth that follows a successful theatrical run. This points to a pattern we see today where films that enjoy the biggest success on home video and VOD are films that have had theatrical runs.

The bricklike VHS would soon be replaced by a cheaper, sleeker, optical disc in the form of DVDs capable of producing higher sound and picture quality (720p) with HD television of the horizon. David Cronenberg's *A History of Violence* (2006) is often referred to as the last big studio picture to be released on VHS (Melzer, 2023). There still is a niche market for retro re-releases of classics of the VHS era[12], be it for the vintage aesthetic of it on TV or simply to have for display without even owning an operation VCR player.

3.1.2. DVD

Following in the footsteps of CDs replacing their tape-driven predecessor, DVDs released November 1996 in Japan and quickly grew in popularity through both sales and initially, rentals. Much like VHS having to beat out Betamax, DVD had to dethrone LaserDisc that could not fit the same amount of storage as their successor could. In 2001 DVD sales surpassed VHS for the first time with every fourth U.S. home being equipped with a DVD player (San Jose Business Journal, 2002). By 2007, at the peak of DVD, about 80% of the American population had a DVD player- a higher percent at the time than ownership of PCs, cable TV and TVs for which DVDs were designed for (ABC News, 2007). At the same time, Netflix was renting out DVDs and held 85,000 different titles in their library (ABC News, 2007). Gatekeepers of the release window of old had to see it close down to 90 days from the previous six months to the 'second premiere'. The release window has long been a point of contention between the studios and the distributors, more so during the VOD era, so we will save that discussion for later.

Due to the lower prices of DVD, the market moved away from rental and into retail as sales were soaring high. In U.S. alone, sales went from 575 million copies in 2002 to 1,1 billion in 2005 (McDonald, 2007 in Smits, 2017, p. 118). DVDs, like the next generations of physical media, allowed distributors to re-release their titles on the current highest quality, with capacity for additional material for those interested. People re-purchased movies in their latest version to have the highest quality of a film they appreciate. Some might also have thrown out

[12] See the 2023 Vice Press and StudioCanal release of Evil Dead II (1987)- which coincidentally is a sequel that exists due to the VHS success of the first instalment https://collider.com/evil-dead-2-vhs-release-date-images/

their redundant first-generation players. Michael Eisner, previously of Disney, claimed 55% were likely to replace their Disney VHS, compared to 14% of other films (Scott, 2017, p. 23).

According to Roger Smith, DVD sales doubled that of VHS and tripled its profitability (Scott, 2017, p. 23). Sales accounted for 24 billion USD at the peak of DVD in 2006 (Balio, 2013 in Scott, 2017, p. 24) with a home video market share of 94% (Digital Entertainment Group in Smits, 2017, p. 119). In comparison, in 2021 this number was 1,2 billion USD (Lindner, 2023), which still is considerable, but obviously nowhere near what it once pulled in.

DVD also introduced zones on their copies, making it difficult to export or import films from another zone where distribution and release windows may differ from Zone 2, for example. This system has been criticised as some have argued it favours the U.S. over the rest of the world (Myren (2), 2021). There are six zones: 1- USA and Canada, 2- Europe (Russia and the Baltic States excluded), Middle East, South Africa, and Japan, 3- South-East Asia, 4- South America, Australia, and New Zealand, 5- the rest of Africa, Central-Asia, Russia, and the Baltics, 6- China (Myren (2), 2021).

3.1.3. BLU-RAY & 4K UHD BLU-RAY

Once again, the next generation format would have to defeat a challenger to the throne. This time it was HD DVD that was on the market before Blu-Ray eventually won out following the support of the major studios, especially the biggest media house at the time, Warner Brothers sided with the latter in 2007 (Badi, 2016). Blu-Ray could produce 1080p picture quality with storage capacity of up to 50 GB, roughly five times that of a DVD (Myren (1), 2021). Blu-Ray has failed to fully replace DVDs the same way DVDs replaced VHS. There were obviously huge differences going from cassettes to discs in practicality as well as quality and price. Moving from one type of disc to another with roughly the same packaging, only slightly shorter and with a blue bar on top might not have signalled the same revolution DVD stood for and were rather more of an evolution. The introduction of VOD has also played its part in this, as many have stopped using physical media altogether.

Disney's home distribution success has continued at this format, too. 25 of the 50 U.S. highest selling Blu-Ray titles are theirs with *Frozen* (2013) as #1 with 7,8 million units and *Captain America: The First Avenger* (2011) as #50 with 2,7 million units according to numbers collected from DEG (Numbers (1), 2024). A search for a reliable source for global sales have proved unsuccessful unfortunately, but unsurprisingly. Nonetheless, domestic sales are what studios see the biggest return on and considering the market size of the U.S. it is still a sufficient sample to measure profitability of physical sales. However, Disney may now be losing interest in the disc market. Sony has struck a deal with Disney, acquiring the license to release their new and catalogue titles in the U.S. and Canada on physical media, in an effort of the latter to become more cost efficient (Hayes (1), 2024). As Disney is investing in their SVOD service, Sony Pictures Entertainment does not have their own streaming service. What the Sony Group Corporation, of which SPE is a subsidiary, do have is interest in the AV (audio visual) market and technology like TVs, physical media players, including their PlayStation 5, and sound systems. It is only natural that they invest in supplying this market with high quality media, both in the titles themselves as well as their AV performance.

The 2160p 4K UltraHD Blu-Rays is now eight years old, but it has not fully displaced its predecessors either, so now there currently are three mainstream generations of formats available. This is the highest picture and audio format available, with HDR (high dynamic range) and 2160p capability, provided the use of a 4K player (which, as standard Blu-Ray players, is backward compatible), high speed HDMI cable and a 4K HDR ready TV. Even 4K HDR ready streaming has a lower bitrate than these discs and could thus appear compressed and can only be as good as the internet it streams through.

While 2160 pixels is double that of a standard Blu-Ray, the difference might not be experienced as twice as good as the higher pixel count gets, the more difficult it is for the human eye to see a difference without a massive screen. The difference from 720p to 1080p is clearer on the average TV set than 1080p to 2160p. The average consumer might not notice much difference in audio visual quality from its physical predecessors or VOD, especially not without having invested in the necessary (historically costly) technical equipment. More importantly, if they do indeed notice these AV differences, the average customer may not care. With that said, 4K is the only current physical film media that shows sign of growth in market share, and there are a few reasons for this. ‘Film media’ is specified here as vinyl is also showing high growth in popularity regarding music media. With DVD and Blu-Ray sales having been on a downwards trajectory for some time now with sales plummeting from 4,7 billion USD in 2017 to 1,5 billion in 2022 according to Digital Entertainment Group (Chitwood, 2024). DEG also reports that 4K sales were up 20% year-over-year in 2022 (Chitwood, 2024).

This overlaps with increasing 4K TV sales as they become more of the norm at retailers, entry level versions become more affordable, and more content is transmitted in 2160p, HDR on linear TV, streaming and gaming consoles (the disc version of PlayStation 5, Xbox One X, One S and Series X also double as 4K players). Figures show a compound annual growth rate of 24,2% from 2023 to 2024 in 4K TV sales, expected to rise from 230 billion USD in 2023 to 686 billion in 2028 (The Business Research Company, 2023). It also overlaps with a change in a target audience which has traditionally been more children and family oriented, as evident in Disney success on VHS to Blu-Ray.

With this 'casual' audience driven to the convenience of VOD and away from physical media, the distributors of the latter have repositioned themselves. Now targeting the almost niche, collectors' market, pushing quality, special editions, and extensive bonus material. Here the mainstream video distributors might be taking notes from boutique labels such as the Criterion Collection or Arrow Films. These companies license and distribute titles, some not otherwise readily available at physical media or on VOD, making the "ultimate" release available. As it so happens 4K is likely to be the ultimate, as in last, physical media for the foreseeable future, and confidence that there will not be a need to upgrade in a few years may help boost sales.

Referring again to Figure 1, the Product component of the four Ps in Borden's marketing mix is central here, as alluded to in subchapter 1.2.2. Pricing is also at play with retailers often doing sales, especially in relation to them deploying bulk discount, i.e. '10 USD for 1, 40 USD for 5, 70 USD for 10'. Place and Promotion have become less pronounced with their physical distancing and decreased promotional push. The Product factors such as features, packaging, branding, and quality seems to be key in the marketing of physical discs in the era of streaming.

Box office hit, *Oppenheimer* had such a success on 4K that retailers reported shortages due to high demand (Arnold, 2024). Christopher Nolan, speaking of the 4K release, said the following at a screening. Note, also, that the director is an interested party in the sales of said film and assessment of quotes made in such contexts should be adjusted accordingly.

> I'm known for my love of theatrical and put a lot of effort into that, but the truth is, the way the film goes out at home is equally important to me. In the case of *Oppenheimer* we've put a lot of care and attention into the Blu-ray version but also in particular the 4K UHD version and trying to translate the photography and sound that we

> formatted for the IMAX format, the 70mm releases, and putting that into the digital realm for a version that you can buy and own at home and put on a shelf so no evil streaming service can come steal it from you (Porter, 2024).

Nolan raises two points here, namely the AV quality, as touched upon, and the work that goes into perfecting this, as well as *ownership* (albeit in a jesting manner). Due to fluctuating distribution rights and licenses, films might ‘magically’ appear and just as fast disappear on SVOD services. Films bought to own on TVOD might also even disappear in unusual circumstances. This is a conversation that will continue in the dedicated SVOD subchapter. The perks of physical media are appealing to many, but for *most* these days it seems not quite enough. Putting it bluntly, the current price of a monthly subscription fee for SVOD, which gives temporary access to more titles than one can possibly watch during that time, is not far from the price of one, single Blu-Ray. The evolution of technology, that simply was not present when physical media broke through, has rendered it obsolete, in the eyes of the many. Furthermore, physical media has floated further downstream in the release window chain, on occasions not releasing on physical until after PVOD, SVOD or TVOD. Admittedly, it feels somewhat redundant to speak of the chronology of home release windows as it has become so inconsistent that it is nigh impossible to identify a golden standard. As mentioned previously, distributors are increasingly taking it on a case-to-case basis, but the overarching trend is acceleration of windows. Cost, convenience, interest, and value are consumer factors that make it seem as if VOD is *winning* the home video entertainment war against physical media.

3.1.4. CONSEQUENCES

Starting count from 2006, the top eleven home market distributors, with all the major traditional studios represented, have grossed from ~1-11 billion USD in the American market alone, The Numbers estimate (Numbers (4), 2024). Sony with Sony Pictures (1 billion) and Sony Pictures Home Entertainment (8B), Disney with Buena Vista Home Entertainment (10,9B), Warner with New Line Home Video (1,2B) and Warner Home Video (9,5B), Paramount with Paramount Home Video (6,2B), 20th Century Fox with Fox Home Entertainment (8,9B) and Universal with Universal Home Entertainment (10B) (The Numbers (4), 2024). With a revenue stream like this falling apart, there are bound to be certain ramifications.

DEG reports that YOY (year over year) 2022 to 2023 physical media U.S. spending went down 25,3%, while total digital spending went up 19,3%, box office spending also up with 30,2%, see Figure 3. Physical sales and rentals made up 5,7% of home entertainment market share in 2022, and went down 3,6% in 2023, partly due to Netflix's market exit (Arnold, 2024). Due to the significant decrease of demand, several retailers have stopped including physical media in their stock, which further distances consumers from it. DVDs, Blu-Rays and 4Ks remain available online, but when customers only notice their absence, it perpetuates the idea that 'no one' buys physical media anymore and streaming is easily perceived as the only real option. Out of sight, out of mind, as it were. Home video was easily found at retailers such as gas stations, some grocery stores, electronic suppliers and more, but is now all but evicted from these places.

Most dedicated physical media retailers and rental stores have also closed their doors. Blockbuster and Family Video are among the big American names in this category, though the former has transformed into a TVOD service. Netflix continued their physical video rental service up until 2023, shutting down seven years earlier than co-founder Reed Hastings had estimated in 2009 (Lee, 2023). The service that made their name before they became the streaming giants they are today, ran for 25 years, mailing out 5,2 billion discs altogether (Lee, 2023). Rentals of discs is on its last breath, due to the reduced financial upside of it but perhaps more importantly the sheer hassle and inconvenience of the whole ordeal. DEG have discontinued tracking disc rentals altogether, following the Netflix exit (Hayes (2), 2024), a stark indication of its diminishing market share. In addition to mainstream films that are becoming increasingly available on demand, the adult films that helped build up the video rental industry have also very much moved online.

In 2024 Best Buy, one of the largest electronic suppliers in America, stopped holding physical media for film in their stock, both in store and online, but will continue holding CDs, vinyl, and video games for now (Tenore, 2023). The biggest dedicated chain for physical media (film, tv, music, video games- and literature, if inclined to include in the category) in Norway- Platekompaniet, had several stores across the country. Today, only one located in the capital remain, with their online store also operational.

Continuing to use Norway as international example, the business of distribution has been forced to change to adapt to the plummeted drop of income from physical sell-through. This is a revenue stream that digital services have yet to sufficiently replace (Gaustad et.al. in Bakøy & Øfsti, 2021). Bakøy & Øfsti 2021 draws a domino effect triggered by the destruction of physical media sales. SVOD driven studios have snubbed independent, Norwegian distributors in favour of the big hitters who can supply large bulks of titles within the same deal (Kulturdepartementet in Bakøy & Øfsti, 2021). The already slimmed down distribution companies, post cinema digitization, had to be further cut back, insufficient income from the new release windows has led to reduced investment in Norwegian productions (Bakøy & Øfsti, 2021). In response, some national production companies have established distribution companies of their own (Bakøy & Øfsti). It is important to note what is happening beyond Hollywood in a world that has grown somewhat dependant on their operation of business, in terms of production as well as distribution. What is profitable for 'them', to use a gross common denominator for the major Hollywood studios, is not necessarily that profitable or at all sustainable in any other given country.

The fall of physical media has also endangered a certain type of film having wide theatrical releases. This is the mid-budget studio film, often defined as ranging from 15 to 70 million USD. Dramas, comedies, horror, i.e. genre films, were the sort of titles that used to thrive on home video sales post their theatrical run. In the age of VOD, the market appears to being spread to each side of the pole with low budget indies, and especially big budget, adventure blockbusters being what dominates the theatrical market. In the American market, films within the 50-100 million USD budget range had a market share of over 20% in 1999, but declined to a low point of 5%, but had recovered to below 15% in 2018 (Follows, 2019). Genre films median budgets have had a steady decline since the turn of the century. Thrillers had a high of above 35 million USD from 1999 to 10 million USD in 2017 (Follows, 2019). The same can be seen with horror falling from a high of just below 30 million USD to 10 million USD in 2017, even dropping below 5 million USD at its lowest (Follows, 2019). Studios going 'all in' on blockbusters has become a trend that they evidently perceive as a safer bet. It is also logic that has seen the highest revenues go to the few, with the box office being a game of extreme outcomes (Walls, 2005, 2013 in Hadida, et al, 2020, p. 234).

Without being able to rely on physical media sales, betting on a great theatrical return on mid-budget is taking a big risk, though of course, there are big budget films that 'bomb' from time to time, as well. In terms of getting out of the red, considering the production budget, distribution and marketing costs, the revenue share with exhibitors and possible royalties owed, the box office return needs to be significant. These films relied on the long-term afterlife on tapes and discs and the established windowing system to get them in the green. A successful afterlife was speared on by a solid theatrical run- which they often do not reach, as is the case today. These films are still being produced, but they are not delivered to the silver screen as regularly. They often release on VOD first instead. One option is taking the chance on theatres first, but then several deals go out the window as streamers want exclusivity and fresh produce and the general license price goes down. That said there are labels under major studios that produce and distribute these theatrical films such as Searchlight, Focus, and New Line as well as independent ones like A24, Blumhouse and Neon.

Physical media was a vital milking cow for studios and the fall of it has been a big part of why the major studios have increased their focus on VOD that took its place. However, physical media is not the only outlet VOD has stolen the market share of. Linear TV is another, one which several of the major Hollywood studios, who are not only in the film industry, but are multi-media conglomerates who have relied upon this market, too.

3.2. LINEAR TV

Admittedly, a discussion of linear TV was initially not intended to be included in this dissertation. Neither will we go deep into the nitty gritty of the television industry but use broad strokes to illustrate the key events as well as the involved persons of interest for this case. By looking at the Hollywood studios or their parent companies that have invested astonishing sums into this market, there is a clear line to be drawn between the fall of linear and the rise of SVOD. This was and strictly speaking, still is a hugely lucrative market through revenue flows from subscriptions and advertising. It also provides an in-house platform for home exhibition where studios can distribute their own content, create brand alignment, expand their portfolio, and target specific audiences at certain channels or times of day. Vertical integration has also been ripe in this market where companies like Comcast have acquired majority stake in NBC Universal in a deal worth 30 billion USD to own the content that they distributed through their cable infrastructure (Wharton, 2009). Comcast is the biggest cable provider in the U.S., making them a vertically integrated operation.

The aforementioned multi-media conglomerates that reign Hollywood as well as linear TV, include Comcast (Universal’s parent company), Paramount Global (previously ViacomCBS), AT&T (former owner of Warner), the current shape of WarnerDiscovery and the Walt Disney Company. Sony Group Corporation is mostly absent from this network list as their assets are focused on tech, music, and film, though Sony Pictures Entertainment do have the humble

Great Entertainment Television (get.) channel. Notable channels that are under the same umbrella of the other big five studios include Sky, Showtime, ESPN, Fox News, Nickelodeon, Disney Channel, MTV, CNN, The CW, ABC, USA Network, CNBC, and HBO. The 'major four' broadcast networks let us say to differentiate them from the 'big five', are ABC, CBS, Fox, and NBC.

In a normal year before the pandemic, after cable had its peak and were on the way back down in 2016, free TV/basic cable made up 16% of studio revenue and pay TV was 10,3%, according to numbers from S&P Global Market Intelligence (see Figure 6). Comparatively, licensing was 7,9%, digital 12,4%, PPV/Other 4%, home video 17,9% and theatrical has the lion share at 31,4%. Free, ad driven public airway broadcast channels like CBS, NBC and ABC composed a unified market, with everyone having the access to the same limited content (Eboch, 2015, p. 80). Geostationary satellite allowed national or global broadcast for local stations and HBO took use of this to offer programming, rid of advertising in exchange for pay (Eboch, 2015, p. 81). With the FCC allowing distant signalling, and a Christian broadcaster accepting advertising, the floodgates well and truly opened (Adgate, 2020). In 1980 there were 28 channels which grew to 79 in 1990 and the market was now becoming increasingly fragmented (Adgate, 2020). Increased demand for content and channels saw a growth of original content that would form the identity of the broadcasters and directly shaping their intended customer bases, like teens, minorities, or young women (Eboch, 2015, p. 85).

This specificity of distribution shaped the production side of things and provided a ceaseless challenge of producing enough content to have to offer to the customers. It is more difficult starting up from scratch without having a library to fill out the programming schedule. After a certain period, there will be enough original content that is able to support the fresh content with re-runs, and once this is done one can 'snowball' the rotation of content. CBS, a broadcasting rival of cable critiqued them for not only supplementing the programming with re-runs, but that the bulk of it consisted of this (Adgate, 2020).

The golden age of cable happened not too long ago, in the early 2010's (Adgate, 2020). In 2010, 90% of U.S. households were paying TV customers and ad commitments surpassed the 10 billion USD mark and beat broadcast revenue for the very first time in the 2013-2014 upfront (Adgate, 2020). To achieve economies of scale and more bargaining power, the bigger cable providers have for decades been consolidating with the smaller ones, less so to compete with other cable providers than new players that have come along like Netflix and

Verizon (Desilver, 2014). The bundling of on paper, competing channels together is standard procedure in the legacy TV market, too. Certain channels would not appeal enough in its own right so they are often attached to channel packages, giving subscribers no choice but to pay for them whether they want it or not. Increased number of channels help justify price hikes. This is worth keeping in mind for the discussion of streaming platforms shortly.

The average amount of channels the American household owned was over 189 in 2013 (Adgate, 2020). Compare that to the 79 that at all were available in 1990 and it is a steep incline. The fragmentation trend evidently continued to spiral since 1980, which may have played a part in its downfall- a quantity over quality logic where assets have been spread too thin. Of the 189 channels only 17 of them were significantly watched (Adgate, 2020). Linear TV in total, still have the biggest share of screen time usage in the U.S., but streaming has gone far clear of broadcast and cable, respectively. Cable averaged 29,6% over March 2023 to February 2024, with broadcast averaging 22,8% in the same period (Fuhrer, 2024). Comparatively, SVOD and free streaming averaged 36,6% with 'other' (mostly gaming) making up the rest of the pie (Fuhrer, 2024).

To put the linear TV decline in perspective, in 2012 the number of linear TV viewership was 85,7%, with 2023 becoming the first year U.S. 'cord cutters', those who have stopped subscribing, or indeed the younger base who never have, surpassed the number of pay TV viewers (Lebow, 2022). Generation VOD has never seen the need to tie themselves down to these arcane packages. The graph presented by eMarketer in Figure 7 is in an X-shape, including projections for the next few years, with paying on the downwards trajectory and non-paying heading upwards. Most of these people are still paying as much, if not more, as overall home viewership has risen, but the money is going out of linear providers and into streamers. Mind that these people are often the same. After a peak worldwide TV revenue of 202 billion USD in 2016, it has declined to 151 billion USD in 2022, which is estimated to decline further to 125 billion USD in 2028 (Stoll (1), 2024). The newer players like Netflix and Amazon and their success could be pointed at as catalysts for the conglomerates pivoting their assets into the streaming world.

3.3. SUBSCRIPTION VIDEO ON DEMAND

The mass flock towards streaming from linear TV can be explained by a range of reasons. Convenience and cost-flexibility are two key factors. With linear, one is restricted by scheduled programming, whereas streaming offer full liberty to watch what you want, where you want, on what device you want and when you want. Audiences all tuning in at a specific time is being more and more reserved for live events like sports or song competition events. When it comes to cost, cable-cutters or cable-nevers can manipulate expenditure by how many subscriptions they have, if they opt for any bundles and pick between various tiers with low to UHD picture quality, with or without ads. Technology and household internet facilities has simply caught up with linear television and rendered it mostly disadvantageous. Thusly, legacy television providers have realized the need to lean into the new age.

Streaming may be the future, but in what shape? SVOD has already been mentioned a lot throughout this text. This has been inevitable as subscription streaming has become so intrinsic and influential to the entire distribution chain at theatres and at home, profoundly shifting traditional studio strategies. Warner Bros. has invested heavily in HBO Max/Max. Walt Disney has gone with Disney+, 20th Century Fox (before being acquired by the former) with Hulu, Paramount Pictures with Paramount+ (previously CBS All Access) and Universal with Peacock. The services of Paramount and Universal are consolidated and available as SkyShowtime in the Nordics. Interestingly, this, as in the discussion of linear, leaves only Sony Pictures without their own noteworthy designated SVOD service currently[13]. What they are doing is selling their films to other services at a premium, instead. In the U.S. they have made an output agreement with Netflix who will have the license for first run after the TVOD window, which also includes a first look at streaming-only films (Netflix, 2021).

The traditional studio services and the studios born out of the home market and the 'non-traditional Big Three', Amazon Prime, Netflix and Apple all represent the top eight film and series platforms in terms of subscribers: #8 Apple TV+ (25M (estimated and not inclusive of promotional users)), #7 Peacock (31M), #6 Hulu (48,5M), #5 Paramount+ (67,5M), #4 Max (97,7M), #3 Disney+ (150,2M), #2 Amazon Prime Video (200M+) #1 Netflix (260,3M) (Nickinson, 2024)[14]. Subscription count has been king in the SVOD realm, but that might be shifting somewhat to a revenue driven tactic, as will be discussed. Excluded from the top ten list by Digital Trends here is #10 Starz (15,8M), the Lionsgate platform and #8 ESPN+

[13] Not counting the anime platform Crunchyroll that they control or Bravia Core that comes with selected Sony TVs
[14] Numbers fetched from Q4 (fourth quarter) of 2023.

(26M), the Disney owned live-sports platform. The former is excluded as we have narrowed discussion down to the traditional big five studios and the big three streamers, and the latter is not a film/TV platform.

Time and time again we see these studios releasing massively expensive films and TV programming for no additional cost on their SVOD platforms, leaving many scratching their heads, wondering how it possibly could be profitable. The answer is that they are not. At least not immediately. Such is the model they have created, much like cable TV did, that they are under constant pressure to release content, be it produced or licensed, that will retain and attract their subscribers, that in most cases have the option to cancel every month. As mentioned, streaming provides a different way to consume content, but it is not so certain that they are under a heavier production/distribution pressure than before. Yes, users can burn through desired content faster by binging what they want, but on the other they need not manufacture a program for the entire day every day. Streaming has the advantage of being able to build upon the existing libraries from film and TV studios, that are more than deep enough to satisfy the self-tailored programming and they can supplement it with new additions.

It must also be said that sports becoming available at streamers like ESPN+ and DAZN are playing a big role in the bigger picture, as networks losing out on exclusive licenses escalates the move away from linear television (Sarma et al, 2022, p. 9). Amazon has made an 11-year agreement to pay 1 billion USD per season for exclusive rights to National Football League (Sherman, 2021). They also have an existing 20 game per season deal for Premier League in the U.K. and will expand to 38 games in Sweden and Denmark as agreed with Viaplay who owned exclusive rights (McCaskill, 2024). Netflix is also stepping in the ring, having made a deal worth 5 billion USD for ten years of WWE (Hayes, 2024) and will show Jake Paul vs Mike Tyson, summer 2024 in what will be its third live event (Fequiere, 2024).

3.3.1. THE NEW THREE

It is worth keeping in mind that while ‘pure blood’ streamers such as Netflix and Prime Video has been around for some time now, the SVOD services of traditional studios like Disney, Universal, Paramount and Warner are only 4-5 years old. These services went public shortly before or during the pandemic and many of their release strategies were informed by this.

To understand these platforms and how they operate we will evaluate them based on select factors: history and/or evolution of practice, share of original films or made for streaming films and the relationship with theatrical window before arriving at platform, if any. Let us begin with the new three studios, as two of these largely preceded and likely set in motion the emergence of traditional studio SVOD platforms. Within these they will be presented in order of launch. The current form of these platforms is different to what is what launched, but here we will go from when their studio first started streaming and get to where we are today. Again, Sony is absent from the list.

The conversation of each individual platform will also function as vehicles to further the discussion of where subscription video on demand has been and is going, and what role it plays in the bigger picture of film distribution. TV is of course a huge part of streaming platforms appeal and have driven cord-cutting, which again has driven the cord suppliers to pivot, which is key in the big scheme of things. Omitting TV production/distribution, be it in shape of series, news or sports entirely would be misguided, and so it will be sporadically highlighted in this subchapter and 3.3.2. Beyond that we will focus on film distribution on these platforms as that is the main topic in this thesis.

Prime Video

Launched in 2006, the streaming platform(s) from one of the biggest companies in the world, Amazon, has gone through some changes in structure and focus. Amazon Video is available in a handful of countries as a TVOD service, but we will focus on Prime Video which is available worldwide (with a few exceptions), including those that also have Amazon Video.

According to the JustWatch website, which tracks what movies are available at any given time in any given country, there were 11,216 films streaming for no additional cost in the U.S., at time of writing on Prime Video (JustWatch (1)). This number fluctuates dramatically from market to market as there are different license agreements at play in various territories. Note also that this number can change almost daily with in-and outgoing titles acquired and expired, hence the use of past tense as, at time of reading this, the number is in all likelihood changed to some degree. Still, it should indicate the respective libraries which is useful in terms of evaluating strengths of each platform and in discovering the level of licensing that might be in play. In Norway there were ‘only’ 3646 films (JustWatch (2)) and in the United Kingdom there were 14,912 (JustWatch (3)). Out of the samples from the platforms used in the three markets, this is the highest. It is worth noting that these libraries are heavily inflated by very cheap C, D-list properties in addition to the more high-end ones. Amazon MGM Studios has 204 titles listed as Amazon Original movies on their website that are also streaming worldwide, in the U.S. and/or other markets (Amazon MGM Studios). The rest are licensed titles. In 2023 Amazon spent 19 billion USD on production and licensing of content which includes film, TV, and music, which is up 14% from 2022 (Amazon.com Inc., 2024 in Spangler (1), 2024).

Recently, there appeared to have been two key shifts in their operational strategy and revenue diversification. One is in syndication, in that they will begin to license out their previously exclusive titles to third parties, allowing them to see the light elsewhere after the first home window that will remain exclusive (Maglio, 2023). This might hurt Prime Video appeal and overall subscriber count but gives them another source of revenue. It could also be a welcomed change from filmmakers who might be entitled to certain royalties, depending on their deals. Exclusivity is something that strengthens the studio and platform brand and portfolio but is not necessarily extracting the maximum revenue potential of the individual assets.

The other strategic shift is in a proposed increased theatrical focus. With the consolidation with MGM- a legacy studio, Amazon now have the license for their considerable library with franchises such as Rocky/Creed and Bond. They also have access to rooted ties and relationships with traditional distribution channels that they did not have before, in addition to their production facilities. A Bloomberg article from 2022 claimed that Amazon had plans to invest 1 billion USD annually to release at least a dozen theatrical films per year[15] (Shaw, 2022). Following this theatre chain stock prices got a boost with Cinemark up 11%, IMAX up 7% and AMC up 5% (Palmer & Whitten, 2022) as it was recognised that this would provide exhibitors with a Paramount or Universal level theatrical output.

At time of writing the only major theatrical release, produced by Amazon since has been *Air* (2023), directed and produced by Ben Affleck, which was in theatres worldwide on 3,500 screens for almost a month, before releasing on Prime Video[16] (Jackson, 2023). The delay in theatrical releases can be associated with pandemic related speed bumps or strike complications on productions, or indeed a change of plans. Amazon have had films in theatres

[15] Note that the Bloomberg article refers to an undisclosed source and other articles site Bloomberg.
[16] Article is affiliated with Prime Video.

before but none grossing as a much as *Air*'s 89 million USD, with *Manchester by the Sea* and *The Big Sick* the closest with 78 and 57 million USD, respectively, (Numbers (6), 2024) and in the years between *Air* and the latter it has been relatively quiet on the theatrical front, as far as Amazon productions go. *Creed III* (2023), *Saltburn* (2023), *American Fiction* (2023), *The Beekeeper* (2024) and *Challengers* (2024) have been distributed theatrically under the Amazon MGM label but were not Amazon productions and may have been subject to pre-existing theatrical and windowing agreements.

"It should function as free advertising to create this halo effect which in turn creates more viewers on the service. If that's the case, I think the business will really expand and go back to a broader theatrical model" is what Affleck said about the unexpected theatrical release choice of *Air* (Coyle, 2023). The streaming/legacy consolidated studio's theatrical distribution executive, Kevin Wilson, claimed that "We truly think that by putting it into theatres, you just can't otherwise get that kind of word of mouth and press around it. No matter how much you spend, that's a hard thing to replace" (Coyle, 2023). As Amazon do not tend to disclose viewership numbers on their platform, it is not clear how successful it was in this window.

Streamers giving wide theatrical releases might appear counter-intuitive at first, considering that they give cinema audiences first dibs but there are good reasons behind it. There is the potential of critic/award validation that one might also get with a limited release, but with wide there also comes a potential of word of mouth and societal and cultural penetration that is nigh impossible without such a release, as Wilson also pointed to. In terms of the box office gross, like the outsourcing of licenses, it is naturally welcomed by the filmmakers and producers (and exhibitors) along with the award potential. To a company like Amazon, however, it is healthy but does not necessarily make a huge impact. What it does is provide good optics for the company, signalling that they support the legacy channels like movie theatres, even though they do not do theatrical releases out of compassion. Most importantly, it paves the way for success on their platform when it eventually releases there.

Such is the case that the most streamed movies were released theatrically first. In the U.S. 9/10 (10/10 if counting *Glass Onion: A Knives Out Mystery* (2023) which had one week in theatres) most streamed films, by number of minutes viewed from December 2022 to December 2023 (Stoll (2), 2024). A sample from the Norwegian market would suggest the same. Out of the top 10 most rented/bought films from Week 10-15, non-theatrical films only made the list twice[17] (Filmtopplisten, 2024). Search for numbers on most streamed film (per minute as opposed to most rented/bought) domestically proved unsuccessful.

Slight digression from Amazon and Prime Video aside, their alleged theatrical plan has not yet come to much fruition beyond *Air. Road House* (2024) starring Jake Gyllenhaal was a peculiar case. According to some, it was originally scheduled to release theatrically, but to director Doug Liman's dismay, they altered the plans and released directly to Prime Video. After initially having agreed with MGM for theatrical release, and after Amazon bought MGM, the former said "[…] make a great film and we will see what happens" according to Liman (Liman, 2024). Though he claims the film tested very highly they did not go theatrical with the film and instead used it to "sell plumbing fixtures" (Liman, 2024), hinting to Amazon's subscription plans that include Prime, but also extends to their shopping platform and free shipping. Meanwhile, Gyllenhaal, who also produced the film, claimed Amazon always intended it to go to the small screen first (Sharf, 2024). A source close to the negotiations said that they were given a choice of 60 million USD to get theatrical release or 85 million for streaming only, according to Variety (Sharf, 2024). If this information is accurate, it provides a fascinating insight into their production and distribution dealmaking procedure, though the choice will likely not be offered in every case.

Theatrical releases enable success in the following windows, but it is not impossible with direct to streaming, either. Amazon broke their viewership silence as they said *Road House* had a record breaking 50 million viewers in its debut weekends, though what exactly constitutes a viewing remains unclear (Lang, 2024). While the director evidently is discontented with the studio due to the fate of his film, it illustrates that distribution strategies are always in flux. The license holders will decide what is best for them on a macro scale, if not necessarily for the film in isolation.

The distributional journey of a film is not always set in stone as is evident here as well as in the cases during Covid, the axed Warner films, *Monkey Man*, and many other cases. Sometimes, of course, the best thing for a film is to skip theatrical and the expensive marketing campaign that comes with it, hence the case-by-case approach. It is challenging to deduce what projects are worth taking the multi-million-dollar theatrical risk on. It is, however, a call that must be made, and those who have poured their creative blood and sweat

[17] Website is affiliated with various TVOD services.

into the project will of course not always agree with those making a calculated decision on its distribution fate. Such is the brutal nature of the film industry.

Though Prime Video is not yet profitable in its own right, CEO Andy Jessy said that they have "[…] increasing conviction that Prime Video can be a large and profitable business on its own, and we'll continue to invest in compelling exclusive content for Prime members like *Thursday Night Football*, *Lord of the Rings*, *Reacher*, *Mr. & Mr. Smith*, *Citadel* and more" (Spangler (1), 2024). Interesting to note is that Jessy highlights TV productions as opposed to any film. Of course, these are huge productions with *The Rings of Power* having an estimated budget over 400 million USD and *Citadel* (2023-) estimated north of 250 million (Shaw, 2023) that would rival the production budgets of some of the most expensive films. In the past they have spent huge sums on straight to streaming films. *The Tomorrow War* (2021) was bought for 200 million USD from Paramount/Skydance, *Coming 2 America* (2021), also bought from the former for 125 million, *Without Remorse* (2021) and *Cinderella* (2021) also bought for undisclosed sums, all released within 2021 (D'Alessandro (2), 2022).

Depending on what happens with their film division and the theatrical scheme, it seems like TV is the biggest focus now. TV has historically been the place for- TV, and it is understandable if Amazon and other platforms focuses on output of this kind. Additionally, a film is consumed quickly, while a series can be extended with a much more extended time in the limelight by dropping episodes weekly, increasing chances of subscriber retention. This should be a discussion for another time- is the increased production of high budget TV series made by studios engaged with SVOD platforms (who coincidentally are shifting focus to retention rather than growth), cannibalizing film productions and theatrical supply? Every studio would love to have their own *Game of Thrones* (2011-2019) and *Stranger Things*. With films, a change in the ecosystem is easy to see as they have always gone through distinct channels, but it is less transparent with a medium that has always been on TV.

Either way, Amazon is a company with resources that could easily contribute with the shaping and retooling of film and media production, distribution, and exhibition, should they settle on a certain direction. To further increase revenue, Prime Video has started with an ad-driven plan, like most streamers have. The user choices are to see ads or pay more for ad-free. Either way, the supplier wins- lest the user cancel entirely. Amazon also offer 'pick-and-pay', or à la carte as it is known with channels offered within the Amazon membership for an additional fee. Prime channels include Max, Paramount+ and many other, smaller platforms. This supplements subscription revenue through partnerships with other services. The third-party service gets to astraddle on the back of a much bigger service. From a user perspective, there is a discount to be had with this method as opposed to subscribing individually. It also makes the paying process easier and the threshold to subscribe to other platforms lower in a chaotic market, flowing over with platforms and options. Á la carte is reminiscent of cable TV packages that bundle different, on paper competing channels together, but different in that the user have the choice. Here, they can pick and choose what they want instead of having channels they do not want forced upon them.

Netflix

Netflix is its own beast. It differs from the other studios in that it is more removed from the theatrical world than any other as it is the most pure-blood major streaming company out there. It is also different from the others that all are under direction of multimedia conglomerates. The other two of the New Three are under Amazon Inc. and Apple Inc., respectively, which are two of the largest global companies with many lanes of business. Netflix Inc. have all their assets in association with their SVOD service. As said in the discussion of physical media, Netflix started as a DVD-by-mail subscription service before it entered the streaming market in 2007, ten years after establishment. A few years later they started acquiring and producing original content starting with TV series- the Norwegian co-production *Lilyhammer* (2012-2014) and *House of Cards* (2013-2018). Feature films followed with *Beasts of No Nation* (2015) being the first major one. Since then, original content production has ballooned significantly as they "[…] needed volume" to compete with studios with century old libraries of film and TV (Scott Stuber in Lang, 2023).

In 2020 they revealed plans to release a movie per week on average (Lang, 2023), which would have been an astonishing output. The vast number of titles that become 'Netflix Originals' is good news for filmmakers who are looking to get their films off the ground when traditional studios are taking a more cautious approach. David Fincher who has worked on two projects with Netflix, claimed that-

> Most studios operate within a checks-and-balances system devised to most efficiently deliver the message 'No, thank you'. It's all about finding the things that are scary or unique about your project, then distilling them into a balsamic reduction of justification

> for when they pass on your movie. With Netflix, it's so much nicer, because when you pitch someone, the response is 'Wow, that's a fucking interesting and weird idea. Let's price it out and see how it might work. (David Fincher in Lang, 2023).

This is only the sentiments of one person, but one who is an accomplished director with decades of experience within the industry and worked with several studios. It also does correspond to what their philosophies appear to be from the outside looking in. Even a filmmaker like Martin Scorsese failed to achieve the funding he felt was needed for his *The Irishman*. Though it was a bankable genre, based on established IP and signalled the reunion of actors like Robert DeNiro and Al Pacino, it could not get off the ground for several years before Netflix came along (Keegan, 2019). This is illustrating to the hardships that so called 'no-names' must go through in this system to get funding and/or distribution, even with incomparable fees.

According to independent What's on Netflix there were at time of writing 2,044 Netflix Originals, which includes documentaries, various specials, and a handful of shorts, but exclude series (What's on Netflix, 2024). JustWatch reports there were 4,135 films in total on Netflix in the U.S. (JustWatch (4), 2024). In Norway there were 4,869 (JustWatch (5), 2024) and 5,233 in the U.K. (JustWatch (6), 2024). Netflix is closest to the Prime library but still considerably lower. That said, these are much more even numbers than those of Prime Video across the three countries, as Netflix international reach is unmatched. Their place as a global behemoth is solidified by their international license agreements as well as international productions and pickups that makes them relevant and important for local markets and film industries. In Norway for instance, they have had success with the aforementioned *Lilyhammer*, as well as big investments in the action adventure, *Troll* (2022), its upcoming sequel, as well as a *Harry Hole* series based on the Jo Nesbø crime novellas. Netflix has a much higher proportion of original movies opposed to licensed ones than that of Prime. In the U.S., film and series originals now compose 55% of the Netflix library, per 2023 (Moore, 2023). Coincidentally, in the first of their twice-a-year engagement report, Netflix also announced that 55% of viewing came from their originals from January to June 2023 (WeAreNetflix, 2023).

Their goal now, according to their ex-head film division officer, Scott Stuber, has been to decrease quantity and increase quality as they aim to release 25-30 films a year, down from a previous goal of 50- of which they fell short (Lang, 2023). Netflix becoming fully vertical, only relying on their own productions is not on the cards currently, considering the, still, high share of license viewership. That said, there are scenarios where it could happen as it is a business where philosophies can change rapidly and are susceptible to techno-cultural changes. Netflix could realize that they have more than enough content of their own and seize funding other studios for second runs of their leftovers. On the other side of the table, studios could suddenly want to stop supplying their rivals with their properties in the arms-race for content, as most of them now have streaming services of their own.

When it comes to distributing their films to theatres, Netflix has never wavered in that they do not go wide with their titles. As mentioned before, they reserve limited release only for some of their more prestigious titles to qualify for awards, like Noah Baumbach's *Marriage Story* (2019), Jane Campion's *Power of the Dog* (2021) and David Fincher's *The Killer* (2023). It is not for a lack of producing films that could conceivably be box office hits that the streamers avoid theatres. Netflix secured the sequel to the smash hit *Knives Out* (2019) that grossed over 300 million USD in 3,461 theatres for Lionsgate and a further 25 million in American physical media sales (Numbers (7), 2024). Then there are undisclosed TVOD profits in rentals and digital copies from Google TV, Blockbuster and so forth, plus licensing fees from SVOD platforms like Netflix, TV 2 (Norway), Viaplay and many more internationally. *Glass Onion: A Knives Out Mystery* only released in 696 theatres for around a week and grossed a decent 15 million, considering the duration and scope of release (Numbers (8), 2024). Beyond that, it is exclusively available on Netflix. It is evident that with a film like this that they leave a lot of money on the table, but as their chief of content, Bela Bajaria, answered in response to question of theatrical release prospects-

> We are the only real pure-play streamer and our members love films and they want to see films on Netflix. And for us, that's always going to be the most important thing […] A lot of other companies and businesses do theatrical and it's a great business for them. It's just not our business (Bajaria in Goldberg, 2024).

Glass Onion currently sits as the #9 most popular film with 136 million views with 320 million hours watch time as of April 14th, 2024, according to them (Netflix, 2024). At #1 sits *Red Notice* (2021) with 231 million views (Netflix, 2024). The metric of how Netflix count viewership is not fully transparent[18], but it is impressive numbers which says a lot in terms of reach that their platform has and how many audience members their titles become available

[18] See Zack Snyder, director of *Rebel Moon* (2024) suggesting that Netflix assume two viewers per screening https://www.complex.com/pop-culture/a/jose-martinez/zack-snyder-says-netflix-rebel-moon-watched-more-than-barbie

to, even though it does not directly translate to quantifiable money in hand. The streamers likely have an advanced matrix through which they translate viewing, sign-ups, and membership continuity to what it contributes to the bottom line, but if they do, it is not one available to the public nor to the filmmakers.

The first quarter of 2024, Netflix grossed a record breaking 9,4 billion USD, which is an 1,2 billion increase from the corresponding 2023 quarter (Stoll (3), 2024). Netflix have had year-over-year growth the last decade, earning 33,7 billion in 2023 (Stoll (3), 2024). Even when adding their massive content spend of 12,6 billion (down from the estimated 17 billion due to the strikes) in 2023 (Spangler (1), 2024) to the equation, it is easy to understand their sentiment of trusting the model that have carried them to this point and not be much interested in theatrical distribution or outsourcing titles. Netflix are currently the only major SVOD service not operating at annual loss, but still, they continue to find ways to extract maximum revenue where possible.

Recently their subscription plans have gone through changes with them phasing in a cheaper ad-driven plan, though they once swore never to use ads (Maglio, 2023). This plan is under half the cost of the standard tier (6,99 USD to 15,49 USD), but in addition to ads, there are titles unavailable in this tier due to licensing restrictions (Spangler (2), 2024). The Sony license agreement with Netflix, for instance, prohibits ad-based viewing (Spangler (2), 2024).

Now as ‘everyone’ has access to Netflix and they might be nearing a ceiling in terms of viewers, they have cracked down on password sharing to monetize any eventual sharing or make them subscribe themselves. This comes as internal and Wall Street metrics to judge streaming success shifts from subscriber count to revenue generation, as signalled in them seized reporting of subscriber forecasts to their shareholder (Darcy, 2024). Whether this will change the way they produce or distribute films, no clear answer has surfaced, but the AVOD/SVOD hybrid is becoming increasingly the norm for Amazon, Netflix, and most other streaming services. As advertising revenue is back in a big way, platforms are multiplying, prices are rising, bundles aplenty, content is liberally outsourced and fragmented, streaming is slowly shaping into the all too familiar model of cable TV in bandwidth clothing, with users spending as much or more. This is a tried and tested model that has been hugely profitable for many decades, and as the SVOD model is reaching its adolescence, it seems to have found the need to take a few pages out of the book of those who came before. When it comes to ad revenue- and appliance, and user friendliness, streamers have an ace in their hole that legacy television did not, in the shape of algorithms. Still, as streamers seek to diversify their income with revenue from advertisers, social media and search engines have the upper hand in terms of algorithmic, cookie-based ad suggestions. This, in turn puts a ceiling on their appeal to advertisers.

Apple TV+

Launched in its current format in 2019, and much like Prime Video, it is an audiovisual arm for one of the biggest companies in the world, in this case Apple Inc. As such, it has a role beyond itself. At launch, it was announced that you get a year subscription of Apple TV+ with the purchase of an Apple device like an iPhone, iPad, Mac, Apple TV and so forth (Alexander, 2019). X number of months included with purchase of Apple products or associated brands like Beats and LG is still going on. In this way they incentivize potential customers to buy their products as well as ideally hooking them on their content and platform so that they keep subscribing after the free trial. The Apple TV app is not available at Android devices' Play Store nor native app stores like Samsung's Galaxy Store. On these devices one must go through the internet browser. If the intention of Apple was to reach Android users on their turf, it would be readily available. As of March 2022, the estimate number of users that had access to the service through promotions were twice that of regular paying subscribers with 50 to 25 million (Stoll, 2023).

Apple TV+ is an attachment to the TVOD/ à la carte, VOD service in what is known simply as Apple TV that offer rentals and digital purchases through iTunes as well as aggregating other platforms in paid channels. Now in the Norwegian market Apple TV present Apple TV+ in addition to third-party streaming in Brit Box, Curiosity Stream, Marquee TV, MUBI and SkyShowtime under a "browse channels" banner on the front page of the app.

Regarding their own original content, they have a comparatively small number on their SVOD service, Apple TV+. However, these are the only titles available for no additional cost. That said, at time of writing they are running a limited campaign in America where they offer a range of licensed titles that is due to expire at the end of April/May 2024. Elsewhere it is business as usual, with their self-sufficient library composed of Apple Originals only, of which there were 74 features (JustWatch (7), 2024). Their annual original output rate is quite similar to that of Prime Video, though the Amazon counterparts invest heavily in licensing. Compare this to the Netflix Originals, the output differential is stark, licensed titles notwithstanding. Of course, Apple have not been active producers for as many years as the competitors, but they are seemingly investing in the lesser quantity, higher quality approach. With a record breaking 25 million USD pick up of *CODA* (2021) at Sundance, Apple TV+ became the first streaming original to win the Best Picture Oscar at the Academy Awards (Couch, 2022).

Recently Apple have been active in the theatrical market with Scorsese once again partnering with a streamer on *Killers of the Flower Moon* (2023) (theatrically distributed by Paramount), Ridley Scott's *Napoleon* (2023) (theatrically distributed by Sony) and Matthew Vaughn's *Argylle* (2024) (theatrically distributed by Universal). All of these represent massive investments and Apple delivering on their plans to invest 1 billion USD annually on theatrical releases to "raise its profile in Hollywood and lure subscribers to its streaming service" (Buckley & Shaw, 2023). *Wolfs* (2024) starring George Clooney and Brad Pitt and *Fly Me to the Moon* (2024) starring Scarlett Johansson are upcoming Apple Studios films that is due to be theatrically distributed by Sony (D'Alessandro (1), 2023).

This is illustrative not only of streamers taking an interest in traditional channels, but also collaborating with traditional studios. Apple is funding and producing these films, then they partner with legacy studios that have theatrical distribution expertise to release in cinemas before they end up on their streaming service, ideally after a successful time at the box office. This, and Amazon's theatrical scheme should it come to be is wonderful news to theatrical exhibitors. Streamers who were prophesised to destroy movie theatres are instead joining them (aside from Netflix) in what seems to be a partnership that is beneficial to them both. Exhibitors who recently have been missing a satisfactory supply of films get to screen blockbusters that might not have existed otherwise, with Apple and Amazon scheduled to produce theatrical outputs akin to that of major legacy studios. Meanwhile the streamers indirectly advertise their platforms in a way that can only be done with theatrical releases, while also generating a fair chunk of change at the box office.

Apple TV+ currently only offer one plan (excluding the Apple One bundle) and one of very few who still promises that it will always be ad-free. Others have several plans with ads, low resolution, standard resolution or 4K.

3.3.2. THE BIG FIVE

Paramount+

Launched as CBS All Access to the American market in 2014, it became the first direct to consumer streaming platform by American television broadcasters (Steel, 2014). Home Box Office already had HBO Go earlier but this was only offered to their cable users. Out the gate, CBS All Access offered ad-plan and more expensive ad-free plan, which is a model that some, including Netflix and Disney+, hesitated to do until recently. Their entry at this time was said to largely be a response to Netflix success, who at the time, had 50 million subscribers (Steel, 2014). It also came at a time when technology like smart-televisions, Chromecast and Roku had really penetrated the market, and streaming to television became easier (Steele, 2015), blurring the line between linear watching and online watching.

It was not until CBS Corp. and Viacom re-merged that CBS All Access would receive a big content boost by Paramount Pictures, MTV, Showtime, and others (Sherman, 2020). This came to be Paramount+, which had its rebrand in 2021, as the company continued its shift towards streaming from linear television. 2019 to 2021 was the years when Hollywood properly came to stream. At time of writing there are 802 films on Paramount+ in the U.S. (JustWatch (8), 2024). Though they have access to Paramount's over 3,600 films, and Miramax' 700 (Sherman, 2020) only about a fifth is on there while the rest is either only available over sell-through or licensed out to competing SVOD platforms. Their library is mostly self-reliant with the odd licensed title. In this market the SVOD service Showtime has been removed as a standalone app and been consolidated into a premium tier on Paramount+. In the U.S., Paramount+ with Showtime has an additional 314 films (JustWatch (9), 2024). Consolidation is becoming increasingly the way streaming platforms operate. It happened with HBO Max and Discovery+ and it happened with Disney+ and Hulu. In European markets SkyShowtime is available as a consolidation of content from Paramount+, Showtime, Peacock, Sky, and others. This integration de-fragments the market and allows for benefits associated with economies of scale, and if this sounds familiar, it is because it is precisely what cable providers were doing.

According to Paramount reports titled under "licensing and other" ('other' does not include theatrical, advertisement or subscription revenues), 2022 licensing and other contributed to 6,66 billion USD, 22% of their revenue (Jones, 2023). In fact, the first quarters of 2022 and 2023, their theatrical revenues (131 million and 127 million) were eclipsed by the "licensing and other" category (491 million and 456 million) (Paramount, 2023). Though not disclosed what the 'other' include beyond licensing, it indicates the profitability of this model, which then Paramount Global CEO, Bob Bakish rightly described as a model that has been fundamental to Paramount and indeed the media industry in its entirety (Jones, 2023). Profitable as it is, backfires do happen when extremely popular titles help competing platforms drive traction away from them, and as such Paramount will seize licensing out their biggest franchise IPs, according to their chief financial officer (Jones, 2023).

When Covid struck, Paramount were part of those who reduced the length of the theatrical window. Films such as *A Quiet Place Part II* (2021) and *Snake Eyes* (2021) released on Paramount+ 45 days after theatrical premiere with family films like *Paw Patrol* (2021) was day-and-date as that target demographic were less likely to go to the cinema (D'Alessandro (1), 2022). Its sequel was released theatrically in 2023. The mould they are using as far as release windows go appear to be theatrical first, with PVOD after about a month until it releases on their SVOD service two weeks later, roughly 40-45 days after premiere (Nebens, 2024). Films like *Mission: Impossible - Dead Reckoning* and its mid-July theatrical premiere to its late-January SVOD release is an exception, reserved for the biggest anticipated blockbusters, rather than the norm in a world where being able to watch a film at home while it still is in theatres has become commonplace. Streaming original films do not appear to be much of interest to them.

If their model will be the same in the long term is not nailed, as there are some macro factors surrounding the company that clouds the micro level of film distribution with uncertainty. Very recently, Bob Bakish stepped down as CEO with George Cheeks, Chris McCarthy and Brian Robbins appointed as Office of CEO (Paramount Global, 2024). They will be working to "[…] develop a long-range plan to accelerate growth and develop popular content, materially streamline operations, strengthen the balance sheet, and continue to optimize the streaming strategy" according to their statement (Paramount Global, 2024). What this means in terms of their service and theatrical business is to be revealed. As seen with the change of management and ownership of HBO Max/Max it could precede a big change, though that was under other circumstances.

A change of ownership might also be on the cards for Paramount as Skydance Media (whom Paramount recently partnered with on *Top Gun: Maverick* and *Dead Reckoning*) is proposing a merger, with private equity company Apollo and Sony Pictures reportedly having launched a 26 billion USD offer (Mullin & Hirsch, 2024) (Rushe, 2024). Should this come to fruition, it is not thought that Sony would launch their own platform but instead sell off Paramount streaming and TV assets, while increasing theatrical strength, as competitors are deep in SVOD (D'Alessandro, 2024). Any possible agreement of the sort would in case be subject to anti-competitive scrutiny associated with this type of mergers, and the current Biden administration tends to be against mergers, horizontal ones, especially (D'Alessandro, 2024). At time of writing nothing is sealed.

Disney+ (with Hulu)

Initially launched in 2019 before global expansion, Disney+ has become the biggest legacy studio streamer, only behind Prime Video and Netflix that are several years its senior, in streaming age. Apropos of mergers, Disney's purchase of 20th Century Fox was in large part to "[…] significantly increase our portfolio of well-loved franchises and branded content to greatly enhance our growing direct-to-consumer offerings" according to Disney CEO, Bob Iger, who added that "The deal will also substantially expand our international reach, allowing us to offer world-class storytelling and innovative distribution platforms to more consumers in key markets around the world" (Littleton & Steinberg, 2017). They have been successful in both integrating their own library with that of 20th Century and their subsidiaries, and in reaching the global market. With the content of Walt Disney Pictures, 20th Century Fox/Studios, FX, Star, Searchlight, National Geographic, Pixar, Marvel Studios and LucasFilm, Disney+ with Hulu had 2662 titles in the United States (JustWatch (10), 2024). In the U.K. there were 1804 (JustWatch (11), 2024) and 1687 in Norway (JustWatch (12), 2024), as again, it varies from market to market. They have the license for certain films in certain markets, and titles that are Disney properties may be tied up in other agreements.

Some titles are simply purged in library title reviews to cut costs. In February, this year, they removed 120 titles including Disney Channel original films, older Disney films and a few series in the EMEA market (Africa, Europe, Middle East) (Andreeva, 2024). These are likely the least viewed properties, or certainly the least cost efficient be it because of expenses associated with royalties, licenses and/or to save space on their servers. Films like *Artemis Fowl* (2020) and *Cheaper by the Dozen* (2022) that was specifically made for Disney+ have been axed from the platform and banished to the TVOD/AVOD world (Chan, 2023). Disney could take on upwards of 1,8 billion USD in impairment charges due to removal of content, according to CFO Christine McCarthy (Chan, 2023).

This is part of the effort of making Disney+ profitable, as it is currently operating at a loss like most of its competitors. The newest quarterly report shows an 18 million USD deficit, which is a much-improved result, compared to the 256 million deficit the previous year (Lier, 2024). Increasing monthly subscription fees, adding an ad-plan (Watercutter, 2023), and charging for password sharing also constitute a drive to become profitable. When it comes to their content strategy, this too will face changes, accordingly. Bob Iger predicts profitability of his platform by the end of 2024, considering their improved performances recently (Watercutter, 2023). To do so, Iger appear to be shifting focus from quantity to quality, admitting that they focused too much on the former during Covid, "At the time the pandemic hit, we were leaning into a huge increase in how much we were making, and I've always felt that quantity can actually be negative when it comes to quality" (Bob Iger in Watercutter, 2023).

Aside from investing considerable amounts of money into straight to streaming titles that will never be profitable in the short term and should be an attractive contribution to their portfolio for years, there is also the issue of managing the assets carefully. Disney have spent a lot of money on popular, but expensive, Marvel and Star Wars titles to their platform. For every theatrical MCU film there has been at least one series or special on Disney+ since 2021 (ten films, ten series and two specials). This has helped raise the profile of the SVOD platform but may have diluted the theatrical value of that franchise that has been one of the most profitable franchises of all time. The same can be said for the Star Wars franchise that last had a theatrical release in 2019, with seven live-action series since.

Still, four more are scheduled to release before the next theatrical film set for a 2026 release in *The Mandalorian and Grogu*. With this film spinning off from the Disney+ series *The Mandalorian* (2019-), they will be testing the TV to theatrical route, though Star Wars as a brand of course is already an established theatrical franchise. The Star Trek franchise took the same path decades ago with a ten-year gap from the series finale to the motion picture, and *Peaky Blinders* (2013-2022) is set to conclude with a theatrical feature. Disney will not be the first or last to do this, but it does signal, perhaps, a shift in focus from SVOD to theatrical, at least in regards to films. Aside from the pandemic years of 2020 and 2021, 2023 marked the first premiere year to not have a single Disney film hit the 1 billion USD mark at the box office since 2014, and of which they had seven in 2019, extraordinarily enough (Stedman, 2023).

Disney+ has been prominent throughout this text, as it has been highly disruptive both regarding the theatrical and the home market, especially during the pandemic. However, Covid were the perfect storm in a certain sense for the newly established services to take advantage of the macro backdrop with weakened theatres and lockdowns or other restrictions causing a spike in content consumption. Through their “Premier Access”, or PVOD in other terms, Disney+ launched films like *Mulan*, *Black Widow*, *Raya and the Last Dragon* (2021), *Cruella* (2021) and *Jungle Cruise* (2021) at the same time it played in theatres, before they had standard Disney+ release months later. As mentioned earlier, piracy is a big stumbling block in front of the day-and-date model. This was certainly the case with *Black Widow*, which reportedly was pirated 20 million times, meaning it could have earned 600 million USD all of them had chosen to use PVOD, instead (D’Alessandro (2), 2022). At the box office, it suffered the MCU franchise’s highest drop in its second weekend with 68% (Box Office Mojo in D’Alessandro (2), 2022). The Pixar films *Soul*, *Luca* and *Turning Red* were scheduled to release theatrically but went straight to Disney+ with no initial theatrical release, due to the pandemic. These films finally got a theatrical release in 2024, as previously noted.

The PVOD model has not been continued by Disney since. They have had and will have more Disney+ originals with *Hocus Pocus 2* (2022) and its sequel which is in development, the *Lilo & Stitch* live-action remake and the *Flight of the Navigator* remake. However, these titles were never likely to reach theatres, or promise much revenue in either case. Years ago, these might have been straight to physical media releases. The tension that was between filmmakers and Disney, or indeed exhibitors and Disney during Covid appear to have been more or less dissolved. This as a result of their return to theatrical ambitions, after aggressive expansion during the volatile pandemic market.

Peacock

Comcast owned NBCUniversal entered the market in 2020 with Peacock. The service is currently only available in the U.S. The ad-driven service was made available to their pay-tv customers for no additional cost, with the ad-free version available to everyone at a subscription fee (Hayes, 2019). TV providers have been facilitating the transition from linear to streaming in this manner. HBO did it, CBS did it, providers in other nations like Viasat/Allente and RiksTV also did it. The strategy across the board is clear; lead existing TV customers into their streaming service before they lose the clientele entirely in favour of someone like Netflix.

Former NBCUniversal CEO, Steve Burke said the company

> […] has some of the world's most valuable intellectual property and top talent, both in front of and behind the camera. Many of the most-watched shows on today's popular streaming platforms come from NBCUniversal. Our new service will be different than those presently in the market and it will be built on the company's strengths, with NBCUniversal's great content and the technology expertise, broad scale and the wide distribution of Comcast Cable and Sky (Hayes, 2019)

'CEO language' tends to be vague in nature but NBCU has been, and is still licensing out content to other services, as Burke suggests. This is no different to most streamers we have discussed aside from Apple TV+, Netflix and Prime Video- who intend to outsource in the future. UFEG (Universal Film Entertainment Group) had a pay-one agreement with HBO that was discontinued in 2022 as Peacock now has become their own vertical platform to debut their films following the theatrical and PVOD windows (D'Alessandro, 2021).

The length of the pay-one window is 18 months, and Peacock has exclusive rights for the first and last four months of this, with a deal struck with Amazon Prime (estimated to be worth ten figures) for the 10 months in the middle (D'Alessandro & Andreeva, 2021). Previously, the pay-one window, began after around 120 days, with circa 200 days for new films to hit cable, pre-pandemic (D'Alessandro, 2021). In 2024, the length of theatrical exclusivity window has decreased drastically, and the change happened during the pandemic. At the tail end of 2021 UFEG announced their plans to send films to Peacock just 45 days after theatrical, in a move that their Vice Chairman and Chief Distribution Officer, Peter Levinsohn said would "[…] satisfy the needs and expectations for key stakeholders across the spectrum, from our filmmakers and producing partners, to cinemagoers and Peacock subscribers" (Levinsohn in Hayes, 2021). The shrunken window has yet not grown back to what it once was, bar a few examples like *Oppenheimer*, as previously mentioned.

In the United States there are 4052 films at time of writing JustWatch (13), 2024). In Norway, where SkyShowtime is the Universal (and Paramount) telegraph, there were 562 films (JustWatch (14), 2024). Their library is composed of Universal, and their subsidiary studios like Focus, Illumination and DreamWorks portfolio as well as third party licensees. The TV section of their streaming platform is also aided by typical live television content such as news coverage and sports content like NFL, Summer Olympics, Premier League, NASCAR and WWE (Gordon & Allen, 2024)[19]. Films remain some of the most streamed content on

[19] Article is affiliated with Peacock.

Peacock, and so they have signed with Lionsgate for license of their news films in the pay-two window, in an effort to boost their movie library with relatively fresh produce (Vlessing, 2022).

Already in 2011, Universal was at the frontier of window compacting. They wanted a simultaneous release of their film *Tower Heist* (2011) at a 59,99 USD PVOD price point, but got pushed back by exhibitors who had already publicly fought against a 60 day window- deemed too short at the time (Fritz, 2011). Today, this war has been fought and theatres have lost ground. During Covid Universal finally got their chance and were among the first to rebel against the established windowing, as previously mentioned with their *Trolls: World Tour* decision that caused exhibitor boycotts. They also released *The Boss Baby: Family Business* (2021) and *Halloween Kills* (2021) day-and-date to the premium tier (D'Alessandro (2), 2022). This was an effort to remain competitive with the other streamers, many of whom stronger both in terms of subscriber base and capital. Around a year later when they also released *Halloween Ends* (2022) day-and-date, paying subscribers were only around 13 million at that time (Couch & McClintock, 2022). As the Peacock premium tier was such a small base, the day-and-date release of these films were always unlikely to impact the theatrical window in a significant way.

In terms of UFEG releasing films exclusively to streaming, or Peacock Originals, this has not been something they have heavily invested in. The most notable include the LeBron James biopic, *Shooting Stars* (2023) and *Megamind vs. the Doom Syndicate* (2024), a sequel to the theatrically released *Megamind* (2010). These appear to be films that they do not see viable for cinema release and not worth investing in the following marketing campaign. This is generally what most other legacy studio streaming platforms are doing as well, as we have move further from the pandemic and movie theatres are steadily returning to life. Releasing a very costly film straight to streaming is not a model that the studios with background in theatrical are following now, as they cannot find a way to make it profitable. Again, the model most legacy studios have shaped is giving it a theatrical release before pushing it to their respective platforms, usually much faster than what was the norm pre-pandemic.

Max

HBO Max went live summer, 2020, succeeding the HBO Now SVOD service, HBO Go- the VOD, HBO pay-tv platform, and HBO Nordic- the HBO Now equivalent in Scandinavia.

Max is another platform that has been mentioned several times due to their disruptive nature during the pandemic and the theatrical implications that followed. The so called “Project Popcorn” which saw their entire 2021 film slate be released day-and-date followed decisions to move *The Witches* (2020) from theatres straight to streaming and *Wonder Woman 1984* (2020) day-and-date. As we have discussed this earlier, we will sum it up. It was disruptive, it was upsetting to talent, it gave more people the opportunity to see the films, compensations were costly, box office drops were drastic, and they had to pocket a lower than usual box office share. Any future iterations of “Project Popcorn” will never happen again. It was a product of extreme circumstance, but they could not find a way to make it profitable. Warner knew they could have made a lot more at the box office if they waited the pandemic out. In fairness, at the end of 2020 when they made the decision, it was not so easy to see when Covid would be under control. However, AT&T, their parent company at the time had a brand-new streaming platform to sell.

Later, as AT&T exited and WarnerMedia and Discovery, Inc merged to form Warner Bros. Discovery, things have changed under David Zaslav. Under the new management cost cutting have been chief among directions in the restructure. Before it became Max, they set out to cut 3 billion USD in costs (Ravindran, 2022). They have pulled several titles from the service to license them off to other platforms including *Westworld* (2016-2022) and 2,000 hours of content to Roku and Tubi’s respective AVOD platforms (Whittock, 2023). To up revenue and save costs HBO Max and Discovery+ became one, and as a result monthly subscription fees went up, while the company also got economies of scale benefits.

Another effort to cost cut has been to cease original programming in the Nordics, Central Europe, Netherlands, and Turkey (Ravindran, 2022). In terms of local, national content, the Discovery half of Max will provide this for that demographic. Warner Bros. Discovery International operates broadcasting in several nations, including national television stations such as TVNorge in Norway. Thus, in the merger of the two, original content, “stepsiblings” like *Dune* will be next to *Wahlgrens World* (2016-2023) and the 2024 Olympics. This is the same type of disparity that the family-oriented content of Disney had to contend with in their respective consolidation with Hulu and 20th Century Fox properties. Such is the downside of mergers and bundles that it is tough to create a single image of what the platform is. On the upside, there is the appeal to more different demographics.

At time of writing, there were 1576 film titles on Max in the U.S. (JustWatch (15), 2024). In the U.K., which has been used in this dissertation to measure and compare libraries across markets and platforms, Sky has a license agreement for HBO content and so Max is not available there (Whittock, 2022). In Norway, where it will remain HBO Max until publishment, there were 684 films (JustWatch (16), 2024). A large portion of the content is built upon Warner's portfolio, including subsidiaries such as DC Entertainment and New Line Cinema. They are also supplemented by output agreements from third parties in other major studios as well as being the pay-one window of A24 as of 2024, along with HBO and Cinemax (D'Alessandro (2), 2023).

To continue with the point of cost cutting, we have already discussed certain titles being written off such as *Scoob! Holiday Hunt*, *Batgirl* and *Coyote vs. ACME.* The previous CEO, Jason Kilar, who was also behind Project Popcorn, wanted these types of productions made exclusively for their platform. Under the Zaslav administration, plans have changed to a more theatrical prioritization, and these films fell victim to this. Nor were they prepared to give them the theatrical treatment, like they did with *Evil Dead Rise* (2023) and *House Party* (2023) that were originally intended for HBO Max exclusivity (D'Alessandro (3), 2022). Some smaller scale films are still releasing straight to streaming, but again, mostly films that would not be theatrical releases in either case. Yet, the *Salem's Lot* (2024) adaptation has been shifted from theatrical to streaming (Erbland, 2024), so there still are chances of missing out on cinema release if the executives are not confident enough in its theatrical prospects.

In an unprecedented move, Max, Hulu, and Disney+ will bundle their services in the first legacy streaming cross-company joint venture, summer 2024 in the U.S. (Hayes (3), 2024). This differs from the complete consolidation of HBO Max and Discovery+ in that it will not merge into one, and users will retain the choice to subscribe to them all or not. The services themselves remain operated by their respective managements. It is more akin to the à la carte way that Amazon and Apple offer additional channels in their subscriptions. CEO and President of Warner Bros. Discovery's Global Streaming and Games division, JB Perrette described this as "[…] a powerful roadmap for the future of the industry" (Hayes (3), 2024). In a world where it is as difficult for users to keep up with the myriad of services as it is for legacy companies to compete with Amazon Prime and Netflix as they pivot from decades of linear television, joining forces might be the move to make.

The following day after writing the previous paragraph, another bundle was announced in response with Peacock, Apple TV+ and Netflix teaming up through Comcast at a "[…] vastly reduced price […]", according to Comcast CEO, Brian Roberts (Vlessing, 2024). The question, then, becomes what, if anything, is the significance of this in terms of film distribution. If the bundle trend that is back in vogue will change what films are produced for streaming, or if it will change windowing management, the answer is most likely no. At least not in the short term. What bundling does is making it more difficult for the user to unsubscribe. If dissatisfied with one service, will it be worth it to quit the bundle entirely if they intend to keep one or two of the other? The main objective with this approach is in all likelihood to reduce ‘churn’, or better retain subscribers, which is something that streaming platforms have struggled with, compared to pay-tv deals that kept audiences locked in longer (Hayes (3), 2024).

CONCLUSION

In conclusion then. Film is an artform, but it is equally as much a business. Movie studios are only in the culture business by virtue of the product’s nature. As disheartening as it may be, film is dependent on money, and typically a large amount of it. That goes for those that are seen by most people, at least. Movies must be funded to be produced, which can be a highly expensive task. Traditionally, whoever finances it would like to see a return on their investment, as will the filmmakers who can build future projects upon previous success. To become successful, films must be distributed in the best possible way.

Distribution and marketing of the film tends to double the budget, which doubles the number that would indicate success and profit. Ultimately, there is no way around it, or else it will not be seen by anyone other than friends and family. A distributor must license, market, and deliver the film to the correct channels. Understandably, the production and reception of films, is often what is the focus within film and media academia. Distribution is the middleman who connects the two. Considering the significance of this joint, and the numbers that must add up, it is no wonder that marketers, distributors, and accountants often outnumber the actual filmmakers and producers in a studio.

The powerhouses of the studio system can produce, license, market, distribute, and now once again, through the miracle of the internet, digitally exhibit their own pictures. To do so, they take advantage of organizational integration, be it vertical and/or horizontal to make the entire chain of production to consumption as friction free and cost efficient as possible. By growing in size, they can access upsides associated with economies of scale. Horizontal integration of companies at the same level in the distribution chain like Disney/Fox, Amazon/MGM, Warner/Discovery, and the proposed Paramount/Sony deal, are all indications of this. As consolidations and M&As increase, relationships and strategies are changing within the industry and the dynamics in the production to consumption chain become more complex.

In what is reminiscent of aspects from the Hollywood studio system in the Golden Age, most major studios have followed in the footsteps of Netflix and Amazon, to create a vertical model through which they can produce, distribute, and exhibit. The new three studios do not share the same deep, legacy relationships with exhibitors, nor did they ever depend on traditional windows and revenue streams that have somewhat been lost to time (excluding Netflix as a DVD rental operation). As a result, they have been freer to experiment with alternative distribution and windowing. Still, Amazon and Apple appear to be embracing exclusive theatrical releases. This in part to promote their platforms, but it does also contribute to the making of ambitious productions and a theatrical output that must be regarded as a welcome addition to the ecosystem when traditional studios have wavered in theirs.

For producers and filmmakers who look to get their films picked up by major distributors, they will hope that the given license owners will treat the films as any good distributor would. Namely to maximize windowing, channels, and timing to exert as much publicity and revenue as possible. Theatrical release is generally the desired first window. With that, there is the opportunity to sell a lot of tickets, qualify for traditional awards, and generate public buzz and awareness around the project, which can sustain the demand in following home windows. In the modern landscape, distributors doing what is best for the individual film is not always a given.

Covid-19 presented the perfect storm to truly put the gatekeepers of traditional windows to the test. It served as a catalyst that presented the opportunity for studios to experiment with windowing models that they long have been curious of. With movie theatres they must share half the profits, the urge to carve out a way to keep all profits becomes alluring, but deceptive. This period corresponded with most traditional studios fully diving into the streaming pool as there was market share up for grabs. With companies looking to aggressively enter the market, movie theatres weak, people staying home, and watching more TV than ever, and so studios engaged in disruptive behaviour.

Theatrical exclusivity windows have for the most part returned as box office revenue and the publicity around such a release remains irreplaceable. However, the length of exclusivity has been handicapped post-pandemic and possibly to a permanent effect. Cinema attendances seem to be steadily returning, but the sample period, or 'normal years' after the pandemic is short. Only one and a half year has passed at the time of writing. Even 2023 and 2024 are slightly irregular as the strikes paused production and marketing.

Due to techno cultural changes, largely through the rise of the internet and the subsequent penetration of streaming platforms, VOD have been preferred by many over physical media. Production of films that relied on these ancillary income sources have had to adapt to the paradigm shift, as in their prime, the physical window could outperform theatrical revenue. Without streaming being able to reproduce this revenue in secondary windows, the trend is that they either need to depend more on theatrical or go straight to streaming. Unfortunately, it has seen a decrease in theatrical releases of a certain genre and budget films.

Perhaps most importantly in the bigger scheme of things, the rise of VOD has stolen market share from linear TV. Streaming has been welcomed by the people due to its convenience, vast array of options on demand and affordability compared to expensive and difficult to cancel pay-tv packages. The issue for the studios and their parent conglomerates, is that it has heavily impacted huge revenue streams from pay-tv, that go several decades back in time. In fear of the bottom falling out of from traditional pay-tv, they have used their respective daughter studios to spearpoint new platforms. They have done this in an effort to chase lost revenue streams instead of attempting to combat the shift in the ecosystem. To attract and retain subscribers, studios have interfered with the established windowing system by decreasing and even bypassing windows as we know them, entirely. This is what is meant earlier by distributors not always doing what is best for the individual film, as they attempt to strike a balance between the fate of films and what is best for the company. Higher powers have in last few years shifted certain theatrical calibre films from exhibitors straight to their services.

Ideally, this distribution shift is agreed upon beforehand, but that has not always been the case, as seen most apparent under Project Popcorn. For producers of films that bypass theatres and/or standard windowing, like day-and-date releases, fair compensation should be made in other ways, as gross box office and ancillary window revenues go out the window. Another consolation is that it gives more people the opportunity to see the film when it becomes more accessible. An unfortunate downside for everyone invested in the financial return of the film, is that VOD releases conceive illegitimate ways to access it through pirating. Finding the balance in the new window ecosystem is still something that they are figuring out. For distributors the task to maximize revenue at each window without one cannibalizing the other becomes almost impossible, especially when the company has another product to grow. The major studios have been stuck in two minds between highly dynamic and unpredictable revenue streams from exhibitors or use their exclusivity and appeal to create publicity for their new streaming platforms which in the long term can create a consistent flow of revenue. This is something they hope can replace pay-tv, but for that to happen it seems as something has had to change.

In the land of subscription video on demand, there is a platonic shift happening. Coinciding with Wall Street preference moving towards revenue over subscriber numbers, harvest season is upon us. We have entered a period where providers are decreasing appeal, while increasing revenue through upping subscription fees and introducing advertisement. Most people have already been hooked on streaming, anyway. Streaming services look to arcane models from pay-tv to chase profitability, with advertising and long-term retention strategies returning. There are signs suggesting that from a user perspective, we have had a golden age of streaming. In theory this shift could mean good news for exhibitors and surviving physical media.

In evaluating the film distribution ecosystem and especially the longevity of movie theatres as we know them, there are clearly concrete industry concerns. This is associated with the supply of films as studios focus on streaming as they consider certain theatrical releases as undesired risks. Yet the biggest threat posed to the exhibitors now may just reveal itself to be more of a long-term, phantom menace in the form of training and nurturing streaming contention with their vast libraries and fresh produce. Those growing up in the streaming era are moulded in their image for better or for worse. Cinema risk becoming the place just reserved for the blockbusters that warrant the big screen experience. As most have realized that films hit digital just a few weeks later anyway, the living room barrier grows taller. Studios and distributors have made sacrifices at the altar of VOD, but *still* they cannot seem to shake the dependence of the box office for immediate and secondary success. As a result, any inevitable wound in the shape of declining ticket sales and faltering secondary revenues would be self-inflicted. Can the bell be unrung?

FIGURES

Figure 1: Illustration of the 4P's in the marketing mix (Kotler, 2000, p. 8).

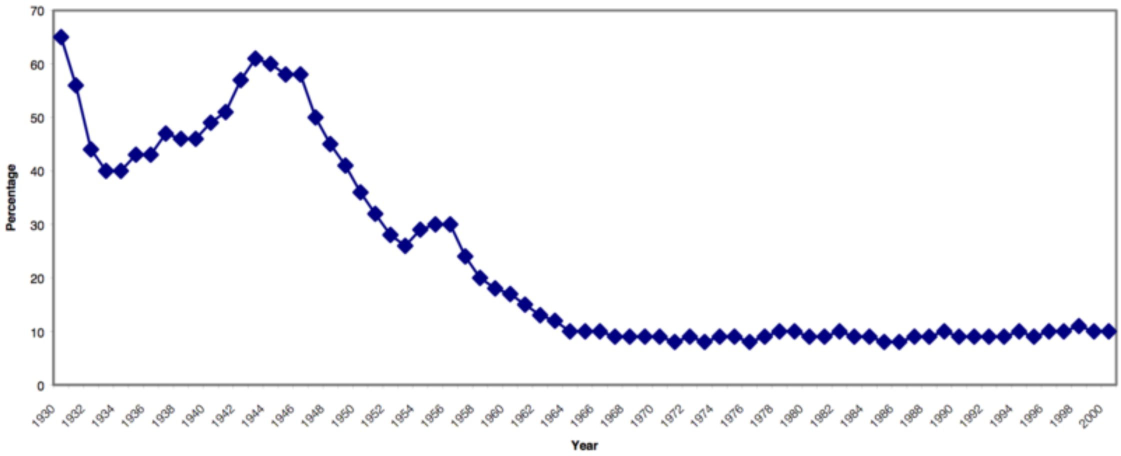

Figure 2: Percentage of U.S. population who went to the cinema on a weekly average (Pautz, 2002).

U.S. Consumer Spending

($ in millions)	Q-4 2022	Q-4 2023	Q4-YOY	YTD 2022	YTD 2023	YOY
Physical Product*	$ 552.22	$ 440.23	-20.28%	$ 2,085.22	$ 1,557.28	-25.32%
Digital**						
Electronic Sell-Thru (EST)	$ 666.31	$ 713.27	7.05%	$ 2,512.94	$ 2,637.27	4.95%
VOD	$ 367.54	$ 409.86	11.52%	$ 1,676.08	$ 1,688.44	0.74%
Subscription Streaming (SVOD)***	$ 8,152.16	$ 10,146.38	24.46%	$ 30,524.40	$ 37,085.41	21.49%
Total Digital	$ 9,186.01	$ 11,269.52	22.68%	$ 34,713.42	$ 41,411.11	19.29%
Total U.S. Home Entertainment Spending	$ 9,738.23	$ 11,709.74	20.25%	$ 36,798.64	$ 42,968.39	16.77%
Box Office in Billions	$ 0.88	$ 2.48	181.91%	$ 7.35	$ 9.57	30.19%

*Physical Product represents consumer spending for sell-thru and rental disc transactions.

**Digital transaction spending (EST and VOD) includes premium releases, but not Disney+ Premier Access titles.

**SVOD data sourced from Omdia (technology.informa.com). Disclaimer: The data is not an endorsement and reliance is at a third party's own risk.

Figure 3: U.S. 2023-year end home entertainment spending (Digital Entertainment Group, 2024).

Year	Tickets Sold	Total Box Office	Total Inflation Adjusted Box Office	Average Ticket Price
2024	*588,605,559*	*$6,345,167,928*	*$6,345,167,928*	$10.78
2023	829,674,340	$8,929,057,956	$8,929,058,126	$10.78
2022	704,855,226	$7,422,127,595	$7,560,618,827	$10.53
2021	443,876,630	$4,514,226,899	$4,784,443,032	$10.17
2020	219,986,842	$2,019,481,070	$2,370,388,925	$9.18
2019	1,224,504,536	$11,216,464,155	$13,188,149,146	$9.16
2018	1,310,855,114	$11,941,892,625	$14,098,187,514	$9.11
2017	1,225,555,332	$10,993,234,128	$13,181,932,391	$8.97
2016	1,302,285,249	$11,264,770,643	$13,998,671,907	$8.65
2015	1,323,177,499	$11,154,389,331	$14,145,312,764	$8.43
2014	1,257,262,119	$10,271,834,666	$13,396,614,699	$8.17
2013	1,339,139,853	$10,887,209,981	$14,138,952,730	$8.13
2012	1,382,834,955	$11,007,369,207	$14,566,111,826	$7.96
2011	1,282,630,860	$10,171,265,130	$13,506,115,661	$7.93
2010	1,328,787,540	$10,484,135,922	$13,992,141,411	$7.89
2009	1,418,567,388	$10,639,257,284	$14,937,466,933	$7.50
2008	1,358,070,522	$9,750,948,417	$14,300,483,888	$7.18
2007	1,420,070,454	$9,770,087,282	$14,953,342,928	$6.88
2006	1,401,392,669	$9,179,124,447	$14,756,670,566	$6.55
2005	1,372,980,280	$8,800,805,718	$14,457,487,640	$6.41
2004	1,495,066,169	$9,284,362,879	$15,743,050,935	$6.21
2003	1,524,589,620	$9,193,277,289	$16,053,929,844	$6.03
2002	1,575,756,527	$9,155,147,215	$16,592,726,642	$5.81
2001	1,465,908,110	$8,297,041,538	$15,436,015,656	$5.66
2000	1,395,129,002	$7,519,746,970	$14,690,727,773	$5.39
1999	1,444,672,583	$7,338,938,019	$15,212,402,304	$5.08
1998	1,453,112,817	$6,815,100,112	$15,301,288,391	$4.69
1997	1,347,614,826	$6,185,552,939	$14,190,402,718	$4.59
1996	1,305,281,831	$5,769,346,486	$13,744,537,679	$4.42
1995	1,221,778,976	$5,314,739,245	$12,865,338,250	$4.35

Figure 4: American theatrical market summary 1995 to 2024- box office (Numbers (2), 2024).

Year	Warner Bros	Walt Disney	20th Century Fox	Paramount Pictures	Sony Pictures	Universal	Total Major 6	Total Other Studios
2024	12	7	0	8	15	20	62	50
2023	12	9	0	9	17	20	67	83
2022	6	5	0	10	13	25	59	51
2021	17	7	0	4	16	16	60	35
2020	5	3	1	3	9	13	34	23
2019	18	10	11	9	18	21	87	43
2018	19	10	11	10	16	20	86	58
2017	18	8	14	10	16	15	81	50
2016	17	12	16	12	16	22	95	46
2015	22	11	18	9	13	20	93	33
2014	17	12	17	10	17	15	88	37
2013	17	8	15	8	14	16	78	42
2012	16	11	15	13	18	17	90	42
2011	20	13	15	13	21	19	101	35
2010	20	12	18	12	17	17	96	30
2009	25	14	20	10	21	21	111	30
2008	19	11	22	14	19	19	104	48
2007	30	13	17	16	22	20	118	50
2006	26	17	25	13	26	21	128	31
2005	20	20	19	12	19	17	107	30
2004	27	25	18	14	15	14	113	25
2003	28	19	13	14	19	13	106	23
2002	32	23	15	16	20	13	119	21
2001	30	16	16	14	17	10	103	25
2000	29	22	13	12	15	13	104	27
1999	27	20	15	13	22	16	113	19
1998	27	21	11	11	20	16	106	20
1997	31	22	12	16	22	11	114	22
1996	31	23	13	16	24	13	120	22
1995	27	22	11	12	20	17	109	27

Figure 5: American theatrical market summary 1995 to 2024- studio releases (Numbers (3), 2024).

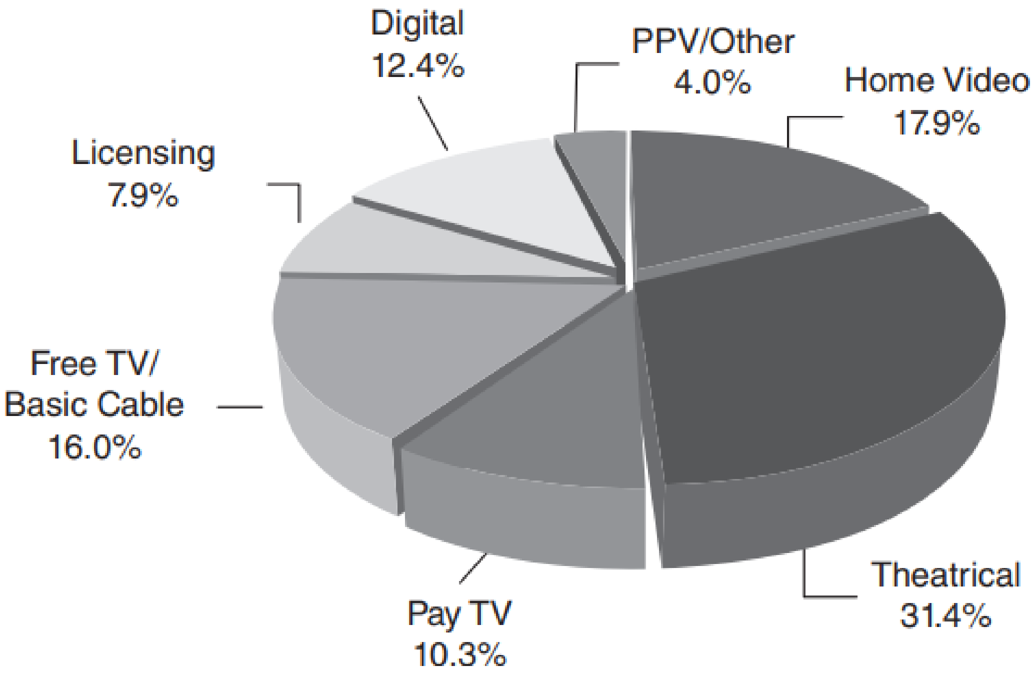

Figure 6: Studio revenue breakdown, 2016 (2009 SNL Kagan in Ulin, 2016, p. 212).

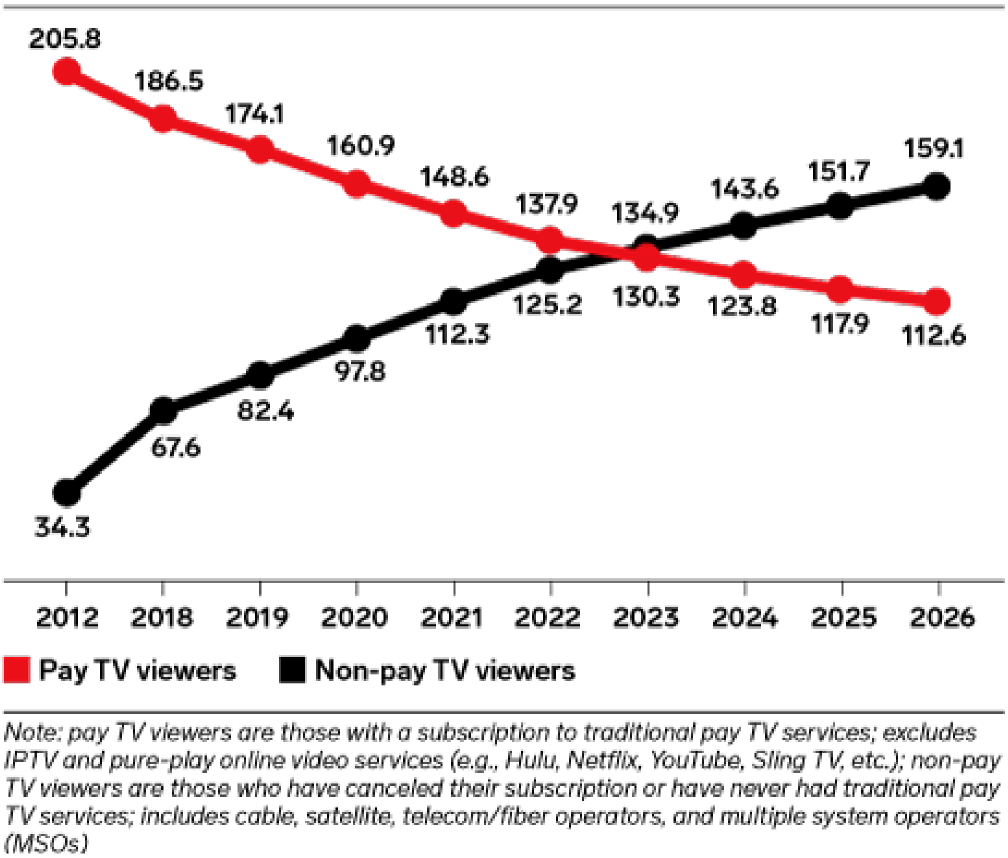

Figure 7: U.S. Pay TV vs. Non-Pay TV Viewers (in millions), 2012, 2018-2022 and 2023-2026 projection (Lebow, 2022).

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